

September 1, 1994

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 Registration Rule 401

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 Registration Rule 401. The amendments were approved by NFA's Board of Directors on August 18, 1994. NFA respectfully requests Commission review and approval of the proposed amendments.

THE PROPOSED AMENDMENTS

The proposed amendments to NFA Registration Rule 401 are as follows (additions are underscored and deletions are bracketed):

REGISTRATION RULES

* * *

Part 400. PROFICIENCY REQUIREMENTS

Rule 401. Qualification Testing Requirement.

* * *

(d) Notwithstanding the provisions of Rule 401(a), a person applying to be registered as a futures commission merchant, an introducing broker, a commodity pool operator, a commodity trading advisor, a leverage transaction merchant, or as an associated person of any of the foregoing, or applying for registration with NFA as an Associate pursuant to NFA Bylaw 301(b) may satisfy the proficiency requirements of this Rule by providing satisfactory evidence to NFA that:

- (1) the applicant is or within the past two years has been registered or licensed in a jurisdiction outside the



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United States [with the Securities and Futures Authority of the United Kingdom as a General Representative or Futures and Options Representative]; and

- (2) the applicant has satisfied the proficiency requirements in that foreign jurisdiction and the Board of Directors has designated those proficiency requirements as an appropriate substitute for the market fundamentals portion of the National Commodities Futures Examination [taken and passed the Securities and Futures Authority's Futures and Options Examination]; and
- (3) the applicant has taken and passed the regulatory portion of the National Commodity Futures Examination on a date which is no more than two years prior to the date the application is received by NFA.

EXPLANATION OF PROPOSED AMENDMENTS

As the Commission is aware, NFA Registration Rule 401 was recently amended to provide alternative testing requirements for individuals registered with the Securities and Futures Authority ("SFA") who have passed the SFA's Futures and Options Exam. Specifically, under NFA Registration Rule 401, SFA General Representatives and Futures and Options Representatives who have passed the SFA's Futures and Options Exam are permitted to satisfy NFA proficiency requirements by taking a shortened version of the Series 3 which focuses exclusively on U.S. regulatory requirements.

Recently, the Investment Dealers Association of Canada ("IDA") asked NFA to consider a similar alternative testing requirement for IDA registrants who have passed the Canadian Futures Exam. NFA believes that the Canadian Futures Exam, which is actually derived from the Series 3 Exam pursuant to a contract between NFA and the Canadian Securities Institute, is an appropriate substitute for the market knowledge portion of the Series 3. Therefore, NFA believes that it would be appropriate to grant the requested testing relief to individuals who have passed the Canadian Futures Exam or who have otherwise satisfied the IDA's proficiency requirements.

Moreover, NFA anticipates that it may receive alternative testing requests from other jurisdictions with individuals wishing to do business in the U.S. In order to avoid amending



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NFA Registration Rule 401 each time NFA's Board determines to grant testing relief, NFA proposes that Registration Rule 401 be amended at this time to give NFA's Board the power to grant these requests without additional rule amendments. Specifically, NFA recommends that NFA Registration Rule 401 be amended to permit individuals registered in other jurisdictions to meet NFA proficiency requirements by passing a shortened version of the Series 3 if they have satisfied the proficiency requirements in that foreign jurisdiction and NFA's Board has determined that those proficiency requirements are an appropriate substitute for the market fundamentals portion of Series 3.

NFA respectfully requests that the Commission review and approve the proposed amendments to NFA Registration Rule 401. NFA requests that these amendments be declared effective upon Commission approval.

