

November 22, 2010

Via Federal Express

Mr. David A. Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: National Futures Association: Increase to FCM Assessment Fee –
Proposed Amendments to NFA Bylaw 1301(b)*

Dear Mr. Stawick:

Pursuant to Section 17(j) of the Commodity Exchange Act, as amended, National Futures Association (“NFA”) hereby submits to the Commodity Futures Trading Commission (“CFTC” or “Commission”) proposed amendments to NFA Bylaw 1301(b) regarding an increase to NFA's FCM assessment fee. This proposal was approved by NFA's Board of Directors (“Board”) on November 18, 2010.

NFA is invoking the “ten-day” provision of Section 17(j) of the Commodity Exchange Act (“CEA”) and will make this proposal effective on January 1, 2011, unless the Commission notifies NFA that the Commission has determined to review the proposal for approval.

PROPOSED AMENDMENTS

(additions are underscored and deletions are ~~stricken through~~)

BYLAW 1301. SCHEDULE OF DUES AND ASSESSMENTS.

Subject to the provisions of Article XII, dues and assessments of Members shall be as follows:

* * *

(b) FCM Members.

(i) Each FCM Member shall pay to NFA an assessment equal to:

(A) ~~\$.02~~ \$.04 for each commodity futures contract traded on or entered into subject to the rules of a contract market (other than an option contract) on a round-turn basis;

(B) ~~\$.04~~ \$.02 for each option contract traded on or entered into subject to the rules of a contract market on a per trade basis;

(C) ~~\$.02~~ \$.04 for each security futures contract, as defined in Section 1a(31) of the Act, traded on a round-turn basis, carried by it in a commodity futures account,

carried by it for a customer other than: (1) a person having privileges of membership on a contract market where such contract is entered (except that this exemption does not apply to transactions by commodity pools operated by NFA Member CPOs); (2) a business affiliate of such FCM that directly or indirectly owns 100 percent of or is owned 100 percent by or has 100 percent ownership in common with such FCM provided such FCM has privileges of membership on the contract market where such contract is entered; or (3) an omnibus account carried for another FCM Member for which assessments are payable to NFA by the other FCM;

(D) ~~\$.02~~ \$.04 for each commodity futures contract traded on or entered into subject to the rules of a foreign board of trade (other than an option contract) on a round-turn basis;

(E) ~~\$.04~~ \$.02 for each option contract traded on or entered into subject to the rules of a foreign board of trade on a per trade basis,

carried by it for a customer other than: (1) on an omnibus account basis for another FCM Member for which assessments are payable to NFA by the other FCM; or (2) for the proprietary trades of a person who has privileges of membership on any NFA Member contract market that has annual transaction volume of 1,000,000 calculated in conformance with Article VII, Section 2(a)(iii) of NFA's Articles of Incorporation provided, however, that this exemption shall not be afforded for the foreign proprietary trades of a person's parent, affiliate, or subsidiary unless these entities separately meet the requirements of this subsection.

(F) ~~\$.01~~ \$.02 for each dealer option contract on a per trade basis carried by it for a customer other than a business affiliate of such FCM that directly or indirectly owns 100 percent of or is owned 100 percent by or has 100 percent ownership in common with such FCM Member:

Provided, however, such assessments shall be suspended or adjusted by the Board for a period not to exceed three months when in the judgment of the Board such action is appropriate in light of NFA's overall financial goals. The FCM Member shall invoice these assessments to its customer and shall remit the amount due to NFA; and

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EXPLANATION OF PROPOSED AMENDMENTS

In November 2007, NFA's Board approved a reduction in the FCM assessment fee for the eighth time in ten years. More specifically, the Board reduced the assessment fee from two cents per side to one cent per side effective January 1, 2008. At that time, public trading volume had grown on average 31% over the prior six years and NFA's reserves were expected to top \$50 million, or about fourteen months of operating expenses, by the end of that fiscal year. In late 2007, NFA's financial forecasts indicated that should public volume increase at an average rate of 15% per year going forward, the new rate of one cent per side could be sustainable for several years. Forecasts also showed that a retreat in public trading volume growth could result in the fee being sustainable for as little as two years. Therefore, when NFA informed Member firms of the fee reduction in 2007, the Notice clearly stated, in pertinent part, that the Board believes that based on recent trends in public trading volume growth the fee reduction may be sustainable for at least two years.

Calendar years 2008-2009 brought nearly flat public trading volume and this trend has continued for calendar year 2010 to date. Despite this flat trading volume, NFA has sustained the one cent per side fee for almost three years. In May 2009, NFA's Board resolved that the target level for NFA reserves is between ten and fourteen months of operating expenses. NFA's Board also requested that staff propose appropriate changes to NFA's assessment fee if NFA's reserves fall outside of this range.

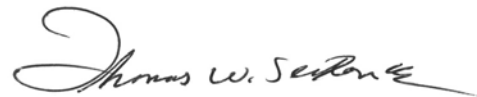
Mr. David A. Stawick

November 22, 2010

Due to the nearly flat public trading volume since 2008, NFA's reserves are projected to fall below ten months of operating expenses around January 2011. Therefore, the Board approved effective January 1, 2011 an increase to NFA's assessment fee from the current \$0.01 per side to \$0.02 per side. The January 1, 2011 effective date will allow time for the industry to make any system changes necessary due to the impending fee change, and NFA has already provided advance notice of the fee increase to FCM Members.

As mentioned earlier, NFA is invoking the "ten-day" provision of Section 17(j) of the Commodity Exchange Act. NFA intends to make the amendments to NFA Bylaw 1301(b) regarding an increase to FCM assessment fees effective on January 1, 2011, unless the Commission notifies NFA that the Commission has determined to review the proposal for approval.

Respectfully submitted,



Thomas W. Sexton
Vice President and General Counsel

* The proposed amendments to NFA Bylaw 1301(b) will become effective January 1, 2011.