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

File No.* SR - 2010 - *03

Amendment No. (req. for Amendment):

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 Amendments to NFA Compliance Rule 2-30 and the Related Interpretive Notice Regarding Customer Information and Risk Disclosure

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 * Carol

Last Name * Wooding

Title * Associate General Counsel

E-mail * cwooding@nfa.futures.org

Telephone * (312) 781-1409

Fax

(312) 559-3476

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 rule change on February 18, 2010.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

I have duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date 07/13/2010

Senior Vice-President and General Counsel

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 Sexton, tsexton@nfa.futures.org

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-_____; File No. SR-NFA-2010-03)

Self-Regulatory Organizations; National Futures Association; Notice of Filing and Immediate Effectiveness of Proposed Change to Compliance Rule 2-30 and the Related Interpretive Notice Regarding Customer Information and Risk Disclosure

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-7 under the Act,² notice is hereby given that on March 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 substantially 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 March 8, 2010, NFA requested that the CFTC review and approve the proposed rule change. On June 28, 2010, the CFTC notified NFA that the CFTC had approved the rule change³.

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

The amendments to NFA Compliance Rule 2-30 and the Related Interpretive Notice expand the customers covered by the rule to reach not just individuals, but all non-Eligible Contract Participants (“ECPs”); require futures

¹ 15 U.S.C. 78s(b)(7).

² 17 CFR 240.19b-7.

³ See letter from David A. Stawick to Thomas W. Sexton, III dated June 28, 2010.

commission merchants (“FCMs”) Members to request at least annually that active customers update information obtained from the customer pursuant to NFA Compliance Rule 2-30(c), if there are any material changes to the information and require the FCM, introducing broker (“IB”), or commodity trading advisor (“CTA”) Member, or one of their Associates, that currently solicits and communicates with the customer to determine if additional risk disclosure is required to be provided based on any changed information; and prohibits Members and Associates from making individualized recommendations to those customers whom the Member or Associate has or should have advised that futures trading is too risky for them.

The text of the proposed rule change and the related Interpretive Notice is available on NFA's Web site at www.nfa.futures.org, the Commission's Web site at www.sec.gov, the self-regulatory organization's office, and at 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 Act⁴ 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.⁵ NFA Compliance Rule 2-30(c) and the related Interpretive Notice apply to all Members, including those who are registered as security futures brokers or dealers under Section 15(b)(11).

In early September 2009, the CFTC and SEC held joint public meetings to discuss regulatory harmonization. At these meetings, one of the many issues discussed related to the similarities and differences between the futures industry's know-your-customer requirements and the securities industry's suitability requirements.

Due, in part, to these harmonization discussions and in light of changes in the futures industry, NFA's Executive Committee asked NFA's Member Advisory Committees to consider whether NFA Compliance Rule 2-30 could be amended to further enhance customer protection. In their review, the Executive and Advisory Committees noted that the futures industry differs from the securities industry in several crucial ways. Most importantly, futures contracts in general are recognized as highly volatile instruments. It therefore makes little sense to presume that a certain futures trade may be appropriate for a customer while

⁴ 15 U.S.C. 78o-3(k).

⁵ 15 U.S.C. 78o(b)(11).

others are not. An appreciation of the risks of futures trading and its appropriateness for a particular customer must be made at the time the customer makes a decision to trade futures in the first place. Therefore, the Committees fully supported maintaining the essential character of NFA Compliance Rule 2-30's know-your-customer requirement as a customer-by-customer determination.

The Committees also generally agreed that NFA Compliance Rule 2-30 currently works well and provides strong customer protection. Further, they believed that NFA's know-your-customer requirements and FINRA's suitability rules address the same concerns and achieve substantially the same results and any differences between them are largely semantic. The Committees noted, however, that certain modifications would provide increased customer protection and, therefore, they supported the following changes.

The amendments to NFA Compliance Rule 2-30 and its related Interpretive Notice will: (1) expand the customers covered by the rule to reach not just individuals but all non-ECPs; (2) require FCM Members to request at least annually that active customers update information obtained from the customer pursuant to NFA Compliance Rule 2-30(c) if there are any material changes to the information, and require the FCM, IB, or CTA Member, or one of their Associates, that currently solicits and communicates with the customer to determine if additional risk disclosure is required to be provided based on any changed information; and (3) prohibit Members and Associates from making individualized recommendations to those customers whom the Member or Associate has or should have advised that futures trading is too risky for them.

