

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 2

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-7

File No.* SR - 2018 - *03

Amendment No. (req. for Amendments *)

Proposed Rule Change by * National Futures Association
Pursuant to Rule 19b-7 under the Securities Exchange Act of 1934

Initial *

Amendment *

Withdrawal

Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document

**Description**

Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).

Proposed Changes to the Interpretive Notice to NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Security Futures Contracts.

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name * Elizabeth

Last Name * Sheridan

Title * Senior Attorney

E-mail * esheridan@nfa.futures.org

Telephone * (312) 781-1479

Fax

SRO Governing Body Action

Describe action on the proposed rule change taken by the members or board of directors or other governing body of the SRO (limit 250 characters, required *).

On February 15, 2018 and May 17, 2018, NFA's Board of Directors unanimously approved the proposed changes to NFA's Interpretive Notice: NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Security Futures Contracts.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date 06/19/2018

President and CEO

By Thomas W. Sexton III

(Name *)

(Title *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Thomas W Sexton III,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-7 instructions please refer to the EFFF website.

Exhibit 1 - Notice of Proposed Rule Change (required when Initial)

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal.

The Notice section of this Form 19b-7 must comply with the guidelines for publication in the Federal Register, as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC and CFTC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases and Commodities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction E, they shall be filed in accordance with Instruction F.

Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change. If such documents cannot be filed electronically in accordance with Instruction E, they shall be filed in accordance with Instruction F.

Exhibit Sent As Paper Document

Exhibit 4 - Proposed Rule Text

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The self-regulatory organization must attach as Exhibit 4 proposed changes to rule text. Exhibit 4 shall be considered part of the proposed rule change.

Exhibit 5 - Date of Effectiveness of Proposed Rule Change (required when Initial)

The self-regulatory organization must attach one of the following:

- CFTC Certification
- CFTC Request that Review of Proposed Rule Change is not Necessary
- Request for CFTC Approval of Proposed Rule Change
- CFTC Determination that Review of Proposed Rule Change is not Necessary
- Indication of CFTC Approval of Proposed Rule Change

CFTC Determination that Review of the Proposed Rule Change is Not Necessary: Attach a copy of any indication from the CFTC that it has determined that review of the proposed rule change is not necessary.

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Exhibit Sent As Paper Document

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission staff's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-_____; File No. SR-NFA-2018-03)

SELF-REGULATORY ORGANIZATIONS; National Futures Association;
Notice of Filing and Immediate Effectiveness of Proposed Change to the
Interpretive Notice to NFA Compliance Rule 2-30(b): Risk Disclosure
Statement for Security Futures Contracts.

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 ("Exchange Act"),¹ and Rule 19b-7 under the Exchange Act² notice is hereby given that on June 19, 2018, National Futures Association ("NFA") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change described in Items I, II, and III below, which Items have been prepared by NFA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

On June 7, 2018, NFA also filed this proposed rule change with the Commodity Futures Trading Commission ("CFTC") and requested that the CFTC make a determination that review of the proposed rule change of NFA is not necessary. By letter dated June 18, 2018, the CFTC notified NFA of its determination not to review the proposed rule change³.

I. Self-Regulatory Organization's Description and Text of the Proposed Rule Change

¹ 15 U.S.C. 78s(b)(7).

² 17 CFR 240.19b-7.

³ See letter from Matthew Kulkin, Director CFTC, to Carol A. Wooding, General Counsel, NFA ("Letter").

NFA's Interpretive Notice 9050 entitled "NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Security Futures Contracts" ("Interpretive Notice 9050") requires NFA Members and Associates ("Member") who are registered as brokers or dealers under Section 15(b)(11) of the Exchange Act⁴ to provide a disclosure statement for security futures products ("SFPs") to a customer at or before the time the Member approves the account to trade SFPs. This risk disclosure statement contains, among other things, a section on settlement by physical delivery, which indicates that the normal clearance and settlement cycle for securities transactions is three business days. NFA is amending Section 5.2 of Interpretive Notice 9050 to update the disclosure statement for SFPs to reflect the shortened settlement cycle from three business days to two business days.

