

THE AP HANDBOOK

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INTRODUCTION

The National Futures Association (NFA) was granted registration by the Commodity Futures Trading Commission (CFTC) as a self-regulatory organization for the futures and options industry on September 22, 1981. Within a few months, the Congress of the United States ratified the CFTC's actions and the Associated Person (AP) status came into being.

By June of 2008, the NFA listed over 54,000 men and women as registered members of the NFA. This number has grown consistently.

During the past 27 years, the duties of the APs have changed along with the industry. Early on, APs most often dealt with agricultural customers and products. APs generally worked for futures commission merchants (FCMs) located in Chicago, New York or their branch offices, and each one could service no more than 20 to 25 customers.

While many APs have been registered for 30 years or more, myself included, the variety of products and market information available have changed the function of the AP. Today, because of the availability to the public of inexpensive, fast market information, and equipment such as handheld quotation devices and personal computers, APs can service many more customers.

By 2008, very few APs described themselves as primarily agbrokers. Financial products such as E-mini S&P 500 futures contracts, interest rates and foreign currencies are most often a significant part of an AP's business. Many solicit customers for investment in funds or managed accounts.

Women are still a minority in the industry. College education for APs is the norm and specialization in individual markets, or as online brokers or Forex traders only, is on the rise. The largest number of APs registered with the NFA are located in New York with California, Illinois, Florida and New Jersey following closely.

Order entry is a changed process from 27 years ago. Now most customers can enter their own orders. Customers today rely on the AP for risk management control and for advice, rather than only the physical order process.

Another dramatic difference in the AP's role is in the solicitation of new customers and the account opening process. Today, Web sites drive customers to FCMs and Introducing Brokers (IBs), account documentation can be completed and forwarded to the AP and FCM from the site, and customer education is often delivered via Web cast.

The AP Handbook, 3rd Edition, 2008, is the guide that will help you make decisions, provide support and get you off to a good start as a registered futures and options professional – all in one book. Information about APs and their relationships with FCMs and customers detailed in this guide comes directly from registered men and women currently working in the industry. Registration and regulatory information are from regulatory agencies and the federal government.

Good luck – Melinda Schramm, melinda@futuresrep.com

CHAPTER 1 – ASSOCIATED PERSONS (APs)

Associated Person (AP): An individual who solicits orders, customers or customer funds (or who supervises persons performing such duties) on behalf of a Futures Commission Merchant (FCM), Introducing Broker (IB), Commodity Trading Advisor (CTA) or Commodity Pool Operator (CPO).

APs are the salespeople of the futures and options industry. Registration with the NFA is required for everyone in the industry dealing with the public, with a few exceptions such as those people already registered with the Financial Industry National Regulatory Association (FINRA) in certain capacities.

Men and women who supervise the sales activities of the APs, such as sales managers, must also be registered APs. APs work for brokerage houses or firms, individual introducing brokers and trading advisors and pool operators. Anyone whose career goal is to own his or her office will have to register as an AP.

If you want to solicit funds, securities or property for participation in a commodity pool or for a discretionary account to trade futures and options interests, you are also required to register as an AP.

To qualify as an AP an individual must pass the National Commodity Futures Exam (Series 3) within two years of applying for registration; fulfill ethics standards set by the sponsoring firm; and complete an application for registration and membership in the NFA, which includes disclosing educational and disciplinary history and submitting fingerprint cards to the Federal Bureau of Investigation (FBI).

Any person who will also act as the supervisor of a branch office of an FCM or IB must also complete the Branch Manager's Examination (Series 30).

All APs must become members of the NFA as an Associate. Membership is mandatory and no other member, such as an FCM, IB, CTA or CPO, can conduct customer business with non-NFA individuals or firms.

The NFA currently lists 54,426 Associate Members. This number has held steady or increased slightly since APs have been required to register.

Age

The average age of APs working at FCMs is around 41 years, with those working in IBs averaging slightly younger; APs working with CTAs and CPOs are slightly older. APs range in age from about 21 to over 65 years old. Offices do not hire individuals under 18 and there is no mandatory retirement cut-off age.

Geographic location of the sales office and whether or not the FCM/IB specializes in certain markets appear to play no part in the age of the APs working there.

Gender

The AP population is still predominately male. Only about 25 percent of the total registered number are women. While nearly every sales office employs at least one woman salesperson, that one is very often the only female in the office.

The female population in the futures and options industry is growing. From the late 1970s and all through the 1980s and the early 1990s, I was generally the only woman salesperson in the Chicago FCM office where I worked. Today, many more women own Introducing Broker offices and Commodity Trading Advisor businesses.

Sales managers report they would like more women to interview for sales positions and generally find that those who accept employment make successful brokers.

Geographic location of the sales offices and whether or not the FCM or IB specializes in certain markets appear to play no part in the number of women who work at the office.

Number of Years in the Industry

An AP may begin work in the industry immediately upon completing the registration requirements. However, most firms require a training period or a time when the new AP acts as a broker's assistant or part of a team.

Many APs, including myself, have been registered for more than 30 years. This is an industry that can truly be a lifetime career.

Educational Background

More than 85 percent of the APs registered today have some college background.

While there is no set educational curriculum or requirement for entering the industry other than the proficiency exam, most APs have bachelors' degrees. Many have received masters' degrees, law degrees or are qualified certified public accountants (CPAs).

AP degrees are in all fields of study. Economics, marketing, finance and communications are all possible courses of study for APs transacting business in any market. However, it is most likely that a person with an agriculture-related degree will find work in an agriculture-related firm.

Previous Employment Experience

There is no common employment history experience among APs. While many men and women have previously worked in a related industry, such as the stock market, banking or grain or other ag-business, successful APs have been restaurant managers, insurance salespeople, newspaper reporters and even fashion models.

There are common features among the previous employment histories of APs:

- Many APs have some type of sales experience before entering the futures industry;
- Many APs have had experience in service industries ranging from telephone sales to tending bar; and
- Some APs have special knowledge of a particular industry, which may help them in that area of the futures and options business.

Other Licenses Held

The most common license an AP is likely to hold along with the Series 3 commodity license is the Series 7 stockbroker's license. Slightly more than 32 percent of registered APs also hold the Series 7 license, which allows them to work in the securities industry.

Many APs also have real estate licenses or are licensed to sell insurance.

Recruitment

About 50 percent of registered APs simply answer an ad in the newspaper or on the Internet for an interview with an FCM or IB. The interviews generally take place in the firm's office, but can be held during a trade show or job fair.

The other 50 percent of registered APs generally have been referred to a firm by a current employee, such as a friend or relative, or have been working in another division or area of the firm before entering into sales. Transition from the trading floors or desks to the sales office is a very common route for many APs.

Clerical Assistance

Nearly all APs working in the FCM offices have clerical assistance to handle phones, mail promotions and, in some cases, help watch market movement. These non-registered personnel are most often shared with other brokers.

In IB offices, as well as in many CTAs and CPOs, APs themselves carry out clerical duties while performing sales functions.

Because many IBs, CTAs and CPOs have fewer individuals working in the office than an FCM employs, an AP often handles phones as part of a training process or simply because there are no designated clerical workers.

Markets Traded

APs specialize more frequently today than just a few years ago. While APs still work most often with speculators versus hedgers, many trade one or two markets or market types (such as only financial or ag-related) most frequently.

Sometimes the markets an AP trades depends on the type of firm with which he or she is associated. An IB that only trades agricultural markets and works with hedgers, as well as speculators, may be the right office for your professional goals. Alternatively, an FCM who specializes in S&P 500 futures and E-mini S&P 500 futures, and prefers to work with speculators may be the place for you.

APs can also work in firms where trading is handled primarily online. Orders are taken and filled through the firm's electronic platform, and the AP may simply solicit the client to do business with the firm or may continue to service the client in addition to the order entry process.

Employment Contracts

APs who work in firms located in larger cities, such as Chicago and New York, are more likely to have formal, written employment contracts than those who work in other geographic areas. Some FCMs and IBs do not require employment contracts at all.

Topics generally covered in AP contracts are more fully discussed later in this book and include:

- Types of fees charged and to whom
- Your payout and when you will be paid
- Withholding of your payout
- Non-compete or restrictive clauses
- Identification of proprietary information
- Lead generation and costs
- Rules of professional conduct
- Expenses the AP may be responsible for
- Insurance, retirement plans and other benefits

Insurance and Other Benefits

Most FCMs, IBs, CTAs and CPOs offer at least basic health insurance packages. These benefits may not be available until the AP has worked in the office some minimum time period, commonly about six months.

Several FCMs and IBs have “bonus” program situations available to their APs. These vary from firm to firm and may include bonuses paid for increasing the total of customers’ equity or the number of customers serviced.

Some firms also offer the opportunity to participate in retirement plans. Very few companies have other types of benefits, such as health club memberships or day care.

Salaries and Team Training

Often FCMs and IBs pay APs a “salary” during the first few months of employment. It is minimal and generally does not continue after the initial three- to six-month period. After that, it is most common for APs to work solely on a commission basis.

Many APs work as team members during the first part of their training. Generally they handle incoming phone calls or place orders for a more experienced broker. After a time, these APs open their own accounts and may continue to work with another broker or individually.

APs may also work as the equity raiser for the team. One or two APs raise equity to trade while a more experienced broker selects the trades or trading program for the customer.

Many FCMs and IBs prefer using the team approach to solicit and service customers because new APs learn from working with seasoned professionals, and each team member is encouraged to contribute what he or she does best.

Leads

Your sponsor (FCM, IB, CTA or CPO) is responsible for any solicitation you do with regard to contacting the public to trade the futures and options markets. The firm’s policies have been developed according to NFA guidelines. Your sales manager must approve all promotional materials – written, spoken and electronic.

Most firms provide some leads or an organized lead-generating program. Web sites created and supervised by the FCM or IB generate leads that are usually shared between salespeople

Some sponsors also have special campaigns to generate business leads such as mailers, additional web information sites, television or radio promotion. The firm will often allow APs to contribute to the cost of these programs and share in the leads.

APs also use seminars and face-to-face presentations to develop a customer base. Agricultural brokers typically hold three or four meetings per year for clients and prospects, while APs presenting a complicated trading strategy or a long-term commitment trading program find a face-to-face engagement is very effective.

Nearly all APs do some form of cold-calling. Leads for the calls can be generated from the Internet or through direct mail solicitation. Marketing techniques are discussed fully later in this book.

Characteristics of Successful APs

A list of the characteristics of successful APs always puts honesty, trustworthiness and a positive or optimistic attitude right at the top. A successful AP is committed to his or her job and is willing to work hard to achieve goals.

Additional characteristics are an ability to:

- Set goals and form a business plan
- Review and update goals periodically
- Exercise self-discipline in accomplishing goals
- Build personal relationships
- Be outgoing and personable
- Listen well
- Communicate well
- Find humor in the appropriate context
- Be patient
- Be humble
- Have a working knowledge of the industry
- Be self-motivated
- Coexist and socialize with others
- Be flexible
- Know and stay abreast of the industry
- Stay healthy
- Continue education in the industry

Seven Traits to Master

The students in my classes who go on to be successful APs have some personality traits in common. They are:

1. A positive outlook

Successful people approach their career with a positive or optimistic outlook. They do not let small diversions or failures stand in their way. They convey their positive feelings to their customers and others around them, and it pays off.

2. Willingness to do things “by the book”

While individual solicitation techniques and a unique personality may contribute to overall success, it will be very difficult for a rogue broker to find and keep a job. Brokerage firms look for APs who are scrupulous in their dealings with customers and follow the policies for solicitation set by the firm.

Non-compliance or customer complaints will terminate the relationship with your sponsor and may lead to a permanent ban or unemployment in the financial industry.

3. Quiet confidence

Confidence in yourself and your ability to become a successful AP is a must-have characteristic. For every lead who opens an account, there are many more who do not.

Men and women who have long careers in the futures and options business believe in themselves but, confidence does not mean bragging about your accomplishments. It is unethical to reveal information about your customer positions and financial conditions. APs may not disclose information that would betray a customer’s right to confidentiality or that would violate the terms of his or her employment contract with the sponsoring firm.

4. Keep cool under stress

No cursing or shouting when you get flustered. This is especially true when a customer can see or hear you.

5. Good listening skills

I often think that being a good listener is the key to being a successful AP. In order to provide the best service for the customer and give the customer the best opportunity for trading success, an AP has to first hear what the customer expects from the industry, the markets and the relationship with the AP. The customer has wants and needs, goals and a definite risk capacity.

APs who listen carefully to the customer can help to develop and implement a trading strategy that meets those criteria.

6. Some sales/service industry experience

Almost 80 percent of my students have some sales or service experience before becoming APs. It does not seem to make much difference in which industry the experience is gained. What counts is the customer interaction skills learned, along with the self-discipline many commission-only salespeople develop.

7. Good physical condition/pride in appearance

Even if you are already used to being at a desk watching a screen with a phone up to your ear every day, the futures and options business can be physically demanding.

APs who are successful keep both their mind and body in good working order. Take time out for the gym or some physical exercise, and eliminate or reduce stress-producing situations.

Reduce or eliminate alcohol consumption and, of course, don't do drugs.

The way you look is often a clue to the way you will handle your customer paperwork and your work place. Some sponsoring firms require a dress code or standards. Appearance does count, even if all your business is transacted over the phone or online.

CHAPTER 2 – REGISTRATION

Register: A roster of qualified individuals.

