

HOW TO SELECT A FUTURES BROKER OR ADVISOR

When considering a person or firm to help with commodity futures or options trading it's important to get your bearings. Whether you're just starting to shop around, or were approached by someone, this worksheet will help get you off on the right foot. You may want to make a copy to take notes about each broker or advisor you're considering. Keeping a written record of your conversations with financial professionals is helpful if there is ever a disagreement later.

Start by listing the services you need or want the firm or broker to provide.

Services can range from full-service discretionary accounts to bare bones online trading platforms. If you'll need consulting, advice, and regular updates, you may want a more full-service approach. However, if you want to do it all yourself, a discount broker may be enough.

Next, visit nfa.futures.org/basicnet/ to be sure any broker or advisor you consider is registered with the CFTC:

1. Name of firm:
2. Name of advisor or broker:
3. Is the firm registered with the CFTC?
 Yes No
4. Is the advisor or broker registered with the CFTC?
 Yes No
5. What are the broker's qualifications and experience?
6. Did you review the disciplinary history of the person and firm?
 Yes No

If the person or firm is not registered, move on. The law generally requires people or firms that help you make commodity futures trades be registered with the CFTC and the National Futures Association (NFA). A firm or broker that is not registered should be considered a red flag. Also note how long the person has been with the firm, and how often he or she has changed firms.



When interviewing the broker or advisor, be sure to ask:

1. What are the commissions, fees and margin requirements?

Generally, commissions and fees will increase with the level of service. Minimum margin requirements are set by exchanges, but firms can add to them.

2. What services are provided?

How does this compare to your list above?

3. What types of contracts or trading strategies will be used? What are the risks?

4. What types of clients does the broker or firm typically work with? Can they provide references?

Is the advisor or broker used to working with clients like you?

5. Ask about any issues related to their registration or disciplinary history.

6. How often will you receive statements?

Review statements regularly and check for errors.

7. Can you review all agreements, disclosures and prospectuses before making your decision?

Get everything in writing. Review all agreements and investment materials thoroughly. Consider consulting an attorney or other financial professionals before signing documents.

Warning Signs:

These warning signs should raise your suspicions. If you experience any of them, proceed with extreme caution.

- You're promised unusually high returns.
- You're guaranteed not to lose money.
- The broker called you out of the blue offering to advise you.
- You have been pressured to act quickly.
- The advisor uses confusing jargon and doesn't fully explain the strategy.
- The advisor offered to do you a favor or gave you a gift.
- The advisor has secret insider connections or knowledge.