

Regulatory Alert

NFA Proposes Repeal of Interpretive Notice 9071 Relating to Reporting Financial Information on Forms PQR and PR

The NFA recently submitted a proposal to the CFTC, invoking the "ten-day" provision of Section 17(j) of the CEA to repeal Interpretive Notice 9071, which currently requires certain NFA Member firms to report financial ratios on Forms PQR and PR. If approved, the proposal would eliminate the requirement for Commodity Pool Operators ("CPOs") and Commodity Trading Advisors ("CTAs") to report these ratios as part of their quarterly filings.

BACKGROUND ON CURRENT REQUIREMENTS

Under NFA Compliance Rule 2-46, CPOs and CTAs with reporting obligations under CFTC Regulation 4.27 must file quarterly reports with NFA using Form PQR (for CPOs) and Form PR (for CTAs). These filings provide regulatory information about the operations, assets, and activities of pools and advisory businesses.

In 2016, NFA adopted Interpretive Notice 9071, which required reporting firms to include two financial ratios intended to help NFA monitor the financial condition of member firms:

- *Current Assets / Current Liabilities (CA/CL)* – a metric measuring a firm's liquidity and ability to meet short-term obligations.
- *Total Revenue / Total Expenses (TR/TE)* – a metric intended to provide insight into the firm's operating margin.

NFA introduced these ratios with the goal to enhance its oversight capabilities and identify firms that may be experiencing financial difficulty.

REASONING FOR PROPOSED REPEAL

The NFA noted that the financial ratio reporting requirement has provided limited regulatory value and may be difficult to interpret across firms due to differences in business models and accounting practices. As a result, the NFA determined that continuing to require these ratios may impose unnecessary reporting burdens without providing meaningful supervisory benefits.

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IMPACT ON NFA MEMBER FIRMS

If the proposal is approved by the CFTC:

- CPOs and CTAs would no longer be required to report the CA/CL and TR/TE ratios in Forms PQR and PR.
- All other reporting requirements under Rule 2-46 would remain unchanged.
- Firms will still need to continue filing Forms PQR and PR within existing deadlines.

The repeal would therefore represent a pointed reduction in reporting requirements rather than a broader change to NFA's quarterly reporting framework.

SUMMARY

The NFA's proposal reflects their effort toward streamlining reporting obligations where regulatory benefit is limited. If finalized, the repeal would modestly reduce quarterly reporting requirements for CPOs and CTAs while leaving broader Form PQR and PR framework intake.

Whom to Contact at Optima

If you have any questions, please contact Greg Worsfold, Anthony Visone, Luke McCoy or your Optima Partners representative. Alternatively, you can email us at info@optima-partners.com.