

June 1, 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: Assessment Fee – Adoption of Interpretive Notice entitled: *NFA Bylaw 1301(b): NFA's Assessment Fee – Diminutive Notional Value Contracts and Security Futures Products**

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”) the adoption of NFA Interpretive Notice entitled *NFA Bylaw 1301(b): NFA's Assessment Fee – Diminutive Notional Value Contracts and Security Futures Products*. NFA’s Board of Directors (“Board”) approved the proposal on May 17, 2012.

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.

**PROPOSED AMENDMENTS
(additions are underscored)**

INTERPRETIVE NOTICES

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NFA BYLAW 1301(B): NFA'S ASSESSMENT FEE—DIMINUTIVE NOTIONAL VALUE CONTRACTS AND SECURITY FUTURES PRODUCTS

INTERPRETIVE NOTICE

From time to time, upon application by a contract market or exempt commercial market, the Executive Committee may designate certain contracts as diminutive notional value contracts (DNVCs). These contracts typically have a notional value of \$100 or less. The NFA assessment fee for DNVCs shall be \$0.00008 per round-turn, with a minimum fee of \$.01 per round-turn in the event that a customer trades less than 100 contracts. If any computation results in a fraction of a cent, the fee should be rounded to the nearest penny. For example:

- Customer A purchases and sells 100 DNV contracts. Customer A's round-turn assessment fee is \$.01 (100 contracts purchased and sold multiplied by \$0.00008 equals \$0.008). However, the minimum amount due for a trade of less than 100 contracts is \$.01);
- Customer B purchases and sells 150 DNV contracts. Customer B's round-turn assessment fee is \$.01 (150 contracts purchased and sold multiplied by \$0.00008 equals \$.012. Rounding down to the nearest penny results in an assessment fee due of \$.01);
- Customer C purchases and sells 10,000 DNV contracts. Customer C's round-turn assessment fee is \$.80 (10,000 contracts purchased and sold multiplied by \$0.00008 equals \$.80). No rounding is necessary.
- Customer D purchases and sells 150,000 DNV contracts. Customer D's round-turn assessment fee is \$12 (150,000 contracts purchased and sold multiplied by \$0.00008 equals \$12). No rounding is necessary.

Qualifying DNV Contracts

<u>Symbol</u>	<u>Contract Name</u>	<u>Exchange</u>	<u>Effective Date</u>
MCL	Micro Crude Oil Futures	NYMEX	xx/xx/2012

In addition to adopting this fee of \$0.00008 per round-turn with a minimum fee of \$.01 per round-turn and the rounding methodology described above for DNVCs, the Board has also at this time decided to adopt this fee structure for security futures products.

EXPLANATION OF PROPOSED AMENDMENTS

NFA Bylaw 1301(b) imposes an assessment fee on each commodity futures and commodity option contract executed for a customer (with certain exceptions) on a contract market. Bylaw 1301(b)(i)(A) specifies, in part, that this assessment be equal to \$.04 for each commodity futures transaction traded on a round-turn basis.

NFA recently received two separate requests to reduce the assessment fee rate. Specifically, the CME requested that NFA reduce the assessment fee rate for a new NYMEX micro crude oil contract (clearing symbol MCL), and OneChicago requested that NFA reduce the assessment fee rate for security futures products (SFPs).

The CME made its request to reduce the assessment fee for the MCL based on the micro value of the contract. The MCL contract represents one barrel of crude oil, whereas the mini-contract and full size crude oil futures contract represent 500 barrels and 1,000 barrels, respectively. After considering the CME's request, NFA's Board concluded that NFA's current assessment fee level of \$.04 per round-turn transaction is unduly burdensome if applied to the MCL or any similarly sized diminutive notional value contracts (DNVCs). Therefore, the Board determined to reduce the assessment fee for DNVCs (including MCL contracts) to \$0.00008 per round turn, with a minimum fee of \$.01 per round transaction in order to avoid trade sizes that would result in an assessment fee that would be a fraction of a cent. Although the Board indicated that DNVCs typically have a notional value of \$100 or less, the Board decided not to define in the Interpretive Notice a specific notional value amount that qualifies as a DNVC for the reduced assessment fee, but rather authorized NFA's Executive Committee to approve requests from contract markets or exempt commercial markets to designate future DNVCs as eligible for the reduced assessment fee rate.

NFA received the second request from OneChicago, which asked that NFA provide some form of relief from NFA's assessment fee for SFPs because NFA's fee structure creates a disincentive for SFPs to be carried in a futures account. The Board noted that in 2002, when NFA set the assessment fee rate for SFPs, NFA's Special Committee on NFA Funding advised staff to monitor both the Financial Industry Regulatory Authority's and the Securities and Exchange Commission's fees for SFPs to ensure that NFA's fees do not provide a disincentive for customers to carry SFPs in the futures accounts of NFA Member firms. After considering OneChicago's request, NFA's

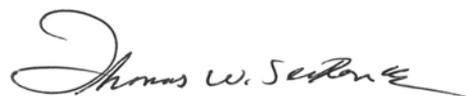
Board acknowledged that there might be some disincentive to carry SFPs in a futures account because FINRA does not charge a fee to any trade that results in delivery but rather charges a securities fee that is capped at \$4.50. Since NFA applies the assessment fee to SFP transactions that end in delivery, customers could pay higher fees depending on the number of contracts traded if they are held in a futures account.

Given the fact that NFA's current assessment fee may provide a disincentive to carry SFPs in a futures account, the Board determined that the same assessment fee rate applicable to DNVCs should apply to SFPs. The Board emphasized that the reduced assessment fee was not based on the notional value of SFPs but rather the objective of ensuring that NFA's fee does not provide a disincentive for customers to engage in these transactions or carry SFPs in a futures account at an NFA Member firm.

As a result, the Board adopted the proposed Interpretive Notice to NFA Bylaw 13019b) entitled *NFA Bylaw 1301(b): NFA's Assessment Fee—Diminutive Notional Value Contracts and Security Futures Products* to implement the reduced assessment fee rate for both DNVCs and SFPs.

As mentioned earlier, NFA is invoking the “ten-day” provision of Section 17(j) of the Commodity Exchange Act. NFA intends to make the adoption of NFA Interpretive Notice Regarding NFA Bylaw 1301(b): NFA's Assessment Fee – Diminutive Notional Value Contracts and Security Futures Products 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
Senior Vice President and
General Counsel

*The proposed adoption of the Interpretive Notice becomes effective September 1, 2012.