Registration with the CFTC and membership in the NFA is required for anyone acting as an AP of an NFA Member. As mentioned in Chapter 1, an AP is an individual who solicits orders, customers or customer funds (or who supervises persons so engaged) on behalf of a FCM, IB, CTA or CPO. Essentially, an AP is anyone who is a salesperson or who supervises salespersons for any category of registered individuals or firms.

The registration requirement also applies to any person in the supervisory chain of command, such as your sales supervisor or owner of the FCM, IB, CTA or CPO. There were 54,426 AP members of the NFA as of June 2008.

A candidate for an AP license must fulfill the following filing requirements (all forms can be found online at www.nfa.futures.org). The application for membership in the NFA is included with this documentation.

- A completed Form 8-R
- A complete fingerprint card
- Evidence form that the candidate has passed the National Commodity Futures Exam (Series 3) within the past two years
- Verification of Form 8-R
- A non-refundable registration fee of \$85

If you plan to perform certain activities, such as conducting seminars or writing a newsletter, you may need an additional registration as a CTA. If you plan to solicit customer funds for pools for which you direct the trading, you may need an additional registration as a CPO.

The Forms

NFA Records as of June 2008	
Total APs	54,426
Total FCMs	130
Total IBs	1,609
Total CTAs	846
Total CPOs	37

Registration by anyone who is a salesperson in the futures and options industry is generally always required with the following exceptions:

- (i) you are already registered as a FCM, IB or Floor Broker (FB), or
- (ii) you are already registered as a CPO, if you are working with a CPO, or
- (iii) you are already registered as a CTA, if you are working with a CTA, or
- (iv) you are already registered with the Financial Industry Regulatory Authority (FINRA) as a registered representative and you limit your futures activity to the solicitation of participation in a commodity pool, or
- (v) if the firm you work for generates no more than 10 percent of its annual revenue from commodity transactions and you will be the Chief Operating Officer, General Partner or other principal in the supervisory chain of command, you may be eligible for exemption from AP registration.

Your FCM or IB will submit your completed paperwork to the NFA and it will usually be processed within three business days. However, it will take up to 6 to 10 weeks to complete all the background checks, including the fingerprint card.

During this time period, the NFA will generally issue a Temporary License (TL) online. The TL lets you do all the things you will be doing as a fully registered AP, but it will be terminated by the NFA if the agency does not grant the registration, or if any of the required accompanying information, such as fingerprint cards or the filing fee, is not received by the NFA within 20 days. Once your permanent registration is granted, the TL terminates automatically.

Your “sponsor” is the FCM, IB, CTA or CPO for whom you will be working. An authorized person, most often your sales manager or compliance officer, must sign and date the Sponsor’s Certificate form. This assures the NFA that the firm has completed its own background check of your credentials.

APs must be NFA Associates. AP applicants automatically apply to become Associates as part of the AP registration application and process.

Common mistakes made on the Form 8-R include:

- Employment background is incomplete
- Residential background is incomplete
- Applicants must list employment and residential history from most current to least current
- Disciplinary history is incorrectly reported

Tips for filling out the Form 8-R

- “Adjudication” in a criminal case means a determination by a court that the defendant is guilty or not guilty.
- “Alias” is another name used by an individual or previously used by an entity.
- “Charge” means a formal complaint, information, indictment or the equivalent containing an accusation of a crime.
- “Enjoined” means subject to injunction.
- “Felony” is defined as any crime classified as a felony, or in states and countries that do not differentiate between a felony or misdemeanor, an offense punishable by a sentence of at least one year imprisonment and/or fine of at least \$1,000. It includes a general court martial. Felonies may include gambling charges, failure to file tax returns or military court issues. Felonies must be disclosed even if they occurred more than ten years prior to applying for registration.
- “Financial Services Industry” includes commodities, securities, accounting, banking, finance, insurance, law or real estate.
- Violations of IRA Tax Code Sections 7203, 7204, 7205 and 7207 must be disclosed.
- “Misdemeanor” is defined as any crime classified as a misdemeanor; or in states and countries that do not differentiate between a felony or misdemeanor, an offense punishable by a sentence of less than one year imprisonment and/or a fine of less than \$1,000. It includes a special court martial.
- Pending Chapter 7 or 11 petitions for bankruptcy must be disclosed, as well as a bankruptcy that has been discharged or closed with the past ten years.
- Pending complaints with the NFA, FINRA or American Arbitration Association do not have to be disclosed.
- Failure to disclose material information on your application is a reason to disqualify your application.

Disciplinary Information

Common mistakes that occur in the criminal disclosure question section involve “expungements.” “Expunge” means to erase, delete or destroy. It most often occurs when a court expunges the record of a minor. The CFTC requires a “Yes” answer even if the matter has been expunged, regardless of the advice that may have been given to you by your lawyer.

Another common error regarding criminal matters concerns matters that do not involve the futures industry. Even matters unrelated to the futures and options industry must be disclosed.

Financial Questions

It is not necessary to disclose arbitration or CFTC reparations matters, unless the individual has failed to pay an award issued in a futures-related arbitration or order entered in a reparations matter. These matters have already been disclosed to the NFA and are entered into the NFA’s system.

Additional Documentation

If you answered any questions “Yes,” a written explanation detailing the events and conduct must be provided.

In addition to the required explanation, other documents about the matter must be sent to the NFA. If court documents are unavailable, a letter from the court verifying that unavailability must be sent to the NFA. If documents other than court documents are unavailable, you will be required to provide a written explanation for their unavailability.

If you fail to provide the NFA with the required documents, the registration process will be slowed or your application may be denied.

Fingerprints

Fingerprint cards are sent by the NFA to the FBI to determine if the applicant for registration has a criminal record. To conduct a check of its records, the FBI must be able to analyze the print pattern of all ten fingers. The FBI will reject fingerprint cards that do not have legible patterns for all ten fingers. You can have your prints prepared by:

- A bonding company
- City Hall
- County courthouse
- Futures or securities exchange
- NFA’s Chicago office
- Police department
- Sheriff’s office
- U.S. Embassy

The NFA will only accept and process a complete FBI applicant card. Submitting more than one set of prints with your application can help to avoid any delays that might be caused by obtaining additional sets, if necessary.

The NFA will return any fingerprint cards that are received incomplete or not done on an applicant card, and request new cards be sent. Applicant cards can be found online at www.nfa.futures.org.

The NFA’s Chicago office, at 300 S. Riverside Plaza, Suite 1800, offers fingerprinting service between 8:30 a.m. and 4:00 p.m. for \$15.00. An applicant must be pre-registered in the building register to use this service. To pre-register, you can send an e-mail to information@nfa.futures.org or contact NFA’s Information Center at 312 781 1410. It is best that you pre-register at least one day prior to visiting the office. All individuals requiring fingerprinting must present two forms of identification, one of which is a valid photo ID issued by a government agency, to verify identity.

The NFA submits digital images of fingerprints to the FBI for criminal background checks. Results are generally received in three days or less. If you have questions regarding the fingerprint process, you can contact the NFA's Information Center at 312 781 1410.

The Exam

Every AP is required to satisfy proficiency requirements. The most common way to satisfy those requirements is to take and pass the National Commodity Futures Examination (NCFE) within the two years preceding your application. The test is most often referred to in the industry as the "Series 3 exam." The test application, Form U10, is available online from the NFA or at the FINRA site at www.finra.org. The cost for the Series 3 exam is a non-refundable \$95, payable by credit card online.

You will not need a sponsor to take the examination, but you will need one to apply for registration. The sponsor will be your FCM, IB, CTA or CPO. Simply passing the exam does not allow you to act as a registered commodity broker. You must file a registration application with the NFA, submit the appropriate fees, fingerprint cards and any other necessary filings.

Some individuals can use alternative means or tests to satisfy the requirements. Some of those alternatives require that an individual limit the activities that he or she intends to engage in and to pass an alternative exam.

Individuals who are working as Branch Office Managers must also take the Branch Manager Exam (Series 30). This one-hour exam consists of 50 questions covering supervisory issues and costs \$60.

The Series 3 exam includes 120 true/false and multiple choice questions. You will have 2-1/2 hours to complete it. The test has two parts: market knowledge and U.S. regulations. The test is given on a PC, so you are able to review and change your answers before you submit the completed test. The computer scores the exam and you will know the results before you leave the testing center. You must receive a score of 70 percent on both parts of the exam in order to pass. You can view sample questions at www.finra.org.

In the market knowledge section of the exam you will be asked questions about the following areas:

- Futures trading theory and basic functions terminology
- Futures margins, option premiums, price limits, futures settlements, delivery, exercise and assignment
- Type of orders, customer accounts and price analysis
- Basic hedging, basis calculations and hedging futures
- Spreading
- Speculating in futures
- Option hedging, speculating and spreading

In the regulation section of the exam questions include:

- General registration questions
- FCM/IB regulations
- CPO/CTA
- Arbitration procedures
- NFA disciplinary procedures

The Branch Manager Exam (Series 30) must be taken in addition to the Series 3 by APs in a supervisory role. This one-hour exam includes subject areas such as CPO/CTA disclosure documents, the NFA “know your customer rule,” general questions about Introducing Brokers, and general account handling and exchange regulations. It also covers subject matter regarding discretionary account regulations, promotional material (NFA Compliance Rule 2-29) and anti-money laundering requirements.

Several other exams are offered for persons who work in the financial industry. The Series 31/Futures, Managed Funds Exam and the Series 32/Limited Futures Exam Regulations may be appropriate for some people. Check with your sales supervisor to see if you need any additional examinations.

Ethics Training

In October 2001, the CFTC issued a Statement of Acceptable Practices for ethics training in the futures and options industry. Each firm is now permitted to tailor its training program to suit its individual operations.

Ethics training is one of your FCM’s or IB’s supervisory obligations under the NFA’s Compliance Rule 2-9. Your firm will determine the format the training will take, the frequency of training required and the type of documentation proving the requirement has been fulfilled. Many exchanges have established training programs that are available to all registrants.

Your ethics training program will address several topics, including:

- An explanation of applicable laws and regulations and rules of the NFA, contract markets and registered derivatives transaction execution facilities
- Your obligation to the public to observe just and equitable principles of trade
- How to act honestly and fairly and with due skill, care and diligence in the best interest of customers and the integrity of the markets

- How to establish effective supervisory systems and internal controls
- Obtaining and assessing the financial situation and investment experience of customers
- Disclosure of material information to customers
- Avoidance, proper disclosure and handling of conflicts of interest

Your firm may have its own in-house ethics training program or it may obtain training sponsored by an independent firm or industry association. The training itself may be provided by audiotape, computer software, over the Internet or during an in-person presentation.

Your sponsoring FCM or IB will keep records to show that you have fulfilled your required training, the date of that training and any materials used.

Sponsor Agreement and Individual Agreement

Both of these agreements are found within the AP application as part of that form. The Sponsors Agreement states that you will not be able to work as an AP until you are properly registered and that the sponsoring firm has reviewed your employment, residential and disciplinary history.

The Individual Agreement states that you are telling the truth on your application, that you will not act as an AP until registered properly and that you will report any changes in your registration information to the NFA.

If Your Application is Denied

Applications for AP registration are most often denied because the applicant did not disclose a derogatory disciplinary history or because there is a statutory disqualification, such as a felony conviction based on financial misdealing. The NFA will notify you if this is the case.

If your application is denied, you can apply to a committee of the NFA for a hearing on your application. The committee will make a determination as to whether to grant the license. This procedure is available on a case-by-case basis.

Making Changes on Your Paperwork

If you need to make changes or additions to the answers on the Form 8-R after you are registered, you will submit a Form 3-R, Part 1. This form is available online at the NFA's Web site.

Terminating Your Registration

If you leave employment with your sponsoring firm or decide to terminate your registration status altogether, the firm will file a Form 8-T within 20 days of your termination date. Ask your firm for a copy of the form for your records.

If the form is received by the NFA more than 20 days after the termination date, the firm may be fined.

You will not have to take the Series 3 proficiency exam again if you re-associate with an NFA-registered firm within a period of two consecutive years after termination.

Why You May Need a CTA Registration

If you advise others for profit, directly or indirectly, as to the value or the advisability of buying or selling futures or options contracts, you may need a CTA registration. Advising customers indirectly generally includes exercising trading authority over a customer's account, as well as providing recommendations through presentations, such as seminars, written or electronic newsletters or market advice, which is not incidental to the functions you are performing as an AP.

Actions that may require registration are:

- Using or advising customers to use trading systems software
- Handling managed accounts under a power of attorney
- Charging for your advice if the advice goes to persons other than current customers
- Generating a substantial portion of your income from delivering seminars or producing newsletters

Even if you are performing the above tasks for customers, you may not be required to register if:

- (a) you have provided advice to 15 or fewer persons during the past 12 months and do not hold yourself out generally to the public as a CTA; or
- (b) you are in one of a number of businesses or professions listed in the Commodity Exchange Act that exempt you, or are registered in another capacity and your advice is solely incidental to your principal business or profession.

The NFA has registration forms for CTAs online, which include information to help you determine if you need to register as a CTA. CME Group has published a guide to becoming a CTA. It is available by contacting the exchange online at www.cmegroup.com.

CHAPTER 3 – FCMs AND THE APs CONTRACT

Futures Commission Merchant (FCM): An individual or organization that solicits or accepts orders to buy or sell futures contracts or options on futures and accepts money or other assets from customers to support such orders. Also referred to as “commission house,” “wire house” or “the brokerage house.”

