September 23, 2015

By e-mail

Brent Fields
Secretary, Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: Business Conduct Standards for Security-Based Swap Dealers and Major Security-Based Swap Participants; File No. S7-25-11 (the "Proposed Rules")[1]

Dear Mr. Fields:

The Securities Industry and Financial Markets Association ("**SIFMA**")[2] appreciates the opportunity to provide the Securities and Exchange Commission (the "**SEC**") with additional comments on the internal business conduct standards for security-based swap ("**SBS**") dealers and major SBS participants (together "**SBS Entities**") contained in the Proposed Rules. In particular, our additional comments pertain to Proposed Rules 15Fh-3(h) (Supervision) and 15Fk-1 (Designation of Chief Compliance Officer for SBS entities). Please refer to our letter submitted August 7, 2015 for our additional comments on the other aspects of the Proposed Rules.

Our comments are informed by SIFMA members' experiences complying with the parallel supervision rule for broker-dealers adopted by the Financial Industry Regulatory Authority ("**FINRA**") in 2014 (the "**FINRA Supervision Rule**"),[3] FINRA's chief compliance officer ("**CCO**") rule for broker-dealers (the "**FINRA CCO Rule**")[4] and the CCO rule for swap dealers and major swap participants adopted by the Commodity Futures Trading Commission ("**CFTC**") in 2012 (the "**CFTC CCO Rule**").[5] We have provided our comments in the attached

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1 Release No. 34-69491, 76 Fed. Reg. 42396 (July 18, 2011).

2 SIFMA is the voice of the U.S. securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over $2.4 trillion for businesses and municipalities in the U.S., serving clients with over $16 trillion in assets and managing more than $62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

3 *See* FINRA Rule 3110; *see, also* FINRA Regulatory Notice 14-10 (Mar. 2014).

4 *See* FINRA Rule 3130.

5 *See* 77 Fed. Reg. 20128 (April 3, 2012).

matrix, which includes (i) the text of the Proposed Rules with our recommended modifications underlined and bolded and (ii) explanations for why we recommend that the SEC adopt those modifications.

As described in more detail in the attached matrix, our recommended modifications are generally intended to harmonize the Proposed Rules with the FINRA Supervision Rule, the FINRA CCO Rule and the CFTC CCO Rule. We believe consistency is important because most SBS Entities have already invested significant resources to develop controls and processes, train personnel and draft and adopt policies and procedures to comply with those rules in the context of broader supervisory and compliance programs across their SBS and related securities and swaps businesses. Harmonization of the rules will allow SBS Entities to leverage existing processes and speed implementation. It will also enhance the ability of SBS Entities to identify and remediate non-compliance issues by permitting personnel to focus on the substance of issues rather than allocating resources to comply with the formalities of multiple overlapping but slightly differing rules.

Finally, since these internal business conduct standards would apply to an SBS Entity on an entity-wide basis, we support the SEC's proposal to permit a foreign SBS Entity to satisfy them on a "substituted compliance" basis by complying with comparable home country requirements.[6]

We would be pleased to provide further information or assistance at the request of the SEC or its staff. Please do not hesitate to contact the undersigned, if you should have any questions with regard to the foregoing.

Respectfully submitted,

Kyle Brandon
Managing Director

Enclosure

[6] *See* Release No. 34-69490, 78 Fed. Reg. 30968 (May 23, 2013).

Annex A

SIFMA's Recommended Modifications to the Proposed Rules

Recommended Modifications	Discussion
§ 240.15Fh-3(h) Supervision.	The modifications set forth in this section would harmonize the supervisory requirements for SBS Entities with the parallel provisions of the FINRA Supervision Rule, as noted in greater detail below. We believe such harmonization is warranted to enable SBS Entities that are broker-dealers to make use of existing supervisory systems and minimize the confusion that would arise if different standards were applied to related businesses conducted by such entities.
(1) In general. A security-based swap dealer or major security-based swap participant shall establish~~,~~ and maintain ~~and enforce~~ a system to supervise~~, and shall diligently supervise its business and~~ the activities of its associated persons~~, with a view~~ that is reasonably designed to ~~preventing violations of~~achieve compliance with the provisions of applicable federal securities laws and the rules and regulations thereunder relating to its business as a security-based swap dealer or major security-based swap participant, respectively. (2) Minimum requirements. The system required by paragraph (h)(1) shall ~~be reasonably designed to achieve compliance with applicable securities laws and the rules and regulations thereunder~~, ~~and~~ at a minimum, ~~shall~~ provide for: (i) The designation of at least one person with authority to carry out the supervisory responsibilities of the security-based swap dealer or major security-based swap participant for each type of business in which it engages for which registration as a security-based swap dealer or major security-based swap participant is required;	These changes would harmonize the provision with FINRA Rule 3110(a).

Recommended Modifications	Discussion
(ii) The use of reasonable efforts to determine that all supervisors are qualified ~~and meet standards of training, experience, and competence necessary to effectively supervise the security-based swap activities of the persons associated with the security-based swap dealer or major security-based swap participant~~, either by virtue of experience or training, to carry out their assigned responsibilities;	These changes would harmonize the provision with FINRA Rule 3110(a)(6).
(iii) Establishment, maintenance and enforcement of written policies and procedures addressing the supervision of the types of security-based swap business in which the security-based swap dealer or major security-based swap participant is engaged and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and the rules and regulations thereunder, and that include, at a minimum:	This change would harmonize the provision with FINRA Rule 3110(b)(1).
(A) Procedures for the review by a supervisor of transactions for which registration as a security-based swap dealer or major security-based swap participant is required;	While these provisions are generally consistent with FINRA Rules 3110(b)(2) and (4), the SEC should also provide guidance regarding risk-based reviews that is consistent with FINRA Supplementary Material .05 and .06.
(B) Procedures for the review by a supervisor of incoming and outgoing written (including electronic) correspondence with counterparties or potential counterparties and internal written communications relating to the security-based swap dealer's or major security-based swap participant's business involving security-based swaps;	
(C) Procedures for a periodic review, at least annually, of the security-based swap business in which the security-based swap dealer or major security-based swap participant engages that is reasonably designed to assist in detecting and preventing violations of, and achieving compliance with, applicable federal securities laws and regulations;	
(D) Procedures to conduct a reasonable investigation regarding the ~~g~~good character, business repute, qualifications, and experience of any person prior to that person's association with the security-based swap dealer or major security-based swap participant;	This change would harmonize the provision with FINRA Rule 3110(e).
(E) Procedures to consider whether to permit an associated person to establish or	The addition of "trading relationship"

