

# FUTURES MANAGED FUNDS EXAMINATION

## SERIES 31

The following is a general listing of the major subject areas covered by the examination and does not represent an exhaustive list of the actual test questions.

### A. General market knowledge

1. Definition and significance of
  - Margin
  - Futures and forward contracts
  - Price limits
  - Open interest
  - Offsetting contracts
  - "Marking-to-market"
  - Settlement
  - Spread trades
  - Basis
  - Hedging
  - Yield curve
  - Cost of carry
  - Leverage
  - Price volatility

### B. General Regulation

- Arbitration claims and awards
- NFA disciplinary process
- NFA Compliance Rule 2-9, supervision of employees
- "Qualified Eligible Participant"
- Registration requirements
- Trading on foreign markets
- Books and records to be maintained

### C. CPO/CTA Regulations

- Reports to customers
- Exemptions from registration
- Records to be maintained
- Limited partnerships
- Accepting funds from customers

### D. CPO/CTA Disclosure Documents

- Management and incentive fees
- Performance records
- Conflicts of interest
- How long a CPO or CTA can use a disclosure document
- Pool units purchased by principals
- Disclosure statements
- Business backgrounds of principals
- NFA review of document before use
- Disclosure of disciplinary action

### E. Know Your Customer Rule

- Client information required
- Risk disclosures

### F. Disclosure by CPOs and CTAs Required for Upfront Fees

- Disclosure of upfront fees and expenses
- Effect of upfront fees and organizational expenses on net performance

### G. Promotional Material (Compliance Rule 2-29)

- Definition of promotional material
- Standardized sales presentations
- Use of a third-party consulting or advertising firm
- Reprints of articles from industry publications
- Recordkeeping of promotional material
- Past performance
- Hypothetical trading results
- Written procedures for promotional material
- Supervisory review of promotional material