An FCM is the intermediary between public customers, including hedgers and institutional investors, and the exchanges. It is the only entity outside the futures clearing house that can hold customers' funds. FCMs employ APs to solicit and service customer transactions. The FCM's functions include:

- Providing facilities to execute customers' orders
- Collecting and segregating margin money
- Providing basic account records
- Disseminating market information

Registration is always required of FCMs. Minimum financial requirements were established by the Commodity Exchange Act. Legislation also requires FCMs to segregate customers' margin deposits from company funds and prohibits using one customer's funds to meet the margin requirements of another customer's account. The CFTC has enforced power over FCMs, and membership in the NFA is mandatory for all companies handling transactions for customer accounts.

An FCM may be a full-service or discount firm. Some FCMs are a division of national or regional brokerage companies that also offer securities, FX and other financial services, while other FCMs offer only futures and/or options on futures to their customers. Several FCMs have a commercial bank, agribusiness company or other commercial enterprise as a parent. Not all FCMs maintain sales offices.

The NFA listed 130 FCM members as of June 2008. This represents a decrease of about 50 FCMs since the same period

three years ago. For the most part, the reasons for the decrease in registrants are:

- A buyout of one FCM by another registrant
- The merger of two or more FCMs into one business entity
- The downsizing of an FCM to become an IB

Who Must Register

Registration is required of all FCMs; there are no exceptions. In order to register, the FCM must file the following forms with the NFA:

- A completed Form 7-R
- A completed Form 8-R, fingerprint card and fee of \$85 for each individual principal of the FCM
- A certified financial statement
- A statement describing the source of the current assets of the FCM applicant combined with representations that the applicant's capital has been contributed for the purpose of operating the business of an FCM and will continue to be used for that purpose
- A non-refundable registration fee of \$500

Information regarding the FCM's principals and disciplinary history is found online at the NFA's background information search: www.nfa.futures.org/basic. Information regarding an FCM's capitalization can be found at www.cftc.gov.

FINRA-registered broker-dealers that limit their futures-related activities to transactions involving investments, such as selling securities futures products on contract markets or derivative transaction execution facilities, can “Notice Register” to become an FCM.

The Notice Registration application, along with all other forms necessary to register as an FCM, can be found online at the NFA's Web site.

FX Dealers must also file with the NFA.

FCMs may not do business with other parties, such as branch offices, IBs or APs, unless those parties are properly registered.

NFA membership dues are assessed annually and calculated taking into account an FCM's exchange membership. FX Dealer dues are calculated taking into account the highest number of unregulated solicitors and account managers that they were responsible for at any given time for the 12-month period preceding the annual dues notice, in addition to exchange membership.

How to Choose Your FCM

Choosing the FCM to clear your customer business is not simply a matter of finding the house with the lowest clearing rates and highest payout. The sales support services provided, including Web site access, the amount of segregated funds on deposit and the reputation of the firm, are important features that will affect the business you can solicit and the direction in which that business will grow.

The great majority of FCMs that employ APs in the main office are located in Chicago or New York.

A face-to-face interview is generally required by the FCM, just as in any other business. Many APs interview with a brokerage house recommended by a friend or relative. Others respond to a newspaper ad or an Internet solicitation. Some people naturally turn to the FCM where they have an account. APs also often look for the FCM with the largest capital base, the most customer money in segregated funds or the most diverse customer base. Job fairs and promotions from within the FCM itself are additional ways APs find positions.

The process of choosing an FCM with which to work can be simplified if you know what you as an AP want from the FCM and what the FCM wants from you. A complete list of FCMs registered with the NFA can be found on the NFA Web site.

What APs Want

APs want to work for an FCM with a good reputation, which is usually understood to mean an FCM that:

- Is ethical in its dealings with APs
- Is ethical in its dealings with the public
- Hires honest people
- Has a good name with the public
- Is solid and well-established
- Behaves in a professional manner and expects its APs to behave professionally

APs also look for good "sales support" from their FCM. Sales support is defined by APs as:

- Being supportive of ideas for bringing in business
- Having a good Web site
- Having a stable order entry system
- Providing leads
- Providing equity raisers so that the AP can service customers
- Having a good back office
- Providing an opportunity for professional growth
- Offering a challenge for personal growth

Negotiating Your Employment Agreement

Not all FCMs require employment contracts. Those that do not have agreements with current or experienced APs may require a written contract when hiring a new AP.

You have the right to negotiate your Employment Agreement.

Many APs consult their lawyers before signing the Employment Agreement. Be prepared when you go for your first interview. Ask questions about anything in the contract that worries you or that you do not understand. Most FCM contracts have room for negotiation, but you must bring up the items you want to discuss.

To be a successful AP, you need to work under conditions that allow you to succeed and promote your success. One of those conditions is the contract you negotiate.

Items most often found in employment contracts between APs and FCMs are:

- **The types of fees charged and to whom**
Most FCMs charge exchange fees/platform fees as a separate line item to the customer. All FCMs charge NFA Assessment Fees. APs do not generally share in any of these.
- **Payout**
Your payout is based on a percentage or portion of the customer's commission fee (and/or other costs and fees). This amount is calculated after the FCM subtracts a basic "clearing cost" – the amount of money it costs the FCM to handle the transaction. The FCM also subtracts any additional expenses, as further explained in this chapter, before your payout is totaled.
- **When you will be paid**
Monthly or semi-monthly are the most common pay periods. Many FCMs pay their IBs, APs and vendors around the 10th day of each month, which gives the FCM time to review the previous month's records before calculating paycheck amounts.
- **Withholding commissions**
FCMs most often withhold an AP's payout if there is an outstanding debit balance in the customer's account or there is threatened or pending legal or disciplinary action.
- **Non-compete clause**
The courts have upheld clauses in employment contracts that limit an AP's ability to compete with the FCM for customer business. These clauses may restrict the geographical area in which an AP may solicit after leaving the FCM's employ or include time periods in which the AP is forbidden to work for a competitor or open his or her own business.
- **Designation of proprietary information**
Certain information provided to you to aid in servicing your client is the property of the FCM. You cannot take this information with you if you leave the FCM or make it available to the FCM's competitors. Proprietary information typically includes client lists, trading methodologies developed by the FCM and passwords or other safeguards to FCM property.
- **Leads**
Your contract may include how leads are provided and whether you share the cost of generating them. Some firms run additional special marketing campaigns in which APs share costs if they choose to participate.
- **Rules of professional behavior**
Your contract will state the expectation that you will remain in good standing with the NFA, CFTC and legal system in general, and that you treat your customers with a high standard of professional conduct. The contract may also include a dress code or a requirement to keep your work area neat with client and trading information stored properly.
- **Additional expenses**
Your contract may include provisions for withholding commissions for charges for extraordinary expenses, such as upgraded quotation equipment, extraordinary overnight mail service or research or access to information found on gated Web sites.
- **Benefits provided by the FCM**
The agreement will indicate your eligibility for group insurance, retirement plans or bonus programs.
- **Special items**
Many FCMs also offer a salary or set wage paid in the first months of your employment rather than compensation based on customer commissions generated; payment for, and sponsorship of the Series 3 Commodity Exam; and a team association or broker assistance relationship with an experienced broker during your training period.

What an FCM Wants

To most FCMs, work ethic means the profound desire to work in the futures and options industry, and the intensity to achieve success. It includes the ability to organize a work day, including materials and leads, and the willingness to work the long hours it takes to build a customer business.

Honesty is a must – honesty in dealing with customers and the brokerage house. A clean disciplinary history is required. Many FCMs will not even interview a candidate with any adverse disciplinary history.

FCMs look for the following characteristics in APs:

- Integrity
- Conscientiousness
- Previous work experience
- Industry knowledge at any level
- Recommendations from other employees
- Enthusiasm for the industry
- Good listening skills
- A love of people
- Experience working as a team member
- Acceptance of the role as a salesperson, not a trader
- Goal setting
- Willingness to be taught by the supervisor
- Trustworthiness
- Basic technology skills

Before entering into a relationship with any FCM, do the following:

1. Look at the FCM's Web site.
 - Is it conveying the impression and message you want to convey about yourself?
 - Are the account documents easily accessible and downloadable?
 - What type of customer support is offered?
 - How are leads generated?
 - Are you comfortable with the order entry platform?
2. Check out the FCM's disciplinary history at the NFA's Web site, www.nfa.futures.org.
3. Check the FCM's financial status at the CFTC's Web site, www.cftc.gov.
4. Talk to other APs at the FCM you are considering along with employees of other firms.
5. Schedule an appointment at the FCM's main office.
6. Investigate several FCMs to find the right fit for your customer business and your personal goals.

Remember, the reputation of the company you work for is your reputation by association. Be sure your FCM has the reputation and makes the professional impression you want for yourself.

CHAPTER 4 – BUSINESS PLAN

Business Plan: A strategy or system by which a commercial or mercantile activity or livelihood is conducted.

This chapter focuses on the business aspects of being an AP. Success in the futures and options industry takes motivation, desire and talent. It also takes research and planning.

Achieving success starts with decisive and correct opening moves. Initial small mistakes will not be fatal to the business, but it will take skill, discipline and hard work to regain your knowledge.

You will be part of the plan that the FCM or IB has developed for that business. As an AP, your personal business plan will focus on goal setting and serve as a long range map to help you achieve those goals.

To increase your chance for success, take the time up front to explore and evaluate your business and personal goals. Your lawyer, accountant and family should be consulted before you fully develop your business plan. Use the information you gather to build a comprehensive and well-thought-out plan that will help you reach these goals.

The process of developing a plan will:

- Make you a more attractive prospective employee during the interview process
- Help you realistically evaluate what you want your income to be and what it will actually be
- Enable you to recognize potential problems areas and plan for possible solutions
- Differentiate between the FCM/IB's goals and your personal ones
- Provide milestones to gauge your success

Your business plan does not include your trading method. Many sponsoring firms do not allow APs to trade for their own accounts while handling customer business.

The futures industry is highly regulated. Discuss your ideas with your supervisor and compliance manager.

Personal Goal Setting

More than one-half of registered APs I talk with report they have a business plan. Most often the plan is for three to five years. Effective goal setting is one of the tools that will help you achieve your goals.

Goal setting is a formal process for personal planning. By setting goals on a routine basis, you will decide what you want to achieve, and then move step by step progressively toward the realization of those goals.

The process of setting goals and targets allows you to choose where you want to go in life. By knowing precisely what you want to achieve, you know what you have to concentrate on to accomplish it. You can also identify a mere distraction or a minor setback and move forward quickly.

Goal setting is a standard technique used by top-level athletes, successful business people and achievers in all fields. The owners and principals of FCMs and IBs have set personal goals for themselves, along with developing an overall plan for the business. Goal setting gives you long-term vision and short-term motivation. It focuses your acquisition of knowledge and helps you to organize your resources.

By setting sharp, clearly defined goals, you can measure and take pride in the achievement of those goals. You can see forward progress in what might previously have seemed a long, sometimes pointless, grind.

By setting goals, you will also raise your self-confidence as you recognize your ability and competence in achieving the goals that you have set. The process of achieving goals and seeing this achievement gives you confidence that you will be able to achieve higher and more difficult goals.

Goals are set on a number of different levels. First, decide what you want to do with your life and what large-scale goals you want to achieve. Next, break these down into smaller and smaller targets that you must hit in order to reach your lifetime goals. When you have your plan fully developed, start working within those smaller steps toward achieving it.

And, of course, re-evaluate from time to time and reset your goals upon achieving them.

Eight Steps to Achieving Your Goals

1. Decide what you really want and write it down

The act of writing itself helps to create the commitment necessary to achieve the goal.

2. Make your goals specific

Make your goals as concrete and detailed as you can. This helps you measure your accomplishments.

3. Make your goals believable and achievable

Daydreams are okay, but frustrating. Keep your objectives realistic. Consulting your spouse, accountant, attorney and other men and women in the futures business will be very valuable in keeping your goals real.

Does your family support your ideas? The futures and options industry is demanding. You will need the moral support of your family. In some cases, APs starting out will also find the financial backing of a spouse or parent helpful or even necessary.

4. Consider whether you have the mental and emotional attitude to implement your business plan

You must be healthy enough and have the energy necessary in order to implement your plan. This means mental and emotional stability as well as physical good health.

5. Make your goals challenging – demand that you stretch your comfort zone

No challenge is equal to no progress. Ask a little more of yourself. Once you have set and reached your target, set your goal a little further away for the next day or week.

6. Act in order to set your plan in motion

A plan without action is just a plan. Once you've got it down on paper, take the steps necessary to reach the objectives. Simply taking the first step, then the next, is motion. Motion is necessary to reach your goals.

7. Apply self-discipline and stay in compliance with the rules of the industry and the standards set by your FCM/IB and sales manager

Self-discipline includes knowing how much time you are willing to spend on reaching your goals, and when it is time to re-evaluate.

If you are out of compliance with industry rules or the policies set by your individual sales manager, you will be asked to leave your firm. An AP with an adverse disciplinary history generally finds it very difficult to find future employment in the industry.

If your firm is not up to your standards or you feel they have lax compliance standards, it is up to you to make a move. The firm's disciplinary events and history can have an adverse effect on your career in the financial industry.

If the firm is not providing the support you need to achieve your goals, you will probably want to look for another sponsor. Your success depends, at least in part, on your surroundings.

8. Target specific dates for completion of specific tasks

Divide larger objectives into small tasks. Set a specific date for accomplishing each task, do it and mark it off. Then go on to the next task.