Recommended Modifications	Discussion
maintain a securities or commodities account or a trading relationship in the name of, or for the benefit of such associated person, at another security-based swap dealer, broker, dealer, investment adviser, or other financial institution; and if permitted, procedures to supervise the trading at the other security-based swap dealer, broker, dealer, investment adviser, or financial institution, including the receipt of duplicate confirmations and statements related to such accounts or trading relationships;	reflects the fact that SBS are not necessarily traded in an "account" but rather pursuant to a bilateral trading relationship.
(F) A description of the supervisory system, including the titles, qualifications and locations of supervisory persons and the ~~specific~~ responsibilities of each supervisory person with respect to the types of business in which the security-based swap dealer or major security-based swap participant is engaged;	This change would harmonize the provision with FINRA Rule 3110(b)(6)(A).
(G) Procedures prohibiting an associated person who performs a supervisory function from supervising his or her own activities or reporting to, or having his or her compensation or continued employment determined by, a person or persons he or she is supervising, provided, however, that if the security-based swap dealer or major security-based swap participant determines, with respect to any of its supervisory personnel, that compliance with this requirement is not possible because of the firm's size or a supervisory person's position within the firm, the security-based swap dealer or major security-based swap participant must document the factors used to reach such determination and how the supervisory arrangement with respect to such supervisory personnel otherwise complies with paragraph (h)(1); and	These changes would conform the provision to FINRA Rule 3110(b)(6)(C). As in the broker-dealer context, it may not always be possible to prohibit an associated person who performs a supervisory function at an SBS Entity from supervising his or her own activities or reporting to, or having his or her compensation or continued employment determined by, a person or person he or she is supervising. We therefore believe including the proviso is important to provide SBS Entities a feasible way to comply with this requirement.
(H) Procedures ~~preventing~~reasonably designed to prevent the ~~standards of supervision~~supervisory system required by paragraph (h)(1) from being ~~reduced~~compromised due to ~~any~~the conflicts of interest ~~of a supervisor~~that may be present with respect to the associated person being supervised, including the position of such person, the revenue such person generates for the firm, or any compensation	These changes would harmonize the provision with FINRA Rule 3110(b)(6)(D).

Recommended Modifications	Discussion
that the associated person conducting the supervision may derive from the associated person being supervised. (iv) Written policies and procedures reasonably designed, taking into consideration the nature of such security-based swap dealer's or major security-based swap participant's business, to comply with the duties set forth in Section 15F(j) of the Act. (3) Failure to supervise. A security-based swap dealer or major security-based swap participant or an associated person of a security-based swap dealer or major security-based swap participant shall not be deemed to have failed to diligently supervise any other person, if such other person is not subject to his or her supervision, or if: (i) The security-based swap dealer or major security-based swap participant has established and maintained written policies and procedures, and a documented system for applying those policies and procedures, that would reasonably be expected to prevent and detect, insofar as practicable, any violation of the federal securities laws and the rules and regulations thereunder relating to security-based swaps; and (ii) The security-based swap dealer or major security-based swap participant, or associated person of the security-based swap dealer or major security-based swap participant, has reasonably discharged the duties and obligations required by the written policies and procedures and documented system and did not have a reasonable basis to believe that the written policies and procedures and documented system were not being followed. (4) Maintenance of written supervisory procedures. A security-based swap dealer or major security-based swap participant shall: (i) Promptly amend its written supervisory procedures as appropriate when material	The SEC should adopt guidance regarding the supervisory liability of compliance and legal personnel employed by SBS Entities that is consistent with the guidance it has issued for broker-dealers' legal and compliance personnel.[7] These changes would harmonize these provisions with FINRA Rule 3110(b)(7).

[7] *See* Frequently Asked Questions about Liability of Compliance and Legal Personnel at Broker-Dealers under Sections 15(b)(4) and 15(b)(6) of the Exchange Act, published September 30, 2013.

Recommended Modifications	Discussion
changes occur in applicable securities laws or rules or regulations thereunder, and when material changes occur in its ~~business or~~ supervisory system; and (ii) Promptly communicate any material amendments to its supervisory procedures ~~throughout the~~to all associated persons to whom such amendments are relevant ~~parts of its organization~~based on their activities and responsibilities.	
§ 240.15Fk-1 **Designation of Chief Compliance Officer for security-based swap dealers and major security-based swap participants.** (a) In General. A security-based swap dealer and major security-based swap participant shall designate an individual to serve as a chief compliance officer on its registration form. (b) Duties. The chief compliance officer shall: (1) Report directly to the board of directors or to the senior officer of the security-based swap dealer or major security-based swap participant; (2) Review the compliance of the security-based swap dealer or major security-based swap participant with respect to the security-based swap dealer and major security-based swap participant requirements described in Section 15F of the Act, and the rules and regulations thereunder, where the review shall ~~include establishing, maintaining, and reviewing~~involve preparing the registrant's annual assessment of its written policies	The SEC should, like the CFTC, provide guidance that, if a division of a larger company is a registered SBS Entity, then the CCO of such registrant could report to the senior officer of that division. We also believe the SEC should, like the CFTC, provide guidance clarifying that the CCO may share additional executive responsibilities and/or be an existing officer within the entity. Consistent with the SEC's rationale for why the Proposed Rules incorporated certain modifications to Section 15F(k) of the Exchange Act,[8] these changes are intended to clarify the duties of an SBS Entity's CCO so that they are consistent with (i) the role of a broker-dealer CCO (as described in Supplementary Material .05 to FINRA Rule 3130), (ii) the SEC's guidance regarding the supervisory

[8] 76 Fed. Reg. 137, at 42435 ("Section 15F(k) of the Exchange Act requires an SBS Entity to designate a [CCO], and imposes certain duties and responsibilities on that CCO. Proposed Rule 15Fk-1 would codify the provisions of Exchange Action Section 15F(k) with some modifications based on the current compliance obligations applicable to CCOs of other Commission-regulated entities.")

