



Industry Case Study: Regulatory Compliance – Annual CCO Report to the CFTC

The Client:

The client is a global futures commission merchant (FCM) with operations in North America, Europe and Asia Pacific. As part of its regulatory oversight under the Dodd-Frank Wall Street Reform and Consumer Protection Act, they are required to file an annual Chief Compliance Officer's (CCO) report with the Commodities Futures Trading Commission (CFTC) on the state of their compliance with all applicable rules and regulations.

The client was one of the first FCM firms to file its annual CCO report with the CFTC for FY 2013 in Q1 2014.

The Challenge:

In order for the CCO to develop the annual report and certify that the firm was in compliance, the CCO had to identify, document and sign off on how the firm was demonstrating its regulatory compliance. This including interviewing key managers and reviewing demonstrable documents, policies, procedures and system outputs.

In preparation for developing the CCO report, the firm utilized a compliance tracking tool (RSAM) to capture and track the status of the numerous CFTC and NFA rules and regulations applicable to its business operations.

The RSAM tool has a dashboard which indicated the total number of rules and regulations were applicable to the firm, how many had been signed off, how many pending and how many were deficient/required mitigation. The firm had over 350 rules and regulations that it was required to report against.

A project management office (PMO) was established, and a number of work streams were created to capture and report on compliance areas.

The Tellefsen and Company team (TCL) conducted the interviews, corroborated the firm's evidence of compliance and updated the RSAM database for tested/demonstrable compliance areas.

The Solution:

The TCL project team worked with a multi-disciplinary project team of representatives from various departments within the firm. The regulatory compliance work stream included the overall project manager, Chief Compliance Officer, General Counsel and head of Operations.

The team conducted a comprehensive review of exchange rules and procedures against front office, middle office, operations, treasury and compliance functions for the CCO review. They developed and tracked compliance work streams, catalogued compliance data required to develop the annual CCO report to CFTC

Key managers were interviewed to understand the processes and procedures utilized that address specific CFTC rules and regulations.

The project team also conducted a thorough review of the firm's mission-critical systems, new accounts onboarding, new accounts due diligence, product set ups, books/records processing, clearing operations, margin processing, deliveries, financial reporting, large trader reporting, statements and confirmations, conflicts of interest, privacy controls, problem identification/escalation and resolution.

In the process, the firm identified several areas of their FCM operations policies and procedures that were either deficient or not fully documented. They needed to quickly review various aspects of their FCM operations to corroborate or update their current policy and procedures documentation. These were developed by the TCL team in conjunction with the tight deadline for the CCO report.

The Results:

The compliance requirements gathered by TCL were fed into the RSAM compliance dashboard.

The RSAM-generated compliance information was reviewed by the CCO and General Counsel for completeness.

In addition, an updated operations policies and procedures manual was developed that address specific CFTC rules and regulations.

The output of this exercise facilitated developing the first annual Chief Compliance Officer report.

The report was circulated and signed off by the firm's Board of Directors, prior to the timely submission to the CFTC.