



**NFA Self-Exam Checklist - Commodity Pool Operators (CPOs Only)**

**2010**

## **Introduction**

Each NFA Member Firm must complete a yearly self-examination checklist and maintain the completed checklist as part of the firm's books and records. Mallon P.C. has prepared this guide to help managers complete the self-examination process as quickly and efficiently as possible.

*Note:* you should have already completed the general checklist for all NFA Member Firms.

## **Overview**

This checklist covers the following categories:

- General
- Account Statements
- Financial
- Disclosure Document

Instructions for completing this checklist can be found at <http://www.hedgefundlawblog.com/nfa-self-examination-checklist-2010-fcms-ibs-cpos-and-ctas>. If you have questions regarding your firm's compliance program or this self-exam checklist, please feel free to contact a compliance associate at Mallon P.C.

Mallon P.C.  
One Ferry Building, Suite 255  
San Francisco, CA 94111  
415-868-5345

<b>General</b>		
<b>Review</b>	<b>Notes</b>	<b>Initials</b>
Establish pools as separate legal entities from the CPOs.		
Ensure that checks received from pool participants are payable to the pool.		

**Account Statements**

Review	Notes	Initials
<p>Prepare account statements for each pool which include:</p> <ul style="list-style-type: none"> <li>▪ Statement of Income and Loss itemizing: realized commodity trading gain or loss, change in unrealized gain or loss, other gains and losses, management fees, advisory fees, brokerage commissions, other fees and other expenses.</li> <li>▪ Statement of Changes in NAV itemizing: beginning NAV, additions, withdrawals, net income/loss, ending NAV, NAV per unit or individual's interest in the pool, and oath or affirmation manually signed by the proper individual. In addition, the following must appear beneath the oath: the name of the individual signing the document, the capacity in which the individual is signing, the name of the commodity pool operator for which the individual is signing and the name of the commodity pool for which the document is being distributed.</li> </ul>		
<p>Use the account statement to disclose any changes or material information not previously disclosed in the disclosure document.</p>		

<b>Financial</b>		
Review	Notes	Initials
Engage an independent certified public accountant to do a certified audit of each pool operated during the past fiscal year, including those pools which have permanently ceased trading.		
Distribute copies of the certified reports to NFA and to each of the participants within 90 days of the fiscal year-end or within 90 days of when the pool funds were returned to participants.		
<p>Include the following information for the preceding two year-ends in the certified audit for each pool:</p> <ul style="list-style-type: none"> <li>▪ net asset value of the pool</li> <li>▪ net asset value per outstanding participation unit in the pool</li> <li>▪ total value of the participant's interest or share in the pool</li> <li>▪ statement of financial condition</li> <li>▪ statement of income and loss</li> <li>▪ changes in financial position</li> <li>▪ changes in ownership equity</li> <li>▪ appropriate footnote disclosure</li> <li>▪ such further material information as may be necessary to ensure that the required statements are not misleading</li> </ul>		
<p>Maintain the following documents for each pool:</p> <ul style="list-style-type: none"> <li>▪ cash receipts and disbursements journal</li> <li>▪ security purchases and sales journal</li> </ul>		

<ul style="list-style-type: none"><li>▪ adjusting journal entries</li><li>▪ subsidiary ledger for each participant, including name, address, dates of deposits, withdrawals, etc., amount of deposits and withdrawals, etc., gains/losses accruing to participant, participant equity calculated on a quarterly/monthly basis, and the number of units owned</li><li>▪ general ledger</li><li>▪ copies of statements from any entity holding pool assets</li><li>▪ copies of statements received from carrying brokers</li><li>▪ bank statements and cancelled checks</li><li>▪ dated copies of all reports and letters</li><li>▪ balance sheets</li><li>▪ income statements</li><li>▪ account statements</li><li>▪ signed and dated acknowledgments of receipt of the disclosure document</li></ul>		
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<b>Disclosure Document</b>		
<b>Review</b>	<b>Notes</b>	<b>Initials</b>
Prepare the disclosure document in accordance with NFA Rules and CFTC Regulations.		
File disclosure document and any amendments with NFA electronically at least 21 calendar days prior to the date you first intend to solicit clients with the document.		
File amendments or a new disclosure document when the existing document becomes materially incomplete or inaccurate.		
If disclosure document comment letters are received from NFA, promptly correct the document and submit your corrections to NFA.		
Provide prospective pool participants with a disclosure document, including any existing amendments, which is nine months old or less prior to accepting funds from the participant.		
Provide existing pool participants with all amendments to the disclosure document.		
Maintain signed and dated acknowledgments of receipt of disclosure documents from each pool participant.		
Calculate fees in accordance with the disclosure document.		

**Additional Notes**

Please use this area to describe any issues or potential issues which were identified through the self-examination.