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**For Immediate Release  
January 31, 2013**

For more information contact:  
Karen Wuertz (312) 781-1335, [kwuertz@nfa.futures.org](mailto:kwuertz@nfa.futures.org)  
Larry Dyekman (312) 781-1372, [ldyekman@nfa.futures.org](mailto:ldyekman@nfa.futures.org)

**National Futures Association adopts recommendations from an independent analysis of NFA's Peregrine Financial Group audits**

January 31, Chicago - The National Futures Association announced that at a special meeting of its Board of Directors today, the Board voted to accept the recommendations made by Berkeley Research Group (BRG) as part of its independent analysis of NFA's audits of Peregrine Financial Group, Inc. NFA staff will shortly develop a plan to act on the recommendations. The Board will also appoint a special committee to oversee the timely implementation of the recommendations.

According to BRG, its 21 recommendations are "designed to improve the operations of NFA audits" based on the results of its analysis. The recommendations cover a wide range of topics, including auditor hiring, training, supervision and continuing education. In particular, the report recommended that NFA enhance its training and procedures to ensure a greater sense of professional skepticism among its audit staff.

In addition, BRG recommended that NFA conduct more testing of Members' internal controls, the qualifications of outside auditors and the sources of firm capital contributions. BRG also recommended that NFA take steps to better identify potential risk factors in futures commission merchant (FCM) operations.

"BRG conducted an independent, thorough, and accurate review of NFA's audits of Peregrine Financial, and identified areas in which NFA could have been more inquisitive," said Todd Petzel, chairman of a Special Committee comprised of NFA's Public Directors that retained BRG in August 2012. "Its recommendations are smart and appropriate. With the full backing of the Board, management will implement these recommendations and we expect the result will be improved regulation and oversight and a stronger, more secure industry."

BRG found that, overall, "NFA audits were conducted in a competent fashion and the auditors dutifully implemented the appropriate modules that were required in the annual audits" following the standards set by the Joint Audit Committee, a representative committee of the Audit and Financial Surveillance departments of U.S. futures exchanges and regulatory organizations.

BRG also found that, unlike in the Madoff Ponzi scheme, there were no complaints from customers or attempts at whistleblowing regarding Wasendorf's fraud. BRG concluded that Wasendorf "was able to conceal his fraud meticulously by providing numerous convincingly forged documents to NFA and others."

"NFA has already taken steps to address some of the issues highlighted in BRG's recommendations," said NFA President Dan Roth. "For example, we have expanded our use of Certified Fraud Examiner training for our audit staff, increased our recruiting of experienced supervisors and directed our managerial staff to spend more time in the field during audits. NFA and CME Group have created a process to receive daily confirmations from all banks holding customer segregated funds. The segregation confirmation system will perform an automated comparison of that information with the daily reports filed by the FCMs and generate immediate alerts for any material discrepancies."

"Our primary goal is to thoroughly review the BRG report and develop a plan to implement its recommendations," said Mr. Roth. "We will present our plan to the Board in the near future. We are confident that the actions already taken by NFA and other regulators, along with the recommendations proposed by BRG, will help us to create a stronger regulatory environment and a better industry."

The BRG Investigative Team conducted a comprehensive review of NFA's audits of PFG from 1995 through 2012. BRG examined over 190,000 NFA documents containing over 3 million pages, including over 166,000 emails and related attachments. BRG also conducted interviews of 32 individuals with knowledge of the factors or circumstances surrounding NFA's audits of PFG, including 25 current or former NFA employees and 5 former PFG officials (including former PFG CEO Russell Wasendorf, Sr.).

[BRG's Recommendations Report and Report of Investigation](#) are available on the NFA website at [www.nfa.futures.org](http://www.nfa.futures.org).