

January 20, 2012

Via Federal Express

Mr. David A. Stawick
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 Bylaw 301, Financial Requirements Section 5 and Registration Rules 101, 201, 201, 202, 203, 205, 207, 208, 209, 210, 212, 303, 501, 601, 601, 801, and 802 Regarding Swap Dealers, Major Swap Participants and Derivative Transaction Execution Facilities*

Dear Mr. Stawick:

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 NFA's Bylaw 301, Financial Requirements Section 5 and Registration Rules 101, 201, 202, 203, 205, 207, 208, 209, 210, 212, 303, 501, 601, 701, 801, and 802 regarding Swap Dealers, Major Swap Participants and Derivative Transaction Execution Facilities. NFA's Board of Directors ("Board") approved the proposal on May 19, 2011 and November 17, 2011. NFA's Executive Committee, as authorized by the Board, approved additional amendments on January 19, 2012 to conform the proposal to the CFTC's final registration rules for Swap Dealers ("SDs") and Major Swap Participant ("MSPs"). The Board will ratify the Executive Committee's action at its February 16, 2012 meeting. NFA respectfully requests Commission review and approval of the proposed amendments.

PROPOSED AMENDMENTS

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

BYLAW 301. REQUIREMENTS AND RESTRICTIONS.

(a) Eligibility for Membership.

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(iii) No person, unless eligible for membership in the contract market category or solely in the Swap Dealer ("SD") or Major Swap Participant ("MSP") category, shall be eligible to become or remain a Member unless at least one of its principals is registered as an "associated person" under the Act and Commission Rules.

* * *

(f) Application.

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(iv) Database Security.

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(C) Each FCM, SD, MSP, RFED, IB, CPO or CTA applicant or Member shall make available any person it has authorized to make or actually performing duties related to electronic filings, for testimony in court or before the Commission, NFA or any contract market ~~or DTF~~ regarding the authentication, integrity or accuracy of any electronic filing; and

FINANCIAL REQUIREMENTS

SECTION 5. INTRODUCING BROKER FINANCIAL REQUIREMENTS.

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(b)

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(4)

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(C) Each Member IB shall make available any person it has authorized to make or actually performing duties related to electronic filings, for testimony in court or before the Commission, NFA or any contract market ~~or DTF~~ regarding the authentication, integrity or accuracy of any electronic filing; and

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REGISTRATION RULES

Part 100. Definitions

Rule 101. Definitions.

As used in these Registration Rules:

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(c) "**Applicant**"-means a person seeking registration under the Act as an FCM, RFED, IB, CPO, CTA or LTM; an associated person of any of the foregoing; SD; MSP; floor broker ("FB") or floor trader ("FT").

* * *

(j) "**Form 7-R**"-means the entire Form 7-R or any portions of the Form 7-R that NFA requires an applicant to file to obtain registration as an FCM, RFED, SD, MSP, IB, CPO, CTA or LTM.

* * *

(m) "**Form 7-W**"-means the entire Form 7-W or any portions of the Form 7-W that NFA requires a registrant to file to withdraw from registration or to withdraw an application for registration as an FCM, RFED, SD, MSP, IB, CPO, CTA or LTM.

* * *

(t) "**Principal**"-means, with respect to an applicant, a registrant, or a person required to be registered under the Act:

(1) an individual who is:

- (A) a proprietor of a sole proprietorship;
- (B) a general partner of a partnership;
- (C) a director, president, chief executive officer, chief operating officer, chief financial officer or a person in charge of a business unit, division or function subject to regulation by the Commission of a corporation, limited liability company or limited liability partnership; or
- (D) a manager, managing member or a member vested with the management authority for a limited liability company or limited liability partnership; or
- (E) a chief compliance officer of an FCM, SD or MSP; or

* * *

(u) "**Registrant**"-means a person registered under the Act as an FCM, RFED, IB, CPO, CTA, LTM, an AP of any of the foregoing, SD, MSP, FB or FT.

