

August 26, 2009

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: Restructuring of NFA's Membership
Committee – Proposed Amendments to NFA Bylaws 301 and 701 and
Registration Rule 501*

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”) the proposed amendments to NFA Bylaws 301 and 701 and Registration Rule 501 regarding restructuring NFA's Membership Committee. This proposal was approved by NFA's Board of Directors (“Board”) on August 20, 2009.

NFA is invoking the “ten-day” provision of Section 17(j) of the Commodity Exchange Act (“CEA”) and will make these proposals effective on November 18, 2009, unless the Commission notifies NFA within ten days after receiving this submission that the Commission has determined to review the proposals for approval.

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

BYLAWS

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BYLAW 301. REQUIREMENTS AND RESTRICTIONS.

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(g) Denial and Revocation.

(i) If the President has reason to believe that: (1) an applicant for membership or registration with NFA as an Associate does not meet the qualifications set forth in this Chapter for NFA membership or association with a Member, as the case may be; (2) a Member or registered Associate does not

meet the qualifications set forth in this Chapter for continuation as a Member or Associate; (3) the person has submitted an intentionally incomplete, inaccurate or otherwise false application to NFA for membership or registration as an Associate, the President shall promptly so notify the person in writing and furnish a copy of the notice to the Membership Committee, setting forth the specific grounds for the determination. The person shall be given an opportunity to show to the President that the qualifications are met, or that the application is not intentionally incomplete, inaccurate or false. If the person requests, or if the Membership Committee orders, a hearing shall be held before the Membership Committee or its designated Subcommittee, and a record shall be kept. Such designated Subcommittee shall consist of ~~at least three~~ one members of the Membership Committee and two members of NFA's Hearing Committee. At least ~~one-third~~ of the members of the designated Subcommittee shall not be an NFA Members or Associates or an employees of an NFA Member. Each member of the designated Subcommittee shall be appointed by a majority of the Membership Committee. The person may be represented at the hearing, and submit evidence in the proceeding, call and examine witnesses, examine the evidence upon which the President's determination was based, and, in the discretion of the Membership Committee or its designated Subcommittee, present written or oral argument. No member of the Membership Committee or a designated Subcommittee shall participate in a membership action if the member, or any person with whom the member is connected, has a financial, personal or other direct interest in the matter under consideration or is disqualified under Bylaw 708(c).

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BYLAW 701. MEMBERSHIP COMMITTEE.

There shall be a Membership Committee, consisting of five Directors, ~~and six other persons~~. At and at least one of the Directors shall be a Public Representative (See Article XVIII(r)) Director ~~and at least three of the six other persons shall not be an NFA Member or an Associate or an employee of an NFA Member~~. A majority of the Committee members eligible to participate in a proceeding shall constitute a quorum, except that in cases in which a Subcommittee has been designated a quorum shall consist of a majority of such Subcommittee members ~~but no fewer than three~~. The Committee members shall be proposed by the President and appointed by the Board. The President and the Board shall endeavor to propose and appoint Directors who reflect the

various categories of Members described in the Articles. The Committee or its designated Subcommittee shall review actions taken by the President pursuant to the President's authority under Chapter 3 to make the initial determination regarding: (a) applicants for membership in NFA or registration as Associates, and (b) continued eligibility for such membership or registration. Each Committee member shall serve for two years or until the member's successor is appointed and qualified, or until the member's death, resignation, ineligibility or removal. A Committee vacancy shall be filled in the manner prescribed in Bylaw 601 for officers. A Committee member may be removed by the Board for cause.

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REGISTRATION RULES

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RULE 501. AUTHORITY TO DENY, CONDITION, SUSPEND AND REVOKE REGISTRATION.