NFA is also amending Section 6.1 of Interpretive Notice 9050 to reflect the current address for the Securities Investor Protection Corporation ("SIPC"). Further, NFA is amending Interpretive Notice 9050 to incorporate other non-substantive changes. The text of the proposed rule changes to Interpretive Notice 9050 is found in Exhibit 4.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for the Proposed Rule Change

In its filing with the Commission, NFA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The

⁴ 15 U.S.C 78o(b)(11).

text of these statements may be examined at the places specified in Item IV below. NFA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for the Proposed Rule Change

1. Purpose

Section 15A(k) of the Exchange Act⁵ makes NFA a national securities association for the limited purpose of regulating the activities of NFA Members who are registered as brokers or dealers in security futures products under Section 15(b)(11) of the Exchange Act.⁶ NFA's Interpretive Notice 9050 applies to all NFA Members who meet the criteria outlined in Interpretive Notice 9050, including those that are registered as security futures brokers or dealers under Section 15(b)(11) of the Exchange Act.⁷

The risk disclosure statement for SFPs is a uniform statement that was jointly developed in 2002 by NFA, FINRA, and a number of securities and futures exchanges. The statement discusses the characteristics and risk of standardized security futures contracts traded on regulated U.S. exchanges and indicates that the settlement by physical delivery is three business days.

⁵ 15 U.S.C. 78o-3(k).

⁶ 15 U.S.C. 78o(b)(11).

⁷ Id.

On September 5, 2017, the securities industry moved from a T+3 settlement cycle to a T+2 settlement cycle for in-scope securities trades, including U.S. equity trades. Accordingly, NFA's amendment to Section 5.2 of Interpretive Notice 9050 is nothing more than a technical amendment to update the disclosure statement for SFPs to reflect the shortened settlement cycle from three business days to two business days.

NFA is also amending Section 6.1 of Interpretive Notice 9050 to provide the current contact information for SIPC and to change the spelling of "broker/dealer" to "broker-dealer". To incorporate other non-substantive changes, NFA is amending Interpretive Notice 9050 in Section 2.4 to correct a cross-reference and in Section 8.2 to remove an extraneous word. FINRA has amended and submitted the proposed changes to the SEC for approval.

Amendments to NFA Interpretive Notice 9050 were previously filed with the SEC in SR-NFA-2002-05, Exchange Act Release No. 34-46613 (Oct. 7, 2002), 67 FR 64176 (Oct. 17, 2002); SR-NFA-2002-06, Exchange Act Release No. 34-47150 (Jan. 9, 2003), 68 FR 2381 (Jan. 16, 2003); SR-NFA-2007-07, Exchange Act Release No. 34-57142 (Jan. 14, 2008), 73 FR 3502 (Jan. 18, 2008); SR-NFA-2010-02, Exchange Act Release No. 34-62624 (Aug. 2, 2010), 75 FR 47666 (Aug. 6, 2010); SR-NFA-2010-03, Exchange Act Release No. 34-62651 (Aug. 4, 2010), 75 FR 48393

(Aug. 10, 2010); and SR-NFA-2014-02, Exchange Act Release No. 34-71980 (Apr. 21, 2014), 79 FR 23027 (Apr. 25, 2014) .

2. Statutory Basis

The proposed rule change is authorized by, and consistent with, Section 15A(k)(2)(B) of the Exchange Act.⁸ That Section requires NFA to have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, including rules governing sales practices and advertising of security futures products. The proposed rule change accomplishes this by requiring Members to provide customers trading in SFPs with a risk disclosure statement which reflects the shortened settlement date of two days after the transaction. Accordingly, NFA is amending Interpretive Notice 9050 to update the disclosure statement for SFPs to reflect the shortened settlement cycle from T+3 to T+2. Further, NFA is amending Interpretive Notice 9050 to reflect the updated contact information for SIPC and other non-substantive stylistic changes. This proposal is not designed to regulate, by virtue of any authority conferred by the Exchange Act, matters not related to the purposes of the Exchange Act or the administration of the association.

⁸ 15 U.S.C. 78o-3(k).

B. Self-Regulatory Organization's Statement on Burden on Competition

NFA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change would not impose any additional reporting requirements or costs on Members.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

NFA did not publish the rule change to the membership for comment. NFA did not receive comment letters concerning the rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

On June 18, 2018, the CFTC notified NFA of its determination not to review the proposed rule change.⁹ The proposed rule change will become effective on July 18, 2018.

At any time within 60 days of the date of effectiveness of the proposed rule change, the Commission, after consultation with the CFTC, may summarily abrogate the proposed rule change and require that the proposed rule change be refiled in accordance with the provisions of Section 19(b)(1) of the Exchange Act.¹⁰

⁹ See Letter, Supra note 3.