Recommended Modifications	Discussion
and procedures reasonably designed to achieve compliance with Section 15F of the Act and the rules and regulations thereunder~~, by the security-based swap dealer or major security-based swap participant~~; (3) In consultation with the board of directors or the senior officer of the security-based swap dealer or major security-based swap participant, ~~promptly~~ take reasonable steps to resolve any conflicts of interest that may arise; (4) Be responsible for administering each policy and procedure that is required to be established pursuant to Section 15F of the Act and the rules and regulations thereunder, where such administration shall involve advising on the development of, and reviewing, the registrant's processes for (i) modifying those policies and procedures as business, regulatory and legislative changes and events dictate, (ii) evidencing supervision by the personnel responsible for the execution of those policies and procedures, and (iii) testing the registrant's compliance with those policies and procedures; (5) Take reasonable steps to ensure that the registrant ~~E~~establishes, maintains and reviews policies and procedures reasonably designed to ensure compliance with the Act and the rules and regulations thereunder relating to its business as a security-based swap dealer or major security-based swap participant; (6) Take reasonable steps to ensure that the registrant ~~E~~establishes, maintains and	liability of broker-dealer compliance and legal personnel[9] and (iii) the SEC's guidance in the preamble to the Proposed Rule regarding the supervisory responsibilities of an SBS Entity's CCO.[10] In particular, the recommended modifications would help clarify that it is the responsibility of the registrant, not the CCO in his or her personal capacity, to establish, maintain and review required policies and procedures. We also believe the SEC should provide guidance, consistent with the preamble to the CFTC CCO Rule, that resolution of a conflict of interest encompasses both elimination of the conflict of interest as well as mitigation of the conflict of interest, and that the CCO's role in "resolving" conflicts of interest may involve actions other than making the final decision. The SEC indicated a similar approach in the preamble to the Proposed Rules.[11]

[9] *See* Note 7, *supra*.

[10] 76 Fed. Reg. at 42326 ("The title of CCO does not, in and of itself, carry supervisory responsibilities. Consistent with current industry practice, we generally would not expect a CCO appointed in accordance with proposed Rule 15Fk-1 to have supervisory responsibilities outside of the compliance department.").

[11] *See id.* ("[W]e would anticipate that the CCO's role with respect to such resolution and mitigation of conflicts of interest would include the recommendation of one or more actions, as well as the appropriate escalation and reporting with respect to any issues related to the proposed resolution of potential or actual conflicts of interest, rather than decisions relating to the ultimate final resolution of such conflicts.").

Recommended Modifications	Discussion
reviews policies and procedures reasonably designed to remediate ~~promptly~~ non-compliance issues identified by the chief compliance officer through any: (i) Compliance office review; (ii) Look-back; (iii) Internal or external audit finding; (iv) Self-reporting to the Commission and other appropriate authorities; or (v) Complaint that can be validated; and (7) Take reasonable steps to ensure that the registrant ~~E~~establishes and follows procedures reasonably designed for the ~~prompt~~ handling, management response, remediation, retesting, and resolution of non-compliance issues.	
(c) Annual Reports. (1) In general. The chief compliance officer shall annually prepare and sign a report that contains a description of~~:~~ ~~(i) The compliance of the security-based swap dealer or major security-based swap participant with respect to the Act and the rules and regulations thereunder relating to its business as a security-based swap dealer or major security-based swap participant; and~~ ~~(ii) E~~**e**ach written policy and procedure of the security-based swap dealer or major security-based swap participant described in paragraph (b), (including the code of ethics and conflict of interest policies). (2) Requirements.	These modifications would harmonize the content requirements for the annual CCO report with the CFTC CCO Rule. In particular, we believe it is appropriate to delete the requirement to include a "description of compliance" in the annual CCO report because adopting that requirement would add unnecessary ambiguity to the required scope and content of the annual CCO report with little offsetting benefit given the other content requirements applicable to the report. The CFTC had initially proposed

Recommended Modifications	Discussion
(i) Each compliance report shall also contain, at a minimum, a description of: (A) The security-based swap dealer or major security-based swap participant's ~~enforcement~~assessment of the effectiveness of its policies and procedures relating to its business as a security-based swap dealer or major security-based participant; (B) Any material changes to the registrant's policies and procedures since the date of the preceding compliance report; (C) Any ~~recommendation for material changes to the policies and procedures as a result of the annual review, the rationale for such recommendation, and whether such policies and procedures were or will be modified by the security-based swap dealer or major security-based swap participant to incorporate such recommendation~~areas for improvement, and recommended potential or prospective changes or improvements to its compliance program and resources devoted to compliance; and (D) Any material **non-**compliance matters identified since the date of the preceding compliance report. (ii) A compliance report under paragraph (1) also shall: (A) Accompany each appropriate financial report of the security-based swap dealer or major security-based swap participant that is required to be furnished to or filed with the Commission pursuant to Section 15F of the Act and rules and regulations thereunder or be filed at such time as provided by the Commission;	the same content requirement in the CFTC CCO Rule but removed it from the final rule in response to similar comments. Alignment of the content requirements for annual CCO reports would allow SBS Entities to leverage the extensive and rigorous procedures they have adopted to comply with the CFTC CCO Rule and related guidance.[12] The SEC should take steps to align the deadline for an SBS Entity's annual CCO report with the 90-day deadline under the CFTC CCO Rule[13] and industry practice

[12] In December 2014, the CFTC staff published detailed guidance regarding the annual CCO reports required for swap dealers and major swap participants. *See* CFTC Staff Advisory No. 14-153 (Dec. 22, 2014), attached as Annex B.

[13] *See* CFTC No-Action Letter No. 15-15 (Mar. 27, 2015).

Recommended Modifications	Discussion
	in connection with the annual report required under the FINRA CCO Rule.[14]
(B) Be submitted to the board of directors **or** ~~and audit committee (or equivalent bodies) and~~ the senior officer of the security-based swap dealer or major security-based swap participant at the earlier of their next scheduled meeting or within 45 days of the date of execution of the required certification;	This modification would harmonize the proposed annual CCO report review requirement with the CFTC CCO Rule. Since the Exchange Act and related Proposed Rules require the involvement of either the board of directors or the senior officer, we believe that either the board of directors or the senior officer should have responsibility for reviewing the annual CCO report as well. This change would also address the fact that not all SBS Entities will have an organizational form or governance framework that includes a board of directors, audit committee or equivalent bodies.
(C) ~~Include a written representation that~~ Be discussed in one or more meetings conducted by the chief executive officer(s) (or equivalent officer(s)) ~~has/have conducted one or more meetings~~ with the chief compliance officer(s) in the preceding 12 months, the subject of which addresses the obligations in this section~~, including:~~ ~~(1) The matters that are the subject of the compliance report;~~	This modification would harmonize the proposed annual CEO-CCO meeting requirement more closely with the CFTC CCO Rule, which does not require a swap dealer or major swap participant to include representations in its annual

[14] For example, the SEC could modify its financial reporting proposal to permit a non-bank SBS Entity that would be required to file an annual audited financial report with the SEC to file such a report, together with its annual CCO report, by 90 days after the end of its fiscal year. For a bank SBS Entity that would not be required to file an annual audited financial report with the SEC, the SEC could include a provision in Rule 15Fk-1(c)(2)(A) clarifying that such an SBS Entity must file its annual CCO report by no later than 90 days after the end of its fiscal year. Alternatively, the SEC could clarify that the "appropriate financial report" referenced in Rule 15Fk-1(c)(2)(A) is the first monthly or quarterly financial report due after 90 days have elapsed since the end of the SBS Entity's fiscal year.

