

December 1, 1987

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COMMODITY FUTURES
TRADING COMMISSION
OFFICE OF THE
SECRETARY

Ms. Jean A. Webb
Secretariat
Commodity Futures Trading Commission
2033 K Street, N.W.
Washington, D.C. 20581

Re: National Futures Association, Proposed Amendments
to Articles VII and VIII

Dear Ms. Webb:

Pursuant to Section 17(j) of the Commodity Exchange Act, as amended ("the Act"), National Futures Association ("NFA") hereby submits to the Commodity Futures Trading Commission ("Commission") proposed amendments to Articles VII and VIII of NFA's Articles of Incorporation ("Articles"). The amendments were ratified by NFA's Board of Directors ("Board") at its meeting on August 20, 1987, and has since been adopted by a two-thirds vote of those NFA Members actually voting in the contract market category and a majority vote of those NFA Members actually voting in each of the FCM and IB and the Industry Participant categories. NFA respectfully requests Commission review and approval of the proposed amendments.

I. THE PROPOSED AMENDMENTS

Amendments to Articles VII and VIII to expand the Board to include a total of two introducing broker ("IB") directors (additions are underscored and deletions are [bracketed]).

ARTICLES OF INCORPORATION
OF
NATIONAL FUTURES ASSOCIATION

* * *

ARTICLE VII: BOARD OF DIRECTORS

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Section 2: Composition of Board.

The Board of Directors shall be comprised as follows:

* * *



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(b) **Futures Commission Merchant and Introducing Broker Representatives.**

- (i) Sixteen (16) [Fifteen (15)] elected representatives of registered Futures Commission Merchant (hereinafter "FCM") Members and registered Introducing Broker (hereinafter "IB") Members, divided into five [four] categories as follows:
- (A) Four (4) representatives of such FCMs having 1-15 offices.
 - (B) Four (4) representatives of such FCMs having 16-50 offices.
 - (C) Six (6) representatives of such FCMs having 51 or more offices.
 - (D) One (1) representative of [such] IBs required to maintain minimum adjusted net capital.
 - (E) One (1) representative of IBs not required to maintain minimum adjusted net capital.

An FCM Member's offices shall include the offices of any affiliate through which offices the FCM Member conducts its FCM business.

- (ii) Not more than one-half of the total number of FCM representatives on the Board shall reside (as defined in Article XVIII) in the same NFA region. If more than one-half of the individuals receiving sufficient votes for election to the Board reside in the same NFA region, only the seven such individuals receiving the greatest number of votes among those individuals shall be elected, subject to the category apportionment requirements of paragraph (b)(i) above; the remaining seven FCM representatives on the Board shall be those individuals not within that region who receive the greatest number of votes among such individuals, subject to the category apportionment requirements of paragraph (b)(i) above: Provided, however,



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the prohibition on more than one-half of the FCM representatives residing in the same region shall not be applied to the extent it would create a vacancy or vacancies on the Board. Ties shall be resolved by the Board by random draw.

(iii) The IB Directors [may] shall not reside in [any] the same NFA region.

(iv) No FCM or IB shall have more than one representative on the Board at any one time. For purposes of this limitation, a person shall be deemed a representative of an FCM or IB Member if the person is an officer, director, partner, employee or beneficial owner of more than 10% of the equity stock of the FCM or IB, and the person is not a contract market representative.

(c) Industry Participant Representatives.

(i) Ten (10) individuals related to participants in the commodity futures industry other than contract markets, [or] FCMs, or IBs (hereinafter "Industry Participants"), as follows:

(A) Three (3) elected representatives of persons or affiliates thereof primarily engaged in the business of manufacturing, processing, refining, merchandising or consuming a commodity traded for future delivery on a contract market (hereinafter "commercial firms");

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ARTICLE VIII: EXECUTIVE COMMITTEE

* * *

Section 4: Election of Members; Vacancies.

The elected members of the Executive Committee shall be chosen by the Board at the regular annual meeting as follows: The Directors representing contract markets with two Directors on the Board shall elect the Committee member in category (b)(ii)(A)(1) above; the Directors representing contract markets



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having one Director on the Board shall elect the Committee member (or members, if there are no contract markets with two Directors on the Board) in category (b)(ii)(A)(2) above; the Directors representing FCMs and IBs shall elect the Committee members in category (b)(ii)(B) above; the Directors representing Industry Participants shall elect the Committee members in category (b)(ii)(C) above; and the Public Director shall be elected by the Board. A vacancy that occurs on the Executive Committee shall be filled in like manner. Tie votes may be resolved by the Board by random draw.

* * *

II. EXPLANATION OF THE PROPOSED AMENDMENTS

The Articles presently provide for one IB representative on the Board. The current IB directorship was created approximately two years ago. Since that time there has been a significant increase in the number of IB Members. NFA realizes, of course, that membership statistics are not the sole factor to be considered on the issue of Board representation. For example, since the regulatory interests of IBs generally correspond to the regulatory interests of FCMs those interests are already represented by the FCM representatives on the Board. Furthermore, the vast majority of IBs operate under guarantee agreements and are, thus, the functional equivalent of branch offices. However, given the significant increase in the size of the IB category, NFA believes that the creation of an additional IB directorship is warranted.

The amendments to Articles VII and VIII create an additional IB directorship, thereby increasing the size of the Board from 41 to 42 directors. The amendments also specify that one IB director must represent independent IBs and one IB director must represent guaranteed IBs. The proposed amendments are consistent with Section 17(b)(5) of the Act and Commission Regulation 170.3 which require fair representation of all NFA Members.



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NFA respectfully requests that the amendments to Articles VII and VIII of NFA's Articles of Incorporation be declared effective upon approval by the Commission as authorized by Section 17(j) of the Act.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read 'Daniel J. Roth'.

Daniel J. Roth
Vice President, General Counsel,
and Secretary

DJR:tyd(KPCD7:F6)

cc: Acting Chairman Kalo A. Hineman
Commissioner Fowler C. West
Commissioner William C. Seale
Commissioner Robert R. Davis
Andrea M. Corcoran, Esq.
Marshall E. Hanbury, Esq.
Dennis A. Klejna, Esq.
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Susan C. Ervin, Esq.
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UNITED STATES OF AMERICA
COMMODITY FUTURES TRADING COMMISSION

2033 K Street, N.W.
Washington, D.C. 20581



January 22, 1988

Daniel J. Roth, Esq.
Vice President, General Counsel
and Secretary
National Futures Association
200 West Madison Street
Chicago, Illinois 60606

Re: Proposed Amendments to Articles VII and VIII of the National
Futures Association's Articles of Incorporation

Dear Mr. Roth:

By a letter dated December 1, 1987 and received by the Commission on December 7, 1987, the National Futures Association ("NFA") submitted pursuant to Section 17(j) of the Commodity Exchange Act ("Act") proposed amendments to Articles VII and VIII of NFA's Articles of Incorporation. The Commission understands that NFA intends to implement the proposed revisions to Articles VII and VIII upon receipt of notice of Commission approval.

Please be advised that the Commission has this date approved the above-referenced revisions to NFA's Articles of Incorporation under Section 17(j) of the Act.

Sincerely,

Jean A. Webb
Jean A. Webb
Secretary of the Commission