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(w) "**Swap AP**"-means an associated person of an SD or MSP as defined in the Act and the regulations thereunder.

(w) "**Sponsor**"-means the applicant or registrant FCM, RFED, SD, MSP, IB, CPO, CTA or LTM that files a Form 8-R for an individual associated with it to become registered as an AP or for an individual principal.

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Part 200. Registration Requirements and Procedures

RULE 201. REGISTRATION REQUIREMENTS AND PROCEDURES.

NFA shall perform registration functions in accordance with the provisions set forth in these Rules for all persons, except agricultural trade option merchants ("ATM"), principals of ATMs, and ATM APs and Swap Dealers ("SD"), Major Swap Participants ("MSP") and principals of SDs and MSPs, for whom it has been granted registration responsibilities pursuant to Section 8a(10) or Section 17(o) of the Act. Except as provided below, NFA shall perform registration functions with respect to ~~persons required to register as~~ ATMs, principals of ATMs, and ATM APs, SDs, MSPs and principals of SDs and MSPs in accordance with all of the Regulations governing their registration ~~of ATMs, principals of ATMs and ATM APs~~ contained in Part 3 of the Commission's Regulations. Rule 203 of these Rules shall govern the registration fees for ATMs, principals of ATMs, and ATM APs, SDs, MSPs and principals of SDs and MSPs. Part 500 of these Rules shall govern adverse registration proceedings involving ATMs, principals of ATMs, and ATM APs, SDs, MSPs and principals of SDs and MSPs. Part 700 of these Rules shall govern access to and certification of registration records maintained by NFA regarding ATMs, principals of ATMs, and ATM APs, SDs, MSPs and principals of SDs and MSPs. Part 800 shall govern the electronic filing of registration forms by SDs, MSPs and principals of SDs and MSPs.

RULE 202. REGISTRATION PROCESSING AND NOTIFICATION OF REGISTRATION OR CONFIRMATION OF EXEMPTION FROM REGISTRATION.

(a) If registration has been granted or a temporary license issued under the Act, NFA shall notify the applicant, or the sponsor in the case of an applicant for registration as an AP, and each board of trade designated as a contact market ~~or a derivative transaction execution facility ("DTF")~~ by the Commission that has granted the applicant trading privileges in the case of an applicant for registration as an FB or FT. If an exemption from registration pursuant to CFTC Regulation 30.5 has been confirmed, NFA shall notify the applicant accordingly.

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RULE 203. REGISTRATION FEES.

(a) **Amount.** The following fees shall apply:

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(9) **Annual Registration Records Maintenance Fee:** \$100 for each registration category as an FCM, RFED, SD, MSP, IB, CPO, CTA or LTM.

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(16) **Swap Dealer:** \$15,000 for each Form 7-R filed for registration as an SD.

(17) **Major Swap Participant :** \$15,000 for each Form 7-R filed for registration as an MSP.

Rule 205. REGISTRATION OF FLOOR BROKERS AND FLOOR TRADERS.

(a) Application for Registration.

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(2) When NFA determines that an applicant for registration as an FB or FT appears fit for registration and receives satisfactory evidence that a board of trade designated as a contact market ~~or a DTF~~ by the Commission has granted the applicant trading privileges, NFA will provide notification to the applicant and to each contract market ~~or DTF~~ that has granted the applicant trading privileges that the applicant's registration as an FB or FT is granted.

* * *

(c) Withdrawal of Application. Failure of an applicant to respond to a written or electronic request by NFA for clarification of application information, to submit or resubmit fingerprints in accordance with such request, or to pay the required registration fee pursuant to Rule 203(a) shall be deemed to constitute a withdrawal of the applicant's

Form 8-R and shall result in the immediate termination of the applicant's temporary license, and NFA shall notify the applicant accordingly and each contract market ~~or DTF~~ that has granted the applicant trading privileges.