Recommended Modifications	Discussion
~~(2) The SBS Entity's compliance efforts as of the date of such a meeting; and~~ ~~(3) Significant compliance problems and plans in emerging business areas relating to its business as a security-based swap dealer or major security-based swap participant~~; and	reports regarding such meetings and does not specify the content of such meetings; since the purpose of such meetings is to discuss the compliance report, the content of which is already specified, we do not believe the subject of such meetings needs to be further specified.
(D) Include a certification **by the chief compliance officer or senior officer** that, **to the best of his or her knowledge and reasonable belief, and** under penalty of law, **the information contained in** the compliance report is accurate and complete. (iii) Confidentiality. If compliance reports are separately bound from the financial statements, the compliance reports shall be accorded confidential treatment to the extent permitted by law.	This modification would harmonize the proposed certification requirement with the CFTC CCO Rule. We believe that it is important to include the qualifier "to the best of his or her knowledge and reasonable belief" in order to prevent application of an overbroad strict liability standard that would likely make it very challenging to attract well-qualified individuals to serve as CCOs or chief executive officers of SBS Entities. We also believe the SEC should, consistent with the CFTC, provide guidance that if the certifying officer has complied in good faith with policies and procedures reasonably designed to confirm the accuracy and completeness of the information in the annual CCO report, both the registrant and certifying officer would have a basis for defending accusations of false, incomplete, or misleading statements or representations made in the annual CCO report.

(iv) Amended reports. The security-based swap dealer or major security-based swap participant shall promptly furnish an amended compliance report if material errors or omissions in the report are identified. An amendment must contain the certification required under sub-paragraph (ii)(D). **(v) Extensions of time. A security-based swap dealer or major security-based swap participant may request from the Commission an extension of time to furnish its compliance report, provided the registrant's failure to timely furnish the report could not be eliminated by the registrant without unreasonable effort or expense. Extensions of the deadline will be granted at the discretion of the Commission.** **(vi) Incorporation by reference. A security-based swap dealer or major security-based swap participant may incorporate by reference sections of a compliance report that has been furnished within the current or immediately preceding reporting period to the Commission.**	These modifications provide for the possibility of amending the annual CCO report, requesting an extension of time in respect of the annual CCO report and incorporating by reference sections of the annual CCO report, which are, in each case, consistent with the parallel CFTC CCO Rule. Given our members' experience in producing the swap dealer annual CCO report, we believe the SEC should include a framework for dealing with each of these scenarios.
(d) Compensation and Removal. The compensation and removal of the chief compliance officer shall require the approval of **the senior officer or** a majority of the board of directors of the security-based swap dealer or major security-based swap participant.	This modification would harmonize the provision with the CFTC CCO Rule. In our members' experiences in the swap context, permitting either the senior officer or the board of directors to set compensation and remove the CCO has been effective to reasonably ensure the independence and effectiveness of the CCO while providing for greater flexibility since it is not always practical to have the board of directors act on these issues (especially in the case of SBS Entities that do not have a board of directors or equivalent body). We believe the same considerations are applicable to SBS Entities.

(e) Definitions. For purposes of this rule, references to: (1) The board or board of directors shall include a body performing a function similar to the board of directors. (2) The senior officer shall include the chief executive officer or other equivalent officer. (3) Complaint that can be validated shall include any written complaint by a counterparty involving the security-based swap dealer or major security-based swap participant or person associated with a security-based swap dealer or major security-based swap participant that can be supported upon reasonable investigation. ~~(4) A material compliance matter means any compliance matter about which the board of directors of the security-based swap dealer or major security-based swap participant would reasonably need to know to oversee the compliance of the security-based swap dealer or major security-based swap participant, and that involves, without limitation:~~ ~~(i) A violation of the federal securities laws relating to its business as a security-based swap dealer or major security-based swap participant, by the firm or its officers, directors, employees or agents;~~ ~~(ii) A violation of the policies and procedures relating to its business as a security-based swap dealer or major security-based swap participant by the firm or its officers, directors, employees or agents; or~~ ~~(iii) A weakness in the design or implementation of the policies and procedures relating to its business as a security-based swap dealer or major security-based swap participant~~.	This modification would harmonize the Proposed Rules with the parallel CFTC CCO Rule, which does not define "material non-compliance" matter or issue. We believe harmonization is warranted in this case because firms subject to the CFTC CCO Rule have developed internal guidance on this topic based on consultation with staff of the CFTC and the National Futures Association. This modification would allow them to adapt these firm-tailored definitions to the SBS context and avoid a situation where firms are required to approach potential material non-compliance issues in different ways according to which set of rules apply. At a minimum, if the Commission adopts a definition for "material non-compliance" matters or issues, it should (i) revise the

	rule to refer to the board of directors or senior officer of an SBS Entity and (ii) clarify that a violation of the federal securities laws, violation of policies and procedures, or weakness in the design or implementation of policies and procedures is only required to be escalated to the SBS Entity's board of directors or senior officer and included in the annual CCO report if such violation or weakness is material.

ANNEX B

CFTC Staff Advisory No. 14-153
Other Written Communication
Division of Swap Dealer and Intermediary Oversight
December 22, 2014

To: All Provisionally Registered Swap Dealers, Major Swap Participants and Registered Futures Commission Merchants

Attention: Chief Compliance Officers

Subject: Chief Compliance Officer Annual Reports

Introduction and Background

The Commodity Futures Trading Commission ("Commission" or "CFTC") adopted Regulation 3.3 – *Chief Compliance Officer*,[1] as part of the new regulations implementing sections 4d(d) and 4s(k) of the Commodity Exchange Act ("CEA" or "Act").[2] Regulation 3.3 requires, among other things, that the chief compliance officer ("CCO") of a swap dealer, major swap participant, or futures commission merchant (each a "registrant") prepare, certify, and furnish to the board of directors ("BOD") or senior officer an annual report addressing the registrant's compliance activities for the registrant's most recently completed fiscal year.[3] The CCO must also submit the report to the Commission.[4]

The Division of Swap Dealer and Intermediary Oversight ("Division") has received the first CCO annual report filings. A number of individual registrants and industry groups have requested guidance on what should be included in the annual report. In addition, Division staff has had discussions with a number of registrants regarding the contents of their annual reports and the process of preparing those reports. Based on these requests and discussions, the Division believes that it can help foster better compliance by providing this advisory on CCO annual report requirements to all of the registrants.