Continue to do this until the larger task is complete. Then look at the larger completed task as a portion of the steps you need to complete in order to reach your ultimate goal. Keep going until your goal is achieved.

Setting specific dates for the completion of tasks and goals can keep you focused and measure what you can realistically accomplish.

Review Your Plan

- **Have you written down your goals?**
Putting your goals in written form crystallizes the plan and gives it more force.
- **Have you expressed each goal as a positive statement?**
Express your goals in positive terms.
- **Have you stated each goal precisely?**
Set a precise goal with dates, times and amounts, so that you can measure achievement.
- **Have you set priorities?**
Giving each goal a priority will help direct your attention to the most important one and avoid feeling overwhelmed.
- **Have you kept your operational goals small?**
Keeping your operational goals small and incremental offers more opportunities for rewards and encourages your progress.
- **Have you set performance goals?**
Basing your goals on personal performance enables you to maintain control over the achievement of those goals.
- **Have you set realistic goals?**
Setting goals that are achievable allows you to anticipate the obstacles and overcome them.
- **Have you set your goals too low?**
Do not be afraid of failure when you set your standards. Set goals so that you have real incentive to work toward them, and re-evaluate from time to time.

Your To-Do List

A to-do list is a listing of all the tasks that you need to carry out in order to reach your goals. It consolidates all the things you have to do in one place. Then you can prioritize the tasks in order of importance so that you can tackle the most important ones first.

To-do lists are essential when you need to carry out a number of different tasks or when you have made a number of commitments.

To-do lists are both very simple and extremely powerful. They are a way to organize yourself and a means of reducing stress. A to-do list will help to eliminate feelings of lack of control and being overwhelmed. Your sales supervisor may provide you with a list specifically tailored to the firm.

Structuring a to-do list is simple:

Daily:

- Maintain and use your to-do list. Define the actions you need to take to achieve each of your goals.
- Mark off each completed task.

Weekly:

- Review your to-do list. Mark off the tasks accomplished during the week and add any new ones that are needed.
- Measure your progress toward your ultimate goals.

Monthly:

- Review your progress, making sure your goals are still realistic and attainable.

Quarterly or Semi-Annually:

- Review your goals, measure your progress and adjust your goals or update.
- Review and update your daily to-do list.

Putting Your Plan into Action

Your business plan is one of the essential keys to success as an AP. Your business growth depends on approaching each working day as an independent business person. By setting goals for yourself, you are taking responsibility for your own success.

Here is an example of putting your plan into action:

1. Summarize your business activity concisely

Describe the nature of your business, its clients and its objectives in a single sentence. It's harder than you think, but it is a good way to focus on what is really motivating you to become an AP.

Example AP #1: My focus is on providing service to speculative clients with a specific interest in the E-mini S&P 500 futures contract who contact me through the FCM's Web site.

Example AP #2: My goal is to use futures and options contracts as risk management tools for farmers and ranchers.

2. State your career objectives

Where do you want to be in your career in a year? In five years? What do you expect to get out of your career?

Example AP #1: My objectives for the first year include (i) opening at least 75 customer accounts; (ii) having at least \$1 million in customer funds on the books; (iii) having a broker assistant; and (iv) spending four uninterrupted days with my family during the holidays.

Example AP #2: My goals are (i) to create and maintain a good, solid reputation among farmers and ranchers in my community; (ii) to be recognized as a specialist in risk management techniques; and (iii) to have at least 75 clients attend my FCM/IB's yearly agricultural outlook conference.

3. Anticipate trends that may affect your business growth

Read articles and attend industry seminars. Talk to your FCM and other APs about changes taking place in the industry. Challenge yourself to devise means to take advantage of the changes or solutions to the problems

Example AP #1: I will learn how to use all the technology provided by my company, including any online resources, to further my education. I will take any courses or additional registrations necessary to provide my clients access to the products they want to trade.

Example AP #2: The coming year will bring about changes in farm programs instituted by the U.S. government that will greatly affect farmers and other producers. I will work with other risk management professionals to develop and offer programs to help my clients take advantage of these changes.

4. Take inventory of your personal resources

List your assets.

- Do I have the skills and knowledge necessary to become a successful AP?
- Do I need more experience, and how and where will I get it?
- How much money and other assets do I have available?
- How long could I operate unprofitably without changing my or my family's lifestyle?

5. Set some immediate objectives and a timetable for meeting them

Example AP #1: By the end of next month, I will open 10 new accounts and bring in \$150,000 in new equity.

Example AP #2: Within the next two weeks, I will have 20 clients committed to attending our risk management education workshop.

6. Write down the steps necessary to meet your goals

You must be registered with the NFA before you can solicit for customers. Advertisement, dissemination of print and electronic information, seminars or other in-person presentations, newsletters, promotional materials and other forms of communication with the public are specifically governed by NFA Compliance Rules.

NFA Rule 2-29 deals with the content of promotional material, along with other requirements and duties.

NFA Rule 2-30 lays out what information must be obtained from a customer when opening an account and when and what risk disclosures are required.

Talk to your sales supervisor to determine the regulatory requirements for the solicitation of new customers and the use of promotional materials before you decide on the methods necessary to meet your goals.

7. Evaluate your job skills

- What do you do best? What do you like to do? What are your credentials and do they apply to becoming a successful AP? Include your philosophy or basic beliefs. Answers to questions, such as how you go about planning, where you will find new clients, and how you handle ethical dilemmas, are important in determining your success.
- What commitments have you made or are you prepared to make toward the achievement of your objectives? How do these commitments affect your family or personal life?

8. Work your plan

Once your objectives are set and your resources are realistically evaluated, you must take action.

- Break down tasks into steps that move you progressively closer to your goal.
- Make lists of what you want to accomplish each week, breaking down the larger projects into steps that can easily be completed and checked off. Go on to the next step and keep moving until the entire task has been performed.

Your sales supervisor will provide you with criteria for doing business with that FCM or IB. Each FCM and IB has specific methods for solicitation of customers, and tracking the success of those solicitations, account opening procedures, customer service procedures and specific supervisory procedures.

9. Update or revise your objectives periodically

Your goals will necessarily change as you reach each one. It is important to re-evaluate your objectives and methods from time to time to be sure you are still moving toward your own personal success.

CHAPTER 5 – THE REGULATORS

Regulate: Govern or direct according to rule; bring under the control of law; bring order, method or uniformity.

The futures and options industry is highly regulated. To join the industry, you must take the Series 3 Commodity Exam and submit your application to the CFTC and the NFA for registration as an AP and member of the association. Next comes the application for registration as an IB, and perhaps as a trading advisor or pool operator. Once you are approved and doing business, you must update your registration information, and you will be subject to supervision and scrutiny by your FCM and the NFA.

Although most of your regulatory contract will be with the NFA, the CFTC is the top regulator in the futures industry. From its creation in 1974 until it approved the creation of the NFA in 1981, the CFTC was the main agency for regulation of individuals and firms in the futures business, along with its other duties.

Your FCM and the exchanges you trade on also have authority over certain of your activities.

In order to comply with regulatory requirements, you should get to know the regulators. In this chapter, you will learn what each agency is responsible for and how it is organized. The Web sites of the organizations are particularly helpful if you have questions about specific areas of regulation. Do not hesitate to contact individuals at the CFTC and NFA. Both organizations are very open to helping registrants understand the rules and policies, and stay in compliance.

In the futures and options industry, it will not matter to your FCM how much customer business you handle if you are not in compliance with the rules. FCMs will not work with APs who generate customer complaints or have a history of disciplinary problems. Together with a good business plan, a clean disciplinary history will help to make you successful.

In early April 2008, the U.S. Treasury proposed a plan that would overhaul regulation of the financial markets. One part of the blueprint was a proposal that the CFTC and the Securities Exchange Commission (SEC) be merged into one agency. Each office would continue to have control over certain registration and enforcement duties, but the agencies themselves would merge into one “super agency” that would regulate the commodities and equities.

The Treasury’s blueprint also contained plans for unifying other financial overseers and called for federal regulation of primarily state-controlled financial matters, such as mortgage companies.

This plan has been met with varying degrees of opposition and skepticism. Most futures-based organizations have expressed the opinion that, because functions such as risk management, margining and short sales work differently in futures markets than in the equities area, the CFTC should not be merged with the SEC or made a division of that agency.

In order to change the regulatory scheme of the markets, Congress must approve and authorize a plan. Therefore, even if the April 2008 blueprint were embraced by legislators and the regulators themselves, no change in the current scheme would be implemented for some time, probably several years. The following information is accurate at the time of writing of this handbook and, in all likelihood, will be for quite a while.

A Short History of Futures Regulation

From the early 1880s to about 1920, more than 100 bills were introduced in Congress to regulate, ban or tax futures trading in the United States. As a response to intense speculation in grain futures during the farm depression following World War I, the Futures Trading Act was enacted in August 1921 for the regulation of grain futures trading. That act was declared unconstitutional because it included a prohibitive tax whose primary purpose was to force boards of trade to submit to federal regulation, which was deemed an unconstitutional use of Congress' taxing power.

In 1922, the Grain Futures Act was passed. Because it was based on the interstate commerce clause and banned off-contract-market futures trading rather than taxing it, the act was held to be constitutional. The Grain Futures Administration was formed as an agency of the U.S. Department of Agriculture (USDA). This act was replaced in 1936 by the Commodity Exchange Act (CEA), which extended federal regulation to many more commodities such as cotton, rice, butter and eggs. The CEA also required futures commission merchants to segregate customer funds that are deposited for margin, prohibited fictitious and fraudulent transactions such as wash sales and accommodation trades, and banned all commodity option trading. The option ban remained in effect until 1981, and the USDA continued to administer it.

Over the years, the Act was amended to include several more commodities such as fats and oils, wool, livestock and livestock products, and orange juice. And, in 1968, the CEA was amended to institute minimum net financial requirements for futures commission merchants in the first major commodities legislation since 1936. The 1968 amendments also enhanced reporting requirements and increased criminal penalties for manipulation and other violations of the Act.

In 1973, grain and soybean futures prices reached record highs. Allegations of market manipulation and excessive speculation prompted Congress to consider revising the federal regulatory scheme and resulted in the Commodity Futures Trading Commission Act of 1974. This Act created the CFTC and expanded exclusive jurisdiction over futures trading in all commodities.

In 1975, the CFTC had approved the first two futures contracts on financial instruments: Ginnie Maes and 90-day U.S. Treasury bills.

In 1979, the activities of CPOs and CTAs were added to those overseen by the CFTC. Shortly thereafter, in 1981, the NFA was granted registration as a self-regulatory futures association.

By 1983, final rules governing IBs and APs were adopted. These were new registration classes created by the Futures Trading Act of 1982. The CFTC concurrently authorized the NFA to perform registration processing functions for IBs and APs, the first time the NFA was authorized to perform these functions.

By the mid-1980s, the CFTC had approved, for the first time, options on domestic agricultural commodity futures contracts on six exchanges; had authorized the NFA to perform registration processing functions for FCMs, CPOs, CTAs and their APs; developed and adopted improved surveillance, early warning procedures for adverse financial situations and better margining policies; and allowed options trading in non-agricultural, agricultural and physical commodities.

On October 19, 1987, the biggest one-day price plunge in stock market history, CFTC-regulated systems all functioned and no firms defaulted on customer obligations.

During 1992 and 1993, market reports from exchanges were sent electronically to the Commission for the first time, and 46 new futures and options contracts were approved for trading. In 1995, the CFTC launched its Web site, www.cftc.gov.

In 2000, the Commodity Futures Modernization Act of 2000 (CFMA), which authorized the Commission for the next five years, was signed into law. The CFMA overhauled the CEA to create a more flexible structure for regulation of futures and options trading, clarified Commission jurisdiction over certain retail foreign currency transactions and repealed the 18-year-old ban on trading of single stock futures.

Following the attacks of September 11, 2001, the CFTC restructured its staff to more effectively deal with anti-money laundering legislation and increased globalization of the markets. Domestic trading in single stock futures was permitted in 2002, and the first designated contract market to be owned by a foreign futures exchange, Eurex US, was approved.

The CFTC and NFA continue to provide registration and regulation for the futures and futures options industry. Each agency has its specific functions, as you will see in the next pages.

The Commodity Futures Trading Commission

The CFTC was created by Congress in 1974. It is an independent agency whose purpose is to regulate commodity futures and options markets in the United States. The CFTC reviews the terms and conditions of all proposed futures and options contracts, and it requires daily reporting to assure normal market flow and prevent manipulation, abusive trade practices and fraud. The Commission must be reauthorized every five years.

The CFTC requires that FCMs keep customer funds in segregated accounts away from company funds; that customer accounts be adjusted to reflect their current market value at the end of each trading day; and that all registrants disclose market risks and past performance information to prospective customers. The CFTC mandates ethical standards of behavior for registrants and monitors sales practices and internal controls. The registration process is handled through the NFA.

The CFTC's main office is in Washington, D.C. It also maintains offices in Chicago, New York and Kansas City.

The CFTC's Web site, www.cftc.gov, includes information on new products and trading facilities, including FX and foreign contracts approved for trading; disciplinary and enforcement action taken by the Commission; and certain reports required to be filed by the Commission.

The CFTC has six major operating units:

1. Division of Clearing and Intermediary Oversight

The functions of this division include oversight of derivatives clearing organizations, financial integrity of registrants, customer fund protection, stock-index margin, registration and fitness of intermediaries (FCMs, IBs, CTAs, CPOs and APs), sales practice reviews, NFA activities related to intermediaries (i.e., sales people) and foreign market access by intermediaries.

