



*Get important background
information about futures
firms and individuals from
National Futures Association's*

Background Affiliation Status Information Center (BASIC)

***An Information Resource
for the Investing Public***



NATIONAL
FUTURES
ASSOCIATION

With the introduction of new products and easier access via electronic trading platforms, the U.S. futures markets are attracting an increasing number of individuals looking for ways to manage their financial risk. For over two decades, National Futures Association (NFA) has dedicated itself to safeguarding the integrity of the futures markets and protecting the investing public. As part of NFA's commitment to investor protection, the Association provides investors with tools to help them conduct due diligence before making financial decisions. This brochure gives a brief overview of one of NFA's most popular investor resources: the Background Affiliation Status Information Center (BASIC).



ABOUT NFA

National Futures Association (NFA) is the industrywide self-regulatory organization for the U.S. futures industry. NFA's mission is to provide innovative and efficient regulatory programs and services that safeguard the integrity of the derivatives markets and protect investors. NFA's activities are overseen by the Commodity Futures Trading Commission (CFTC), the government agency responsible for regulating the U.S. futures industry.

AN OVERVIEW OF NFA'S MEMBERS

Virtually every firm or individual who conducts futures or options on futures business with the public must be registered with the CFTC and a Member of NFA. NFA Membership categories include futures commission merchants (FCMs), commodity trading advisors (CTAs), commodity pool operators (CPOs) and introducing brokers (IBs). There are approximately 4,200 NFA Member firms and about 55,000 NFA Associate Members, individuals associated with NFA Member firms.

THE HISTORY OF BASIC



In 1991, NFA created the Disciplinary Information Access Line (DIAL), the nation's first clearinghouse of disciplinary information about futures firms and salespeople. The introduction of DIAL allowed investors and others for the first time to get a "one-stop" background check from government and self-regulatory sources about the disciplinary history and other background of 150,000 individuals and 10,000 firms that either are now or have been involved in the futures industry.

NFA moved this extensive database of information online in 1998 and re-named it BASIC. The service is offered free of charge and can be accessed 24 hours a day through NFA's Web site at www.nfa.futures.org, or by calling NFA's Information Center at (800) 621-3570 between the hours of 8:00 a.m. and 5:00 p.m. Central Time.

The information is available immediately. You do not need to submit a request and wait days for it to show up in the mail.

Investors and other industry participants conduct more than 600,000 BASIC searches every year.

INFORMATION AVAILABLE IN BASIC

As an individual considering investing in the futures markets, you should ask some fundamental questions regarding the firm and/or individual you may be doing business with. BASIC will give you the answers to most, if not all, of those questions. For example:

Is the person/firm registered with the CFTC?

BASIC contains current and historical registration information concerning all current and former CFTC registrants, including name, business address and registration history in the futures industry.

Have there been any regulatory actions taken against the firm/individual?

BASIC provides information concerning disciplinary actions taken by NFA, the CFTC and all the U.S. futures exchanges. If you are researching a firm, you should also conduct a background check of all the individuals listed as principals of the firm. Sometimes the firm will have no disciplinary history, but one or more of the principals may have been disciplined while working at other firms.

Has the firm/individual been named in any dispute resolution cases?

BASIC gives you details concerning NFA arbitration matters involving disputes between investors and NFA Members if the case went to hearing and an award was issued after January 1, 1990. You will also find summary data concerning the number of cases filed with the CFTC's reparations program.



INFORMATION NOT AVAILABLE IN BASIC

BASIC does not include information about civil actions between parties (other than summary information concerning CFTC reparations or NFA arbitrations), criminal proceedings or actions taken by other federal regulatory agencies or self-regulatory organizations in other industries. BASIC also does not include information about pending NFA arbitration cases or cases without an award. Regulatory actions taken by futures exchanges prior to 1990 may not be included, because while some contributors have entered them, others have not. Finally, although information regarding pending cases at NFA and the CFTC can be found in BASIC, pending exchange complaints that have not been adjudicated are not included.

HOW TO CONDUCT A BASIC SEARCH

There are four ways to conduct a search in BASIC:

- Search by NFA ID
- Search by Individual Name
- Search by Firm Name
- Search by Pool Name

Searching by NFA ID number is by far the most efficient and precise search option. With some exceptions, every individual or other type of entity that wishes to conduct futures-related business with customers, must apply for and obtain CFTC registration and NFA membership. In most cases, an individual or entity that has applied for CFTC registration or NFA membership, in the past 20 years, is assigned its own NFA ID. An NFA ID can have as few as one digit and up to seven digits. An NFA ID is assigned to one entity and it is not used more than once. We recommend that you contact the individual or firm and request their NFA ID before using BASIC. If you are unable to obtain the party's specific NFA ID, you can also conduct a search using the individual's name, the firm's name or the name of a commodity pool.

If the individual or firm is unable or unwilling to provide you with an NFA ID number or if you have entered an NFA ID that you are certain is correct and "No Current Status" displays, you may be dealing with an entity not registered with the CFTC and not an NFA Member. Conducting futures-related business with these individuals or firms could cause you problems.

If you think you are dealing with an individual or firm not registered with the CFTC and not an NFA Member, please send an e-mail or call NFA's Information Center toll free at (800) 621-3570 between the hours of 8:00 a.m. and 5:00 p.m. Central Time.

ADDITIONAL RESOURCES

In addition to BASIC, NFA publishes several informational brochures for the investing public, including:

- *Opportunity and Risk: An Educational Guide to Trading Futures and Options on Futures*
- *Security Futures Products*
- *Trading in the Retail Off-Exchange Foreign Currency Market: What Investors Need to Know*

All of these brochures are available at no cost. You can either download them from NFA's Web site (www.nfa.futures.org), or you can order copies by calling NFA's Information Center.

Investing in the futures markets is a high-risk, volatile venture. Don't add to your risk by giving your money to a firm or individual that you know little or nothing about. Always remember to conduct a background search using NFA's BASIC system as part of your overall due diligence.



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National Futures Association

300 South Riverside Plaza, Suite 1800
Chicago, Illinois 60606-6615

800-621-3570

www.nfa.futures.org

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