(d) Duration of Registration. A person registered as a FB or FT in accordance with this section, and whose registration has neither been revoked nor withdrawn, will continue to be so registered unless such person's trading privileges on all contract markets ~~or DTFs~~ have ceased: Provided, that if a FB or FT whose trading privileges on all contract markets have ceased for reasons unrelated to any Commission action or any contract market ~~or DTF~~ disciplinary proceeding and whose registration is not revoked, suspended or withdrawn is granted trading privileges as a FB or FT, respectively, by any contract market ~~or DTF~~ where he held such privileges within the preceding sixty days, such registration as a FB or FT, respectively, shall be deemed to continue and no new application or update need be filed solely on the basis of the resumption of trading privileges. A FB or FT is prohibited from engaging in activities requiring registration under the Act or from representing himself to be a registrant under the Act or the representative or agent of any registrant during the pendency of any suspension of such registration or of all such trading privileges. In accordance with Commission Regulation 3.31(d), each contract market ~~or DTF~~ that has granted trading privileges to a person who is registered, or has applied for registration, as a FB or FT, must notify NFA within 60 days after such person's trading privileges on such contract market ~~or DTF~~ have ceased.

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RULE 207. MULTIPLE ASSOCIATIONS.

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(b)

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(3) Each sponsor is responsible for supervising the AP. In addition, the new sponsor and each sponsor to whom NFA provides notice of the AP's application for registration with multiple sponsors shall be jointly and severally ~~responsible~~ liable for the conduct of the AP with respect to any customers common to it and any other sponsor of the AP for the:

(A) solicitation or acceptance of customer orders; solicitation of funds, securities or property for a participation in a commodity pool;

(B) solicitation of a client's or prospective client's discretionary account;

(C) solicitation or acceptance of leverage customer orders for leverage transactions; and

(D) AP's supervision of any person or persons engaged in any of the foregoing solicitations or acceptances.

(4) Each sponsor shall remain jointly liable in accordance with paragraph (b)(4)(3) of this Rule until the individual is no longer associated with the sponsor as an AP and the sponsor files the Form 8-T required by Rule 206(d) and Rule 214 or the individual is no longer associated with multiple sponsors as an AP.

RULE 208. REPORTING OF PRINCIPALS.

(a) Unless otherwise provided in this Rule:

(1) an applicant for registration as an FCM, RFED, SD, MSP, IB, CPO, CTA or LTM must comply with the provisions of Rule 204(a)(2) for each individual who is a principal of the applicant at the time the applicant files its application for registration; and

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RULE 209. ALTERNATIVE TO THE FINGERPRINT FILING REQUIREMENT IN CERTAIN CASES.

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(c) In lieu of submitting a fingerprint card in accordance with the provisions of Rules 204(a)(2) and 208, any FCM, RFED, SD, MSP, IB, CTA, CPO or LTM that has a principal who is a director but is not also an officer or employee of the firm ("outside director") may file with NFA a Notice Pursuant to CFTC Regulation 3.21(c). A firm that has filed a Notice Pursuant to CFTC Regulation 3.21(c) with respect to an outside director described therein must file with NFA on behalf of such outside director a Form 8-R completed in accordance with all pertinent instructions and verified by the outside director. The exemption provided for by this paragraph is limited solely to the outside director's fingerprint requirement and does not affect any other duties or responsibilities of the firm or the outside directors under these Rules. In appropriate cases, NFA may require additional information from the firm with respect to any outside director referred to in the Notice Pursuant to CFTC Regulation 3.21(c).

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RULE 210. DEFICIENCIES, INACCURACIES AND CHANGES TO APPLICATION INFORMATION MUST BE REPORTED.