The Division of Clearing and Intermediary Oversight is directly responsible to the Chairperson of the Commission, and can be reached at dcio@cftc.gov.

2. Division of Market Oversight

The responsibilities of this division include initial recognition and continuing oversight of trade execution facilities, including newly registered futures exchanges and derivatives transaction execution facilities. The regulatory functions of the division include, among other things, market surveillance, trade practice reviews and investigations, rule enforcement reviews, review of product-related and

market-related rule amendments, and associated product and market-related studies.

The Division of Market Oversight is directly responsible to the Chairman of the Commission, and can be reached at dmo@cftc.gov.

3. Division of Enforcement

The Division of Enforcement investigates and prosecutes alleged violations of the Commodity Exchange Act and CFTC regulations. Violations may involve commodity futures or options trading on domestic commodity exchanges or the improper marketing of commodity investments. This division may, at the direction of the Commission, file complaints before the agency's administrative law judges or in the U.S. District Courts. Alleged criminal violations of the Commodity Exchange Act or violations of other federal laws that involve commodity futures trading may be referred to the Justice Department for prosecution. The Division also provides expert help and technical assistance with case development and trials to U.S. Attorneys' Offices, other federal and state regulators, and international authorities.

The Division of Enforcement is directly responsible to the Chairperson of the Commission, and can be reached at de@cftc.gov.

4. Office of the Chief Economist

The Office of the Chief Economist is an independent office with responsibility for providing expert economic advice to the Commission. Its functions include policy analysis, economic research, expert testimony, education and training.

The Office of the Chief Economist is directly responsible to the Chairperson of the Commission, and can be reached at oce@cftc.gov.

5. Office of General Counsel

This is the Commission's legal advisor. The Office of the General Counsel represents the Commission in appellate litigation and certain trial-level cases, including bankruptcy proceedings involving futures industry professionals. As the Commission's legal advisor, this office reviews all substantive regulatory, legislative and administrative matters presented to it and advises the Commission on the application and interpretation of the Commodity Exchange Act and other administrative statutes. It also assists the Commission in performing its adjudicatory functions.

The Office of the General Counsel is responsible to the entire Commission, and can be reached at ogc@cftc.gov.

6. Office of Executive Director

The Office of the Executive Director formulates and implements the management and administrative policies and functions of the agency. The staff formulates the agency's budget, supervises the allocation and use of agency resources, promotes management controls and financial integrity, and develops and maintains the agency's automated information systems. The Office of Proceedings, an office directly responsible to the Office of the Executive Director, provides the forum for handling customer complaints against individuals or firms registered with the NFA through the reparations program. The Office of Proceedings also hears and decides enforcement cases brought by the Commission.

The Office of the Executive Director is responsible to the entire Commission, and can be reached at oed@cftc.gov.

CFTC Office of International Affairs

Since September 11, 2001, the Office of International Affairs (OIA) has become increasingly important to the workings of the CFTC. The OIA operates under the Office of the Chairperson. Its purpose is to enhance the Commission's ability to meet challenges posed by the globalization of financial markets by compiling information on the applicable law and procedure in various jurisdictions; coordinate U.S. information-sharing requirements pertaining to futures and options oversight and regulation; support Commission staff in promoting U.S. interests in international forums; and aid foreign regulators in the pursuit of their mandates when inter-jurisdictional issues involving the U.S. arise. It can be reached at ويا@cftc.gov.

The CFTC participates in a wide range of international initiatives. These initiatives work to:

- Strengthen international supervisory cooperation and emergency procedures
- Establish concrete standards of best practices that set international benchmarks for regulation of futures and derivatives markets
- Encourage improved transparency in those markets
- Improve the quality and timeliness of international information sharing
- Encourage jurisdictions around the world to remove any legal or practical obstacles to achieving those goals

The CFTC addresses inquiries concerning what products traded on foreign futures and options exchanges may be offered or sold in the United States. In general, properly registered or exempt persons may offer or sell most foreign exchange-traded futures and commodity option products. Special procedures apply to the offer and sale of stock index and foreign government debt products.

The CFTC also handles inquiries regarding who may offer and

sell foreign products to U.S. customers. Anyone who offers or sells a foreign futures or options contract to a U.S. customer must be registered under the Commodity Exchange Act, unless specifically exempt from such registration requirement.

The OIA offers publications related to capital market issues and, more specifically, to derivative or contract markets. The Office of International Affairs is directly responsible to the Chairperson of the Commission.

Regional Offices of the CFTC (www.cftc.gov):

Headquarters

Three Lafayette Centre, 1155 21st Street NW,
Washington, D.C. 20581, 202 418 5000

Central Region

525 W. Monroe, Suite 1100, Chicago, IL 60661, 312 596 0700

Southwestern Region

Two Emanuel Cleaver II Boulevard, Suite 300,
Kansas City, MO 64112, 816 960 7700

Eastern Region

140 Broadway, New York, NY 10005, 646 746 9700

CFTC Commissioners

The CFTC is headed by five Commissioners, appointed by the President of the United States. They must be approved by the U.S. Senate. Their purpose is to develop and implement agency policy and direction. They serve staggered five-year terms, and one Commissioner is appointed to be the chairperson.

The Chairperson has the responsibility to interact with other governmental agencies, Congress and the public. Major policy decisions and commission actions, such as approving new exchanges, adopting rules and authorizing enforcement actions, must be approved by a majority vote of the Commissioners. No more than three Commissioners at any one time may be from the same political party. When this guide was written, mid-2008, there were only four sitting Commissioners. The fifth position was vacant.

Chairman Walter Lukken (2002 – 2010)

Mr. Lukken was appointed to the Commission in 2002 by President Bush and is serving his second term, due to expire in 2010. In September 2007, the President nominated him to serve as Chairman of the CFTC.

As Chairman, Mr. Lukken represents the agency as part of the President's Working Group on Financial Markets and works with other domestic and foreign financial regulators. He also serves as chairman of the CFTC's Global Markets Advisory Committee (GMAC), an industry forum whose purpose is to discuss the complex and novel issues raised by the increasing globalization of futures markets.

Prior to joining the CFTC, Mr. Lukken served as counsel on the staff of the Senate Agriculture Committee under Chair Richard Lugar, where he was involved in the development, drafting and passage of the Commodity Futures Modernization Act. Mr. Lukken is a native of Richmond, Indiana, with a law degree from Lewis and Clark Law School in Portland, Oregon.

Commissioner Michael Dunn (2004 – 2011)

Mr. Dunn was appointed to the Commission in 2004 by President Bush and is serving his second term, due to expire in 2011.

Commissioner Dunn serves as Chairman and Designated Federal Official of the Commission's Agricultural Advisory Committee (AAC). The AAC advises the CFTC on agricultural issues surrounding the trading of futures and options and serves as a communications link with the agricultural community. He is also the Chairman of the CFTC's Forex Task Force whose objective is to raise the public's awareness of fraudulent activity in the retail foreign currency (forex) futures and options markets and to highlight the CFTC's enforcement activities in that area.

Prior to joining the Commission, Mr. Dunn served at the Farm Credit Administration and as Under Secretary of Agriculture for Marketing and Regulatory Programs. Mr. Dunn is a native of Keokuk, Iowa, and has a master's degree from the University of New Mexico.

Commissioner Jill E. Sommers (2007 – 2009)

Ms. Sommers was appointed to the Commission in August 2007 by President Bush for a term that expires in April 2009.

Ms. Sommers' experience in the futures and options industry includes acting as the Policy Director and Head of Government Affairs for the International Swaps and Derivatives Association, and working for the Chicago Mercantile Exchange (now CME Group). Her career in Washington included an internship for Senator Robert Dole and work as a legislative aide for two consulting firms specializing in agricultural issues. Ms. Sommers is a native for Fort Scott, Kansas, and she holds a Bachelor of Arts degree from the University of Kansas.

Commissioner Bart Chilton (2007 – 2013)

Mr. Chilton was appointed to the Commission in August 2007 by President Bush, and nominated and approved for a second term during June 2008. That term expires in 2013.

He comes to the position from the Office of Government Relations at the National Farmers Union. He also worked at the U.S. Farm Credit Administration and, from 2001 to 2005, Mr. Chilton was a senior advisor to Senator Tom Daschle. In that capacity, he worked on several issues, including agriculture and transportation policy.

Mr. Chilton also worked for various committees in the U.S. House of Representatives. He served on the boards of Bion Environmental Technologies and the Association of Family Farms. Mr. Chilton is a native of Delaware and holds a bachelor's degree from Purdue University in political science and communications.

The CFTC's Reparations Program

The CFTC provides a reparations program to customers who incur losses as a result of commodity law violations. To be eligible for the reparations program, a customer's complaint must involve a futures trading professional registered with the CFTC at the time of the alleged wrongdoing or at the time the complaint is filed.

In all reparations proceedings, customers may seek actual damages, such as out-of-pocket trading losses. If they prevail, customers also recover the filing fee. Prejudgment interest can also be awarded in formal and summary proceedings, but not in voluntary proceedings. In all proceedings, customers may represent themselves or be represented by a lawyer.

Reparations complaints must be filed within two years of the date that a customer's cause of action accrues, which is the date when the customer knew (or should have known) of the wrongdoing.

Types of Reparations Proceedings

Voluntary Proceedings (\$50 filing fee) are the quickest of all reparations proceedings, because they do not involve hearings or appeals. The cases are decided solely on the basis of written submissions and exhibits provided by the parties. There is no dollar limitation in a voluntary proceeding, but all parties must consent to the procedure, and it is not appealable.

Summary Proceedings (\$125 filing fee) resolve claims for \$30,000 or less. Oral hearings are conducted by conference telephone call, if the administrative law judge decides a hearing is necessary. The losing party in a Summary Proceeding may appeal first to the full Commission and then to a federal Court of Appeals.

Formal Proceedings (\$250 filing fee) resolve claims of more than \$30,000 and involve an in-person hearing held at a location mutually acceptable to the parties. A formal proceeding may be appealed by the losing party to the full Commission and then to a federal Court of Appeals.

Market Reports

The CFTC produces reports that are released on a weekly, monthly or annual basis to provide information to industry professionals and the public about the markets. The reports can be found on the CFTC's Web site, www.cftc.gov.

Bank Participation in the Futures and Options Markets:

- These monthly reports list U.S. and foreign banks active in the futures and options contract markets.

Commitments of Traders:

- These reports are released each Friday at 3:30 p.m. and provide a breakdown of each Tuesday's open interest for markets in which 20 or more traders hold positions equal to or above the reporting levels established by the CFTC.

Cotton On-Call:

- This weekly report is released each Thursday after 3:30 p.m. and provides "on-call" positions in spot cotton based on New York cotton futures reported by merchants in special account status as of the preceding Friday.

CUSIPS Delivered for CBOT Treasury Futures Contracts (now maintained by CME Group):

- Delivery may occur on any business day during the delivery month, as defined by exchange rules. All bonds or notes delivered against a single contract are usually the cheapest to deliver issue in the contract's deliverable basket.

Financial Data for Futures Commission Merchants:

- Selected financial information from the monthly financial reports that futures commission merchants file with the CFTC.

Futures Industry Registrants by Location:

- This is an annual report showing the number of futures industry registrants in each registration category by state.

CFTC Advisory Committees

The CFTC has created various advisory committees to provide input and make recommendations to the Commission on regulatory and market issues. The committees currently include:

- Agricultural Advisory
- Global Markets Advisory
- Energy Markets Advisors

Futures professionals, industry participants and other regulators are appointed to the committees by the CFTC.

The National Futures Association

The NFA is a not-for-profit membership corporation. It was granted formal designation as a “registered futures association” by the Commodity Futures Trading Commission in September 1981, and began operations in October 1982.

The NFA’s primary focus is investor protection and market integrity. It develops rules, programs and services that ensure industry integrity, protect market participants and help its members meet their regulatory responsibilities. The NFA has no market affiliation.

All futures professionals are required to be members of the NFA. As a registrant, you may not accept orders from another person, except a direct customer, unless that person belongs to the NFA or another registered futures association, such as an exchange.

There are currently approximately 4,200 Members of the NFA and nearly 55,000 Associate Members (salespeople employed by member firms).

Members of the NFA have a voice in the regulatory process and work closely with staff and industry experts on several committees and in member meetings.

NFA policy is developed by a 25-member Board of Directors. There are 14 representatives from FCMs, IBs, CPOs and CTAs; six exchange representatives, and five public representatives. The Board of Directors is elected by the membership.

Policy supervision is effected by a ten-member Executive Committee consisting of the NFA President, Chairperson of the Board, three board directors who represent FCMs or IBs, two board directors who represent exchanges, two board directors who represent CPOs or CTAs and one public director. Policy implementation is handled by the NFA officers and staff.

According to the NFA records, during its 27 years of operation, trading volume on U.S. exchanges has increased in excess of 400 percent. During the same period, customer complaints dropped 72 percent and losses due to firm insolvencies have decreased more than 90 percent.

Committees at the NFA are made up of association members appointed by the NFA staff. The committees include: Appeals, Audit, Business Conduct, Compliance Consultative, Executive, Finance, Floor/Floor Trader Subcommittee Panel, Hearing, Membership, Special Committee for Customer Protection and Telemarketing Procedures Waiver.

NFA’s Chicago offices are located at 300 S. Riverside Plaza, Suite 1800, Chicago, IL 60606. The toll-free number is 800 621 3570. The Web site is www.nfa.futures.org. The New York office of the NFA is located at 120 Broadway, Suite 1125, New York, NY 10271. The phone number is 212 608 8660.

