

February 24, 2011

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: Self-Audit Questionnaire – Proposed
Amendments to the Interpretive Notice Entitled *Compliance Rule 2-9: Self-
Audit Questionnaires**

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 the Interpretive Notice entitled *Compliance Rule 2-9: Self-Audit Questionnaires*. NFA’s Board of Directors (“Board”) approved the proposal on February 17, 2011.

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

PROPOSED AMENDMENTS

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

INTERPRETIVE NOTICES

**NFA COMPLIANCE RULES 2-9, 2-36 AND 2-39:
SELF-AUDIT QUESTIONNAIRES**

INTERPRETIVE NOTICE

NFA Compliance Rule 2-9 places a continuing responsibility on every Member to diligently supervise its employees and agents in all aspects of their futures activities, while Compliance Rule 2-36 (and Compliance Rule 2-39 by reference to Compliance Rule 2-36) imposes the same requirements on Members with respect to their forex related activities. NFA recognizes that, given the differences in the size and complexity of the operations of NFA Members, there must be some degree of flexibility in determining what constitutes "diligent supervision" for each firm. It is NFA's policy to leave the exact form of supervision up to the Member, thereby providing the Member with flexibility to design procedures that are tailored to the Member's own situation. The Board of Directors adheres to this principle but feels that all Members should regularly review the adequacy of their supervisory procedures.

The Board of Directors has determined that in order to satisfy their continuing supervisory responsibilities, NFA Members must review on a yearly basis self-audit questionnaires that can be downloaded from NFA's web site at www.nfa.futures.org. All Members must review the general questionnaire and one or more of the applicable supplemental questionnaires (e.g., FCM, FDM, IB, CPO or CTA). The questionnaires must be reviewed by the appropriate supervisory personnel in the home and or branch office, if applicable. After reviewing the questionnaire, ~~the~~ an appropriate supervisory person must sign the questionnaire stating that the Member's operations have been evaluated based on the questionnaire and attesting that the Member's procedures comply with all applicable NFA requirements.

Members are required to retain the signed questionnaire in their files for a period of five years from the date of review, with the questionnaire being readily accessible during the first two years. In addition, guaranteed IBs must provide and FCMs and FDMs that guarantee any IBs must obtain copies of the signed questionnaire. Members must also provide the signed questionnaires for inspection upon request by NFA.

Review of the questionnaires should aid Members in recognizing potential problem areas and alert them to procedures which need to be revised or strengthened. The questionnaires focus on a Member's regulatory responsibilities and require a review of the adequacy of the Member's internal procedures. For example, the FCM questionnaire requires review of a Member's procedures relating to customer order flow, customer account documentation, risk disclosure, margin policies, option accounts and transactions, customer

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complaints, advertising, ~~cash flow~~ and compliance with other NFA requirements. Similarly, the CPO/CTA questionnaires contain a ~~check list which~~ questions that will assist CPOs and CTAs in their review of disclosure documents.

A Member firm that does not comply with this Interpretive Notice will violate NFA Compliance Rule 2-9; 2-36, or 2-39, as applicable.

Questions regarding this Interpretation or the questionnaires should be directed to the Compliance Department at (800) 621-3570 or through the "contact" feature of NFA's web site.

[NOTE: The self-audit questionnaire is now called the Self-Examination Checklist.]

EXPLANATION OF PROPOSED AMENDMENTS

In 1991, NFA developed a Self-Examination Questionnaire (Questionnaire) to help Members regularly review the adequacy of their supervisory procedures and identify potential problem areas. The Questionnaire was designed so that if a Member identified a deficiency, the Member could then revise or strengthen their supervisory procedures accordingly. All Members have been required to complete the Questionnaire on an annual basis since October 1992, when NFA's Board adopted NFA Interpretive Notice 9020 entitled *Compliance Rule 2-9: Self-Audit Questionnaires* (Interpretive Notice).

As originally drafted, the Questionnaire contained a general section for all Members as well as a supplemental section specifically tailored for FCMs, IBs, CPOs and CTAs. NFA recently added a section to the Questionnaire specifically tailored to an FDM's operations (e.g., trading systems, disclosure obligations and trading standards) and updated other Questionnaire sections to require other Members engaging in forex transactions to review their forex operations.

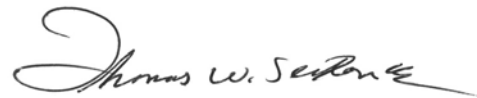
NFA's Board has approved amendments to the Interpretive Notice to specifically require FDMs to complete the Questionnaire and to require other Members engaging in forex transactions to use the Questionnaire to review their forex operations. The amendments also clarify that a supervisory person in a Member's branch office must review the branch office's operations.

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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 the Interpretive Notice entitled Compliance Rule 2-9: Self-Audit Questionnaires effective ten days after receipt of this submission by the Commission, unless the Commission notifies NFA that the Commission has determined to review the proposal for approval.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas W. Sexton". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Thomas W. Sexton
Senior Vice President and
General Counsel

*The proposed amendments to the Interpretive Notice entitled Compliance Rule 2-9: Self-Audit Questionnaires became effective April 8, 2011.