(a) Each applicant or registrant as an FCM, RFED, SD, MSP, IB, CPO, CTA, LTM, FB or FT must promptly correct any deficiency or inaccuracy in a Form 7-R or Form 8-R which no longer renders accurate the information contained therein. Each such correction must be made on a Form 3-R and must be completed and filed in accordance with all pertinent instructions. Except when changing to or from a sole proprietorship, an applicant or registrant may file a Form 3-R for purposes of reporting a change in its form of organization. If a Form 3-R is filed to report a change in the applicant's or registrant's form of organization, the newly formed organization will be liable for all obligations of the pre-existing organization which arose out of the Act or the Regulations thereunder. A registrant or applicant that is changing form of organization to or from a sole proprietorship must file a Form 7-R for the newly formed organization and a Form 7-W for the pre-existing organization.

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RULE 212. REGISTRATION IN ONE CAPACITY DOES NOT INCLUDE REGISTRATION IN ANY OTHER CAPACITY.

(a) Except as may be otherwise provided in the Act or in any Rule, Regulation, or order of the Commission, each AP, FB, FT, FCM, RFED, SD, MSP, IB, CPO, CTA and LTM must register as such under the Act. Registration in one capacity under the Act shall not include registration in any other capacity.

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Part 300. Temporary Licenses

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RULE 303. TEMPORARY LICENSING FOR FLOOR BROKERS AND FLOOR TRADERS.

(a) Qualifications. Notwithstanding any other provision of these Rules, and pursuant to the terms and conditions of this Rule, NFA may grant a TL to any applicant for registration as a FB or FT upon the filing with NFA of:

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(5) receipt by NFA of satisfactory evidence that the applicant has been granted trading privileges by a contract market that has filed with NFA a certification signed by its chief

operating officer with respect to the review of an applicant's employment, credit and other history in connection with the granting of trading privileges ~~or by a DTF.~~

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(d) Termination of a Temporary License.

(1) A TL shall terminate:

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(E) immediately upon loss of trading privileges on all contract markets that filed the certification described in Commission Regulation 3.40(d)(a)(2)(iv) ~~and on all DTFs that granted such privileges;~~

(F) upon notice to the applicant or the contract market ~~or DTF~~ that has granted the applicant trading privileges that:

(i) the applicant has failed to comply with an award in an arbitration proceeding conducted pursuant to Commission Rule 166.5 within the time permitted for such compliance as specified in Section 10(g) of NFA's Code of Arbitration or the comparable time period specified in the rules of a contract market, ~~DTF~~ or other appropriate arbitration forum;

* * *

Part 500. Proceedings to Deny, Condition, Suspend and Revoke Registration

RULE 501. AUTHORITY TO DENY, CONDITION, SUSPEND AND REVOKE REGISTRATION.

NFA may refuse to register or register conditionally any person registered or applying for registration as an FCM, RFED, IB, CPO, CTA, LTM, ATM, as an AP of any of the foregoing, as an SD or MSP, or as a floor broker or floor trader, or suspend or revoke the registration of any registrant in those categories, based upon the standards of fitness set forth in the Act. Interim Orders and Final Orders denying, revoking, conditioning, or suspending registration shall be made by the Membership Committee or a designated Subcommittee in accordance with the procedures set forth in Part 500 of these Rules. Such designated Subcommittee shall consist of one member of the Membership Committee and two members of NFA's Hearing Committee for all categories except floor brokers and floor traders and SDs or MSPs. The designated

Subcommittee for floor brokers/floor traders shall consist of three persons, one of whom is a member of the Membership Committee, one of whom is a member of NFA's Hearing Committee and one of whom is a registered floor broker or floor trader approved by NFA's Board of Directors to be a member of such Subcommittee. The designated Subcommittee for SDs or MSPs shall consist of one member of the Membership Committee and two members of NFA's Hearing Committee, one of whom is an employee of an SD or MSP Member of NFA. The member of the Membership Committee sitting on each designated Subcommittee shall serve as the Chairman of the designated Subcommittee. At least one of the members on each designated Subcommittee shall not be an NFA Member or an Associate or an employee of an NFA Member. In cases submitted by the President to the Membership Committee or a designated Subcommittee, registration shall not be granted pending a final determination by the Membership Committee or a designated Subcommittee. No member of the Membership Committee or a designated Subcommittee shall either review a registration matter or participate in a registration action if the member, or any person with whom the member is connected, has a financial, personal or other direct interest in the matter under consideration or is disqualified under Bylaw 708(c).