The burden of the update process will fall on the FCM Member that carries the customer account to request updated information at least annually. FCM Members may satisfy this requirement by contacting the customer in writing (by electronic or any other means reasonably designed to reach the customer) and requesting that the customer notify the Member of any material changes to the information previously provided. If the customer informs the FCM that he/she cannot verify the information because the information previously provided to the carrying FCM is not currently available to the customer, then the carrying FCM shall promptly provide any necessary information to the customer. Absent advice to the contrary from the customer, the information previously provided is deemed verified.

Whenever the customer notifies the FCM Member carrying the customer's account of any material changes to the information (whether through the update process or through the customer's own initiative), a determination must be made as to whether additional risk disclosure is required to be provided to the customer based on the changed information. If another FCM or IB introduces the customer's account on a fully disclosed basis or a CTA directs trading in the account, then the carrying FCM must notify that Member of the changes to the customer's information. The Member or Associate who currently solicits and communicates with the customer is responsible for determining if additional risk disclosure is required to be provided based on the changed information. In some cases, this may be the Member introducing or controlling the account; in other cases, it may be the carrying FCM.

Amendments to NFA Compliance Rule 2-30 and the related Interpretive Notice regarding Customer Information and Risk Disclosure were previously filed with the SEC in SR-NFA-2001-01, 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.⁶ 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. NFA believes the proposed rule change accomplishes this by requiring Members to request updated information from customers and, where appropriate, provide additional disclosures based on the updated information. The proposed rule change also prohibits making individualized recommendations for certain customer for whom futures trading is too risky.

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

The proposed rule change will require FCMs to request updated information from customers at least annually. The Member Advisory Committees sought to minimize any burden this requirement might have by permitting the request to be made by electronic or any other means reasonably designed to reach the customer. Additionally, if a customer receiving the request for updated information does not indicate to the contrary, the information previously provided is deemed verified. Another burden imposed regards a determination of whether additional disclosure should be provided to a customer that notifies the FCM of

⁶ 15 U.S.C. 78o-3(k)(2)(D).

any material changes. The rule change places this burden with the Member or Associate that currently solicits and communicates with the customer, and therefore, knows the customer best. The burdens imposed by the rule change are necessary and appropriate to ensure that customers have full and appropriate disclosures of the risks of futures trading.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

NFA worked with its Member Advisory Committees in developing the rule change. NFA did not, however, 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 June 28, 2010, the CFTC notified NFA that it had approved the rule change, and therefore, NFA is permitted to make the amendments effective as of this date.

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-2010-01.

Paper Comments

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

All submissions should refer to File Number SR-NFA-2010-01. 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 Web site viewing and printing 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-2010-03 and should be submitted on or before _____.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁷

Florence E. Harmon

Deputy Secretary

⁷ 17 CFR 200.30-3(a)(73).

Exhibit 2

(Not applicable)

Exhibit 3

(Not applicable)

Exhibit 4

COMPLIANCE RULES

* * *

**Part 2 – RULES GOVERNING THE BUSINESS CONDUCT OF MEMBERS
REGISTERED WITH THE COMMISSION**

* * *

RULE 2-30. CUSTOMER INFORMATION AND RISK DISCLOSURE

- (a) Each Member or Associate shall, in accordance with the provisions of this Rule, obtain information [about its] from all individual customers and any other customers who are not eligible contract participants (as defined in Section 1(a)(12) of the Act) [customers who are individuals] and provide such customers with disclosure of the risks of futures trading.
- (b) The Member or Associate shall exercise due diligence to obtain the information and shall provide the risk disclosure at or before the time a customer first opens a futures trading account to be carried or introduced by the Member, or first authorizes the Member to direct trading in a futures account for the customer. A Member registered as a broker or dealer under Section 15(b)(11) of the Exchange Act shall provide a copy of the disclosure statement for security futures products at or before the time the Member approves the account to trade security futures products. For an active customer who is an individual, the FCM Member carrying the customer account shall contact the customer, at least annually, to verify that the information obtained from that customer under Section (c) of this Rule remains materially accurate, and provide the customer with an opportunity to correct and complete the information. Whenever the customer notifies the FCM Member carrying the customer's account of any material changes to the information, a determination must be made as to whether additional risk disclosure is required to be provided to the customer based on the changed information. If another FCM or IB introduces the customer's account on a fully disclosed basis or a CTA directs trading in the account, then the carrying FCM must notify that

Member of the changes to the customer's information. The Member or Associate who currently solicits and communicates with the customer is responsible for determining if additional risk disclosure is required to be provided based on the changed information. In some cases, this may be the Member introducing or controlling the account; in other cases, it may be the carrying FCM.

