

# SWAPS COMPLIANCE TRAINING AND TESTING DUE 31 JANUARY 2021

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## U.S. Asset Management and Investment Funds Alert

By: Cary J. Meer, Edgar Mkrtchian, Stephen M. Humenik

### INTRODUCTION

By a Notice to Members dated 5 January 2021, the National Futures Association (NFA), the self-regulatory organization for the U.S. derivatives industry, reminded NFA members that their associated persons who are required to satisfy NFA's Swaps Proficiency Requirements must do so by 31 January 2021.<sup>1</sup> *Individuals who do not satisfy the Swaps Proficiency Requirements by 31 January 2021 will be unable to engage in swaps activities until they have done so.*

### SWAPS PROFICIENCY REQUIREMENTS

The NFA [announced](#) the new mandatory swaps training and testing requirements on 25 March 2019. Associated Persons of swap firms (Swap APs) are required to complete the new NFA Proficiency Requirements by 31 January 2021, to remain approved as a Swap AP. There is no grandfathering of persons already registered.

In addition, under the new requirements individuals applying for approval to become Swap APs of a CPO or CTA after that date must have either: passed the Swaps Proficiency Requirements within two years before the date of the application, or passed the Swaps Proficiency Requirements and not had a period of greater than two consecutive years in which they have not been approved as a Swap AP.

The requirements will apply to all Swap APs, even if a firm engages another entity such as a securities broker-dealer to handle solicitation activities. Swap firms include CPOs that operate pools that engage in swap transactions and CTAs that advise clients regarding such transactions. Swap APs are individuals who solicit investors in such pools or clients to open discretionary accounts that may engage in swap transactions, as well as the supervisors of such persons.

The Swaps Proficiency Requirements are administered by an [online learning management system](#) and consist of both a training and a testing component. For Swap APs at a CPO or CTA, the training will take approximately four hours to complete and will consist of the following modules:

1. Swaps Products and Applications (20 test questions);
2. Regulation of the Swaps Market (20 test questions);
3. Supervision (10 test questions); and
4. Compliance, Anti-Fraud, and Other Requirements (10 test questions).

Individuals must receive a score of 70 percent or greater on each subject in order to receive a Certificate of Completion from the NFA.

## CONCLUSION

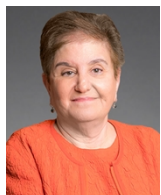
Swap APs who have not already completed the Swaps Proficiency Requirements should contact their firm's Swaps Proficiency Requirements Administrator or the NFA to *complete the requirements by 31 January 2021*. The NFA has published a list of [Frequently Asked Questions](#) regarding the Swaps Proficiency Requirements. K&L Gates' global futures and derivatives team will continue to monitor the implementation of the Swaps Proficiency Requirements and other regulatory changes over this period of transition and welcomes the opportunity to assist market participants in the navigation of these developments.

## FOOTNOTES

<sup>1</sup> The Notice to Members, Notice I-21-01, is available [here](#) and describes in greater detail the Proficiency Requirements and compliance deadline.

See also Cary J. Meer, Lawrence Patent, Edgar Mkrtchian, [Swaps Proficiency Requirements for Associated Persons; Revised Form 7-R](#) (Apr. 8, 2019).

## KEY CONTACTS



**CARY J. MEER**  
OF COUNSEL

WASHINGTON DC  
+1.202.778.9107  
[CARY.MEER@KLGATES.COM](mailto:CARY.MEER@KLGATES.COM)

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