[1] 17 C.F.R. § 3.3.
[2] 7 U.S.C. §§ 6d(d) and 6s(k). Sections 4d(d) and 4s(k) were added by sections 732 and 731 of the Dodd-Frank Act, respectively.
[3] Furnishing the report to the BOD or senior officer must be recorded in the board minutes or in some other fashion, to evidence compliance with that requirement. 17 C.F.R. § 3.3(e). Furthermore, the report must contain a certification by the CCO or Chief Executive Officer of the registrant "that, to the best of his or her knowledge and reasonable belief, and under penalty of law, the information contained in the annual report is accurate and complete." 17 C.F.R. § 3.3(f)(3).
[4] Under an amendment to Rule 3.3(f)(2) that became effective on January 13, 2014, the annual report must be furnished to the Commission not more than 60 days after the end of the fiscal year of the registrant. *See* 17 C.F.R. § 3.3(f)(2).

The purpose of the advisory is to provide market participants guidance and recommendations for best practices with regard to future annual report filings and should not be interpreted as establishing new regulatory requirements. This advisory addresses, in broad terms, issues of compliance and CCOs' process in preparing the annual report, and is not intended to be an exhaustive analysis or guidance document on the annual report process. The Division recognizes that CCOs face a number of issues surrounding the annual report that may not be addressed in this letter and the Division will continue to discuss issues raised during the annual reporting process with the registrants which may lead to more targeted, substantive advisories in the future. This letter is not intended to mandate a specific template, organization, or approach to be used for the annual report. Furthermore, the recommendations and practices described herein are not requirements and do not need to be used if a CCO does not believe that they will improve the annual report. The Division is aware that issuing this advisory near the end of the calendar year, which, for many registrants, corresponds to their fiscal year-end, does not provide a significant amount of time for CCOs to alter the annual report before the filing deadline. While the Division expects CCOs to make efforts to incorporate this advisory into their current annual report, in light of the fact that the content herein is merely guidance and not a requirement, the Division recognizes that registrants with fiscal year-ends that fall on December 31 may not be able to incorporate all aspects of the advisory into the 2014 annual report that is due to be shortly furnished to senior management and the Commission. However, the Division believes that the recommendations and practices described herein should be considered for purposes of improving the registrant's ability to comply effectively and efficiently with the statutory and regulatory requirements and to improve the clarity and quality of the annual reports going forward.

In addition, the Division notes that the last section of this advisory discusses the utility of using a chart format in the annual report as a mechanism to convey a large amount of information. While a chart may provide an efficient tool for conveying the large amounts of information required to be reported about the different aspects of a registrant's compliance program, the Division cautions that it is not a substitute for a full description of substantive matters that are to be addressed in the report.

Annual Report Purposes

The Commission has stated at least three distinct policy goals that are served by requiring CCOs to report annually on the compliance program of the registrant: 1) promoting compliance behavior through periodic self-evaluation;[5] 2) informing the Commission of possible compliance weaknesses;[6] and 3) assisting the Commission in determining whether the registrant remains in

[5] *Designation of a Chief Compliance Officer; Required Compliance Policies; and Annual Report of a Futures Commission Merchant, Swap Dealer, or Major Swap Participant*, 75 Fed. Reg. 70881, 70883 (proposed Nov. 19, 2010) ("[A]n annual report is intended to promote compliance behavior by requiring a registrant to conduct a periodic self-evaluation . . . .").

[6] *Id.*

compliance with the CEA and Commission regulations.[7] The report should inform the two audiences to whom it must be delivered, the BOD or senior officer and the Commission, with these purposes in mind. By requiring its registrants to conduct an annual self-assessment, the Commission has stated that it believes that "[t]his annual and ongoing compliance focus will result in increased industry compliance, thereby increasing market security and stability. A secure and stable market fosters increased market confidence and increased activity by investors and hedgers managing risk."[8]

The Division believes that the CCO annual report should both address the substantive, material compliance issues in a manner that will assist the BOD or senior officer and the CFTC in fulfilling their oversight responsibilities, and demonstrate that the registrant's compliance program has undergone a thoughtful and fulsome self-evaluation. The annual report is therefore a meaningful tool to communicate with the BOD or senior officer and CFTC staff regarding the performance of the compliance program over the past year, the status of the program at the time the report is delivered, and the issues facing the compliance function of the registrant.[9] To do this in a manner that fulfills the stated purposes for the annual report, the report needs to include sufficient information presented in a clear and understandable manner.

Annual Report - Specific Provisions

Regulation 3.3 requires that the CCO address in the annual report, at a minimum, certain enumerated areas of information required by the Commission's regulations.[10] Below, the Division has provided certain recommendations as to how a CCO may better comply with the provisions of Regulation 3.3(e) based on the Division's review of the first CCO annual report filings and discussions with a number of registrants about their processes for preparing the annual report.

[7] *See Swap Dealer and Major Swap Participant Recordkeeping, Reporting, and Duties Rules; Futures Commission Merchant and Introducing Broker Conflicts of Interest Rules; and Chief Compliance Officer Rules for Swap Dealers, Major Swap Participants, and Futures Commission Merchants*, 77 Fed. Reg. 20128, 20193 (Apr. 3, 2012) [hereinafter, *Adopting Release*] ("The annual compliance report will help … the Commission to assess whether the registrant has mechanisms in place to address adequately compliance problems that could lead to a failure of the registrant. It also will assist the Commission in determining whether the registrant remains in compliance with the CEA and the Commission's regulations . . . .").

[8] *Adopting Release*, 77 Fed. Reg. at 20190.

[9] *Id.* ("The annual requirement to compile in a single document the results of a registrant's compliance policies and procedures should serve as an efficient means to focus the registrant's board and senior management on areas requiring additional compliance resources or changes to business practices; it also will provide the Commission with a detailed overview of the state of compliance of the industry as a whole.")

[10] 17 C.F.R. § 3.3(e)(1)-(5).

Regulation 3.3(e)(1) – Description of the written policies and procedures, including the code of ethics and conflicts of interest policies.