- (c) The information to be obtained from the customer shall include at [the] least the following:
- (1) The customer's true name and address, and principal occupation or business;
 - (2) For customers who are individuals, the customer's current estimated annual income and net worth. For all other customers, the customer's net worth or net assets and current estimated annual income, or where not available, the previous year's annual income;
 - (3) For individuals, the customer's approximate age or date of birth; [and]
 - (4) An indication of the customer's previous investment and futures trading experience[.]; and
 - (5) Such other information deemed appropriate by such Member or Associate to disclose the risks of futures trading to the customer.

In addition, Members that are not also members of the Financial Industry Regulatory Authority and their Associates must obtain the following information for each customer who is an individual if the customer trades security futures products:

- (~~5~~6) Whether the customer's account is for speculative or hedging purposes;
- (~~6~~7) The customer's employment status (e.g. name of employer, self-employed, retired);
- (~~7~~8) The customer's estimated liquid net worth (cash, securities, other);
- (~~8~~9) The customer's marital status and number of dependents;
- (~~9~~10) Such other information used or considered to be reasonable by such Member or Associate in making recommendations to the customer.

- (d) The risk disclosure to be provided to the customer shall include at least the following:
- (1) The Risk Disclosure Statement required by CFTC Regulation 1.55, if the Member is required by that Regulation to provide it;

- (2) The Disclosure Document required by CFTC Regulation 4.31, if the Member is required by that Regulation to provide it;
 - (3) The Options Disclosure Statement required by CFTC Regulation 33.76, if the Member is required by that Regulation to provide it; and
 - (4) The Disclosure Document required by CFTC Regulation 31.11, if the Member is required by that Regulation to provide it.
- (e) In the case of an account which is introduced by an FCM or IB or for which a CTA directs trading, and except as otherwise provided in subsections (b) and (j), it shall be the responsibility of the Member soliciting the account to comply with this Rule.
- (f) A Member or Associate shall be entitled to rely on the customer (as the sole source) for information obtained under Section (c) of this Rule and shall not be required to verify such information, except as provided in section (j)(2) of this rule.
- (g) Each Member or Associate shall make or obtain a record containing the information obtained under Section (c) of this Rule at the time the information is obtained. If a customer declines to provide the information set forth in Section (c) of this Rule, the Member or Associate shall make a record that the customer declined, except that such a record need not be made in the case of a non-U.S. customer unless such customer trades security futures products. Subject to the provisions of Section (i) of this Rule, a Member may open, introduce or agree to direct a futures trading account for a customer only upon the approval of a partner, officer, director, branch office manager or supervisory employee of the Member. Each Member shall keep copies of all records made pursuant to this Rule in the form and for the period of time set forth in CFTC Regulation 1.31.

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INTERPRETIVE NOTICES

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NFA COMPLIANCE RULE 2:30: CUSTOMER INFORMATION AND RISK DISCLOSURE

INTERPRETIVE NOTICE

I. Introduction

NFA Compliance Rule 2-4 requires Members to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their futures business. NFA's [FCM] Advisory Committees ("the Committees") ha[s]ve been considering ways in which the general standard of Rule 2-4 can be further defined in order to develop uniform industry-wide standards which will offer guidance to the Members. In the course of [its] their work, the Committees noted the increasing level of commentary, in public and regulatory forums, [on the] regarding the comparability between [absence of] the futures industry's [a]"know your customer" requirements [or] and the "suitability" rules in the securities industry. [futures industry] The Committees noted that suitability has a tendency to act as a recurrent red herring to criticize customer protection in the futures industry. [and a perception on the part of some that there is a concomitant lack of protection for futures customers.] NFA's Executive Committee also became aware of these comments and asked the Committees to study the matter and make appropriate recommendations. Based on [its] their knowledge and experience in the industry, the Committees believe[d]- that any careful consideration of this issue [would have] should continue to take into account the important role that risk disclosure plays whenever a customer opens a futures account or selects a commodity trading advisor, [and the extent to which futures professionals were already obtaining information about their customers.]

