

May 27, 1983

Ms. Jane K. Stuckey
Office of the Secretariat
Commodity Futures Trading Commission
2033 K Street, N.W.
Washington, D.C. 20581

Re: National Futures Association; Proposed Amendments
to Bylaws, Compliance Rules and Code of Arbitration

Dear Ms. Stuckey:

Under Section 17(j) of the Commodity Exchange Act, as amended, ("Act") National Futures Association ("NFA") hereby files with the Commodity Futures Trading Commission ("Commission") and requests review and approval of the following amendments to its Bylaws, Compliance Rules and Code of Arbitration, which were approved by the NFA Board of Directors at its meeting on May 23, 1983. In the following text, where appropriate, additions are underscored and deletions are bracketed.

I. AMENDMENTS TO BYLAWS

A. Bylaw 301

Bylaw 301 is amended to read as follows:

CHAPTER 3

MEMBERSHIP AND ASSOCIATION WITH A MEMBER

Bylaw 301. Requirements and Restrictions.

(a) Eligibility for Membership.

(i) No person, unless eligible for Membership in the contract market, commercial firm or commercial bank category, shall be eligible to become or remain an NFA



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Member or associated with a Member unless such person is registered, temporarily licensed or exempt from registration under the Commodity Exchange Act (hereinafter "Act") or the rules of the Commodity Futures Trading Commission (hereinafter "Commission").

- (ii) Except as provided in paragraph (e) below no person shall be eligible to become or remain a Member or associated with a Member who:
 - (A) Has been and is suspended or expelled from a registered futures association or contract market for violating any rule of the association or contract market that:
 - (1) prohibits any act or transaction constituting conduct inconsistent with just and equitable principles of trade; or
 - (2) requires any act which, if omitted, constitutes conduct inconsistent with such principles; or
 - (B) Has been and is barred or suspended from being associated with all members of a registered futures association or contract market for violating a rule described in paragraph (A) above;
 - (C) Is subject to an order of the Commission: denying, suspending or revoking the person's registration under Section 6(b) of the Act; expelling or suspending the person from membership in a registered futures association or contract market; or barring or suspending the person from being associated with a Futures Commission Merchant (hereinafter "FCM");
 - (D) Whether before or after becoming a Member or associated with a Member, was, by the person's conduct while associated with a Member, a cause of any suspension, expulsion or order described in paragraphs (a)(ii)(A)-(C) above that is in effect with respect to the person; or
 - (E) Has associated with the person any other person who is known to, or in the exercise of reasonable care should be known to, the person to be ineligible to become or remain a Member or associated with a Member under paragraphs (a)(ii)(A)-(D) above.



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(b) Registration of Associates.

No person may be associated with a Member of NFA unless the person is registered with NFA as an Associate or is an NFA Member. As used in these Bylaws, the term "associated with a Member" means any person who is associated with a Member of NFA within the meaning of the term "associated person" as used in Section 4k of the Act and who is required to be registered as such with the Commission.

(c) Restrictions on Becoming or Remaining a Member or Associated with a Member.

Except as provided in paragraph (e) below, no person may become or remain a Member or associated with a Member -

- (i) If a prior registration under the Act of such person in any capacity has been suspended (and the period of such suspension has not expired) or has been revoked;
- (ii) If registration of such person in any capacity has been refused under Section 8a(3) of the Act within five years preceding the filing of the application for Membership or at any time thereafter;
- (iii) If such person is permanently or temporarily enjoined by order, judgment, or decree of any court of competent jurisdiction (except that membership may not be revoked solely on the basis of such temporary order, judgment or decree), including an order entered pursuant to an agreement of settlement to which the Commission or any Federal or State agency or other governmental body is a party, from:
 - (1) acting as a futures commission merchant, introducing broker, floor broker, commodity trading advisor, commodity pool operator, associated person of any registrant under the Act, securities broker, securities dealer, municipal securities broker, municipal securities dealer, transfer agent, clearing agency, securities information processor, investment adviser, investment company, or affiliated person or employee of any of the foregoing; or
 - (2) engaging in or continuing any activity involving any transaction in or advice concerning contracts of sale of a commodity for future delivery, concerning matters subject to Commission regulation under section 4c or 19 of the Act, or concerning securities;