Respectfully submitted,

Daniel J. Roth
General Counsel

DJR:ckm(sub\081894.401)

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

CC: KPC

**DIVISION OF
TRADING AND MARKETS**

January 10, 1995

Mr. Daniel J. Roth
General Counsel
National Futures Association
200 West Madison Street
Chicago, Illinois 60606-3447

Post-It™ brand fax transmittal memo 7671		# of pages	2
To	David Roth	From	David Van Ouyck
Co.	NFA	Co.	CFTC
Dept.	Legal Section	Phone #	202-254-8955
Fax #	312-781-1467	Fax #	202-254-8010

**Re: Proposed Amendment to National Futures Association
Registration Rule 401-- Alternative Proficiency Testing
Requirements**

Dear Mr. Roth:

By letter dated September 1, 1994, and received September 6, 1994, the National Futures Association ("NFA") submitted to the Commission for its approval, pursuant to Section 17(j) of the Commodity Exchange Act ("Act"), a proposed amendment to NFA Registration Rule 401. The proposed amendment would establish alternative proficiency examination requirements for NFA registrants. The NFA has indicated that it would put the proposed amendment into effect immediately upon receipt of notice of Commission approval.

Based upon its review, the Division of Trading and Markets ("Division") has identified the following matters which NFA should address in order to supplement its explanation of the proposed alternative proficiency testing requirements.

1. Please describe the regulatory authority and responsibilities of the Investment Dealers Association of Canada ("IDA"). For example, does the IDA oversee Canadian futures market professionals exclusively or does it also oversee futures exchanges as well? Does it regulate any non-futures markets or market professionals? Is the IDA itself overseen by any Canadian governmental agency?
2. Please provide a general description of the Canadian Futures Exam. For example, how many questions does the exam have? What percentage of questions is devoted to futures market fundamentals? What percentage of questions must be correctly answered to receive a "passing grade" on the exam?
3. In its explanation of the proposed amendment to Registration Rule 401, NFA indicates that it believes that it would be appropriate to grant Series 3 testing relief to "individuals who have passed the Canadian Futures Exam or who have otherwise satisfied the IDA's proficiency

Mr. Daniel J. Roth

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requirements." Please describe these other IDA proficiency requirements which could be used as the basis for relief from the Series 3 testing requirement under NFA's proposal.

If you have any questions concerning the issues raised in this letter, please contact David P. Van Wagner at (202) 254-8955.

Sincerely,



David P. Van Wagner
Special Counsel

February 6, 1995

David Van Wagner, Esquire
Special Counsel
Commodity Futures Trading
Commission
2033 K Street N.W.
Washington, D.C. 20581

Re: Proposed Amendment to National Futures
Association Registration Rule 401

Dear Mr. Van Wagner:

NFA is in receipt of your letter dated January 10, 1995 wherein you request additional information regarding NFA's proposal to provide testing relief to individuals registered by regulatory authorities in other jurisdictions which NFA's Board of Directors has determined have proficiency requirements similar to NFA's proficiency requirements. Specifically, you requested information as it relates to the Investment Dealers Association of Canada ("IDA"). I will respond to your questions in the order presented.

IDA's Regulatory Authority

The IDA is both a recognized self-regulatory organization and a trade association. Unlike the United States, Canada does not have a national body which oversees the futures markets. Rather, each Province has its own Securities Commission which regulates both the futures and the securities markets. The IDA is recognized and overseen by the Securities Commissions in the Provinces of Ontario, Quebec, Alberta and British Columbia. Although statutory recognition of the IDA is limited to these four jurisdictions, the IDA does perform its self-regulatory role in all Canadian jurisdictions. The IDA's self-regulatory responsibilities are limited to firms and individuals doing business in the futures and securities markets and do not include any oversight of the futures exchanges.

Canadian Futures Examination

The Canadian Futures Examination, which is actually derived from the Series 3 Exam, is divided into two parts. Part I focuses on market fundamentals, is 60 questions in length and requires a pass rate of 70%. All questions in this section are



David Van Wagner, Esquire

February 6, 1995

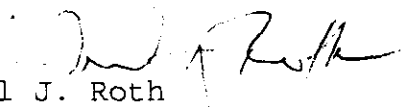
in multiple choice form and are worth one point each. Part II focuses on Canadian regulatory requirements, has a varying number of questions worth a total of 40 points and requires a pass rate of 60%. The questions in this section are both in multiple choice and short answer form and in some instances worth more than one point each.

Other IDA Proficiency Requirements

NFA's reference to individuals who had otherwise satisfied IDA's proficiency requirements was intended merely to cover individuals who were not required to pass the exam due to some type of grandfather provision.