[To learn more about the current level of inquiry conducted through the new account opening procedures now being used in the industry, NFA sent a questionnaire to all of its Members.] In addressing this issue, [T] the Committees [also] reviewed research on the evolution of the suitability and "know your customer" doctrines in the securities industry and noted that although there are several different formulations of the rule, all are based on the same premise: that different types of securities can have widely varying degrees of risk potential and serve very different investment objectives. For that reason, the securities suitability rules are cast in terms of the suitability of a particular transaction.

The Committees noted that the futures industry differs from the securities industry in several crucial ways. Most importantly, futures contracts in general are recognized as highly volatile instruments. It therefore makes little sense to presume that a certain futures trade may be appropriate for a customer while others are not. An appreciation of the risks of futures trading must be gained and a determination of its appropriateness made at the time each customer makes a decision to trade futures in the first place. This is true regardless of whether the customer will rely on recommendations by futures professionals or the customer will make his or her own trading decisions.

The futures industry has traditionally met this need through risk disclosure designed to encourage the customer to make an informed decision as to whether futures trading is suitable for that customer. The Risk Disclosure Statement and the Options Disclosure Statement mandated by CFTC Regulations 1.55 and 33.7, respectively, and the Disclosure Document required by the CFTC Part 4 Regulations each are designed to bring the suitability issue to the customer's attention.¹

In the specific area of exchange-traded options, the CFTC has previously noted the importance of risk disclosure and the need for the futures professional to learn enough about the customer in order to provide risk disclosure. When the Options Disclosure Statement requirement was enacted in 1981 as part of the options pilot program, the CFTC stated in its Federal Register release [46 Fed. Reg. 54500 (1980-82 Transfer Binder) Comm. Fut. L. Rep. (CCH) 21,263] that:

". . . the FCM must acquaint itself sufficiently with the personal circumstances of each option customer to determine what further facts, explanations and disclosures are needed in order for that particular option customer to make an informed decision whether to trade options While this requirement is not a "suitability" rule as such rules have been composed in the securities industry, before the opening of an option account the FCM has a duty to acquaint itself with the personal circumstances of an option customer."

The CFTC went on to state that "the extent of the inquiry should be left to the prudent judgment of the FCM."

NFA [was] has always been concerned that allowing suitability or know your customer standards to develop outside of the self-regulatory framework carrie[d]s with it the possibility that a poorly defined or inappropriate duty would be fashioned on a case-by-case basis, perhaps by an ill-considered analogy to the securities industry rules. Because NFA construes its rules on a case-by-case basis through the decisions of the Business Conduct Committees ("BCCs") which [are] is composed of informed futures professionals and non-Members, NFA is uniquely positioned to set an ethical business standard [which will be construed by Members] to evaluate[ing] the conduct of other Members.

The Committees determined that the exchange of information between a new customer and a futures professional – the customer providing personal data and the Member providing disclosure about the risks of

¹ The risk disclosure statements required by CFTC Regulations 1.55 and 4.31 direct the customer to "carefully consider whether [futures] trading is suitable for you in light of your financial condition": the one required by CFTC Regulation 33.7 informs the customer that "commodity option transactions are not suitable for many members of the public."

futures trading – was the focal point around which to structure a sound customer protection rule. On August 9, 1985, the FCM Advisory Committee released for public comment a Proposed Rule on Customer Information and Risk Disclosure. The comments received were considered in the drafting of the Rule in final form, and Rule 2-30 was adopted by NFA's Board of [f]n November 21, 1985. In 2010, in an effort to tighten the Rule's requirements in light of changes in the futures industry, NFA adopted modifications to NFA Compliance Rule 2-30 that: (1) expand the customers covered by the rule to reach all non-ECPs rather than just individuals; (2) require Members to at least annually verify customer information and reassess appropriate risk disclosure, including a determination of whether futures trading is too risky for the customer, based on any materially changed information; and (3) prohibit Members and Associates from making individualized recommendations to those customers whom the Member or Associate has or should have advised that futures trading is too risky for them.

