

OMB APPROVAL

OMB Number: 3235-0553
Expires: June 30, 2010
Estimated average burden
hours per response.....17.7

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

File No. SR - 2010 - 02
Amendment No.

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

Initial
☒

Amendment
☐

Withdrawal
☐

Exhibit 1: Securities Commission
☐

Exhibit 2: Securities Commission
☐

Description

Provide a brief description of the proposed rule change (limit 250 characters).

Proposed Amendment to Interpretive Notice Entitled 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 Last Name
Title
E-mail
Telephone 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).

NFA's Executive Committee approved the proposal on June 7, 2010 and authorized NFA staff to immediately submit the proposed amendment to the CFTC and SEC. NFA's Board is expected to ratify approval of these amendments on August 19, 2010.

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 Senior Vice-President and General Counsel
By (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 Sexton, tsexton@nfa.futures.org

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-____; File No. SR-NFA-2010-02)

July __, 2010

Self-Regulatory Organizations; National Futures Association; Notice of Filing and Immediate Effectiveness of Proposed Change to Interpretive Notice entitled "NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Security Futures Contracts."

Pursuant to Section 19b(7) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-7 under the Act,² notice is hereby given that on July 8, 2010, 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 the NFA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. NFA also has filed this proposed rule change concurrently with the Commodity Futures Trading Commission ("CFTC").

On July 8, 2010, 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.

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

The amendment to the Interpretive Notice entitled "NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Security Futures Contracts" updates the

¹ 15 U.S.C. 78s(b)(7).

² 17 CFR 240.19b-7.

document to reflect the treatment of dividends for a new class of security futures contracts that did not exist at the time the Interpretive Notice was adopted. Specifically, the amendment indicates that price adjustments for ordinary dividends may be made for a specified class of security futures contracts based on the rules of the exchange and the clearing organization.

The text of the proposed change to the Interpretive Notice entitled "NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Security Futures Contracts is available on NFA's Web site at www.nfa.futures.org, the Commission's Web site at www.sec.gov, NFA's offices, and the Commission's public reference room. .

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 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 Act³ makes NFA a national securities association for the limited purpose of regulating the activities of NFA Members ("Members") who are registered as brokers or dealers under Section 15(b)(11) of the Act.⁴ NFA Interpretive Notice entitled "NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Security Futures Contracts" applies to all NFA Members and Associates, including those who are registered as security futures brokers or dealers under Section 15(b)(11).

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 Act to provide a Risk Disclosure statement for security futures contracts to a customer at or before the time the Member approves the account to trade security futures products. The Risk Disclosure statement is a uniform statement that was jointly developed in 2002 by NFA, the National Association of Securities Dealers (now known as the Financial Industry Regulatory Authority), and a number of securities and futures exchanges. Among other things, this Risk Disclosure statement describes the features of a security futures product as those features existed in 2002. Specifically, the Risk Disclosure statement indicates that there are generally no adjustments for dividends because the dividends are accounted for in the pricing of the security futures. Recently, One Chicago LLC (OCX), an exchange listing security futures products, developed and plans to list a new class of security futures products whose dividend feature differs from the dividend feature described in the Risk Disclosure statement. In particular, the

³ 15 U.S.C. 78o-3(k).

⁴ 15 U.S.C. 78o(b)(11).

new product will adjust for any declared dividends because the dividend is not accounted for in the pricing of the security futures product. In order to ensure that the Risk Disclosure statement accurately reflects the dividend feature of this new product, the Interpretive Notice, which sets forth the Risk Disclosure statement, has been amended to indicate that price adjustments for ordinary dividends may be made for a specified class of security futures contracts based on the rules of the exchange and the clearing organization.

Amendments to the Interpretive Notice entitled "NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Security Futures Contracts" were previously filed with the SEC in SR-NFA-2002-05, SR-NFA-2002-06 and SR-NFA-2007-07.

2. Statutory Basis

The rule change is authorized by, and consistent with, Section 15A(k)(2)(B) of the Act.⁵ 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 of security futures products. The proposed rule change accomplishes this by ensuring that the Risk Disclosure Statement for Security Futures Contracts, which NFA Members registered as a broker or dealer under Section 15(b)(1) of the Exchange Act are required to provide to a customer at or before the time the Member approves the account to trade security futures products, accurately describes the dividend features of all classes of security futures products.

⁵ 15 U.S.C. 78o-3(k)(2)(D).

