

COMMODITY FUTURES SUPERVISORY & PROCEDURES MANUAL



NFA Member 0277360

These written supervisory procedures were approved by Michael C. Jordan. These procedures are effective from the date approved until the date of their authorized revision, update or replacement (see below).

Authorized approval signature: MCJordan
Date these procedures became effective: December 2003

Revisions completed by: SLAbbott
Date of revision, update or replacement: January 2014

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PART I: INTRODUCTION

This Commodity Futures S&P Manual (“S&P” or “Manual”) of Polar Investment Counsel Inc (“PICI”) or the “Firm”) describes its established supervisory procedures and system required under NFA Rules & Regulations. The Firm has established and maintains these supervisory procedures by taking into consideration, among other things, the firm’s size, organizational structure, scope of business activities, number and location of offices, the nature and complexity of products and services offered, the volume of business done, the number of associated persons assigned to each location (and whether the location has a principal on-site or is a non-branch location) and the disciplinary history of registered representatives or associated persons, among other factors. The Firm’s supervisory system is a result of the Firm’s process by which it adopts compliance policies and supervisory procedures reasonably designed to achieve compliance with applicable securities laws and regulations and FINRA rules. The Firm, in having this process and requiring its compliance officer to certify annually with regard to its implementation, is in compliance with NFA Rules & Regulations. In addition, the Firm, has supervisory control procedures that test and verify that its supervisory procedures are reasonably designed to achieve compliance with applicable securities laws and regulations and FINRA rules. The Firm is committed to amending or creating additional supervisory procedures when required. Procedures designed to ensure compliance with Rules & Regulations described throughout this Manual.

The firm additionally maintains a Written Supervisory Procedures Manual (“WSP” or “WSP Manual”) that pertains to its securities business and is written according to FINRA Rules and Regulations. All associates of the firm are required to read both manuals on an annual basis provided whether they are futures registered or not.

It is the obligation of PICI to supervise the activities of its registered and associated persons (this applies to licensed or unlicensed throughout this manual). Each principal assigned supervisory responsibility (also referred to throughout this Manual as the “designated Principal”) has the obligation to ensure that the rules, regulations, and policies applicable to the business of PICI are maintained and followed in the specifically designated areas of their supervisory responsibility. This Manual is not to be construed as all-inclusive, but rather serves as a guide in conducting the daily supervisory functions.

Currently the Firm engages in a number of lines of business, among these are: stocks, bonds, securities options, futures contracts and options, mutual funds, various securities transactions, advisory services, private placements, IRA and other retirement accounts, 529 plans, margin accounts, money market funds, public offerings, pooled managed futures programs, direct participation programs, etc. Should the Firm wish to change the nature of its securities business outside the scope of approved business as described in its Membership Agreement, it will request and obtain prior FINRA approval. The Firm clears most of its securities business through [Southwest Securities](#) and its futures business is placed through Crossland LLC or any other FCM with which the firm places accounts.

PICI, in the conduct of its operations, strives to maintain high standards of commercial and ethical conduct and just and equitable principles in its dealings. The Firm is dedicated to serving the best interests of its clients and complying with regulatory requirements.

Emergency Preparedness. In the event an emergency causes a disruption in the Firm’s business, Firm personnel will endeavor to quickly recover and continue its operations. Firm personnel will follow the procedures outlined in its

“Emergency Business Continuation Plan” in order to resume normal operations. Personnel may access this and all other forms and documents referenced in this manual via the internet on the Firm’s secured Compliance website. All Firm personnel are encouraged to periodically review the Plan in order to be prepared for unforeseen business disruptions.

New Products. The Firm will ensure that no new product is introduced to the marketplace before it has been thoroughly vetted from a regulatory as well as a business perspective. The CCO will have final authority to approve new products; no products without this approval may be offered by Firm Representatives. Guidelines for the considerations and approval of new products are located in the introduction to the section of the WSP Manual, entitled, “Particular Investment Products.”