When the CFTC declined in 1978 to adopt a "suitability" rule, after releasing a proposed rule for comment, it stated that it was unable "to formulate meaningful standards of universal application." [43 Fed. Reg. 31886 (1977-1979 Transfer Binder) Comm. Fut. L. Rep. (CCH) 20,642] NFA found the same difficulty, and for that reason the Rule is premised on NFA's conclusion that the customer is in the best position to determine the suitability of futures trading if the customer receives an understandable disclosure of risks from a futures professional who "knows the customer." NFA believes that the approach taken in Rule 2-30 is preferable to one which would erect an inflexible standard that would bar some persons from using the futures markets.

Section-by-Section Analysis

Section (a): General Rule

Rule 2-30 is intended to define "high standards of commercial honor and just and equitable principles of trade" as applied to a Member's procedures for exchanging information with new futures customers at the time they become customers.² Section (a) sets forth the basic requirement: obtain information and provide risk disclosure, which includes the disclosures required by the Rule plus, in some cases, additional disclosure. Rule 2-30 is a "know your customer" rule; however, it does not require the Member or Associate to make the final determination that a customer should be barred from futures trading on suitability grounds. [Some know your customer rules in the securities industry (New York Stock Exchange Rule 405, for example) have been

² NFA Bylaws define "futures" to include domestic exchange-traded options and dealer options. See Compliance Rule 1-1(g).

construed in that manner; these interpretations do not apply to Rule 2-30.]

NFA's enactment of Rule 2-30 should not be construed to expose Members to increased potential liability for damages in customer litigation or reparation proceedings, for several reasons. First, a business conduct standard promulgated by a self-regulatory organization does not create a private cause of action. Furthermore, Rule 2-30 is not an antifraud rule. In order to prove a violation, there is no requirement to prove any intent to deceive on the part of the Member [to deceive]. Therefore, evidence of a violation of Rule 2-30 would not in and of itself constitute evidence of a violation of any antifraud rule or statute. Finally, to the extent that personal information about a customer is germane to the issues in a reparations or arbitration case, it is undoubtedly already being considered even in the absence of a formal rule requiring Members to obtain it.

Section (a) provides that the Rule applies [only] to all individual customers and any other customers who are [individuals;] not eligible contract participants (as defined in Section 1(a)(12) of the Act), including all parties to a joint account. [this includes individuals who open accounts jointly with others. Although] Members should be aware that regardless of whether they collect information from certain non-individual customers pursuant to Rule 2-30, accounts opened by business entities such as corporations and partnerships may also present other concerns (such as compliance with Bylaw 1101, which prohibits Members from transacting customer business with non-Members who are required to be registered). [, the scope of 2-30 is limited to natural persons, who may lack the sophistication of institutional customers.]

Section (b): [New] Customers Information – Frequency

For customers who are individuals, [T]he Member's obligation to obtain information and provide risk disclosure under this Rule is not limited to the first time the customer establishes a futures account with the Member. [This limitation was the result of the balancing of the benefits of repeated information exchange against the burden of imposing additional requirements on the already extensive account opening procedures for subsequent accounts for the same customers.] At least annually, the FCM Member that carries the customer account is also required to request updated information from any active customer who is an individual. The term active customer means any customer who was entitled to a monthly account statement under the provisions of CFTC

Regulation 1.33(a) at any time during the preceding year.³ Members may satisfy this requirement by contacting the customer in writing (by electronic or any other means reasonably designed to reach the customer) and requesting that the customer notify the Member of any material changes to the information provided under Section (c) of Rule 2-30.⁴ Absent advice to the contrary from the customer, the information previously provided is deemed verified. Whenever the customer notifies the FCM Member carrying the customer's account of any material changes to the information (whether through the update process or through the customer's own initiative), a determination must be made as to whether additional risk disclosure is required to be provided to the customer based on the changed information. If another FCM or IB introduces the customer's account on a fully disclosed basis or a CTA directs trading in the account, then the carrying FCM must notify that Member of the changes to the customer's information. Consistent with Section (e) of this Rule, the Member or Associate who currently solicits and communicates with the customer is responsible for determining if additional risk disclosure is required to be provided based on the changed information. In some cases, this may be the Member introducing or controlling the account; in other cases, it may be the carrying FCM.

