

September 10, 2010

**Via Federal Express**

Mr. David A. Stawick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, DC 20581

Re: National Futures Association: Proposed Amendments to NFA's  
Registration Rules 206, 501 and 504\*

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 Registration Rules 206(d), 501 and 504(e). This proposal was approved by NFA's Board of Directors ("Board") on August 19, 2010.

NFA is invoking the "ten-day" provision of Section 17(j) of the Commodity Exchange Act ("CEA") and will make these proposals effective ten days after receipt of this submission by the Commission unless the Commission notifies NFA that the Commission has determined to review the proposals for approval.

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**PROPOSED AMENDMENTS**

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

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**REGISTRATION RULES**

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**RULE 206. REGISTRATION OF ASSOCIATED PERSONS OF FUTURES  
COMMISSION MERCHANTS, INTRODUCING BROKERS, COMMODITY  
POOL OPERATORS, COMMODITY TRADING ADVISORS AND LEVERAGE  
TRANSACTION MERCHANTS.**

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**(d) Duration of Registration.** A person registered in accordance with paragraphs (a) or (b) of this Rule, Rule 207 or Rule 301(e) and whose registration has not been revoked, shall continue to be so registered until the revocation or withdrawal of the registration of each of the registrant's sponsors, or until the cessation of the association of the registrant with each of his sponsors. Such person will be 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 his or his sponsor's registration. ~~In accordance with Rule 214,~~ Each of the registrant's sponsors must file a notice in accordance with Rule 214 with NFA on a Form 8-T reporting the termination of the association of the AP within 20 days thereafter.

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**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, IB, CPO, CTA, LTM, ATM, as an AP of any of the foregoing, 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. 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 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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**RULE 504. PROCEDURES GOVERNING APPLICANTS AND REGISTRANTS DISQUALIFIED FROM REGISTRATION UNDER SECTION 8a(2), 8a(3) OR 8a(4) OF THE ACT.**

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**(e) Oral Hearing.** Within 30 days of the date the applicant or registrant files its response to the Notice of Intent, ~~the Chairman of the Membership Committee shall appoint a Chairman of the Subcommittee, who~~ NFA shall notify the parties applicant or registrant of the time and place of a hearing. At such hearing, the parties shall be limited in their case-in-chief to presentation of witnesses and documents listed in their submissions as described in (f) and (g) below, except for good cause shown.

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**EXPLANATION OF PROPOSED AMENDMENTS**

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Prior to January 1, 2008, NFA imposed a \$100 fee when a registration termination notice was filed more than 20 days after the effective date of the termination. The Financial Industry Regulatory Authority required the filing of a termination notice within thirty days. Having to comply with these different timeliness requirements created an undue regulatory burden for NFA Members that were also broker/dealers. Consequently, NFA amended its rules to bring the NFA filing period and its late fee rules into alignment with the securities industry's rule.

However, Rule 206(d), which contains a reference to the period within which a termination notice must be filed, was inadvertently omitted from the prior

Mr. David A. Stawick

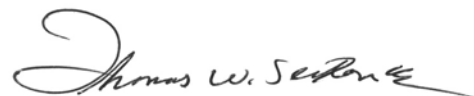
September 10, 2010

amendment process and still refers to a 20-day period. The proposed amendments to Registration Rule 206(d) conform to the other applicable Registration Rules governing the filing of termination notices, which provide for a 30-day period.

In November 2009, the composition of the Membership Committee was changed to eliminate non-Directors, thereby reducing the Membership Committee from eleven to five members. Additionally, the composition of the subcommittees that adjudicate registration cases was revised to consist of one Membership Committee member and two Hearing Committee members or, in cases involving floor brokers or floor traders, one Membership Committee member, one Hearing Committee member, and one floor broker or floor trader representative. Registration Rule 504(e) provides that the Chairman of the Membership Committee must appoint the Chairman of each Subcommittee, who in turn is to notify the parties of the hearing date. In practice, staff notifies the parties of the hearing date after consulting with the Subcommittee and, prior to the hearing, the Subcommittee itself chooses one of its members to act as Chairman. To clarify these practices, the proposed amendments to Registration Rules 501 and 504(e) provide that the Membership Committee member of each Subcommittee be designated as the Chairman of the Subcommittee and that NFA provide notice of the hearing date.

As mentioned earlier, NFA is invoking the "ten-day" provision of Section 17(j) of the Commodity Exchange Act. NFA intends to make the amendments to NFA Registration Rules 206(d), 501 and 504(e) 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,



Thomas W. Sexton  
Vice President and General Counsel

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\* The proposed amendments to NFA's Registration Rules 206, 501 and 504 become effective November 7, 2010.