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Part 600. Withdrawal From Registration

RULE 601. WITHDRAWAL FROM REGISTRATION.

(a) An FCM, RFED, SD, MSP, IB, CTA, CPO, LTM, FB or FT may request that its registration be withdrawn in accordance with the requirements of this Rule if:

- (1) the registrant has ceased, or has not commenced, engaging in activities requiring registration in such capacity; or
- (2) the registrant is exempt from registration in such capacity; or
- (3) the registrant is excluded from the persons or any class of persons required to be registered in such capacity. Provided, that NFA may consider separately each capacity for which withdrawal is requested in acting upon such a request.

(b) An FCM, RFED, SD, MSP, IB, CPO, CTA or LTM requesting withdrawal from registration under this Rule must file a Form 7-W completed and filed with NFA in accordance with all pertinent instructions. A FB or FT requesting withdrawal from registration under this Rule must file a Form 8-W completed and filed with NFA in accordance with all pertinent instructions. In addition, any FB or FT requesting withdrawal from registration must file a copy of his Form 8-W with each contract market ~~or DTF~~ that has granted him trading privileges.

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Part 700. Procedures Governing Access to and Certification of Registration Records Maintained by NFA

RULE 701. DISCLOSURE OF INFORMATION FROM REGISTRATION RECORDS MAINTAINED BY NFA.

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(c) Disclosure of Non-Public Information. Requests for access to registration records, or portions thereof, not subject to disclosure as public or publicly available under paragraph (b)(1) of this Rule shall be referred or transmitted to the Commission for response; except that, NFA will disclose such records or portion thereof:

(1) to any person with whom an applicant or registrant is or plans to be associated as an AP or affiliated as a principal or with whom an individual is or plans on being associated as a Swap AP: Provided, however, that the person requesting the information makes an appropriate showing to NFA that the requester is the employer or prospective employer of the particular applicant, registrant, or principal;

(2) to any FCM or RFED with whom an IB, whether an applicant or registrant, has or plans to enter into a guarantee agreement under CFTC Regulation 1.10: Provided, however, that the FCM or RFED makes an appropriate showing as to its status as the IB's guarantor or proposed guarantor;

(3) to boards of trade designated as contract markets ~~or DTFs~~ or to any other futures associations registered with the Commission to assist those organizations in carrying out their responsibilities under the Act, or to national securities exchanges or national securities associations registered with the SEC to assist those organizations in carrying out their responsibilities under the Securities Exchange Act of 1934: Provided, however, that if a request is made in connection with a formal or apparent investigation or proceeding, NFA will notify the Commission of the request;

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Part 800. Electronic Filing of Registration Forms.

RULE 801. ELECTRONIC FILING OF FORMS 7-R, 8-R, 3-R, 7-W AND 8-T.