NFA Areas of Responsibility

- **Registration:** All firms and individuals who intend to conduct business with the public in connection with futures trading must be registered with the CFTC and be members of the NFA.

Most registration forms and other materials can be found online. Annual registration updates are also done electronically.

- **Compliance:** The NFA monitors all member firms and individuals to ensure they are in compliance with NFA and CFTC approved rules.

Compliance oversees your daily activities, the manner in which you interact with your customers and face-to-face audit performed by staff of the NFA.

- **Arbitration:** The NFA provides both arbitration and mediation forums in which customers and members can resolve futures-related disputes.

Arbitration proceedings are generally conducted by other members of the NFA and may include lawyers, accountants and others with special knowledge of the industry. Hearings can be in person or not; they are generally conducted by a panel.

- **Education:**

Member Services: The NFA provides print and electronic resources to assist members in understanding and meeting their regulatory responsibilities. The organization conducts several member meetings each year throughout the U.S. to discuss issues of importance. In recent years, topics have included compliance with anti-money laundering provisions of the Patriot Act, using the electronic registration process and updates on disclosure statements.

Investor Services: The NFA develops and disseminates information to help investors and prospective investors obtain a better understanding of futures investments.

- **Trade Practice/Market Surveillance:** The NFA provides a variety of programs to electronic exchanges to ensure the fair treatment of customers and to maintain orderly markets.

Four Things to Know About the NFA

1. The Online BASIC Program

In 1991, the NFA created the first clearinghouse of disciplinary information about futures firms and salespeople. The clearinghouse allowed investors and others, for the first time, to get a background check from government and self-regulatory sources about the disciplinary history and other background of 150,000 individuals and 10,000 firms that either are now, or have been, involved in the futures industry.

In 1998, the NFA introduced the Background Affiliation Status Information Center (BASIC) when it moved the clearinghouse online. BASIC is accessed through the NFA Web site, www.nfa.futures.org, and contains current and historical registration information concerning all current and former CFTC registrants. It also provides information concerning disciplinary actions taken by the NFA, the CFTC and all U.S. futures exchanges. According to the NFA, investors and other industry participants conduct more than 600,000 BASIC searches every year. Before associating with another registrant, it is a good idea to check their listing on BASIC.

2. “Rogue Broker” Initiative

In 1993, the NFA adopted a “telemarketing profile” rule to minimize the likelihood of deceptive sales practices. The rule requires member firms that employ a certain percentage of individuals previously employed by firms closed by the NFA or CFTC for sales practice fraud to adopt strict supervisory procedures. The procedures include requiring firms to tape record and maintain a record of conversations with the public, meet increased capital requirements and submit promotional material to the NFA for pre-approval. The purpose of this rule is to reduce the number of “problem firms” and “rogue brokers” in the futures industry.

In 2007, the definition of a disciplined firm was expanded to include those that have been sanctioned in any way during the preceding five years for deceptive telemarketing and promotional material violations; and those firms that charge 50 percent or more of their customers round-turn commissions, fees and other charges that total \$100 or more per futures, FX or option contract.

To see if the firm or individual you are doing business with is subject to the telemarketing rules or has a negative disciplinary history, check the NFA's Web site.

3. Library of Education Materials

The NFA publishes a series of educational brochures to help investors understand how the futures markets work, as well as the risks and opportunities involved in trading. These materials are offered free of charge and may be downloaded from the Web site. These publications are very helpful in explaining the basics of futures trading to potential investors.

The NFA also offers educational material to industry professionals. In-person seminars and workshops are conducted from time to time in various locations around the country, which focus on issues important to registrants, such as changes in rules, using the electronic registration process and updates on disclosure statements.

4. Dispute Resolution

The NFA offers two methods of dispute resolution. The arbitration program began in 1983 and is now the primary venue for dispute resolution in the futures industry. It may be used by customers who have a claim against an NFA member and to solve disputes arising among members of the NFA, such as IB to FCM or AP to IB. Arbitrators are industry professionals and others, such as lawyers and accountants, who have specific knowledge about the futures and options industry.

Mediation was first offered at the NFA in 1991 and an in-house program was introduced in 2001. Mediation is less formal than arbitration, and is often a less expensive and quicker method to resolve disputes. To date, more than 1,500 cases have been referred to mediation.

Since 2001, parties have been able to file arbitration and mediation claims online. All the necessary forms can be found on the NFA's Web site. Parties can then follow the status of the case online as it progresses.

NFA Board of Directors

A 25-member Board of Directors is the principal governing and policy-development body of the NFA. All members of the Board of Directors are listed on the NFA's Web site.

Representatives from FCMs, IBs, CTAs and CPOs are elected from the membership. Other representatives are appointed by the Board. Bob Wilmouth, former President and CEO, is the permanent Special Policy Advisor to the NFA. A ten-member Executive Committee is responsible for policy supervision.

While there are no board members who specifically represent APs, most of the individuals who represent FCMs, IBs, CPOs and CTAs are registered APs.

The NFA issues a financial report to members annually and holds a full membership meeting annually at its Chicago office. All members of the association are qualified to attend.

Staff Directory

There are approximately 200 individuals working in the NFA's corporate headquarters in Chicago with about 25 additional staff located in New York.

All NFA staff may be e-mailed through the NFA Web site. Some of the key departments and staff you may be working with are:

Compliance: Yvonne Downs, Sr. Vice President,
ydowns@nfa.futures.org

Regina Thoele, Vice President,
rthoele@nfa.futures.org

Sharon Pendleton, Assoc. Director,
spendleton@nfa.futures.org

Arbitration: Heather Cook, Manager,
hcook@nfa.futures.org

Registration: Greg Prusik, Vice President,
gprusik@nfa.futures.org

Treasurer: David Hawrysz, VP/Treasurer,
dhawrysz@nfa.futures.org

Communications

and Education: Larry Dykeman, Director,
ldykeman@nfa.futures.org

General

Counsel: Kathryn Camp, Assoc. General Counsel,
kcamp@nfa.futures.org

Carol Wooding, Assoc. General Counsel,
cwooding@nfa.futures.org

Information

Center: Yvette Christman, Sr. Manager,
ychristman@nfa.futures.org

Membership/

Registration: Same as Information Center

Information

Systems: Steve Earl, Director,
searl@nfa.futures.org

CHAPTER 6 – MARKETING

Marketing: An aggregate of functions involved in moving goods or services from the producer to the consumer.

As an AP of an NFA registered member, you will be subject to all the NFA rules regarding marketing. The NFA requires compliance with strict standards for professionals who communicate information about the futures and options markets to the public. Communication includes written, printed, spoken and electronic materials and distribution methods.

Your sponsoring firm, an FCM, IB, CTA or CPO, will have marketing programs in place for you. These may include Web sites, newsletters, in-person presentations, seminars and, of course, telephone sales. You will be required to follow the policies set by your firm and by your sales manager.

Each marketing method requires different skills and preparation. You may find the following books, many of them classics in the world of sales, helpful as you are developing your own style.

- Beckwith, Harry & Christine. *The Art of Selling Yourself*. New York: Warner Business Books, 2006.
- Gitoma, Jeffrey. *Little Red Book of Selling: 125 Principles of Sales Greatness*. Austin: Bard Press, 2004.
- Lee, Dick. *The Customer Relationship Management Survival Guide*. Minneapolis: HYM Press, 2000.
- Mandino, Og. *The Greatest Salesman in the World*. New York: Bantam Books, 1968.
- Schwartz, Steven. *How to Make Hot Cold Calls*. Markham: Fitzhenry & Whiteside, Ltd., Revised Ed. 2001.
- Vee, Jimmy. *Gravitational Marketing: The Science of Attracting Customers*. Hoboken: Wiley & Sons, 2008.
- Ziglar, Zig. *Selling 101: What Every Successful Sales Professional Needs to Know*. Nashville: Thomas Nelson & Co., 2003.

E-Mail and the Internet

In the fall of 1999, the NFA issued a notice to all members regarding supervisory procedures as they relate to electronic communications. It reported that the supervisory processes for electronic communications are similar to those already in use for more traditional forms of communication and advertising.

In other words, NFA Compliance Rule 2-29 covers all communications with the public – including electronic communication such as e-mail and Web sites. Review Rule 2-29 before you use any form of solicitation and check with your sales manager or compliance officer for approval of any materials you wish to use. Rule 2-29 and the Interpretive Notices can be found in their entirety on the NFA Web site.

Your FCM or IB will provide you with a manual or set of documents designed to help you stay in compliance. That manual interprets the NFA rules. NFA Rule 2-29 says in part:

“No member or associate (i.e., an AP) shall make any communication with the public which:

- 1) operates a fraud or deceit;
- 2) employs or is part of a high-pressure approach; or
- 3) makes any statement that futures trading is appropriate for all persons.”

Additionally, it states, “No member or associate shall use any promotional material which:

- 1) is likely to deceive the public;
- 2) contains any material misstatement of fact or which the member or associate knows omits a fact if the omission makes the promotional material misleading;
- 3) mentions the possibility of profit unless accompanied by an equally prominent statement of the risk of loss;
- 4) includes any reference to actual past trading profits without mentioning that past results are not necessarily indicative of future results.”

The rule also sets forth the manner in which statements of opinion must be identified and what supervisory, recordkeeping and filing procedures your sponsoring firm must take.

E-Mail

Your sponsoring firm has a duty to supervise the use of futures-related e-mail by you and other salespeople at your firm, just as it has a duty to supervise other forms of correspondence you may be using or wish to use.

The 1999 NFA Member Notice states that the procedures an FCM or IB uses to supervise must “be in writing, and identify the person responsible for conducting the review of the material, including that person’s title.”

Additionally, the sponsor may specify how:

- the e-mail will be reviewed
- frequently the e-mail will be reviewed
- the review will be documented, and which types of e-mail will be pre-reviewed or post-reviewed

Most FCMs and IBs do not allow APs to use their personal at-home e-mail systems to communicate with customers regarding futures-related business. If an AP does use his or her home PC, he or she must inform the firm, which then has the right and the duty to supervise those systems in the same manner in which e-mails from the office are supervised, including periodic review.

Internet

The Web site your FCM or IB is using has been developed in compliance with NFA Compliance Rule 2-29. The firm has also established in-house supervisory procedures for maintaining that site. NFA Rule 2-29 states in part that the procedures must “be in writing; require prior review and approval of the Web site by an appropriate supervisor; and require documentation or that review.”

Most FCMs, IBs, CTAs and CPOs do not allow an AP to maintain his or her own Web site. Your firm’s procedures will include references to how often the substantive content of the site is changed; any features such as streaming script, which contains

real-time market news; and identifying the time frame in which particular versions of the Web pages are in use. Additionally, the firm must be particularly careful about any links to its Web site. The firm may be held responsible for any deceptive information or other content found on a linked site.

Telephone Solicitation

Whether you are cold-calling or responding to an information request generated from a Web site, you need to plan the call in advance in order to make a good impression and build trust in the customer/AP relationship. Your sales supervisor will provide you with instructions or a written manual to be used as a guide when telemarketing. The following checklist is also helpful:

1. Identify your objective

What is the reason for this call – responding to a Web request? Qualifying the prospect to trade?

2. Carefully plan your introduction

First impressions do count. Make your initial introduction to the potential customer a “mini-resume”:

- Start with your name and sponsoring firm’s name.
- Make sure you are talking to a person with the authority to open and trade an account.
- React according to the prospect’s style – if the prospect is “all business,” follow that lead, adjusting your style to the person to whom you are speaking.
- Have a reason why the prospect should listen to you – i.e., discuss a new order entry platform or extend an invitation to an in-person or Web seminar or workshop.

3. Ask lots of questions

Focus on questions that allow the prospect to talk about him or herself, previous market experiences, investment level and objectives.

4. Distinguish the benefits of market participation

Benefits are the advantages the transaction to the customer, not the features or characteristics of the transactions themselves.

5. Have a reason for continued contact

During your first conversation, you might offer a brochure or simply make an appointment for a follow-up call.

What Is the Prospect Thinking?

Each time a potential customer listens to your phone or in-person presentation, he or she is asking several questions silently. Sometimes the prospective client will verbalize those questions; often he or she will not.

Each prospect weighs the answers in order to come to the decision on whether to open an account with you and your firm.

Some of the things a prospective customer may be thinking are:

- Why should I spend my valuable time listening to his person?
- What is the problem or objective I have with regard to the marketplace?
- Is the person I'm talking to in a position to help me solve the problem or meet the objective?
- How will he or she solve the problem or move me closer to the objective?
- Why should I trust this person?
- Why should I trust that my assets or my company's assets will be handled properly by this person and his or her firm?
- Why is the solution being presented the best one for me or my company?
- Why should I take any action to solve my problem or further my objectives?
- Why should I take action now?

Be prepared for the prospect by thinking through the answers to each potential question. Your sales manager will provide you with brochures and financial statements regarding the history and financial stability of your firm. The firm will also suggest potential ways to present its products or services uniquely to the prospect. Make sure you know what is displayed on your firm's Web site and how to use the tools available there. The key to successful presentations is preparation.

What a Customer Wants from a Broker

There have been many surveys of the futures and options customers in the past few years to determine what they look for in a broker.

Most prospects want to know the following basic things about the AP and the firm he or she represents. Customers who trade specialized markets, trading strategies or systems, or who trade exclusively online will have additional questions.