Regulation 3.3(e)(1) requires a CCO to describe the registrant's written policies and procedures ("WPPs"), including its code of ethics ("COE") and conflicts of interest ("COI") policies.[11] Given the large number of WPPs that a registrant implements to comply with the Commission's regulations, it is understood that for purposes of the annual report, specific WPP descriptions may appropriately be brief while still identifying the basic purpose of the policy or procedure and how the policy or procedure operates to achieve that purpose. The Division recommends an approach that describes the registrant's WPPs using two levels of narratives. The first level would include a summary overview that describes the general forms and types of WPPs the registrant has, such as a compliance manual specific to the registrant, global corporate manuals or policies, and/or business-unit-specific WPPs that support the applicable regulatory requirements. This summary overview would provide a narrative of the registrant's system or program of WPPs, how they work as a whole, and how the registrant generally puts the WPPs into practice as part of its compliance activities. The second level would include a specific description of each WPP, relaying the specific purposes and operative procedures of the WPP in brief. This second level narrative would be closely related to the requirements of Regulation 3.3(e)(2) (discussed in the following section) and, therefore, it would be appropriate to address the requirements of Regulations 3.3(e)(1) and (2) together in the report.

With respect to the COI policy, it is the Division's view that the CCO should describe the COI policy *specific to the registrant* and address the specific requirements of Regulation 1.71 or Regulation 23.605, as applicable. For example, if the registrant is part of a large enterprise with multiple types of registrants or other regulated entities, or is a large entity itself, the Division believes the COI policy described should relate to the registrant's futures and swap-dealing activities, as required by Regulation 1.71 or Regulation 23.605, in addition to any enterprise-wide COI policy the firm may describe that also covers employees of the registrant.

Regulation 3.3(e)(2) - Review each applicable requirement under the CEA and Commission regulations, and provide specific information with respect to each.

Regulation 3.3(e)(2) requires the CCO to "[r]eview each applicable requirement under the Act and Commission regulations, and *with respect to each*:" identify the WPPs designed to ensure compliance; provide an assessment of the effectiveness of the WPPs; and discuss areas of improvement and recommend changes and improvements to its compliance program and resources. As discussed above, the requirement to compile an annual assessment of the registrant's compliance program is intended to promote compliance behavior through a self-evaluation. A review of each applicable requirement as specified by the regulation ensures that the registrant considers all of the regulatory requirements applicable to the registrant.

[11] The policies and procedures are those needed to ensure compliance with the CEA and Commission regulations relating to the registrant's swaps activities or business as a futures commission merchant, as applicable. *See* 17 C.F.R. § 3.3(a).

Documenting in the annual report the results of the review of each applicable requirement for the purposes identified in the subsections of Regulation 3.3(e)(2) demonstrates the extent to which the full self-evaluation contemplated by Regulation 3.3 has occurred.

The Division notes that many of the regulation sections applicable to a registrant may have multiple requirements. While the Division generally advises CCOs to review each requirement within each regulation separately to demonstrate that the review of each requirement as specified in Regulation 3.3(e)(2) has occurred, it may be appropriate to review some closely related requirements together. For example, consider Regulation 23.402 – General Provisions. Each of subsections (b) *Know your counterparty*, (c) *True name and owner*, (d) *Reasonable reliance on representations* and (g) *Record retention*, represents a fairly distinct requirement and thus should be reviewed individually. On the other hand, subsections (e) *Manner of disclosure*, and (f) *Disclosures in a standard format*, are closely related and thus could be reviewed together, provided the annual report makes clear that the requirements are being reviewed jointly.

3.3(e)(2)(i) Identify the policies and procedures that are reasonably designed to ensure compliance with the requirement under the CEA and Commission regulations.

Regulation 3.3(e)(2)(i) requires the CCO to identify the WPPs that are reasonably designed to ensure compliance with each requirement. Information associated with the WPPs that may be helpful in understanding the registrant's identification and review process would include describing expiration dates associated with the WPPs, any mandatory review periods designated by the registrant for the various WPPs, and identification of the persons responsible for reviewing the specific WPPs. Registrants have chosen to approach Regulation 3.3(e)(2)(i) in various ways. The Division has observed that a chart format is an efficient mechanism for presenting what is, for most registrants, a substantial amount of information given the large number of requirements and corresponding WPPs. Please refer to the last section of this advisory for a more detailed explanation of how a chart may be used effectively and efficiently to address the WPP identification requirement in the annual report.

3.3(e)(2)(ii) Provide an assessment as to the effectiveness of these policies and procedures.

Regulation 3.3(e)(2)(ii) requires the CCO to provide an assessment of the effectiveness of the WPPs, again, with respect to each requirement of the regulations. A number of reports reviewed by the Division had shortcomings in addressing this regulation. Some reports included a narrative description of the assessment methods used by the registrant and provided only a general indication of effectiveness of all WPPs. No statements regarding the assessment results on a requirement by requirement basis were provided. In addition, some annual reports focused heavily on the reliance placed on external audits and reviews rather than describing the registrant's own activities in assessing the adequacy of its WPPs.

Assessing, on a periodic basis, the effectiveness of a registrant's WPPs for each requirement of the regulations ensures that the registrant is evaluating whether it has the

appropriate mechanisms in place to adequately address compliance with respect to each applicable requirement in the regulations.[12] The Division believes that, while a narrative description of the processes used to assess the effectiveness of the WPPs is an important element of the annual report and should be included, an identification of the assessment methods used and the conclusions reached for each requirement should also be provided in the report. Since Regulation 3.3(e)(2)(ii) requires an assessment of the WPPs' effectiveness *with respect to each applicable requirement under the CEA and Commission regulations*, a general narrative that only outlines the process the CCO used to make the assessment, and that does not address each applicable regulatory requirement, would be insufficient.

Furthermore, it is the Division's view that the annual report should include a conclusion by the registrant of effectiveness with respect to each requirement's corresponding WPPs. A conclusion of effectiveness is not necessarily a binary "yes" or "no" proposition. Rather, a rigorous assessment could include a more nuanced conclusion, such as, for example "partially effective" or "effective, but improvements will be made." If the assessment concludes that a particular WPP is partially or wholly ineffective or could be improved upon, the CCO annual report should include a discussion of the reasons for that conclusion and the steps taken or to be taken to address the issue. A chart may be a useful tool for this section of the report, as well. Please refer to the last section of this advisory for an explanation on how a chart could be utilized to address this requirement of the annual report.