(a) Unless otherwise provided by these Rules, registrants which are FCMs, RFEDs, SDs, MSPs, IBs, CPOs, CTAs, FBs and FTs and IBs, CPOs and CTAs which are confirmed as exempt from registration pursuant to CFTC Regulation 30.5 and applicants for registration in such categories or for exemption from registration as an IB, CPO or CTA pursuant to CFTC Regulation 30.5 must file their Form 7-Rs and Form 8-Rs; Form 8-Rs for their principals and for registration of their APs; Form 3-Rs for themselves, their APs and principals; Form 7-Ws; and Form 8-Ts electronically by accessing NFA's registration and membership database in the manner provided by NFA. FCM, RFED, SD, MSP, IB, CPO and CTA registrants or applicants, IBs and CPOs and CTAs that are confirmed as exempt from registration pursuant to CFTC Regulation 30.5 or applicants for exemption from registration as an IB, CPO or CTA pursuant to CFTC Regulation 30.5 may authorize any person to make electronic registration filings on their behalf. FB and FT registrants and applicants may authorize any other person to electronically file Form 3-R's on their behalf but may not authorize any other person to file Form 8-Rs on their behalf. Any electronic registration filing that such an authorized person makes on behalf of the FCM, RFED, SD, MSP, IB, CPO, CTA, FB or FT registrant or applicant or IB, CPO or CTA confirmed as exempt from registration pursuant to CFTC Regulation 30.5 or applicant for exemption from registration pursuant to CFTC Regulation 30.5 shall be deemed to have been made by the FCM, RFED, SD, MSP, IB, CPO, CTA, FB or FT registrant or applicant or IB, CPO or CTA confirmed as exempt from registration pursuant to CFTC Regulation 30.5 or applicant for exemption from registration pursuant to CFTC Regulation 30.5 granting the authorization to such person.

* * *

(e) Each registrant or applicant FCM, RFED, SD, MSP, IB, CPO, CTA, FB or FT or IB, CPO or CTA confirmed as exempt from registration pursuant to CFTC Regulation 30.5 or applicant for exemption from registration as an IB, CPO or CTA pursuant to CFTC Regulation 30.5 shall make available any person it has authorized to make or actually performing duties related to electronic filings, for testimony in court or before the Commission, NFA, any contract market or ~~any DTF~~ regarding the authentication, integrity or accuracy of any electronic filing.

RULE 802. CERTIFICATIONS, ACKNOWLEDGEMENTS, AGREEMENTS AND REPRESENTATIONS.

(a) The electronic filing of a Form 7-R for registration as an FCM, RFED, SD, MSP, IB, CPO and CTA or for exemption from registration as an IB, CPO and CTA pursuant to CFTC Regulation 30.5 is deemed to constitute the applicant's:

* * *

(5) acknowledgement that the applicant may not act as an FCM, RFED, SD, MSP, IB, CPO or CTA until registration has been granted; in the case of an IB, until registration or a temporary license has been granted; in the case of an SD or MSP, until registration or provisional registration has been granted; or until confirmation of exemption from registration as an IB, CPO or CTA pursuant to CFTC Regulation 30.5 is granted;

* * *

(7) authorization and request that any person, including but not limited to contract markets or DTFs, furnish upon request to NFA or any agent acting on behalf of NFA any information requested by NFA in connection with any investigation conducted by NFA to determine the applicant's fitness for registration or for confirmation of exemption from registration as an IB, CPO and CTA pursuant to CFTC Regulation 30.5;

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(9) agreement that, if the applicant is a foreign applicant:

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(ii) such books and records will be produced on 72 hours notice at the location in the United States stated in the Form 7-R or, in the case of an IB, CPO or CTA confirmed as exempt from registration pursuant to CFTC Regulation 30.5, at the location specified by the CFTC or DOJ; provided, however, if the applicant is applying for registration as an FCM, SD, MSP or RFED, upon specific request, such books and records will be produced on 24 hours notice except for good cause shown; ~~and~~

(10) representation that if the applicant is an applicant for exemption from registration as an IB, CPO or CTA pursuant to CFTC Regulation 30.5:

* * *

(iii) the applicant would not be statutorily disqualified from registration under §8a(2) or §8a(3) of the Act and is not disqualified from registration pursuant to the laws or regulations of its home country; and

(11) certification that, if the applicant is an applicant for registration as an SD or MSP, the applicant undertakes that, no later than ninety (90) days following the date this Form 7-R is filed, it will be and shall remain in compliance with the requirement of Section 4s(b)(6) of the Act that, except to the extent otherwise

specifically provided by rule, regulation or order, the applicant will not permit any person associated with it who is subject to a statutory disqualification to effect or be involved in effecting swaps on behalf of the applicant, if the applicant knows, or in the exercise of reasonable care should know, of the statutory disqualification. For the purpose of this certification, "statutory disqualification" refers to the matters addressed in Sections 8a(2) and 8a(3) of the Act and "person" means an "associated person of a swap dealer or major swap participant" as defined in Section 1a(4) of the Act and CFTC regulations thereunder.