¹⁰ 15 U.S.C. 78s(b)(1).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Exchange Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's Internet comment form

(<http://www.sec.gov/rules/sro.shtml>); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NFA-2018-03 on the subject line.

Paper Comments

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NFA-2018-03. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the

Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of NFA. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make publicly available. All submissions should refer to File Number SR-NFA-2018-03 and should be submitted on or before ***[insert date 21 days from publication in the Federal Register.]***

For the Commission, by the Division of Trading and Markets,
pursuant to delegated authority.¹¹

Secretary

¹¹ 17 CFR 200.30-3(a)(73).

Exhibit 2

(Not applicable)

Exhibit 3

(Not applicable)

Exhibit 4

INTERPRETIVE NOTICES

* * *

**NFA COMPLIANCE RULE 2-30(b): RISK DISCLOSURE STATEMENT
FOR SECURITY FUTURES CONTRACTS**

* * *

2.4. How Security Futures Differ from the Underlying Security

Shares of common stock represent a fractional ownership interest in the issuer of that security. Ownership of securities confers various rights that are not present with positions in security futures contracts. For example, persons owning a share of common stock may be entitled to vote in matters affecting corporate governance. They also may be entitled to receive dividends and corporate disclosure, such as annual and quarterly reports.

The purchaser of a security futures contract, by contrast, has only a contract for future delivery of the underlying security. The purchaser of the security futures contract is not entitled to exercise any voting rights over the underlying security and is not entitled to any dividends that may be paid by the issuer. Moreover, the purchaser of a security futures contract does not receive the corporate disclosures that are received by shareholders of the underlying security, although such corporate disclosures must be made publicly available through the SEC's EDGAR system, which can be accessed at www.sec.gov. You should review such disclosures before entering into a security futures contract. See Section [9] 8.1 for further discussion of the impact of corporate events on a security futures contract.

* * *

5.2. Settlement by physical delivery

Settlement by physical delivery is carried out by clearing brokers or their agents with National Securities Clearing Corporation ("NSCC"), an SEC-regulated securities clearing agency. Such settlements are made in much the same way as they are for purchases and sales of the underlying

security. Promptly after the last day of trading, the regulated exchange's clearing organization will report a purchase and sale of the underlying stock at the previous day's settlement price (also referred to as the "invoice price") to NSCC. In general, if NSCC does not reject the transaction by a time specified in its rules, settlement is effected pursuant to the rules of the exchange and NSCC's Rules and Procedures within the normal clearance and settlement cycle for securities transactions, which currently is [three] two business days. However, settlement may be effected on a shorter timeframe based on the rules of the exchange and subject to NSCC's Rules and Procedures.

* * *

6.1 Protections for Securities Accounts

If your positions in security futures contracts are carried in a securities account, they are covered by SEC rules governing the safeguarding of customer funds and securities. These rules prohibit a broker[/]-dealer from using customer funds and securities to finance its business. As a result, the broker[/]-dealer is required to set aside funds equal to the net of all its excess payables to customers over receivables from customers. The rules also require a broker[/]-dealer to segregate all customer fully paid and excess margin securities carried by the broker[/]-dealer for customers.

The Securities Investor Protection Corporation (SIPC) also covers positions held in securities accounts. SIPC was created in 1970 as a non-profit, non-government, membership corporation, funded by member broker[/]-dealers. Its primary role is to return funds and securities to customers if the broker[/]-dealer holding these assets becomes insolvent. SIPC coverage applies to customers of current (and in some cases former) SIPC members. Most broker[/]-dealers registered with the SEC are SIPC members; those few that are not must disclose this fact to their customers. SIPC members must display an official sign showing their membership. To check whether a firm is a SIPC member, go to www.sipc.org, call the SIPC Membership Department at (202) 371-8300, or write to SIPC Membership Department, Securities Investor Protection Corporation, [805 Fifteenth Street, NW, Suite 800] 1667 K Street NW, Suite 1000, Washington, DC [20005-2215] 20006-1620.

SIPC coverage is limited to \$500,000 per customer, including up to \$100,000 for cash. For example, if a customer has 1,000 shares of XYZ stock valued at \$200,000 and \$10,000 cash in the account, both the security and the cash balance would be protected. However, if the customer has shares of stock valued at \$500,000 and \$100,000 in cash, only a total of \$500,000 of those assets will be protected.