More generally, in assessing a registrant's compliance policies and procedures, the Division understands that some registrants may have different processes for obtaining the information included and making the assessments required. For example, one common process is to use a hierarchical certification or sub-certification process to allow the CCO or Chief Executive Officer to attest to the assessment. The Division recommends that the annual report include a description of the processes used by the registrant so that the information provided and the basis for the conclusions reached in the report can be more completely understood.

3.3(e)(2)(iii) Discuss areas for improvement, and recommend potential or prospective changes or improvements to its compliance program and resources devoted to compliance.

Regulation 3.3(e)(2)(iii) requires two components in the annual report: (1) an identification and discussion of the area that needs improvement; and (2) a discussion of what changes the CCO is recommending to address the area needing improvement. In general, the CCOs should be actively working to ensure compliance with the CEA and Commission regulations, which includes identifying and recommending ways in which the compliance program can be improved. The Division recommends that the annual report include, as applicable: (1) a detailed discussion of why the CCO believes the particular area needs

[12] The Commission has stated, "[t]he annual compliance report will help . . . assess whether the registrant has mechanisms in place to address adequately compliance problems that could lead to a failure of the registrant." *Adopting Release,* 77 Fed. Reg. at 20193.

improvement; (2) a discussion of the improvements to be implemented and the time frame for implementing the improvements; and (3) a cross-reference to the regulation that a particular recommendation or enhancement to the compliance program addresses. If a CCO annual report makes no recommendations for changes or improvements to the compliance program, the Division staff may have questions regarding the robustness of the CCO's active review of the compliance program. Moreover, in the Division's view, there should be continuity from one report cycle to the next, such that where a previous report discussed future changes or improvements that were being planned, subsequent reports should discuss the outcomes of the changes that were implemented during the most recent scope period, any monitoring or testing of those changes, whether any compliance issues arose from the changes and, if there were any issues, how those issues were handled. While this section may address historical improvements to the compliance program that are already completed, particularly regarding improvements identified in prior reports, the Division believes that its primary purpose should be to discuss recommended improvements in process and/or future plans to improve the registrant's compliance program.

Regulation 3.3(e)(3) - List any material changes to compliance policies and procedures during the coverage period of the report.

Regulation 3.3(e)(3) requires that the annual report list any material changes to the registrant's compliance policies and procedures during the coverage of the report. When describing any material changes to the WPPs, the Division recommends that CCOs include a description of the standard of materiality used. This will provide meaningful context for any reported changes to the WPPs. If the CCO needs to report a large number of material changes, the CCO could elect to include a brief description for each material change, including the reason for the change, in a chart. As stated previously, the Division notes that the chart is merely a mechanism to encourage meaningful discussion, rather than a substitute for discussion. Although CCOs may use a chart as an efficient way to address material changes to the WPPs, there should be substantive discussion of the material changes. The Division recommends that CCOs consider grouping requirements by category for ease of discussing material changes to WPPs to the extent the changes are related.

Regulation 3.3(e)(4) - Describe the financial, managerial, operational, and staffing resources set aside for compliance with respect to the CEA and Commission regulations, including any material deficiencies in those resources.

The Division is of the view that such a description should assist in assessing whether sufficient resources are dedicated to compliance. Accordingly, the Division would recommend that the description include the following types of information: (1) total budget allocated to the compliance department of the registrant for compliance with the CEA and Commission regulations (*e.g.*, the amounts allocated for personnel, technology, training, and travel (as applicable)); (2) total staffing (*e.g.*, full-time employee counts); (3) partially allocated staff counts (if applicable), with information on how much of such employees' time is devoted to the registrant's compliance matters that are subject to CFTC oversight; (4) explanation of managerial

resources (the explanation should make clear the division between staffing resources and management resources devoted to compliance); and (5) detailed infrastructure information (*e.g.*, computers, technology infrastructure, etc.). The Division believes that in most cases, to appropriately address this requirement in a manner that would effectively inform the BOD or senior officer and the Commission, the description would include numerical information for the financial, managerial, operating, and staffing resources allocated to compliance with the CEA and Commission regulations. It would also be beneficial for registrants to include a detailed description of the CCO and CEO's prior experience and educational background which supports their roles in assessing compliance with the CEA and Commission regulations.

Depending on how the compliance department of the registrant is organized, the Division understands that a discussion of specific budget allocations for the section of the compliance department devoted specifically to the registrant may not be as straight forward as described above, primarily because registrant compliance resources may be shared. The purpose of this regulation is to have a clear understanding of all the resources the registrant has set aside for compliance with the CEA and Commission regulations. While the Division understands that some of the compliance resources used in the registrant's compliance program may also be used to undertake compliance activities for other parts of a larger corporate enterprise in which the registrant is only one part, this sharing of resources would not negate the registrant's obligation to discuss how the registrant's compliance program is being resourced. For those instances where compliance resources are shared, in addition to a meaningful discussion of the current financial, staffing, operational, and managerial resources dedicated solely to the registrant in the level of detail described above, the Division recommends that the CCO also describe those partially allocated resources in as much detail as is necessary to demonstrate a full assessment of the total resources being used for registrant specific compliance activities.

Regulation 3.3(e) also requires this section of the annual report to include a discussion of the CCO's views regarding any material deficiencies in compliance resources. If the CCO does not believe any material deficiencies exist in the resources being devoted to his or her department, the Division recommends that the annual report contain a statement to that effect, particularly if there have been changes in the registrant's futures or swaps activities or compliance resources since the end of the prior reporting period. If, for example, there has been a reduction in compliance staff from the previous reporting period, there was a significant compliance budget decrease during the reporting period, or the registrant initiated significant new business activities, the Division recommends that the annual report include an explanation of why the allocated resources are not deficient in light of the changes that occurred.

Regulation 3.3(e)(5) – Describe any material non-compliance issues identified, and the corresponding action taken.

In connection with the requirement to describe any material non-compliance issues, the annual report should include an explanation of the standard the registrant used to determine a non-compliance event's materiality. In addition, this section of the report should contain a description of each material non-compliance issue identified either through self-assessment

procedures conducted within the registrant or noted by any external entities which conducted a review of the registrant. The description should also include the corresponding actions taken, described in reasonable detail, as well as specific references to the Commission regulation or regulations that are implicated by the non-compliance event. Specifically, the Division recommends that the annual report include a discussion of how the registrant reached a decision on a course of remediation, how the implementation of the remediation was executed, any follow-up testing of the remediation and any noteworthy results from such testing. Additionally, the Division recommends that CCOs consider including an overview of how the CCO or compliance department handles and tracks non-compliance events in general.