NFA may refuse to register or register conditionally any person registered or applying for registration as an FCM, IB, CPO, CTA, LTM, ATM, as an AP of any of the foregoing, or as a floor broker or floor trader, or suspend or revoke the registration of any registrant in those categories, based upon the standards of fitness set forth in the Act. Interim Orders and Final Orders denying, revoking, conditioning, or suspending registration shall be made by the Membership Committee or a designated Subcommittee in accordance with the procedures set forth in Part 500 of these Rules. Such designated Subcommittee shall consist of ~~three~~ one members of the Membership Committee and two members of NFA's Hearing Committee for all categories except floor brokers and floor traders. The designated Subcommittee for floor brokers/floor traders shall consist of ~~at least~~ three persons, ~~the majority~~ one of whom ~~are~~ is a members of the Membership Committee, one of whom is a member of NFA's Hearing Committee and ~~the remainder~~ one of whom ~~are~~ is a registered floor brokers or floor traders approved by NFA's Board of Directors to be a member of such Subcommittee. At least ~~one-third~~ of the members on each designated Subcommittee shall not be an NFA Member or an Associate or an employee of an NFA Member. In cases submitted by the President to the Membership Committee or a designated Subcommittee, registration shall not be granted pending a final determination by the Membership Committee or a designated Subcommittee. No member of the Membership Committee or a designated Subcommittee shall either review a registration matter or participate in a registration action if the member, or any person with

whom the member is connected, has a financial, personal or other direct interest in the matter under consideration or is disqualified under Bylaw 708(c).

EXPLANATION OF PROPOSED AMENDMENTS

As currently constituted, the Membership Committee is composed of five members of the Board of Directors and six non-Directors. The Board created this structure in November 2004 to ensure that there were a sufficient number of public members on the Committee to satisfy the requirement that at least one member of each Subcommittee conducting hearings ("Subcommittee") shall not be an NFA Member. Staff recommended this particular structure after discussing various alternatives with the Membership Committee, one of which would have authorized Subcommittees drawn from NFA's Hearing Committee to adjudicate registration actions. At that time, the Membership Committee believed that all registration hearings should be held by Subcommittees consisting entirely of Membership Committee members because of their expertise and experience in registration-related matters. Thus, NFA's Membership Committee became the only standing Board committee with non-Board members in the majority. It is also NFA's largest standing Board committee.

The Membership Committee is currently constituted to have non-Members of NFA comprise at least one-third of its membership. Although the Membership Committee is not a "disciplinary" committee, the Board previously determined that the composition of the Membership Committee should also meet the same one-third public participation standard that applies to NFA's disciplinary committees.

While this structure has worked well, NFA believes that the Membership Committee could be re-constituted in a way that would make it operate more efficiently and at the same time maintain the valuable expertise and experience of non-Members on Subcommittees conducting hearings. Specifically, the Membership Committee would be reduced from eleven members to five, all of whom would be NFA Directors. This would result in Board members establishing all NFA registration-related policies.

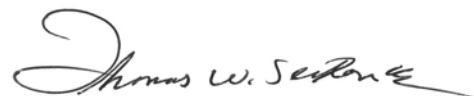
Each Subcommittee would consist of three persons: one member of the Membership Committee and two others drawn from NFA's Hearing Committee. One of the Subcommittee members would have to be a non-Member. The six current non-Directors who sit on the Membership Committee could be appointed to the Hearing Committee, and NFA would initially endeavor to have at least one of these former Membership Committee members on each Subcommittee. Thus, the majority of each Subcommittee would consist of persons with specialized knowledge and experience in

registration-related matters. This Subcommittee structure would also have the additional benefit of expanding the pool of registration hearing panelists because the third person on each Subcommittee could be drawn from the current Hearing Committee and become familiar with registration matters.

In cases involving Floor Brokers or Floor Traders ("FB/FT"), NFA Registration Rule 501 currently requires that the Subcommittee consist of at least three persons, the majority of whom must be Membership Committee members and the remainder must be registered FB/FTs approved by the Board to sit on such Subcommittees. This structure was adopted to provide the FB/FT community with significant input into registration decisions involving FB/FTs, who are not NFA Members, and to retain the experience and knowledge of the Membership Committee members on Subcommittees hearing FB/FT cases. This structure would be slightly modified under the reconstitution of the Subcommittees. Each Subcommittee hearing a FB/FT case would consist of one member of the Membership Committee, one member of the hearing Committee and one registered FB/FT approved by the Board to sit on such Subcommittees. As noted above, NFA will try to initially place a former Membership Committee member on each Subcommittee, thus retaining, in terms of experience and expertise, the goals of the current structure.

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 Bylaws 301 and 701 and Registration Rule 501 regarding restructuring NFA's Membership Committee effective on November 18, 2009, unless the Commission notifies NFA within ten days after receiving this submission that the Commission has determined to review the proposal for approval.

Respectfully submitted,



Thomas W. Sexton
Senior Vice President and
General Counsel

* The proposed amendments NFA Bylaws 301 and 701 and Registration Rule 501 become effective November 18, 2009.