

JOINT AUDIT COMMITTEE

REGULATORY UPDATE

TO: Chief Financial Officers
Chief Compliance Officers

DATE: June 1, 1998

RE: CFTC Advisory #17-98
Reporting and Disclosure Requirements for Year 2000 Problems

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In its recent [advisory](#) dated April 29, 1998, (see attached) the CFTC, "...impose(d) an obligation to report or disclose material year 2000 systems problems." Due to the seriousness of the Year 2000 matter and the potential for systems problems, the advisory enumerated various conditions that would require the CFTC to be notified by the registrant. A material failure by a firm in any of the following areas would require notification of a **material inadequacy** or **non-current books and records** with the Commission.

- Mission-critical systems for year 2000 must be identified and evaluated. The extent of the planning and follow through should be appropriate to the complexity of the firm.
- A schedule must be established for major steps and milestones in bringing each system into compliance.
- Staffing, or contracting of such, must be appropriate for tasks involved.
- Senior management must approve and control the execution of the Year 2000 plan.

A more detailed description of each area is located within the body of the advisory. Definitions of "material inadequacies" as well as "books and records requirements" are also within the body of the advisory and should be read and noted by each registrant.

Should a firm deem such notice to be necessary, it must notify the Commission within three business days of discovery and follow-up with a plan of corrective action within 5 business days. Notice to a firm's DSRO will be deemed notice to the Commission.

Finally, the CFTC advisory urges all market participants to share year 2000 concerns, issues and potential solutions amongst each other. If you have questions regarding this advisory or any year 2000 issue, please contact your DSRO.

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