PART II FUTURES FIRM POLICY

1 Commodity Futures Business

Name of Supervisor:	Designated Supervisor: MCJordan,
Frequency of Review:	Continuous; on a daily basis
How Conducted:	Review of transactions and related documentation Approval of activity and compensation arrangements Approval of promotional material and performance reports Review of necessary regulatory filings, Review of Activities
How Documented:	Maintain files, including Notices of activities and lists of authorizations. Correspondence

The Firm’s policy is to conduct all futures activities in strict accordance with the legal requirements established under the Commodity Exchange Act and Commodity Futures Trading Commission (“CFTC”) regulations and with industry practices prescribed by the National Futures Association (“NFA”) and applicable exchanges.

Generally, the Firm encourages the use of Firm approved commodity trading advisory firms, and approved “pool” investments. ALL NEW FUTURES ACCOUNTS AND FUTURES OPTION ACCOUNTS REQUIRE THE APPROVAL OF THE DIRECTOR OF COMPLIANCE and DESIGNATED SUPERVISORY PRIOR TO OPENING OR TRADING. Exceptions to this policy are made on a case by case basis by the Director of Compliance or designated supervisor. As in other areas of Firm’s business, the use of excessive leverage or excessive leverage in light of the client’s resources will not be permitted.

- Opening any futures account requires \$40,000 in beginning equity. Any joint tenant futures account where the tenants are other than husband and wife requires \$50,000 in beginning equity.
- All futures accounts must maintain \$10,000 in minimum equity (liquidating value)
- Accounts which purchase fully paid futures options are not subject to the above equity minimums. However, in such cases the monies must be in the account at the time of the purchase without exception.
- Exceptions to these restrictions must be made in writing by the designated supervisor.

2 Qualifications of Registered Representatives

Engaging in any type of futures business allowed by the Firm may require the registered representative to hold either a Series 3 or a Series 31 futures license, and registration with the National Futures Association.

While some futures pools which are registered as securities may be marketed with only a Series 7 securities license, however, in order to be paid trailing commissions beyond the first year, a Series 3 or Series 31 license and registration with the NFA are required by the firm.

Accounts which our registered representatives may refer to a CTA or other futures broker for management require that the representative making the referral hold either a Series 3 or Series 31 registration depending upon the circumstance in each individual case. Please inquire with the Director of Compliance in each circumstance.

3 Solicitations

A registered representative may not make any statements to a prospective client which:

- Are fraudulent or deceitful
- Involve a high-pressure sales approach
- Claim that futures trading is appropriate for everyone
- Include any guarantee against losses or margin calls or representations that losses can be limited
- Attempt to diminish or override the importance of any risk disclosure

A registered representative may not use any “promotional materials” to solicit futures accounts without the prior written approval of the Compliance Department. The only exception to this case by case approval process are materials which are approved for use with the public and have been produced by a recognized futures exchange or one of PICI’s approved CTA’s or CPO’s. The term “promotional materials” includes:

- The text of any standardized oral presentation or any communication for publication in any newspaper, magazine or similar medium or for broadcast over television, radio or other electronic medium.
- Any standardized form of report, letter, circular, memorandum or publication which is disseminated or directed to the public.
- Any other written material disseminated or directed to the public for the purpose of soliciting a futures accounts.

4 Special Procedures for Solicitations of Investments in Commodity Pool

An investment in a commodity pool is usually an investment in a security subject to SEC and state blue sky requirements, and CFTC and NFA rules; hence, licensing in both securities and futures is required. Accordingly, a registered representative may only use a prospectus, private placement memorandum or other material which has been approved by the Compliance Department.

- Registered Representatives can only solicit for Firm approved pools.
- Only clients in states where the offering has been registered or is exempt from registration may purchase (or in some case, be solicited to purchase) an investment in a commodity pool.

5 Opening a Futures Account

All of the firm’s “individual contract and options” futures accounts are currently placed with Crossland LLC, as Chicago based futures commission merchant (FCM). However, since the firm is an independent introducing broker, management may decide to use one or more additional FCM. All futures accounts must be approved by the designated supervisor and the firm’s compliance director prior to the opening of the account.

In addition to “individual contract and options” futures accounts, the firm places clients accounts with various registered commodity trading advisory firms (CTAs) and commodity pool operators (CPOs), who in turn custody those funds with various FCMs, broker dealers or banks.