* * *

(b) The electronic filing of a Form 8-R for registration as an FB or FT is deemed to constitute the applicant's:

* * *

(7) authorization and request that any person, including but not limited to contract markets ~~or DTFs~~, furnish upon request to NFA or any agent acting on behalf of NFA any information requested by NFA in connection with any investigation conducted by NFA to determine the applicant's fitness for registration;

* * *

(d) The electronic verification by an individual of the information contained in the Form 8-R constitutes the applicant's or principal's:

* * *

(7) agreement that the applicant submits to the jurisdiction of any contract market ~~or DTF~~, of which the applicant's sponsor or any current or future guarantor (under CFTC Rule 1.10(j)) of the applicant's sponsor is or may become a member, which has or may adopt rules which apply to the applicant as an associated person, and that the applicant shall abide by all such rules and to comply with, be subject to, and abide by all requirements, rulings, orders, directives and decisions of and any penalties, prohibitions and limitations imposed by any such contract market ~~or DTF~~;

(8) authorization that NFA, and any contract market ~~or DTF~~ of which the applicant's or principal's sponsor or any current or future guarantor (under CFTC Rule 1.10(j)) of the applicant's or principal's sponsor is or may become a member, may conduct an investigation to determine the applicant's or principal's

fitness for registration, and if applicable, for Associate status, and agreement to cooperate promptly and fully, consistent with applicable Federal law, in such investigation, which may include contacting foreign regulatory and law enforcement authorities, including the submission of documents and information to NFA that NFA, in its discretion, may require in connection with the applicant's or principal's fitness for registration or Associate status;

* * *

(f) Retention of Records. In accordance with Commission Regulation 1.31, FCM, RFED, SD, MSP, IB, CTA, CPO, LTM, FB and FT applicants and registrants and their sponsors, if applicable, applicants for exemption from registration as an IB, CPO or CTA pursuant to CFTC Regulation 30.5 and IBs, CPOs and CTAs confirmed as exempt from registration pursuant to CFTC Regulation 30.5 must retain such records as are necessary to support the certifications required by this Rule.

EXPLANATION OF PROPOSED AMENDMENTS

Registration and NFA Membership of Swap Dealers and Major Swap Participants

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") created two new categories of registration: Swap Dealer ("SD") and Major Swap Participant ("MSP"). On May 19, 2011 and November 17, 2011, NFA's Board approved the proposed amendments to NFA's Registration Rules to incorporate SDs and MSPs into the registration process based on the CFTC's proposed registration rules for these firms. NFA's Executive Committee, as authorized by the Board, approved additional amendments on January 19, 2012 to conform the proposal to the CFTC's final registration rules for SDs and MSPs. The Board will ratify the Executive Committee's action at its February 16, 2012 meeting. NFA has the authority to perform all aspects of the SD and MSP registration process on the CFTC's behalf and the responsibility for conducting adverse registration actions against SDs and MSPs, as it does for all other CFTC registration categories, subject to CFTC oversight.

NFA also strongly supports the Commission's requirement to require SDs and MSPs to become Members of a registered futures association (i.e., NFA) thereby permitting NFA to conduct oversight of SDs and MSPs similar to its current Members. NFA's proposed amendments to NFA Bylaw 301 permit SDs and MSPs to apply for NFA membership. However, NFA will not actually approve SDs and MSPs as Members until NFA's Board and membership adopt further Articles' and Bylaw amendments necessary to authorize SDs and MSPs to become NFA Members.

