NFA NATIONAL FUTURES ASSOCIATION
200 W. MADISON ST. • CHICAGO, IL • 60606-3447 • (312) 781-1300

July 11, 1996

Via Federal Express

Ms. Jean A. Webb
Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: National Futures Association: Proposed Amendments to Article VII of NFA's Articles of Incorporation

Dear Ms. Webb:

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 Article VII of NFA's Articles of Incorporation ("Articles"). The Articles amendments were ratified by NFA's Board of Directors ("Board") on May 16, 1996, and have since been adopted by a two-thirds vote of those Members actually voting in the Contract Market category and a majority of those Members actually voting in the FCM, LTM and IB category and the Industry Participant (CPO and CTA) category.

NFA intends to make the amendments effective ten days after receipt of this submission by the Commission unless the Commission notifies NFA within the ten-day period that the Commission has determined to review the amendments for approval.

THE PROPOSED AMENDMENTS

The proposed amendments to Article VII are as follows (additions are underscored and deletions are bracketed):

ARTICLES OF INCORPORATION

* * *

ARTICLE VII: BOARD OF DIRECTORS

* * *

Section 2: Composition of Board.

The Board of Directors shall be comprised as follows:

* * *

(b) Futures Commission Merchant, Leverage Transaction Merchant and Introducing Broker Representatives.

(i) Seventeen (17) elected representatives of registered Futures Commission Merchant (hereinafter "FCM") Members, registered Leverage Transaction Merchant (hereinafter "LTM") Members, and registered Introducing Broker (hereinafter "IB") Members, divided as follows:

(A) [Three] <u>Two</u> representatives of FCMs and LTMs having 1-15 offices.

(B) [Three] <u>Two</u> representatives of FCMs and LTMs having 16-50 offices.

(C) [Two] <u>Four</u> representatives of FCMs and LTMs from either category A or B above.

(D) Six representatives of FCMs and LTMs having 51 or more offices.

(E) One representative of IBs required to maintain minimum adjusted net capital.

(F) One representative of IBs not required to maintain minimum adjusted net capital.

(G) One representative of IBs from either category E or F above.

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

* * *

<u>EXPLANATION OF PROPOSED AMENDMENTS</u>

NFA's Articles currently provide a total of 14 seats on the Board for FCM representatives. These seats are divided among three subcategories of FCMs which are based on the number of branch offices operated by the FCM. Thus, there are six representatives for FCMs with 51 or more branch offices, three representatives for FCMs with 16-50 branch offices, and three representatives for FCMs with 1-15 branch offices. In addition, two representatives are chosen "at large" from FCMs with 50 branch offices or less. The total number of FCM directors and the subcategories have remained unchanged since the inception of NFA, and the only changes to the distribution of directors among the subcategories occurred in 1992 when the two "at large" seats were created.

The number of FCMs in the 1-15 and 16-50 categories has dropped significantly over the years. There were 323 FCMs in the 1-15 category in 1986 compared to 214 today. The 16-50 category has dropped from 22 to 12 in that same time period. Thus, the number of potential Board members in each of these categories, and particularly in the 16-50 group, is quite limited.

After considering several alternatives to the current structure for these two categories of FCM representatives, the Board determined to increase the number of "at large" representatives from two to four and change the minimum number of directors to be drawn from each of the 16-50 and 1-15 categories to two. This approach provides for at least two representatives from each of the two categories with the remaining four drawn from either. This will provide the Nominating Committee with greater flexibility in selecting candidates.

As stated above, NFA intends to make the amendments to Article VII effective ten days after receipt of this submission by the Commission unless NFA receives notification that the Commission has determined to review the amendments for approval.

Respectfully submitted,

Daniel J. Roth
General Counsel

cc: Acting Chairman John E. Tull, Jr.
Commissioner Barbara Pedersen Holum
Commissioner Joseph P. Dial
Andrea M. Corcoran, Esq.
Geoffrey Aronow, Esq.
Alan L. Seifert, Esq.
Susan C. Ervin, Esq.
Lawrence B. Patent, Esq.
David Van Wagner, Esq.

DJR:ckm(sub\art0796)

Proposed Amendments to Article VII, Section 2
Become Effective on July 23, 1996

By letter dated July 11, 1996, NFA submitted to the CFTC proposed amendments (described below) to NFA Article VII, Section 2. In its submission, NFA invoked the "ten-day" effective date provision of Section 17(j) of the Act to permit the proposed amendments to become effective ten days after Commission receipt of the submission unless the Commission determined to review the proposal. NFA received notice from the Commission that it has decided not to review the proposed amendments. Therefore, the amendments to Article VII, Section 2, become effective on July 23, 1996.

Article VII of NFA's Articles of Incorporation, Section 2 --

Amended to change the allocation of FCM seats on the Board by increasing the number of at-large directors from two to four and decreasing the number of directors in each of the 16-50 and 1-15 office categories from three to two.

U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5430
Facsimile: (202) 418-5536

DIVISION OF
TRADING & MARKETS

July 16, 1996

Mr. Daniel J. Roth
General Counsel
National Futures Association
200 West Madison Street
Chicago, Illinois 60606

Re: Proposed Amendment to Article VII of Articles of Incorporation--Composition of Board of Directors

Dear Mr. Roth:

By letter dated July 11, 1996, and received by the Commission on July 12, 1996, the National Futures Association ("NFA") submitted the above-referenced proposal to the Commission. NFA's submission invoked the "ten-day" provision of Section 17(j) of the Commodity Exchange Act ("Act") to permit the above-reference proposal to become effective ten days after Commission receipt unless the Commission determined to review the proposal for approval and so notified the NFA.

Please be advised that the Division has examined the above-referenced proposal and has decided not to review the proposal, as provided under Section 17(j) of the Act.

Very truly yours,

John C. Lawton
Associate Director