

U.S. COMMODITY FUTURES TRADING COMMISSION

Eastern Region

Division of Swap Dealer and Intermediary Oversight

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Kevin C. Piccoli
Deputy Director

To: All Futures Commission Merchants
Attention: Chief Financial Officer
Subject: Preparation and Filing of Financial Reports
Date: April 12, 2012

The Division of Swap Dealer and Intermediary Oversight ("Division") of the Commodity Futures Trading Commission ("Commission" or "CFTC") is issuing this letter to remind futures commission merchants ("FCM's")¹ of their duties under the Commodity Exchange Act ("Act") and Commission regulations to accurately prepare and timely file, with the Commission, financial reports in accordance with applicable Commission regulations.

Preparation of Financial Reports

CFTC Regulation 1.18 requires, among other things, that an FCM prepare and keep current ledgers or other similar records which show or summarize each transaction affecting its asset, liability, income, expense and capital accounts, and in which all such accounts are classified into the account classification subdivisions specified on Form 1-FR-FCM or, if such FCM is registered with the Securities and Exchange Commission as a securities broker or dealer, the account classification subdivisions specified on Financial and Operational Combined Uniform Single Report (FOCUS).

Filing of Financial Reports

CFTC Regulation 1.10 requires, among other things, that an FCM file a Form 1-FR-FCM, as of the close of business each month, no later than 17 business days after the date for which the report is made. Commission regulation further require the filing of an amended financial statement due to the correction of a material error or if the statement as filed does not accurately reflect the financial position as defined in Financial and Segregation Interpretation No. 4-1.²

¹ The Act is codified at 7 U.S.C. et seq. (2006). The Commission's regulations are found in Title 17 of the Code of Federal Regulations.

² A material error is defined as a misstatement of any individual financial statement account balance, i.e. line item, where the amount of the individual adjustment, if made to the financial statements, would cause a change of 10 percent or more in excess net capital or excess segregated funds or where the adjustment, if made to the financial statements, would cause the firm to fall into an "early warning" net capital position. Errors within individual line items may be offset, but errors occurring on different line items may not be offset for purposes of this definition. That is, for example, an overstatement of cash is not to be offset by an overstatement of accounts payable, since they are different line items. If corresponding adjustments are made between line items merely because of misreporting a balance on the incorrect line, and such misreporting is not a recurring problem with the specific firm involved, then a revised financial report need not be obtained.

In 2011, the Commission received a significant number of amended statements. Some of the amendments were to reflect material adjustments that the firm became aware of after the filing deadline. Other amendments were for adjustments that should have been known prior to the filing deadline, including those for immaterial amounts.

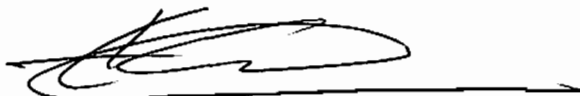
The filing of amended financial statements may lead the Commission to question if an FCM is not meeting its obligation to maintain current books and records as prescribed in Commission Regulation and/or a lack of adequate internal controls over the financial closing process and/or the preparation and maintenance of its books and records. Such occurrences may result in heightened Commission oversight of the FCM, including but not limited to on-site inspections by Division staff and referral to the Commission's Division of Enforcement.

The Commission encourages all CFOs to reexamine their internal control structure over the FCM's books and records and financial closing process and make necessary changes to ensure detection and correction of, among others, inaccurate accruals, inaccurate monthly closing entries and material errors prior to the filing of the FCM's financial statements and to ensure compliance with Commission Regulations.

Contacts

FCM's are encouraged to provide copies of this letter to others that assist in the preparation of their financial statements and other financial records. This letter is also available electronically on the Commission's website at www.cftc.gov, together with the Form 1-FR-FCM Instructions Manual, and the Division's "Financial and Segregation Interpretations." If an FCM or a public accountant has questions on any of the foregoing, please feel free to contact Division staff listed in the table attached as Appendix A or your Designated Self-Regulatory Organization coordinator.

Very truly yours,



Kevin C. Piccoli
Deputy Director

cc: Joint Audit Committee

APPENDIX A

Regional Office Locations	Contacts	Location of FCM's Principal Office
Eastern Region		
140 Broadway, 19 TH Floor New York, NY 10005-1146	Ronald Carletta Associate Director Phone: 646-746-9726 FAX: 646-746-9937 E-Mail: rcarletta@cftc.gov Universal E-Mail: examinations-bc-ny@cftc.gov	All states east of the Mississippi River, <i>except</i> Illinois, Indiana, Michigan, Ohio, and Wisconsin. Any location outside of the United States
Central Region		
525 West Monroe Street Suite 1100 Chicago, IL 60661	Melissa B. Hendrickson Associate Director Phone: 312-596-0661 FAX: 312-596-0713 E-Mail: mhendrickson@cftc.gov Universal E-Mail: examinations-bc-ch@cftc.gov	Illinois, Indiana, Michigan, Ohio, and Wisconsin
Southwestern Region		
4900 Main Street, Suite 500 Kansas City, MO 64112	Thomas Bloom Associate Director Phone: 816-960-7710 FAX: 816-960-7750 E-Mail: tbloom@cftc.gov Universal E-Mail: examinations-bc-kc@cftc.gov	All states west of the Mississippi River
Internet Websites		
Commodity Futures Trading Commission	http://www.cftc.gov	
Code of Federal Regulations (Title 17)	http://ecfr.gpoaccess.gov	