For purposes of SIPC coverage, customers are persons who have securities or cash on deposit with a SIPC member for the purpose of, or as a result of, securities transactions. SIPC does not protect customer funds placed with a broker[/]_dealer just to earn interest. Insiders of the broker[/]_dealer, such as its owners, officers, and partners, are not customers for purposes of SIPC coverage.

* * *

8.2. Position Limits and Large Trader Reporting

All security futures contracts trading on regulated exchanges in the United States are subject to position limits or position accountability limits. Position limits restrict the number of security futures contracts that any one person or group of related persons may hold or control in a particular security futures contract. In contrast, position accountability limits permit the accumulation of positions in excess of the limit without a prior exemption. In general, position limits and position accountability limits are beyond the thresholds of most retail investors. Whether a security futures contract is subject to position limits, and the level for such limits, depends upon the trading activity and market capitalization of the underlying security of the security futures contract.

Position limits [apply] are required for security futures contracts that overlie a security that has an average daily trading volume of 20 million shares or fewer. In the case of a security futures contract overlying a security index, position limits are required if any one of the securities in the index has an average daily trading volume of 20 million shares or fewer. Position limits also apply only to an expiring security futures contract during its last five trading days. A regulated exchange must establish position limits on security futures that are no greater than 13,500 (100 share) contracts, unless the underlying security meets certain volume and shares outstanding thresholds, in which case the limit may be increased to 22,500 (100 share) contracts.

For security futures contracts overlying a security or securities with an average trading volume of more than 20 million shares, regulated exchanges may adopt position accountability rules. Under position accountability rules, a trader holding a position in a security futures contract that exceeds 22,500 contracts (or such lower limit established by an exchange) must agree to provide information regarding the position and consent to halt increasing that position if requested by the exchange.

Brokerage firms must also report large open positions held by one person (or by several persons acting together) to the CFTC as well as to the exchange on which the positions are held. The CFTC's reporting

requirements are 1,000 contracts for security futures positions on individual equity securities and 200 contracts for positions on a narrow-based index. However, individual exchanges may require the reporting of large open positions at levels less than the levels required by the CFTC. In addition, brokerage firms must submit identifying information on the account holding the reportable position (on a form referred to as either an "Identification of Special Accounts Form" or a "Form 102") to the CFTC and to the exchange on which the reportable position exists within three business days of when a reportable position is first established.

* * *



June 7, 2018

Via Federal Express

Mr. Christopher J. Kirkpatrick
Secretary
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: National Futures Association: Proposed Amendments to NFA's
Interpretive Notice: *NFA Compliance Rule 2-30(b): Risk Disclosure
Statement for Security Futures Contracts*

Dear Mr. Kirkpatrick:

Pursuant to Section 17(j) of the Commodity Exchange Act ("CEA"), as amended, National Futures Association ("NFA") hereby submits to the Commodity Futures Trading Commission ("CFTC" or "Commission") the proposed amendments to NFA's Interpretive Notice entitled *NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Security Futures Contracts*. NFA's Board of Directors ("Board") unanimously approved the proposed amendments at its meetings on February 15, 2018 and May 17, 2018.

NFA is invoking the "ten-day" provision of Section 17(j) of the CEA and plans to make this proposal 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.

PROPOSED AMENDMENTS

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

INTERPRETIVE NOTICES

* * *

**NFA COMPLIANCE RULE 2-30(b): RISK DISCLOSURE STATEMENT FOR
SECURITY FUTURES CONTRACTS**

* * *

2.4. How Security Futures Differ from the Underlying Security

Shares of common stock represent a fractional ownership interest in the issuer of that security. Ownership of securities confers various rights that are not present with positions in security futures contracts. For example, persons owning a share of common stock may be entitled to vote in matters affecting corporate governance. They also may be entitled to receive dividends and corporate disclosure, such as annual and quarterly reports.

The purchaser of a security futures contract, by contrast, has only a contract for future delivery of the underlying security. The purchaser of the security futures contract is not entitled to exercise any voting rights over the underlying security and is not entitled to any dividends that may be paid by the issuer. Moreover, the purchaser of a security futures contract does not receive the corporate disclosures that are received by shareholders of the underlying security, although such corporate disclosures must be made publicly available through the SEC's EDGAR system, which can be accessed at www.sec.gov. You should review such disclosures before entering into a security futures contract. See Section 9 8.1 for further discussion of the impact of corporate events on a security futures contract.