1. How long have you been in the futures business?

The NFA's BASIC system is public, and the information about the length of time you have been registered and past employment and disciplinary history is available easily, online and free. So don't be tempted to lie or exaggerate.

Emphasize any specialized training you have taken or past work experiences you have that may aid in servicing the customer's account. Talk about the support you receive from your firm and the other members of your team, if you work with other more experienced brokers. Also, let the prospect know that you are registered and a member of the NFA, and that you have taken and passed the proficiency exam.

If you have recently changed your sponsoring firm, you can explain that, rather than job-hopping, you are moving up to a firm which offers more customer support, such as a different order entry platform, direct access to certain floor traders or simply has a more recognizable reputation.

2. How safe are my funds with you?

Customers want to know they are trading with a firm with a good reputation in the industry. Your firm's Web site includes many reasons why the customer should feel secure placing funds with you, including the firm's history, its principals' backgrounds, which exchanges it is a member of and links to the NFA and CFTC, where the prospect can check the disciplinary history of the firm.

3. How many customers do you service in an average day?

A prospective customer wants to make sure that you work with enough clients to demonstrate that you know the business, but not so many that you have no time for him or her. The correct answer is direct and honest.

4. Do you offer broker-assisted accounts or managed programs as well as self-directed accounts?

APs who have been registered for less than two years or who have not been registered for at least two consecutive years may not hold a power of attorney to trade an account on a customer's behalf.

Customer accounts typically fall into three types: self-directed, broker-assisted or managed.

Self-directed customer accounts generally require less broker time, because the customer is not service intensive. The customer tends to know what markets he or she wants to trade and the trades he/she wants to make. Transactions can often be handled electronically.

Broker-assisted customer accounts require a hands-on approach from the broker and a willingness to communicate on a regular and consistent basis from the customer's side. Generally each trade is discussed with an eye on both market movement at the time of the transaction and the ultimate objective of the customer in the marketplace.

Managed programs involve an initial presentation and investment by the customer, then periodic updates by the broker. Trading decisions are made by a third-party manager or by the holder of a written power of attorney. The customer receives transaction statements listing the trades that have been made on his or her behalf, their profit or loss and the total value or worth of the account. The salesperson or AP typically has no involvement with the trading decisions and will update the customer periodically, discuss additional investment amounts, if the timing is right, or explain the cessation of trading if the account value has hit a preset stop-trading point.

5. What resources do you use to help you service my account?

An AP's resources are the tools he or she uses to service the customer's account. A customer may need specialized market research, international news, charting software or a simulated trading program. A good firm will have these services available.

6. How much do you charge for commissions?

You may charge different commission fees based on the type of account opened and the service it requires. Be sure to tell the customer if there are special transaction fees, floor brokerage fees or any other charges not included in your quote, but which will be disclosed as a separate line item on the customer's statement.

Commissions for managed account programs are most often set by the account managers.

Generally customers do not choose a firm or an AP based on commissions. Customers look at several other criteria in addition to a good rate and will trade with the AP and firm who have the right fit. Customers who choose full-service accounts expect to pay more than those who self-direct their accounts.

Specifically Online Traders

Online customers or traders may have several other questions before deciding to open an account with you and your firm.

They include questions about the speed and efficiency of the firm's order execution and fill notification, as well as the products that are available to trade online. Customers will also want to know about the reliability of the system and its backup; if there are any reports, charts and services available directly to customers and what the extra cost might be; what the trading platform is and if they can preview it before opening the account; and if there is any education offered online before trading.

CHAPTER 7 – RESOURCES

Resource: A source of support, information or expertise.

This chapter contains resource information. Many sources offer information and materials free of charge.

The categories in this chapter are:

- Educational institutions
- Futures, stocks and options exchanges
- Government, quasi-government and association sites
- News and market commentary
- Data vendors and equipment
- Web design and marketing
- Ethics providers
- Accountants/compliance firms and lawyers

You should not use any materials found on any Web site in your solicitation materials or promotional information without first checking with your compliance officer. Electronic solicitation is regulated by the NFA in the same manner as print or telephonic solicitation and is subject to the same rules

Do not link to any site without prior permission.

Any materials approved and used for communication with prospective customers or existing clients must be sourced and properly retained for the record and subject to NFA regulation.

Listings do not constitute or imply endorsement by the author or CME Group.

Educational Institutions

University and college site information includes research papers online and county-by-county statistics. Most states have separate departments of agriculture, finance or economics. Those departments often have their own Web sites and are linked internally.

- Abraham Baldwin Agricultural College, Tifton, GA
www.stalion.abac.peachnet.edu
- Alcorn State University
www.alcorn.edu
- Angelo State University
www.angelo.edu
- Arizona, University of – Agriculture
www.ag.arizona.edu
- Arkansas, University of – Agriculture
<http://division.ua.ex.edu>
- Auburn University
www.auburn.edu
- California, Berkeley, University of
www.berkeley.edu
- California, Davis, University of
www.aes.ucdavis.edu
- California State University, Chico, College of Agriculture
www.csuchicoag.org
- Clemson University
www.clemson.edu
- Connecticut, University of
www.uconn.edu
- Connors State College of Agriculture, Warner, OK
www.connors.cc.ok.us

-
- Cornell, College of Agriculture and Life Sciences
www.cals.cornell.edu
 - Colorado State University
www.colostate.edu
 - Delaware College of Ag-Sciences, University of
www.ag.udel.edu
 - Delaware Valley College of Science and Agriculture
www.delval.edu
 - Florida, University of
www.ufl.edu
 - Fort Hayes State University
www.fhsu.edu
 - Georgia Institute of Technology
www.gatech.edu
 - Georgia, University of
www.uga.edu
 - Hawaii, University of
www.hawaii.edu
 - Idaho, University of
www.uidaho.edu
 - Illinois State University
www.cob.ilstu.edu
 - Illinois, University of – College of Agriculture
www.aces.uiuc.edu
 - Iowa State University
www.iastate.edu
 - Kansas State University
www.k-state.edu
 - Kentucky, University of
www.uky.edu
 - Louisiana State University
www.lsu.edu
 - Massachusetts at Amherst, University of
www.umass.edu
 - Michigan State University
www.msu.edu
 - Minnesota, University of
www.umn.edu
 - Mississippi State University – Department of Ag-Economics
www.agecon.msstate.edu
 - Missouri, University of
www.missouri.edu
 - Montana State University – Bozeman, College of Agriculture
www.montana.edu
 - Nebraska, University of – College of Ag-Science and Natural Resources
www.casnr.unl.edu
 - New Hampshire, University of – College of Life Sciences and Agriculture
www.unh.edu
 - New Mexico State University – College of Ag and Home Economics
www.cahe.nmsu.edu
 - North Carolina Agricultural and Technical State University
www.ncat.edu

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- North Carolina State University – Agriculture and Life Sciences
www.ncsu.edu
 - North Dakota State University, College of Agriculture
www.ndsu.nodak.edu
 - Ohio State University Extension
www.extension.osu.edu
 - Oklahoma State
www.okstate.edu
 - Oregon State University
www.oregonstate.edu
 - Penn State University
www.psu.edu
 - Purdue University – School of Agriculture
www.agriculture.purdue.edu
 - Rice University, Dept. of Economics
www.ruf.rice.edu/~econ
 - South Dakota State University, Agriculture Experiment Station
<http://sdaes.sdstate.edu>
 - Southeast Missouri State University
www.semo.edu/study/finance
 - South Plains College, Levelland, Texas
www.southplaincollege.edu
 - Southern Illinois University
www.siu.edu
 - Southwest Missouri State University
www.missouristate.edu
 - Sul Ross State University
www.sulross.edu
 - Tennessee, University of – Institute of Agriculture
www.agriculture.tennessee.edu
 - Texas A&M University
www.tamu.edu
 - Texas Tech University
www.ttu.edu
 - Utah State University – Dept. of Economics
www.huntsman.usu.edu/econ
 - Vermont, University of
www.uvm.edu
 - Virginia Tech
www.vt.edu/
 - Washington State University
www.wsu.edu
 - Washington State University at Tri-Cities
www.tricity.wsu.edu
 - Western Illinois, University of
www.wiu.edu/marketing
 - Wisconsin, University of
www.wisc.edu
 - Wisconsin, University of – College of Agriculture
www.cals.wisc.edu
 - Wyoming, University of
www.uwyo.edu

Exchanges/Trading Platforms

Exchanges and trading platform sites are great resources. In addition to information about individual products, they generally have free educational pages, that explain basic trading technique, Web seminars, end-of-day quotes, charts and sales support materials.

- Australian Securities Exchange
www.asx.com.au
- BGC Partners, Inc.
www.bgcpartners.com
- BM&F – Brazilian Mercantile & Futures Exchange
www.bmf.com.br
- Central Japan Commodity Exchange
www.c-com.or.jp
- Chicago Board Options Exchange
www.cboe.com
- Chicago Climate Exchange
www.chicagoclimatex.com
- CME Group
www.cmegroup.com
- Eurex/Eurex US
www.eurexchange.com
- Hong Kong Exchanges and Clearing, Ltd.
www.hkex.com.hk
- Hotspot FX, Inc.
www.hotspotfx.com
- Intercontinental Exchange
www.theice.com
- International Securities Exchange, Inc.
www.iseoptions.com
- Kansas City Board of Trade
www.kcbot.com
- Korea Exchange
www.eng.krx.co.kr
- London Metals Exchange
www.lme.co.uk
- Marche à Terme International de France
www.euronext.com
- Minneapolis Grain Exchange
www.mgex.com
- Montreal Exchange
www.m-x.ca
- NASDAQ
www.nasdaq.com
- New York Stock Exchange
www.nyse.com
- OneChicago
www.onechicago.com
- Osaka Securities Exchange Co., Ltd.
www.ose.or.jp
- Philadelphia Stock Exchange
www.phlx.com
- RTS Stock Exchange
www.rts.ru
- Singapore Exchange Limited
www.ses.com.sg
- Taiwan Futures Exchange
www.taifex.com.tw
- The Tokyo Commodity Exchange
www.tocom.or.jp
- The Tokyo Grain Exchange
www.tge.or.jp
- Tokyo Stock Exchange, Inc.
www.tse.or.jp

Government, Quasi-Government and Associations

At these sites you will find many well-researched reports and papers. The CFTC site lists disciplinary actions and posts the Commitment of Traders report weekly. The NFA site has registration forms online as well as information about member meetings and rule changes.

- Bank for International Settlements
www.bis.org
- Briefing.com
www.briefing.com
- Commodity Futures Trading Commission (CFTC)
www.cftc.gov
- Fed World
www.fedworld.gov
- Futures Industry Association (FIA)
www.futuresindustry.org
- Managed Funds Association (MFA)
www.mfainfo.org
- National Futures Association (NFA)
www.nfa.futures.org
- National Introducing Brokers Association (NIBA)
www.theniba.com
- Securities Exchange Commission (SEC)
www.sec.gov
- The Gallup Organization
www.gallup.com
- U.S. Department of Agriculture (USDA)
www.usda.gov
- U.S. Department of Commerce
www.doc.gov
- U.S. Treasury
www.treas.gov

News and Market Commentary

News and market commentary can be found on all exchange Web sites as well as on many FCM sites. Your local area newspaper may also be listed at www.naa.org, for the Newspaper Association of America.

A Commodity Trading World
www.acommodity.com

Active Trader
www.activetradermag.com

Advantages in Options
www.optioncaddie.com

Allendale, Inc.
www.allendale-inc.com

Bank Credit Analyst
www.bcaresearch.com

Barron's
<http://online.barrons.com>

Bloomberg
www.bloomberg.com

Business Week
www.businessweek.com

Cheese Market News
<http://cheesemarketnews.com>

Cheese Reporter
www.cheesereporter.com

Chicago Business
<http://chicagobusiness.com>

Chicago Sun-Times
www.suntimes.com

Chicago Tribune
www.chicagotribune.com

CNBC
www.cnbc.com

CNN	Feedstuffs
http://money.cnn.com	www.feedstuffs.com
Commodity Traders Club News	Financial Management Association, Intl.
www.webtrading.com	www.fma.org
Commstock Investments, Inc.	Financial Times
www.commstock.com	http://news.ft.com
Consensus	Forex News
www.consensus-inc.com	www.forexnews.com
Dairy Market News	Fox Business News
www.ams.usda.gov	www.foxbusiness.com
Dairy Profit Weekly	Futures and Options Week
www.dairyprofit.com	www.fow.com
Daytraders Online	Futures Industry Association
www.daytraders.com	www.futuresindustry.org
Dealing with Technology	Futures Magazine
www.dealingwithtechnology.com	www.futuresmag.com
Derivatives Week	Futures Truth
www.derivativesweek.com	www.thefinancials.com
Dow Theory Letters	FX Week
www.dowtheoryletters.com	www.fxweek.com
EContent	Grant's Interest Rate Observer
www.econtentmag.com	www.grantspub.com
Elliot Wave Theorist	Hightower Report
www.elliottwave.com	www.futures-research.com
Emerging Markets Monitor	Hoard's Dairyman
www.businessmonitor.com	www.hoards.com
Euromoney	Information Today
www.euromoney.com	www.infotoday.com
European Business Week	Institutional Investor
www.eubusiness.com	www.institutionalinvestor.com
Farm Week	Investment Dealers' Digest
www.farmweek.ilfb.org	www.iddmagazine.com
Fast Company	Investor's Business Daily
www.fastcompany.com	www.investors.com

John Lothian Letter
www.johnlothiannewsletter.com

Lowry's Market Trend Analysis
www.lowryresearch.com

Managed Account Reports
www.marhedge.com

Marketwatch
<http://marketwatch.com>

Moore Research Center
www.mrci.com

Morningstar Mutual Funds
<http://morningstar.com>

National Hog Farmer
www.nationalhogfarmer.com

Need to Know News
www.needtoknownews.com

New York Times
www.nytimes.com

Opportunities in Options
www.oio.com

Optima Investment Research
www.oir.com

ProFarmer Ag Trader
www.agweb.com

Reuters
www.reuters.com

Stocks, Futures & Options Magazine
www.sfomag.com

Sunny Harris & Associates
www.moneymentor.com

TeachMeFutures.com
www.teachmefutures.com

Technical Analysis, Stocks & Commodities
www.traders.com

The Chartist
www.thechartist.com

The Economist
www.economist.com

Trader's Edge
www.atradersedge.com

The Wall Street Journal
www.wsj.com

U.S. News & World Report
www.usnews.com

USA Today
www.usatoday.com

Wall Street & Technology
www.wallstreetandtech.com

Wall Street Letter
www.wallstreetletter.com

Waters Magazine
www.watsonline.com

Data Vendors and Equipment

Appian Graphics
www.appian.com

ATI Technologies
www.ati.amd.com

Bloomberg LP
www.bloomberg.com

CQG

www.cqg.com

DTN

www.dtn.com

eSignal FutureSource

www.esignal.com

eTraderTools

www.etradertools.com

Marketsource Online

www.msodata.com

Matrox Graphics

www.matrox.com

World Data Source

www.worlddatasource.com

Web Site Design/Marketing

Gate39media

shane@gate39media.com

Trungale, Egan & Associates

fs@trungaleegan.com

Books on Web Design, Internet Marketing and Sales

Bernoff, Joseph and Li, Charlene. *Groundswell: Winning in a World Transformed by Social Technologies*. Cambridge: Harvard Business Press, 2008.

