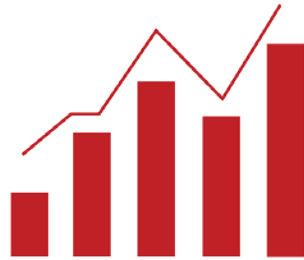


MEETING OF THE CFTC AGRICULTURAL ADVISORY COMMITTEE



Other New Business

- *Dan Rutherford, Office of Customer Education and Outreach*
- *Christa Lachenmayr, Division of Market Oversight*
 - *USDA Liaison Report*
 - *AAC Subcommittee Update*
- *Member comments/questions*



CFTC

COMMODITY FUTURES TRADING COMMISSION

Agricultural Customer Education

September 24, 2020

Disclaimer

This presentation is being made by a representative of the Commodity Futures Trading Commission on behalf of the Commission for educational and informational purposes only. It does not constitute legal interpretation, guidance or advice of the Commission.

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Agricultural Customer Resources

cftc.gov/agriculture

- Checklists
 - Advisories & Articles
- CFTC Data and Research
- Third-party Resources

Getting Started: Checklists

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 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 info.futures.org/baselines/ to be sure any broker or advisor you consider is registered with the CFTC:

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



ACCOUNT STATEMENT AND TRADE CONFIRMATION CHECKLIST

Traders should regularly review trade confirmations and monthly or quarterly statements. Mistakes happen. So can fraud or unauthorized trading activity. You won't know if you don't carefully review your transactions, gains, losses, and balance.

Keep an eye out for unauthorized trades or unknown fees. And, always keep your statement until the next one arrives so you can compare ending and starting balances as well as gains and losses.

Here's a checklist of tips and red flags to consider when reviewing your account statement:

WHAT TO REVIEW:

- **Account name, number, and statement period.** First, clearly identify that you're looking at the correct account and make sure the reporting period is clear and consistent with past statements.
- **Account equity.** Most statements include an overview section that provides the account equity at the beginning and end of the reporting period. Account equity is the sum of all realized and unrealized gains and losses plus any other cash or collateral in the account.
- **Changes from the previous period.** Review changes in positions, and gains and losses from liquidated positions or positions still held. Verify deposits and withdrawals made from the account.
- **Account activity.** Each statement should clearly list each transaction made on your account during the statement period. Review each trade's date and time and the amount of each transaction. If anything seems wrong, call the firm immediately to report the discrepancy. You may want to refer to trade confirmations you received at the time of the transactions.
- **Commissions, fees, and charges.** Carefully examine any fees charged against your account, including handling charges, interest, and other fees. If you are charged for anything that wasn't disclosed in advance, ask your financial professional about it immediately.
- **For pooled investments.** Look for changes in the net asset value (NAV), changes to how the NAV is calculated, and monitor the costs of management fees, advisory fees, and trading commissions.



HOW TO PROTECT YOURSELF FROM FRAUD

Even experienced, diligent investors are susceptible to fraud. It can be hard to objectively analyze claims from financial advisors or firms when you're wowed up in the excitement of an investment opportunity. To protect yourself or others close to you, it's essential to know the common tactics fraudsters employ. Use this checklist to help verify that the people you're working with and the products they're offering are in your best interest.

RECOGNIZE COMMON FRAUD TACTICS

- **Cold calling.** Someone you don't know calls or emails you about investment opportunities.
- **Online targeting.** You start seeing ads or posts in social media for investment opportunities from people or organizations you don't know.
- **Pressure and urgency.** You are urged to act right away because the offer is good for a limited time or available in a limited quantity.
- **Noting special status.** You were selected to be part of a special or elite group to receive the opportunity.
- **Offering favors.** You are promised a gift or favor, such as a special deal, in return for investing.
- **Promising huge returns.** You are promised or guaranteed unrealistically large gains with little or no risk.
- **Confusing jargon.** The investment sounds complicated and is not clearly explained. Questions aren't answered.
- **Selling credibility.** Superficial signs of success—such as titles, special recognitions, awards, and even expensive clothes, cars, and lifestyle—are used to persuade you.
- **Touting third-party endorsements.** Claims that a lot of famous people or people you know are investing in the opportunity, hoping to build trust by illustrating all the other people involved.

WHAT TO CHECK

- **Verify qualifications.** Ask what state and federal agencies regulate a financial professional's activities, and confirm the individual or firm is registered.
- **Registration status.** Most financial professionals and firms must be registered or licensed to conduct business. Visit cftc.gov/cftc for links and information about conducting registration checks on many financial professionals, firms, and products, including the National Futures Association's (NFA) BASIC search tool (info.futures.org/baselines/) to make sure the broker or advisor is registered with the CFTC.



Bulk orders: <https://orders.gpo.gov/cftcpubs.aspx>
or consumers@cftc.gov

Advisories & Articles: Timely Education and Anti-Fraud Information

Customer Advisory: Learn About Risks Before Investing in Commodity ETPs or Funds

Recent market volatility due to the COVID-19 (coronavirus) pandemic has prompted many investors to purchase shares of trading vehicles that use futures *benefiting from a recovery*

How the CFTC's Reparations Program Helps Customers Resolve Disputes

Checking to make sure a financial professional is registered is a good way to help avoid fraud. It also is your key to knowing that if fraud or other problems come up, you may have a way to resolve the dispute.

Back to School: Learn to Trade Futures and Options Without Getting Scammed

If you search online to learn how to trade futures or options, you'll find dozens of seminars, web courses, and training software. But while there are many useful resources available, there are also plenty of instructors promising expertise and



Data & Research

- Quick access to relevant CFTC data and research findings:
 - Commitments of Traders
 - Cotton On-Call
 - *Who Participates in Agricultural Futures Markets – And How?* Robe, Roberts. 2019.
 - *The End of an Era: Who Pays the Price when the Livestock Futures Pits Close?* Gousgounis, Onur. 2020.



External Resources

Don't need to reinvent the wheel.

Highlight resources from:

- USDA
- CME Group
- University of Illinois, Kansas State, University of Minnesota
- Annie's Project



Moving Forward

- Risk Management Planning Guide
 - Videos to assist with learning
- Research and reports
- Timely publications and articles about fraud trends affecting producers, and other key topics.
- Event announcements
 - Roundtables, listening sessions, public presentations, trade shows and conferences

Other Education & Outreach

- Coronavirus response: 4 customer advisories; 3 web articles
- World Investor Week, October 5-11
- Newly redesigned Learn & Protect section
 - RED List, Advisories & Articles, Publications and Videos.
- Social media outreach
- Collaborate with Federal, International, and private sector partners
 - FLEC, IOSCO, Futures Fundamentals