

March 7, 1994

Via Overnight Delivery

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
NFA Compliance Rule 3-1(b)

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 ("Commission") proposed amendments to NFA Compliance Rule 3-1(b). The amendments were approved by NFA's Board of Directors on February 24, 1994.

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 NFA Compliance Rule 3-1(b) are as follows (additions are underscored and deletions are bracketed):

COMPLIANCE RULES

* * *

Part 3 -- COMPLIANCE PROCEDURES.

Rule 3-1. OFFICE OF COMPLIANCE.

* * *

(b) Prohibitions.

Neither the Compliance Director nor any employee or agent of the Compliance Office (including persons hired on a contract basis to perform compliance duties) may be a Member or Associate or have any connection, direct or indirect, with a Member or Associate, except as approved by the President. Except with the President's approval, the Compliance Director, and any employee of the Compliance Office, shall not



Ms. Jean A. Webb

March 7, 1994

trade, directly or indirectly, [in commodity futures, commodity options, or leverage contracts.] any commodity interest. A commodity interest shall be defined as any commodity futures or commodity option contract traded on or subject to the rules of a contract market or linked exchange, or cash commodities traded on or subject to the rules of a board of trade which has been designated as a contract market.

EXPLANATION OF PROPOSED AMENDMENTS

As you are aware, the Commission recently amended Regulation 1.59(a)(6) to change the definition of "commodity interest" to include "cash commodities traded on or subject to the rules of a board of trade which has been designated as a contract market." In reviewing NFA Compliance Rule 3-1(b), NFA staff noted that this rule does not reflect the Commission's change to the definition of "commodity interest" and, thus, does not prohibit NFA's employees from trading cash commodities on or subject to the rules of a board of trade which has been designated as a contract market. The proposed amendments to NFA Compliance Rule 3-1(b) conform the rule to the Commission's recent amendment to the definition of commodity interest contained within Regulation 1.59(a)(6).

As stated above, NFA intends to make the amendments to NFA Compliance Rule 3-1(b) 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

DJR:ckm(sub\3-1b)

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



COMMODITY FUTURES TRADING COMMISSION

2033 K Street, NW, Washington, DC 20581

(202) 254 - 8955

(202) 254 - 8010 Facsimile

DIVISION OF
TRADING AND MARKETS

March 9, 1994

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

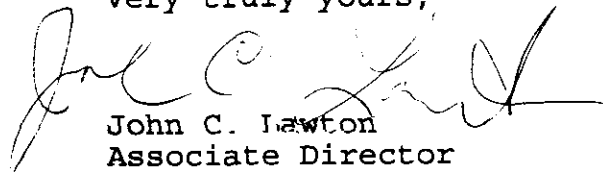
Re: Proposed Amendments to Compliance Rule 3-1(b)
-- Employee Trading Prohibition

Dear Mr. Roth:

By letter dated March 7, 1994, and received by the Commission on March 8, 1994, 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-referenced 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

aff
3-18-94