Using a Chart to Convey Certain Information

In several places in this letter, it is noted that a chart may be an appropriate mechanism to convey certain types of information in an efficient and digestible manner. This letter does not mandate that a chart or any other particular format must be used. The annual report may be organized and structured in a variety of ways, provided that the report meets the applicable requirements of the CEA and the Commission's regulations. Furthermore, the Division cautions that a summary chart is not a substitute for a complete and substantive discussion of the material issues that must be addressed in the annual report to fully inform the BOD or the senior officer regarding the registrant's compliance program.

Given the number of regulatory requirements applicable to most registrants, a chart format may be useful to identify the applicable regulatory requirements and with respect to each, describe the related WPPs as required by Regulations 3.3(e)(2)(i) and 3.3(e)(1). In addition, it may be useful and more efficient for review purposes if for each regulation, the chart included a cross reference to the specific WPPs of the registrant that address that regulation. For example, the chart could cross reference to a registrant compliance document and sub-section or page number therein where the language addressing each requirement is located.[13]

The assessment of the effectiveness of the WPPs as required by Regulation 3.3(e)(2)(ii) is another area where a chart might be useful because the regulation requires an assessment of each requirement. The chart could give a concise, summary effectiveness assessment of the WPPs with respect to each requirement (for example, "Effective" or "Not effective," or other appropriate conclusory assessments, such as "Effective but needs improvement"). In addition, it would be useful if the CCO included in such a chart the methods used to assess effectiveness. For example, a CCO may separately describe the methods used to assess effectiveness (*e.g.*, testing, routine monitoring, self-reports, certifications or attestations, and/or internal audits). In

[13] The Division notes that, based on discussions with a number of registrants, the use of policy and procedure management software, while not mandated by any regulation, could provide registrants with a useful tool to aid in the identification of their WPPs, the mapping of each WPP to the corresponding rule(s), tracking of any changes, and archiving of previous policy versions. Using this type of management tool, a registrant can more quickly identify which version of a policy was in force at any given time, as well as helping registrants review each WPP on an annual basis.

doing so, the CCO could then prepare a key for these methods and then in the chart identify which methods were used to assess each WPP.

It is noted, however, that use of the chart for this purpose should not be a substitute for a meaningful discussion of WPPs that are deemed to be ineffective or needing improvement. A more detailed discussion of these matters, as described above, would be needed to appropriately inform the BOD or senior officer regarding the issues involved.

Below is a partial table that is being provided as an *example* of how a chart can address a number of the CCO annual report requirements. The information provided in the cells of the table is fictional and is included only to give registrants a sense of the type of information and level of detail that could be included in a chart. Furthermore, it is noted that this example is incomplete and that the Division does not intend the example to be considered as a required template. CCOs may consider including other columns or types of information if they judge that such information can be effectively and efficiently provided in a chart.

CFTC Rule	Name of Corresponding WPP	Description of Corresponding WPP	Page Number or Location of Relevant Provision Relating to CFTC Rule	Conclusion of Effectiveness	Category on which effective assessment is based
23.605(c)(1)(i-iv) Research Analysts and Research Reports – Restrictions on relationship with Research Department	Conflicts of Interest WPP for SD Registrant	This WPP addresses the various CFTC requirements found in Regulation 23.605 relating to research analyst personal financial interests and conflicts between the research function and other business units within the swap dealer.	SD Registrant Compliance Manual, Section XXX.x (in 2014 version updated 4/1/14, page number XXX)	Effective	Testing
23.605(c)(2) Restrictions on communications	Conflicts of Interest WPP for SD Registrant; Code of Ethics WPP for SD Parent (Generally)	The Conflicts of Interest WPP addresses the various CFTC requirements found in Regulation 23.605 relating to research analyst personal financial interests and conflicts between the research function and other business units within the swap dealer. The Code of Ethics WPP for SD Parent addresses codes of conduct expected of all Parent employees.	SD Registrant Compliance Manual, Section XXX.x(x) (in 2014 version, updated 4/1/14, page number XXX); In Parent Code of Ethics Policy, see Section XXX.x, Improper Employee Communications (page XXX in version updated 1/1/14)	Effective, but will be improved. See section on recommended improvements on pg. XX of annual report.	Daily/Monthly/ Quarterly Monitoring
23.605(c)(3) Restrictions on	Conflicts of Interest WPP	This WPP addresses the various CFTC requirements	SD Registrant Compliance	Effective	Audit

research analyst compensation	for SD Registrant	found in Regulation 23.605 relating to research analyst personal financial interests and conflicts between the research function and other business units within the swap dealer.	Manual, Section XXX.x(x) (pg. XXX in version updated 4/1/14)		
23.605(c)(4) Prohibition on promise of favorable research	Conflicts of Interest WPP for SD Registrant	This WPP addresses the various CFTC requirements found in Regulation 23.605 relating to research analyst personal financial interests and conflicts between the research function and other business units within the swap dealer.	SD Registrant Compliance Manual, Section XXX.x (pg. XXX in version updated 4/1/14)	Not effective. See section on recommended improvements on pg. XX of annual report.	Regulatory Examination
23.605(c)(5)(i-iv) Disclosure requirements	Conflicts of Interest WPP for SD Registrant; Code of Ethics WPP for SD Parent (Generally)	The Conflicts of Interest WPP addresses the various CFTC requirements found in Regulation 23.605 relating to research analyst personal financial interests and conflicts between the research function and other business units within the swap dealer. The Code of Ethics WPP for SD Parent addresses codes of conduct expected of all Parent employees.	SD Registrant Compliance Manual, Section XXX.x(x) (in 2014 version, updated 4/1/14, page numbers XXX-XXX); In Parent Code of Ethics Policy, see Section XX, Disclosing Personal Financial Interests (page XX in version updated 1/1/14)	Effective	Self-Reporting (Employee Reporting)

Should you have any questions on the information contained in this advisory, please contact the undersigned Thomas J. Smith, Acting Director (tsmith@cftc.gov; 202-418-5977), Erik Remmler, Deputy Director (eremmler@cftc.gov; 202-418-7630), Katherine Driscoll, Associate Director (kdriscoll@cftc.gov; 202-418-5544), Brian G. Mulherin, Associate Director (bmulherin@cftc.gov; 202-418-6622), or Pamela M. Geraghty, Special Counsel (pgeraghty@cftc.gov; 202-418-5634).

Sincerely,

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Intermediary Oversight