Catalino, Frank and Smith, Bud. *Internet Marketing for Dummies*. Hoboken: Wiley & Sons, 2000.

Myerson, Mitch and Scarborough, Mary. *Mastering Online Marketing*. Newburgh: Entrepreneur Press, 2007.

Myerson, Mitch. *Success Secrets of the Online Marketing Superstars*. New York: Kaplan Business, 2005.

Nastetskaya, Milana. *65 Instant Web Design Answers*. E-book. Carlisle: First Business Web Site.

Niederst, Jennifer. *Web Design in a Nutshell*. Cambridge: O'Reilly Media, Inc., 2006.

Accountants/Compliance

Advanced Regulatory Compliance, Inc.

www.advreg.com

CCS Financial Services

www.ccsfinancialservices.com

Compliance Supervisors

www.compliancesupervisors.com

Michael Liccar, CPA

www.liccar.com

Ethics Providers

Exchange Analytics, Inc.

www.xanalytics.com

Futures Industry Institute

www.fiafi.org

Walsh Agency

www.futuresethicstraining.com

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jhenderson@henderson-lyman.com

Charles Mack, Wolin & Rosen

cmack@wolinlaw.com

Steve Pherson, Schuyler & Roche

spherson@schuylerroche.com

CHAPTER 8 – TRADE ORGANIZATIONS

Organization: A functioning structure arranged into a coherent unity or whole by systematic planning and united effort.

Organizations that focus primarily on the futures industry are good support groups. Approximately 50 percent of all IBs responding to our March 2008, survey and about 85 percent of all FCMs belong to a professional organization. The networking, newsletters, conferences and continuing education will help you grow your business. Look for professional organizations offering the following benefits:

Networking: Meet IBs, CTAs and other registered professionals at conferences and workshops in order to learn how they solve the same challenges you are facing. Expand your circle of business contacts.

Information and Education: Have access to practical information and educational tools you can use to expand your knowledge and your business.

Professional Development: Improve your professional skills in areas such as marketing and new product utilization. Learn how to expand your business using effective Web sites or newsletters and seminars.

Publications: Receive organization publications.

Power of Belonging: A unified voice is stronger and more likely to be heard on issues affecting your business than an individual voice.

Representation with the Regulators: Be informed and represented when key issues affecting your business are discussed by the CFTC, NFA and federal government.

Member Discounts: Receive discounts on publications, software, quotation devices and other equipment and meetings.

The following associations are organizations that FCMs, IBs, CTAs and CPOs are eligible to join. There are no organizations exclusively for APs, but APs are welcome in most associations after the primary registrant has joined. Additional information can be found by searching “managed funds” on Google.

National Introducing Brokers Association

The National Introducing Brokers Association (NIBA), based in Chicago, is a non-profit membership organization focused specifically on retail professionals in the futures and options business. Founded in 1991, it has over 350 members, including IBs and CTAs, plus the sponsorship of 10 FCMs and all domestic exchanges.

The purpose of the NIBA is to provide a forum for IBs and others primarily engaged in the retail offerings to discuss and evaluate issues directly affecting their livelihood and to respond with a unified voice. The association’s business is done by its board of directors – a combination of elected IBs and CTAs, and appointed FCM and exchange representatives. Officers and committee members are volunteers.

The NIBA holds regularly scheduled meetings with the NFA and CFTC, and sponsors annual conferences held in Chicago and New York, which emphasize networking, marketing and continuing education.

NIBA members benefits include a quarterly electronic newsletter, a Washington representation, discounts on Web site design, marketing and quotation equipment, and a resource center for professional assistance.

NIBA membership is \$150 annually for IBs and CTAs. All IBs/CTAs registered and in good standing with the NFA may join. APs and FCMs may also join.

NIBA is located at 55 W. Monroe, Suite 3330, Chicago, IL 60603. The phone number is 312 977 0598, and the Web site is www.theniba.com.

The Board of Directors includes:

- Founder/Chairman of the Board, Melinda Schramm
melinda@futuresrep.com
- President/Membership Chair, John Jensen
hwfi@pacbell.net
- Vice President/Newsletter, Bucky Isaacson
isaacson@att.net
- Treasurer, Bob Pirie
traderbob@lakestradingcompany.com
- Secretary, Chris Haverkamp
chris@piitrader.com
- NY Representative, Bill Purpura
wpurpura@nymex.com
- Member Benefits, Tim Merryman
intercon@yahoo.com
- Webinars, Buck Haworth
buck@borncapital.com
- Conference, John Conolly
john.conolly@cmegroup.com
- 2008 FCM Representative, John DeMartino
john.demartino@fcstone.com
- Legal Advisor, Steve Pherson
spherson@schuylerroche.com
- Marketing Advisor, Fred Steingraber
fs@trungaleegan.com
- Web Site//Communications Advisor, Shane Stiles
shane@gate39media.com

Commodity Floor Brokers and Traders Association

The Commodity Floor Brokers and Traders Association (CFBTA), founded in 1990, represents the interests of the New York floor community. As a non-profit group, the CFBTA's goal is to explain, enhance, improve and represent the profession to the trading community, investment public and regulatory bodies.

The CFBTA's mission is to be ethical in all its dealings with fellow members, the public and customers and employees, and conduct themselves professionally so that individuals' acts will be deemed in good faith and a credit to the profession.

Benefits and discounts include benefit plans, mortgage services and ethics training.

Membership fees are \$50 per year.

The CFBTA is located at One North End Avenue, Box 204, New York, NY 10282. For more information, please contact Chairman George Gero at info@cfbta.org. The phone number is 212 317 7479 and the Web address is www.cfbta.org.

Futures Industry Association

The Futures Industry Association (FIA) is open to all organizations with an interest in the futures markets. The FIA has approximately 180 corporate members.

Regular Members are FCMs. The FIA estimates that their regular members are responsible for more than 80 percent of the customer business transacted on U.S. futures exchanges; they include the top 20 firms in terms of customer equity.

Associate Members include international exchanges, banks, legal and accounting firms, IBs, CTAs, CPO and other market users, and information and equipment providers headquartered in the United States and abroad.

As a Corporate Member, employees of the firm are entitled to join the FIA's divisions, receive FIA publications, use the FIA as a legal, statistical and informational resource and attend FIA events at special reduced member rates.

FIA divisions include:

- Japan Chapter
- Chicago Chapter
- Information Technology
- Law and Compliance
- Futures Services

Events include:

- An annual FIA EXPO held in Chicago, focusing on technology and software
- A meeting focused on regulation and compliance generally held in Baltimore
- An annual member meeting in Boca Raton, Florida, which is one of the industry's best attended conferences

Membership benefits offered by the FIA include Washington representation, division membership, conferences, publications and case studies.

FIA membership fees vary. They are based on the applicant's structure; once the corporate member joins, its employees may join the various divisions.

The FIA's main office is located at 2001 Pennsylvania Avenue, N.W., Suite 600, Washington, D.C., 20006. The phone number is 202 466 5460, and FIA's Web site is www.futuresindustry.org.

- President, John Damgard: jdangard@futuresindustry.org
- Exec. V.P. and Gen'l Counsel, Barbara Wierzynski: bwierzynski@futuresindustry.org
- Sr. V.P. Industry Relations, Mary Ann Burns: maburns@futuresindustry.org
- Relationship Manager, Courtney Rager: crager@futuresindustry.org

Global Association of Risk Professionals

The Global Association of Risk Professionals (GARP) is a not-for-profit association with a membership of over 75,000 individuals worldwide who are involved in financial risk management. Members come from more than 100 countries, and work in regional and global banks, asset management firms, insurance companies, central banks, securities regulation, hedge funds, universities, large industrial corporations and multinational corporations.

The GARP's aim is to encourage and enhance communications between risk professionals, practitioners and regulators worldwide. Through its events, publications, Web site and certification examination (FRM), the GARP works on expanding views and increasing recognition of the global risk management community.

The GARP's stated mission is to be the leading professional association for risk managers, managed by and for its members dedicated to the advancement of the risk profession through education, training and the promotion of best practices globally.

There are four levels of membership available:

- Individual Membership (\$100)
- Student Membership (\$50)
- Fellow Members (\$100) – open to individual members who are FRM-certified
- Affiliate Membership (Free) – open to all who access the public areas of the GARP's Web site

The GARP offers a certification program, Financial Risk Manager (FRM), three major conventions annually and a risk management review magazine, which is published six times per year, with coverage of trends, strategies and best practices in financial risk management.

The GARP has an office in the United States and one in the United Kingdom. The address and phone number for each is: 111 Town Square Place, Suite 1215, Jersey City, NJ, 07310, 201 719 7210, and 1st floor, 42 Mincing Lane, London, EC3R 7AE, UK, +44 0 20 7397. The Web site is www.garp.com.

- President/CEO, Rich Apostolik 201 222 0054 x12
- Membership, Mary Theriault 203 264 6380
- Vice President, FRM Certification, Diane Beebe 201 222 0054 x14
- Vice President, London, Andreas Simou 44 0 20 7397
- Events Coordinator, London, Katherine Barnes 44 0 20 7397

Managed Funds Association

The Managed Funds Association (MFA) is located in Washington, D.C. Its stated mission is to enhance the image and understanding of the alternative investment industry through media regulations initiatives, further constructive dialogue with regulators in pursuit of regulatory reform, and improve communications with, and training of, associate members through effective communications programs.

The MFA has more than 650 members worldwide. Regular members include FCMs, banks, hedge fund advisors, IBs, CTAs and CPOs. The MFA estimates these firms are responsible for the discretionary management of the vast majority of the approximately \$2 trillion currently invested in absolute return strategies, as well as significant amounts invested in hedge funds and other financial and commodity-linked investments.

The MFA's Member Advantages include a monthly newsletter, Washington representation, conferences held around the world, research and discounts on publications and meetings.

Membership dues vary by corporate structure and volume of business transacted by the applicant. Fees vary from \$2,000 to \$40,000.

The MFA offers a Special Exception Membership category. To qualify, the applicant must have been in the industry less than 18 months with less than \$20 million under management or be a small firm with less than five people employed and less than \$1 million under management. Membership fees in the Special Exception category are \$500 annually.

The MFA is headquartered in Washington, D.C., with an additional office in New York. The address and phone number for each is: 2025 M St., N.W., Suite 610, Washington, D.C., 20036, 202 367 1140; and 360 Madison Avenue, 18th Floor, New York, NY 10017, 212 313 1300. The Web site of the MFA is www.mfainfo.org.

- President and CEO, Richard Baker: rbaker@mfainfo.org
- Special Advisor, John Gaine: ugg@mfainfo.org
- Legal Counsel, Jennifer Han: jhan@mfainfo.org
- Director, Marketing, Communications, Stacy Hudson: shudson@mfainfo.org
- Committees and Programs, Catherine Van Son: cvanson@mfainfo.org

Market Technicians Association

The Market Technicians Association (MTA) is a not-for-profit organization with membership of over 2,500 market analysis professionals in 56 countries.

The mission of the MTA is to educate the public and the investment community about the value and universality of technical analysis; attract and retain a membership of professionals devoting their efforts to using and expanding the field of technical analysis and sharing their body of knowledge with their fellow members; and establishing, maintaining and encouraging the highest standards of professional competence and ethics among technical analysts.

The association offers regional chapter meetings, a newsletter and an annual seminar. Membership fees are \$300 annually.

The MTA is located at 61 Broadway, Suite 514, New York, NY 10006. For more information, please contact Executive Director and CEO Tom Silveri at toms@mta.org. The phone number of MTA is 646 652 3300, and the Web site is www.mta.org.



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312 930 1000

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