Registration Fee, Hearing Subcommittee Composition, and Disqualification Certification

NFA's proposed registration rules establish the application fee for SDs or MSPs, adopt a CFTC-requested certification regarding an SD's and MSP's associated persons, and require that a designated Subcommittee of the Membership Committee include a person employed by an SD or MSP in registration cases in which an SD or MSP applicant or registrant is the respondent.

Over the course of the past year, NFA has evaluated the cost estimate regarding processing SD and MSP registration applications based upon the CFTC's delegation to NFA of the authority to confirm an SD's and MSP's initial compliance with the applicable Section 4s implementing regulations. NFA believes that at least a portion of the 4s review cost should be recovered as part of the registration fee.

NFA anticipates that over 25 staff members will be involved in reviewing SD and MSP submissions and confirming that they demonstrate initial compliance with the Section 4s requirements. NFA will incur direct and indirect costs associated with employing the staff (who will eventually transition over to our examination area) necessary to perform this review. Therefore, to help defray early on a portion of the costs associated with performing this 4s review and not have them simply added to the swap regulatory program's initial start-up costs, NFA proposes that the SD and MSP registration application fee be set at \$15,000. NFA's Swap Dealer Advisory Committee reviewed the proposed \$15,000 registration fee and did not object to the proposed fee.

Subsequent to the Board's adoption of the amendments to NFA's Registration Rules, NFA's Special Committee on Governance reviewed the composition of the Membership Committee to determine what changes, if any, should be made to its composition to integrate SDs and MSPs. The Special Committee recommended that the Membership Committee composition remain the same: five Directors, at least one of which shall be a Public Director, with no allocation of the other seats on the Committee to any particular membership category. However, the Special Committee also recommended that any designated Subcommittee assigned to conduct a hearing in a registration case in which the respondent is an SD or MSP applicant or registrant should include at least one person employed by a registered SD or MSP. The Swap Dealer Advisory Committee concurred with these recommendations.

Unlike all other registration categories, SD and MSP associated persons are not required to register. Instead, SDs and MSPs are prohibited from allowing anyone who is subject to a statutory disqualification from effecting or being involved in effecting swaps if the SD or MSP knows, or in the exercise of reasonable care should have known, of the statutory disqualification. Recently, CFTC staff informed NFA that it

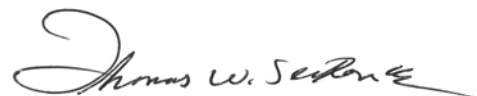
wants a certification from an SD or MSP that it is and will remain in compliance with this prohibition included in the registration application. In the interest of ensuring continuity of business and minimizing market disruption, NFA has adopted a certification that the applicant undertakes that it will be and remain in compliance with this requirement no later than ninety (90) days from the date the application is filed. This brief period will allow firms, among the initial wave of applicants, sufficient time to conduct the necessary background checks of their associated persons effecting or involved in effecting swap transactions. NFA's Swap Dealer Advisory Committee agreed with the proposed certification.

Derivative Transaction Execution Facilities

Dodd-Frank eliminated derivative transaction execution facilities ("DTEFs") as possible execution venues. Therefore, the amendments to NFA's Bylaws, Registration Rules and Financial Requirements remove references to DTEFs.

NFA respectfully requests that the Commission review and approve the proposed amendments to NFA's Bylaw 301, Financial Requirements Section 5 and Registration Rules 101, 201, 202, 203, 205, 207, 208, 209, 210, 212, 303, 501, 601, 701, 801, and 802 regarding Swap Dealers, Major Swap Participants and Derivative Transaction Execution Facilities.

Respectfully submitted,



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Senior Vice President and
General Counsel

*The proposed amendments to the Bylaw, Financial Requirements and Registration Rules became effective July 18, 2012.