* * *

5.2. Settlement by physical delivery

Settlement by physical delivery is carried out by clearing brokers or their agents with National Securities Clearing Corporation ("NSCC"), an SEC-regulated securities clearing agency. Such settlements are made in much the same way as they are for purchases and sales of the underlying security. Promptly after the last day of trading, the regulated exchange's clearing organization will report a purchase and sale of the underlying stock at the previous day's settlement price (also referred to as the "invoice price") to NSCC. In general, if NSCC does not reject the transaction by a time specified in its rules, settlement is effected pursuant to the rules of the exchange and NSCC's Rules and Procedures within the normal clearance and settlement cycle for securities transactions, which currently is ~~three~~ two business days. However, settlement may be effected on a shorter timeframe based on the rules of the exchange and subject to NSCC's Rules and Procedures.

* * *

6.1 Protections for Securities Accounts

If your positions in security futures contracts are carried in a securities account, they are covered by SEC rules governing the safeguarding of customer funds and securities. These rules prohibit a broker-dealer from using customer funds and securities to finance its business. As a result, the broker-dealer is required to set aside funds equal to the net of all its excess payables to customers over receivables from customers. The rules also require a broker-dealer to segregate all customer fully paid and excess margin securities carried by the broker-dealer for customers.

The Securities Investor Protection Corporation (SIPC) also covers positions held in securities accounts. SIPC was created in 1970 as a non-profit, non-government, membership corporation, funded by member broker-dealers. Its primary role is to return funds and securities to customers if the broker-dealer holding these assets becomes insolvent. SIPC coverage applies to customers of current (and in some cases former) SIPC members. Most broker-dealers registered with the SEC are SIPC members; those few that are not must disclose this fact to their customers. SIPC members must display an official sign showing their membership. To check whether a firm is a SIPC member, go to www.sipc.org, call the SIPC Membership Department at (202) 371-8300, or write to SIPC Membership Department, Securities Investor Protection Corporation, ~~805 Fifteenth Street, NW, Suite 800~~ 1667 K Street NW, Suite 1000, Washington, DC ~~20005-2215~~ 20006-1620.

SIPC coverage is limited to \$500,000 per customer, including up to \$100,000 for cash. For example, if a customer has 1,000 shares of XYZ stock valued at \$200,000 and \$10,000 cash in the account, both the security and the cash balance would be protected. However, if the customer has shares of stock valued at \$500,000 and \$100,000 in cash, only a total of \$500,000 of those assets will be protected.

For purposes of SIPC coverage, customers are persons who have securities or cash on deposit with a SIPC member for the purpose of, or as a result of, securities transactions. SIPC does not protect customer funds placed with a broker-dealer just to earn interest. Insiders of the broker-dealer, such as its owners, officers, and partners, are not customers for purposes of SIPC coverage.

* * *

8.2. Position Limits and Large Trader Reporting

All security futures contracts trading on regulated exchanges in the United States are subject to position limits or position accountability limits. Position limits restrict the number of security futures contracts that any one person or group of related persons may hold or control in a particular security futures contract. In contrast, position

accountability limits permit the accumulation of positions in excess of the limit without a prior exemption. In general, position limits and position accountability limits are beyond the thresholds of most retail investors. Whether a security futures contract is subject to position limits, and the level for such limits, depends upon the trading activity and market capitalization of the underlying security of the security futures contract.

Position limits apply are required for security futures contracts that overlie a security that has an average daily trading volume of 20 million shares or fewer. In the case of a security futures contract overlying a security index, position limits are required if any one of the securities in the index has an average daily trading volume of 20 million shares or fewer. Position limits also apply only to an expiring security futures contract during its last five trading days. A regulated exchange must establish position limits on security futures that are no greater than 13,500 (100 share) contracts, unless the underlying security meets certain volume and shares outstanding thresholds, in which case the limit may be increased to 22,500 (100 share) contracts.

For security futures contracts overlying a security or securities with an average trading volume of more than 20 million shares, regulated exchanges may adopt position accountability rules. Under position accountability rules, a trader holding a position in a security futures contract that exceeds 22,500 contracts (or such lower limit established by an exchange) must agree to provide information regarding the position and consent to halt increasing that position if requested by the exchange.