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

The proposed rule change will have little or no impact on competition since the amendments to the Interpretive Notice do not impose any new requirements on Members. Rather, the amendments merely revise the language in the Interpretive Notice to accurately reflect the dividend feature of a class of security futures products that was not available at the time the Interpretive Notice was adopted.

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

The proposed rule change is not effective because the CFTC has not yet determined that review of the proposed rule change is not necessary.

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 Act.

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 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-2010-02.

Paper Comments

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

All submissions should refer to File Number SR-NFA-2010-02. 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 a.m. and 3 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-2010-02 and should be submitted on or before _____.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁶

Elizabeth M. Murphy

Secretary

⁶ 17 CFR 200.30-3(a)(73).

Exhibit 2

(Not applicable)

Exhibit 3

(Not applicable)

Exhibit 4

INTERPRETIVE NOTICES

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

INTERPRETIVE NOTICE

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.¹

NFA Compliance Rule 2-30(j)(1) requires these Members and Associates to make a record of when the disclosure statement was provided, and Compliance Rule 2-29(j)(12) prohibits them from including anything other than basic information in promotional material unless the promotional material is preceded or accompanied by the disclosure statement.² The disclosure statement for security futures products referred to in these Rules is a uniform statement that has been jointly developed by NFA, the Financial Industry Regulatory Authority, and a number of securities and futures exchanges.

The uniform disclosure statement, which is titled "Risk Disclosure Statement for Security Futures Contracts," can be downloaded from NFA's web site at www.nfa.futures.org/NFA-compliance/publication-library/security-futures-disclosure-brochure.pdf. Copies are also available by calling NFA's Information Center at 800-621-3570.³

Members must be able to demonstrate to NFA, during an audit, that they provided the disclosure statement as required. Members are not, however, required to obtain a written acknowledgment from the customer regarding the disclosure statement.

* * *

Section 8 – Other

8.1. Corporate Events

As noted in Section 2.4, an equity security represents a fractional ownership interest in the issuer of that security. By contrast, the purchaser of a security futures contract has only a contract for future delivery of the underlying security. Treatment of dividends and other corporate events affecting the underlying security may be reflected in the security futures contract depending on the applicable clearing organization rules. Consequently, individuals should consider how dividends and other developments affecting security futures in which they transact will be handled by the relevant exchange and clearing organization. The specific adjustments to the terms of a security futures contract are governed by the rules of the applicable clearing organization. Below is a discussion of some of the more common types of adjustments that you may need to consider.

Corporate issuers occasionally announce stock splits. As a result of these splits, owners of the issuer's common stock may own more shares of the stock, or fewer shares in the case of a reverse stock split. The treatment of stock splits for persons owning a security futures contract may vary according to the terms of the security futures contract and the rules of the clearing organization. For example, the terms of the contract may provide for an adjustment in the number of contracts held by each party with a long or short position in a security future, or for an adjustment in the number of shares or units of the instrument underlying each contract, or both.

Corporate issuers also occasionally issue special dividends. A special dividend is an announced cash dividend payment outside the normal and customary practice of a corporation. The terms of a security futures contract may be adjusted for special dividends. The adjustments, if any, will be based upon the rules of the exchange and clearing organization. In general, there will be no adjustments for ordinary dividends as they are recognized as a normal and customary practice of an issuer and are already accounted for in the pricing of security futures. However, adjustments for ordinary dividends may be made for a class of security futures contracts based on the rules of the exchange and the clearing organization.

Corporate issuers occasionally may be involved in mergers and acquisitions. Such events may cause the underlying security of a security futures contract to change over the contract duration. The terms of security futures contracts may also be adjusted to reflect other corporate events affecting the underlying security.

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Exhibit 5

- (a) July 8, 2010 letter from Thomas W. Sexton to David A. Stawick



NATIONAL FUTURES ASSOCIATION

July 8, 2010

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 the Interpretive Notice entitled "NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Security Futures Contracts"

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") a proposed amendment to the Interpretive Notice entitled "NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Security Futures Contracts." NFA's Executive Committee approved the proposal on June 7, 2010 and authorized NFA staff to immediately submit the proposed amendment to the CFTC and SEC. NFA's Board of Directors is expected to ratify approval of these amendments on August 19, 2010.

NFA is invoking the "ten-day" provision of Section 17(j) of the Commodity Exchange Act ("CEA") and will 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

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



Mr. David A. Stawick

July 8, 2010

INTERPRETIVE NOTICE

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.¹

NFA Compliance Rule 2-30(j)(1) requires these Members and Associates to make a record of when the disclosure statement was provided, and Compliance Rule 2-29(j)(12) prohibits them from including anything other than basic information in promotional material unless the promotional material is preceded or accompanied by the disclosure statement.² The disclosure statement for security futures products referred to in these Rules is a uniform statement that has been jointly developed by NFA, the Financial Industry Regulatory Authority, and a number of securities and futures exchanges.

