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NFA Requests Comments on Capital Requirements and Additional Customer Protection Measures for CPOs and CTAs

The National Futures Association (NFA) recently issued a notice requesting comments on the advisability of subjecting registered commodity pool operators (CPOs) and registered commodity trading advisors (CTAs) to minimum capital requirements and additional customer protection measures.¹

Specifically, the NFA requests comments on the following:

- Imposing a minimum capital requirement on both CPOs and CTAs (or commenters can propose an alternative to a minimum capital requirement);
- Requiring an independent third party to review and authorize any disbursement of a pool's funds;
- Requiring an independent third party to prepare and verify a pool participant's monthly and quarterly account statements;
- Requiring the pool's custodian to report a pool's balance daily to NFA (akin to the current system requiring a futures commission merchant to report customer segregated funds balances daily to NFA);
- Requiring an independent third party to prepare and verify a pool's performance results; and,
- Purging "inactive" CPOs and CTAs (*i.e.*, those that no longer engage in commodity interest trading) from NFA's membership.

If adopted, these requirements would apply only to CPOs and CTAs that are members of the NFA. Investment advisers and other entities that are exempt from CPO and CTA registration, and therefore are not required to be NFA members, would not be affected.

The deadline for submitting comments to the NFA is April 15, 2014.

¹ See Notice I-14-03, "Request for Comments - CPO/CTA Capital Requirement and Customer Protection Measures-Comments Due by April 15, 2014," available at: <http://www.nfa.futures.org/news/newsNotice.asp?ArticleID=4377>.