

NFA Proposes Information Systems Security Program Requirements

The National Futures Association (“NFA”) has proposed requirements that, if adopted, would require every NFA member firm to establish and enforce an information systems security program (“ISSP”). The proposed requirements are intended to be consistent with prior guidance issued by the NFA as well as by the Securities and Exchange Commission.

More specifically, according to the proposal, each NFA member firm would be required to:

- Adopt and enforce a written ISSP reasonably designed to provide safeguards to protect against security threats or hazards to its technology systems;
- Assess and prioritize (i.e., through a risk assessment) the risks associated with the use of its information technology systems;
- Document and describe in its ISSP the safeguards deployed in light of the identified and prioritized threats and vulnerabilities;
- Create an “incident response plan” to manage, analyze and mitigate detected security events or incidents;
- Monitor and regularly review the effectiveness of its ISSP and make adjustments as appropriate;
- Educate and train personnel on information security;
- Address risks posed by third-party service providers; and
- Maintain all records relating to the adoption and implementation of its ISSP.

Please note that, with respect to the first bullet-point above, a member-firm would be required to conduct a risk assessment designed to identify issues relevant to information security; in other words, conducting a cybersecurity risk assessment would not be an elective.

The proposed interpretive notice also requires each NFA member’s ISSP to be reviewed in writing by an executive-level official, although it is not clear whether the person would have to be a principal or act in another formal, regulatory capacity. The NFA would also require that the member firm periodically provide sufficient information about the ISSP to its board of directors or similar governing body to enable that body to monitor the member’s information security efforts.

The proposed interpretive notice has been formally submitted to the Commodity Futures Trading Commission (“CFTC”) for review. An effective date for the proposal will be announced on completion of the notice’s review by the CFTC.

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