The uniform disclosure statement, which is titled "Risk Disclosure Statement for Security Futures Contracts," can be downloaded from NFA's web site at www.nfa.futures.org/NFA-compliance/publication-library/security-futures-disclosure-brochure.pdf. Copies are also available by calling NFA's Information Center at 800-621-3570.³

Members must be able to demonstrate to NFA, during an audit, that they provided the disclosure statement as required. Members are not, however, required to obtain a written acknowledgment from the customer regarding the disclosure statement.

* * *

Section 8 – Other

8.1. Corporate Events

As noted in Section 2.4, an equity security represents a fractional ownership interest in the issuer of that security. By contrast, the purchaser of a security futures contract has only a contract for future delivery of the underlying security. Treatment of dividends and other corporate events affecting the underlying security may be reflected in the security futures contract depending on the applicable clearing organization rules. Consequently, individuals should consider



Mr. David A. Stawick

July 8, 2010

how dividends and other developments affecting security futures in which they transact will be handled by the relevant exchange and clearing organization. The specific adjustments to the terms of a security futures contract are governed by the rules of the applicable clearing organization. Below is a discussion of some of the more common types of adjustments that you may need to consider.

Corporate issuers occasionally announce stock splits. As a result of these splits, owners of the issuer's common stock may own more shares of the stock, or fewer shares in the case of a reverse stock split. The treatment of stock splits for persons owning a security futures contract may vary according to the terms of the security futures contract and the rules of the clearing organization. For example, the terms of the contract may provide for an adjustment in the number of contracts held by each party with a long or short position in a security future, or for an adjustment in the number of shares or units of the instrument underlying each contract, or both.

Corporate issuers also occasionally issue special dividends. A special dividend is an announced cash dividend payment outside the normal and customary practice of a corporation. The terms of a security futures contract may be adjusted for special dividends. The adjustments, if any, will be based upon the rules of the exchange and clearing organization. In general, there will be no adjustments for ordinary dividends as they are recognized as a normal and customary practice of an issuer and are already accounted for in the pricing of security futures. However, adjustments for ordinary dividends may be made for a specified class of security futures contracts based on the rules of the exchange and the clearing organization.

Corporate issuers occasionally may be involved in mergers and acquisitions. Such events may cause the underlying security of a security futures contract to change over the contract duration. The terms of security futures contracts may also be adjusted to reflect other corporate events affecting the underlying security.

* * *



Mr. David A. Stawick

July 8, 2010

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 risk disclosure statement for security futures products ("SFPs") to a customer at or before the time the Member approves the account to trade security futures products. The risk disclosure statement for security futures products is a uniform statement that had been jointly developed in 2002 by NFA, the National Association of Securities Dealers (now known as the Financial Industry Regulatory Authority), and a number of securities and futures exchanges. Among other things, this statement describes the features of a security futures product.

Recently, OneChicago, LLC (OCX), an exchange listing SFPs, contacted NFA to request that we amend the risk disclosure statement because it plans to offer a new class of SFPs whose dividend feature may differ from the description of dividends in the disclosure statement's "corporate events" section. Specifically, the statement currently provides that there are generally "no adjustments for ordinary dividends as they are recognized as a normal and customary practice of any issuer and are already accounted for in the pricing of the security futures." This language accurately describes the SFPs currently offered by OCX.

However, OCX's planned new product will be a class of SFPs that *will adjust* for dividends in the pricing of the SFP. Therefore, if a dividend is declared for the underlying security, OCX's clearing organization, Options Clearing Corporation, will adjust the price of the SFP to account for the dividend. In order to ensure that the SFP risk disclosure statement accurately reflects the dividend feature of this new product, amendments to the Interpretive Notice indicate that price adjustments for ordinary dividends may be made for a specified class of security futures contracts based on the rules of the exchange and the clearing organization.



Mr. David A. Stawick

July 8, 2010

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 the Interpretive Notice entitled "NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Securities 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,

A handwritten signature in black ink, appearing to read "Thomas W. Sexton", is written over a large, stylized oval graphic element.

Thomas W. Sexton
Senior Vice President and
General Counsel

cc: William Penner

TWS:jac(m:/jac/SubmissionLtrs\IntNotc_CR2-30_RiskDiscl_SF Contracts061410)