Section (c): Information to Be Obtained

Item (1) is essentially the information required by CFTC Regulation 1.37(a), which applies to FCMs and IBs. Item (2) includes estimated annual income and net worth or net assets. For individuals, Members must obtain both estimated annual income and net worth. For all other customers, Members must obtain estimated annual income and net worth or net assets, however, if the customer is unable to provide a current estimated annual income figure, the Member may satisfy the Rule by obtaining the customer's previous year's annual income. [, information which the Committee found is commonly sought from new customers]. Item (3), the customer's age or date of birth (for individuals), [is also a commonly sought item, which the Committee thought would be helpful] helps the Member put [in putting] the customer's financial

³ For any customer who was not considered active at the time of the annual update of information, the Member who currently solicits and communicates with the customer must refresh the customer information prior to accepting any new funds or orders from the customer.

⁴ If the customer informs the FCM that he/she cannot verify the information because the information previously provided to the carrying FCM is not currently available to the customer, then the carrying FCM shall promptly provide any necessary information to the customer.

condition, ability to understand and level of sophistication into perspective [for the Member. Most Members responding to the questionnaire indicated that they require information] Information about previous futures trading experience and [; a smaller number responded that they ask about]securities or options trading experience[. NFA believes that experience with these types of investments]may also be relevant and, [has] therefore, have been included [it]. The information set forth in items (6) through (10) must be obtained if a customer who is an individual trades security futures products.

Information on age, estimated annual income and net worth may be obtained through the use of brackets or "in excess of" descriptions so long as these are reasonably designed to elicit the required information in a meaningful manner.

The information specified in Section (c) is a minimum requirement, intended to serve as a core of basic information that should always be obtained. Some Members routinely elicit additional items, such as liquid net worth, risk capital, or number of dependents, which may be quite useful, and NFA received comments on the Rule when it was drafted in 1985 suggesting these items be required by the Rule. NFA concluded, however, that the better approach was to adopt a Rule that would specify the minimum required information and allow Members to obtain other information as they deemed appropriate. Therefore, item (5) specifies that the Member or Associate should obtain any other information used or considered to be reasonable in providing the customer with adequate disclosure of the risks of futures trading.

Section (d): Risk Disclosure

The risk disclosures incorporated into this Section are required by CFTC Regulations. (There are other disclosures required by CFTC Regulations, such as the Regulation 32.5 dealer options disclosure statement and the Regulation 190.10(c) disclosure statement for non-cash margin, which may apply to particular accounts). These disclosures are only the minimum required. NFA believes that the decision with respect to what additional disclosure, if any, should be given to the customer is best left to the Member or Associate, whose conduct is subject to review by the BCCs. There may be some customers for whom the additional disclosure will portray futures trading as too risky for that customer. In these instances, the only adequate risk disclosure by the Member and Associate is that futures trading is too risky for that customer. However, NFA believes that a determination of who those customers are cannot be made except on a case-by-case basis, because no objective criteria can be established that will apply to all customers. The essential feature of the Rule is the link between

"knowing the customer" and providing risk disclosure. Once that has been done and the customer has been given adequate disclosure, the customer is free to make the decision whether to trade futures and the Member is permitted to accept the account. Members and Associates, however, are prohibited from making individualized recommendations to any customer for which the Member or Associate has or should have advised that futures trading is too risky for that customer.

Section (e): Introduced and Third-Party Controller Accounts

The purpose of this Section is to place the obligation to obtain information and provide risk disclosure on the Member who deals directly with the customer when an account is introduced to a carrying FCM by an IB or another FCM doing business on a fully disclosed basis, or when a CTA controls the trading in a customer's account pursuant to written authorization. NFA believes that the Member or Associate who solicits the customer and communicates with the customer in the process of the account opening is the appropriate party to comply with the Rule. In some cases, this may be the Member introducing or controlling the account; in other cases, it may be the carrying FCM.

Of course, each Member remains responsible for compliance with all applicable CFTC Regulations and NFA Requirements. For example, an FCM (or, in the case of an introduced account, the IB) must furnish a Regulation 1.55 Risk Disclosure Statement to each customer, including those whose accounts were solicited by and will be traded by CTAs. Similarly, a CTA must deliver a Disclosure Document to each customer, including those who were solicited by the FCM. Section (i), which is discussed below, clarifies each Member's obligation to comply with other requirements.

Section (f): Reliance on the Customer as the Source of the Information

Some Members confirm financial data because of concern about the creditworthiness of the customer. NFA believes, however, that the decision whether to confirm customer data is best left to the Member's sound business judgment and is irrelevant to a customer protection rule aimed at providing information to a customer.