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- (iv) If such person has been convicted within ten years preceding the filing of the application for membership or at any time thereafter of any felony that: (1) involves any transactions or advice concerning any contract of sale of a commodity for future delivery, or any activity subject to Commission regulation under Section 4c or 19 of the Act, or concerning a security; (2) arises out of the conduct of the business of a futures commission merchant, introducing broker, floor broker, commodity trading advisor, commodity pool operator, associated person of any registrant under the Act, securities broker, securities dealer, municipal securities broker, municipal securities dealer, transfer agent, clearing agency, securities information processor, investment adviser, investment company, or an affiliated person or employee of any of the foregoing; (3) involves embezzlement, theft, extortion, fraud, fraudulent conversion, misappropriation of funds, securities or property, forgery, counterfeiting, false pretenses, bribery, or gambling; or (4) involves the violation of section 152, 1341, 1342, or 1343, or chapter 25, 47, 95, or 96 of title 18, United States Code;
- (v) If such person, within ten years preceding the filing of the application or at any time thereafter, has been found by any court of competent jurisdiction, by the Commission or any Federal or State agency or other governmental body, or by settlement agreement to which the Commission or any Federal or State agency or other governmental body is a party: (1) to have violated any provision of the Act, the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Trust Indenture Act of 1939, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Securities Investors Protection Act of 1970, the Foreign Corrupt Practices Act of 1977, or any similar statute of a State or foreign jurisdiction, or any rule, regulation, or order under any such statutes, or the rules of the Municipal Securities Rulemaking Board where such violation involves embezzlement, theft, extortion, fraud, fraudulent conversion, misappropriation of funds, securities or property, forgery, counterfeiting, false pretenses, bribery, or gambling; or (2) to



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have willfully aided, abetted, counseled, commanded, induced, or procured such violation by any other person;

(vi) If such person is subject to an outstanding order of the Commission denying trading privileges on any contract market to such person, denying, suspending, or revoking such person's membership in any contract market or registered futures association, or barring or suspending such person from being associated with a registrant under the Act or with a member of a contract market or with a member of a registered futures association;

(vii) If, as to any of the matters set forth in paragraphs (c)(i)-(vi) of this Bylaw, such person willfully made any material false or misleading statement or omitted to state any material fact in any application of such person for registration under the Act;

(viii) If refusal, suspension, or revocation of the registration of any principal of such person would be warranted because of a disqualification listed in Section 8a(2) of the Act: Provided, that for the purposes of this Bylaw, "principal" shall mean, if the person is a partnership, any general partner or, if the person is a corporation, any officer, director, or beneficial owner of at least 10 percent of the voting shares of the corporation, and any other person that the Commission, by rule, regulation, or order, or NFA, by Bylaw or Resolution of the Board, determines has the power, directly or indirectly, through agreement or otherwise, to exercise a controlling influence over the activities of such person which are subject to regulation by the Commission and NFA requirements;

(ix) If such person is a futures commission merchant or introducing broker and shall knowingly accept any order for the purchase or sale of any commodity for future delivery on or subject to the rules of any contract market from any person denied trading privileges on a contract market by order of the Commission under Section 6(b) of the Act and the period of denial specified in such order shall not have expired;



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- (x) Such person has been found by the Commission or by any court of competent jurisdiction to have violated, or has consented to findings of a violation of, any provision of the Act, or any rule, regulation, or order thereunder (other than a violation set forth in paragraph (c)(i)-(c)(viii) of this Bylaw) or to have willfully aided, abetted, counseled, commanded, induced, or procured the violation by any other person of any such provision;
- (xi) Such person has been found by any court of competent jurisdiction or by any Federal or State agency or other governmental body, or by agreement of settlement to which any Federal or State agency or other governmental body is a party, to have violated any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Trust Indenture Act of 1939, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Securities Investors Protection Act of 1970, the Foreign Corrupt Practices Act of 1977, or any similar statute of a State or foreign jurisdiction, or any rule, regulation, or order under any such statutes, or the rules of the Municipal Securities Rulemaking Board (other than a violation set forth in paragraph (c)(v) of this Bylaw, or to have willfully aided, abetted, counseled, commanded, induced, or procured such violation by any other person;
- (xii) Such person failed reasonably to supervise another person, who is subject to such person's supervision, with a view to preventing violations of the Act, or of any of the statutes set forth in paragraph (c)(xi) of this Bylaw or of any of the rules, regulations, or orders thereunder, and the person subject to supervision committed such a violation: Provided, that no person shall be deemed to have failed reasonably to supervise another person, within the meaning of this paragraph if (1) there have been established procedures, and a system for applying such procedures, which would reasonably be expected to prevent and detect, insofar as practicable, any such violation by such other person and (2) such person has reasonably discharged the duties and obligations incumbent upon that person, as



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supervisor, by reason of such procedures and system, without reasonable cause to believe that such procedures and system were not being complied with;

(xiii) Such person was convicted of a felony other than a felony of the type specified in paragraph (c)(iv) of this Bylaw within ten years preceding the filing of the application or at any time thereafter, or was convicted of a felony, including a felony of the type specified in paragraph (c)(iv) of this Bylaw more than ten years preceding the filing of the application;

