

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 - * 04

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 Change 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 *).

NFA's Board of Directors approved the proposed amendments on August 16, 2018.

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 08/31/2018

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)

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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 Request that Proposed Rule Change is not Necessary: Attach a copy of any request submitted to the CFTC for determination that review of the proposed rule change is not necessary.

Add Remove View

Exhibit Sent As Paper Document

Partial Amendment

Add Remove View

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-2018-04)

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 thereunder² notice is hereby given that on _____, 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 August 21, 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.³ The CFTC has not yet made such determination.

¹ 15 U.S.C. 78s(b)(7).

² 17 CFR 240.19b-7.

³ See Letter dated August 21, 2018 from Carol A. Wooding, NFA's Vice President and General Counsel to Christopher J. Kirkpatrick, Office of the Secretariat, CFTC.

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

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. The risk disclosure statement contains, among other things, a section on Securities Investor Protection Corporation ("SIPC") coverage for cash protection. NFA is amending Section 6.1 of Interpretive Notice 9050 to reflect that SIPC coverage for cash protection has increased from \$100,000 to \$250,000.

NFA is also amending Interpretive Notice 9050 to incorporate one other non-substantive change. 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 text of these statements may be examined at the places specified in Item

⁴ 15 U.S.C 78o(b)(11).

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 Members who are registered as brokers or dealers in SFPs under Section 15(b)(11) of the Exchange Act.⁶ NFA's Interpretive Notice 9050 applies to all 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. SEC staff recently contacted NFA and requested a change to Section 6.1 of the Risk Disclosure Statement to reflect that SIPC coverage for cash protection has increased from \$100,000 to \$250,000. Accordingly, NFA's amendment to Section 6.1 of Interpretive Notice 9050 is a minor amendment to correct the limit of SIPC cash protection.

⁵ 15 U.S.C. 78o-3(k).

⁶ 15 U.S.C. 78o(b)(11).

⁷ *Id.*

NFA is also amending Section 5.2 of Interpretive Notice 9050 to make a stylistic change to delete a set of quotation marks around the qualifying abbreviation for National Securities Clearing Corporation—NSCC. FINRA staff notified NFA that it also intends to make the same modifications to its risk disclosure statement to cover its members.

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); and SR-NFA-2018-03, Exchange Act Release No. 34-83589 (July 3, 2018), 83 FR 31804 (July 9, 2018).

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

⁸ 15 U.S.C. 78o-3(k)(2)(B).

general, to protect investors and the public interest, in connection with SFPs. The proposed rule change accomplishes this by requiring Members to provide customers trading in SFPs with a risk disclosure statement which correctly reflects the SIPC coverage for cash protection. Accordingly, NFA is amending Interpretive Notice 9050 to update the risk disclosure statement to reflect that SIPC coverage for cash protection has increased from \$100,000 to \$250,000. Further, NFA is amending Interpretive Notice 9050 to reflect one other non-substantive stylistic change. 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.

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 August 21, 2018, NFA requested that the CFTC make a determination that review of the proposed rule change of NFA is not necessary. The CFTC has not yet made such determination. 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.⁹

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-2018-04 on the subject line.

⁹ 15 U.S.C. 78s(b)(1).

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-2018-04.

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-2018-04 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.¹⁰

Secretary

¹⁰ 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**

* * *

Section 5 – Settlement

* * *

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 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.

* * *

Section 6 – Customer Account Protections

* * *

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, 1667 K Street NW, Suite 1000, Washington, DC 20006-1620.

SIPC coverage is limited to \$500,000 per customer, including up to [\$100,000] \$250,000 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] \$250,000 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.

* * *

Exhibit 5

August 21, 2018 letter from Carol A. Wooding to Christopher J. Kirkpatrick.



August 21, 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 meeting on August 16, 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**

* * *

Section 5 – Settlement

* * *

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 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.

* * *

Section 6 – Customer Account Protections

* * *

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, 1667 K Street NW, Suite 1000, Washington, DC 20006-1620.

SIPC coverage is limited to \$500,000 per customer, including up to ~~\$400,000~~ \$250,000 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 ~~\$400,000~~ \$250,000 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.

* * *


EXPLANATION OF PROPOSED AMENDMENTS

NFA Compliance Rule 2-30(b) requires 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 to a customer at or before the time the Member approves the account to trade security futures products. The text of the disclosure statement is set forth in NFA's Interpretive Notice entitled *NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Security Futures Contracts* ("Risk Disclosure Statement"). Section 6.1 of the Risk Disclosure Statement discusses the Securities Investor Protection Corporation coverage for security futures contracts held in a securities account and indicates that SIPC coverage is limited to \$500,000 per customer, including up to \$100,000 in cash. NFA recently learned that SIPC coverage for cash protection has increased from \$100,000 to \$250,000. At its meeting on August 16, 2018, NFA's Board unanimously approved a proposed amendment to the Interpretive Notice to update the Risk Disclosure Statement to reflect the correct limit of SIPC cash protection. FINRA staff notified NFA that it also intends to make the same modification to its risk disclosure statement to cover its members.

August 21, 2018

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 Contracts 08-2018