Brokerage firms must also report large open positions held by one person (or by several persons acting together) to the CFTC as well as to the exchange on which the positions are held. The CFTC's reporting requirements are 1,000 contracts for security futures positions on individual equity securities and 200 contracts for positions on a narrow-based index. However, individual exchanges may require the reporting of large open positions at levels less than the levels required by the CFTC. In addition, brokerage firms must submit identifying information on the account holding the reportable position (on a form referred to as either an "Identification of Special Accounts Form" or a "Form 102") to the CFTC and to the exchange on which the reportable position exists within three business days of when a reportable position is first established.

* * *

EXPLANATION OF PROPOSED AMENDMENTS

NFA Compliance Rule 2-30(b) requires NFA Members and Associates who are registered as brokers or dealers under Section 15(b)(11) of the Securities Exchange Act of 1934 to provide a disclosure statement for security futures products ("SFPs") to a customer at or before the time the Member approves the account to trade SFPs. The risk disclosure statement for SFPs is a uniform statement that was jointly

developed in 2002 by NFA, FINRA and a number of securities and futures exchanges. The statement discusses the characteristics and risks of standardized security futures contracts traded on regulated U.S. exchanges. Among other things, the statement contains a section on settlement by physical delivery, which indicates that the normal clearance and settlement cycle for securities transactions is three business days.

On September 5, 2017, the securities industry moved from a T+3 settlement cycle to T+2 settlement cycle for in-scope securities trades, including U.S. equity trades. Accordingly, NFA is recommending this amendment to update the risk disclosure statement for SFPs to reflect the shortened settlement cycle from T+3 to T+2. At its February 15, 2018 meeting, NFA's Board unanimously approved the proposed amendments to the Interpretive Notice to update the risk disclosure statement for SFPs to reflect the shortened settlement cycle.

Thereafter, based on discussions with FINRA staff, the risk disclosure statement was further amended to update the contact information for the Securities Investor Protection Corporation ("SIPC") provided on the risk disclosure statement in Section 6.1 and to incorporate a few additional non-substantive changes. At its meeting on May 17, 2018, NFA's Board unanimously approved the proposed amendments to the risk disclosure statement to reflect the updated contact information for SIPC and other non-substantive stylistic changes. FINRA intends to make the same modifications to its risk disclosure statement to cover its members.

As mentioned earlier, NFA is invoking the "ten-day" provision of Section 17(j) of the CEA. NFA intends to make the proposed amendments to NFA's Interpretive Notice entitled *NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Security Futures Contracts* 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,



Carol A. Wooding
Vice President and General Counsel

cc: Matthew B. Kulkin
Frank Fisanich
Tom Smith

M:jac/Submission Ltrs/Proposed Amendment NFA Interp. Notice C.R. 2-30 (b) Risk Disclosure Stmt Security Futures Products

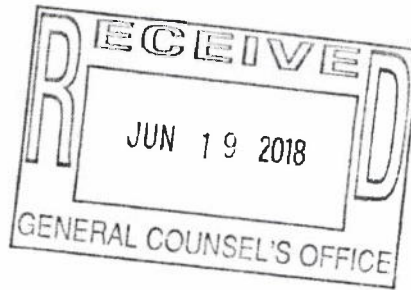


U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5213
mkulkin@cftc.gov

Division of Swap Dealer
and
Intermediary Oversight

Matthew Kulkin
Director



June 18, 2018

Carol A. Wooding, Esq.
Vice President and General Counsel
National Futures Association
300 South Riverside Plaza, Suite 1800
Chicago, Illinois 60606

Re: National Futures Association: Proposed Amendments to Interpretive
Notice "NFA Compliance Rule 2-30(b): Risk Disclosure Statement for
Security Futures Contracts"

Dear Ms. Wooding:

By letter dated June 7, 2018 and received June 8, 2018, the National Futures Association ("NFA") submitted to the Commodity Futures Trading Commission (the "Commission"), pursuant to Section 17(j) of the Commodity Exchange Act (the "Act"), its proposal to amend NFA Interpretive Notice "Compliance Rule 2-30(b): Risk Disclosure Statement for Security Futures Contracts" (the "Proposal"). In its letter, NFA invoked the "ten-day" provision of Section 17(j) of the Act, and stated that it intended to make the Proposal effective ten days after receipt of the letter by the Commission, unless the Commission determined to review the Proposal for approval and notified NFA of this determination.

Please be advised that as of this date the Commission has not determined to review the Proposal, as provided under Section 17(j) of the Act.

Very truly yours,

Matthew Kulkin
Director
Division of Swap Dealer and
Intermediary Oversight