Rule 2-30 contemplates a good faith exchange of information between the customer and the Member or Associate. A customer who gives incorrect information would still receive all the required risk disclosure statements but would have impaired the Member's ability to consider fully the customer's ability to understand the risk disclosures or whether additional disclosure was necessary. However, Section (f) will not operate as a "safe harbor" for a Member or Associate who falsifies information or who induces or suggests falsification by the customer.

Information invented by the Member or Associate does not constitute "information about the customer" as required by the general rule. Members and Associates engaging in such conduct will be subject to appropriate disciplinary action.

Section (g): Recordkeeping: Customers Who Decline to Provide Information

In order to allow NFA to audit for compliance with the Rule, Section (g) requires that a timely record be made or obtained which contains the information obtained from the customer. Customers who decline to provide information (beyond that required by CFTC Regulation 1.37(a), which must always be obtained) may still open accounts, but NFA would expect Members to take appropriate action upon learning that an inordinate number of a particular Associate's customers apparently "decline" to provide basis information. Because Section (a) imposes an affirmative duty on Members to obtain information, a Member who engages in (or allows Associates to engage in) a course of conduct which is designed to or has the effect of eliciting or prompting refusals by customers to provide that information would not have discharged that duty and could not use Section (g) as a shield from disciplinary action.

The approval requirement has been broadened to apply to all new accounts. This is consistent with the Member's responsibility to supervise the futures activities of its employees diligently pursuant to NFA Compliance Rule 2-9.

In the case of non-U.S. customers (those who neither reside in nor are citizens of the United States) a record that the customer declined to provide the information need not be made.

Section (h): Review Procedures

The requirement that a Member establish adequate review and compliance procedures provides Members with the flexibility to design procedures that are tailored to the way the Member does business. NFA's audit staff will, in the routine course of an examination, check these procedures for adequacy, taking into account the facts and circumstances of the particular Member.

Section (i): Relationship to Other Requirements

Rule 2-30 incorporates certain CFTC Regulations, but its requirements are in addition to any imposed by those Regulations or other NFA Requirements. For example, the Rule requires a CTA to provide a Disclosure Document, if required to do so by CFTC Regulation 4.31, at the time a customer first authorizes the Member to direct trading in a futures account for the customer.

This is because Rule 2-30 is intended initially to apply to "account opening" or its equivalent. However, CFTC Regulation 4.31 requires that the Disclosure Document be delivered at the time of solicitation. Other examples of CFTC Regulations which affect the process covered by the Rule have been cited in the discussion of Sections (b), (d), (e) and (g) above. Section (i) serves to clarify the ongoing obligation of Members to comply with all CFTC Regulations and NFA Requirements.

* * *

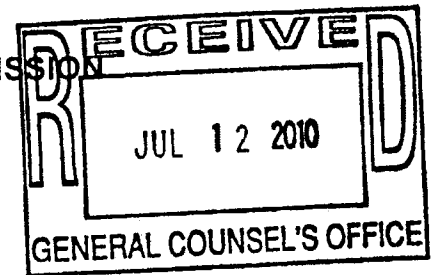
Exhibit 5

- (a) June 28, 2010 letter from Thomas W. Sexton to David A. Stawick



U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5100
Facsimile: (202) 418-5521
www.cftc.gov



Office of the Secretariat

June 28, 2010

Thomas W. Sexton, III, Esq.
General Counsel
National Futures Association
300 S. Riverside Plaza, #1800
Chicago, IL 60606-6615

Re: National Futures Association: Proposed Amendments to Compliance Rule 2-30 and Interpretive Notice Regarding Compliance Rule 2-30 Concerning Customer Information and Risk Disclosure

Dear Mr. Sexton:

By letter dated March 8, 2010, the National Futures Association ("NFA") submitted to the Commodity Futures Trading Commission ("Commission"), pursuant to Section 17(j) of the Commodity Exchange Act ("Act"), its proposed amendments to NFA Compliance Rule 2-30 and to NFA's Interpretive Notice to Compliance Rule 2-30. By the same letter, NFA requested Commission approval of the proposal.

Please be advised that the Commission has approved the proposed amendments. Therefore, NFA is permitted to make the amendments effective upon receipt of this letter.

Very truly yours,

David A. Stawick
Secretary