I hope this information is responsive to your request. If you need any additional information, please do not hesitate to contact me.

Very truly yours,



Daniel J. Roth
General Counsel

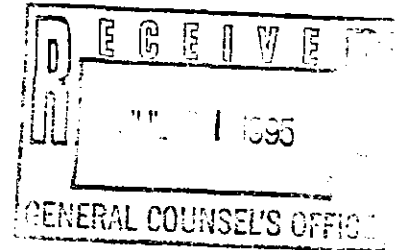
UNITED STATES OF AMERICA
COMMODITY FUTURES TRADING COMMISSION

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

July 28, 1995



Daniel J. Roth, Esq.
General Counsel
National Futures Association
200 West Madison Street
Chicago, Illinois 60605



Re: The National Futures Association's Proposed
Amendment to Registration Rule 401(d) and
Testing Relief Grant--Alternative Proficiency
Examination Requirements

Dear Mr. Roth:

By letters dated September 1, 1994, and February 6, 1995, the National Futures Association ("NFA") submitted to the Commission for its approval, pursuant to Section 17(j) of the Commodity Exchange Act ("Act"), a proposed amendment to its Registration Rule 401(d). The proposed amendment would permit the NFA to grant relief from the market fundamentals portion of its proficiency examination requirement to registrant applicants who have satisfied the proficiency examination requirements of certain foreign jurisdictions. The NFA also has proposed to grant similar testing relief, under proposed amended Registration Rule 401(d), to persons who have met the proficiency examination requirements of the Investment Dealers Association of Canada.

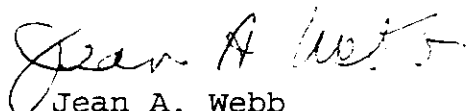
The Commission understands that the NFA intends to implement the proposed amendment and testing relief grant upon receipt of notice of Commission approval. Please be advised that on this date the Commission has approved the above-referenced proposed amendment and testing relief grant under Section 17(j) of the Act.

Please be informed that the Commission would deem any future proposal to grant testing relief under amended Registration Rule 401(d) a rule change which must be submitted to the Commission pursuant to Section 17(j) of the Act. The Commission reminds the NFA, however, that it may elect to submit any such proposed grant of testing relief to the Commission pursuant to the "ten-day" provision of Section 17(j) of the Act and, therefore, make such a proposal effective ten days after the Commission's receipt of such submission, unless the Commission notifies the NFA in writing of its determination to review the proposal for approval.

If the NFA does submit to the Commission any proposal to grant testing relief under amended Registration Rule 401(d), the NFA's submission should include the following information:

- (1) the name of the pertinent foreign jurisdiction;
- (2) the name of the regulatory body which administers the foreign jurisdiction's proficiency requirement;
- (3) a description of what the regulatory body's powers and responsibilities are, including what financial industry it oversees, futures or non-futures; who the regulatory body's regulatees are--industry professionals, firms or exchanges; and, whether the regulatory body is overseen by any other body;
- (4) whether the foreign jurisdiction grants or would grant reciprocal treatment to Commission registrants who want to be similarly registered or licensed in that jurisdiction;
- (5) a description of the proficiency examination which would be the basis for granting testing relief, including the general subject areas covered by the examination, the number of questions for each subject area, the types of questions used (e.g., multiple choice, short or long essays), the percentage of correct answers needed to pass the examination (with an appropriate breakdown if the percentage varies according to the subject area or type of question), and the percentage of persons who have taken and passed the examination over a minimum of the prior year;
- (6) a statement by the NFA that it has examined the foreign jurisdiction's proficiency examination and that it has determined that it would be an appropriate substitute for the market fundamentals portion of the National Commodities Futures Examination; and,
- (7) a commitment from the NFA that if the Commission allows the NFA to grant testing relief under Registration Rule 401(d) to persons who have passed a particular foreign jurisdiction's proficiency examination, the NFA will review the subject examination periodically to ensure that it continues to be an appropriate substitute for the market fundamentals portion of the National Commodity Futures Examination.

Sincerely,



Jean A. Webb
Secretary of the Commission