(xiv) Such person was convicted within ten years preceding the filing of the application for registration or at any time thereafter of any misdemeanor which: (1) involves any transaction or advice concerning any contract of sale of a commodity for future delivery or any activity subject to Commission regulation under section 4c or 19 of the Act or concerning a security; (2) arises out of the conduct of the business of a futures commission merchant, introducing broker, floor broker, commodity trading advisor, commodity pool operator, associated person of any registrant under the Act, securities broker, securities dealer, municipal securities broker, municipal securities dealer, transfer agent, clearing agency, securities information processor, investment adviser, investment company, or an affiliated person or employee of any of the foregoing; (3) involves embezzlement, theft, extortion, fraud, fraudulent conversion, misappropriation of funds, securities or property, forgery, counterfeiting, false pretenses, bribery, or gambling; or (4) involves the violation of section 152, 1341, 1342, or 1343 or chapter 25, 47, 95, or 96 of title 18, United States Code;

(xv) Such person was debarred by any agency of the United States from contracting with the United States;

(xvi) Such person willfully made any material false or misleading statement or willfully omitted to state any material fact in any application of such person for registration under the Act or for



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membership in NFA, in any report required to be filed with the Commission by the Act or the regulations thereunder, in any proceeding before the Commission, in any report required to be filed with NFA or in any proceeding before any Committee of NFA;

- (xvii) Such person has pleaded nolo contendere to criminal charges of felonious conduct, or has been convicted in a State court or in a foreign court of conduct which would constitute a felony under Federal law if the offense had been committed under Federal jurisdiction;
- (xviii) In the case of an applicant for membership in any capacity to which NFA's Financial Requirements apply, such person has not established that such person meets NFA's Financial Requirements;
- (ix) Such person is subject to an outstanding order denying, suspending, or expelling such person from membership in a contract market, a registered futures association, or any other self-regulatory organization, or barring or suspending such person from being associated with any member or members of such contract market, association, or self-regulatory organization;
- (xx) Such person has been found by any court of competent jurisdiction or by any Federal or State agency or other governmental body, or by agreement of settlement to which any Federal or State agency or other governmental body is a party; (1) to have violated any statute or any rule, regulation, or order thereunder which involves embezzlement, theft, extortion, fraud, fraudulent conversion, misappropriation of funds, securities or property, forgery, counterfeiting, false pretenses, bribery, or gambling; or (2) to have willfully aided, abetted, counseled, commanded, induced or procured such violation by any other person;
- (xxi) Such person has associated with such person any other person and knows, or in the exercise of reasonable care should know, of facts regarding such other person that are set forth in paragraph (c)(i) through (viii) of this Bylaw, unless such person has notified the Commission or NFA, if NFA has been authorized or required to perform the



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registration functions under the Act with respect to such other person, of such facts and the Commission or NFA, as the case may be, has determined that such other person should be registered or temporarily licensed; or

(xxii) There is other good cause; or any principal, as defined in paragraph (c)(viii) of this Bylaw of such person has been or could be refused membership.

(d) Qualification.

Except as provided in paragraph (e) below, no person may become or remain an FCM, CTA, CPD, or Introducing Broker Member or associated with such a Member unless qualified to do so in conformity with such standards of training and experience and proficiency testing requirements as NFA shall establish and such other qualification standards as NFA finds necessary or desirable.

(e) Exceptions from Ineligibility, Restrictions, and Qualifications.

A person who is ineligible or disqualified to become or remain a Member or associated with a Member under paragraphs (a), (c) or (d) above may nevertheless become or remain a Member or associated with a Member

(i) Subject to the provisions of Section 17(b)(3) of the Act, upon a finding by the Membership Committee (see Chapter 7) that the reason for ineligibility does not cause the person to pose a threat to Members, Associates or customers; or

(ii) In such other situations as may be approved or directed by the Commission.

(f) Application.

(i) All applications to become a Member or to register as an Associate shall be in writing, on forms prescribed by the Membership Committee, signed by the applicant or its chief executive officer or managing partner, and accompanied by payment of such application fee as the Membership Committee may prescribe from time to time.

(ii) The execution and delivery of the application shall constitute (A) a representation that the information



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supplied in the application is complete and accurate, and (B) an express agreement by the applicant that, if admitted to NFA membership or registered as an Associate, the applicant shall become and remain bound by all NFA requirements as then and thereafter in effect.

- (iii) An application may be returned by the Secretary of NFA without action if it is materially incomplete or materially inaccurate.
- (iv) Each application, together with any required application fee, shall be sent to the Secretary for processing, in accordance with such procedures as shall be adopted by the Membership Committee. As soon as practicable after the application is received and reviewed, the Secretary shall notify the applicant of the action taken (see paragraph (g) below).

(g) Denial and Revocation.

- (i) If the President has reason to believe that: an applicant for membership or registration does not meet the qualifications set forth in this Chapter for NFA membership or association with a Member, as the case may be; a Member or registered Associate does not meet the qualifications set forth in this Chapter for continuation as a Member or Associate; or the person has submitted an intentionally incomplete, inaccurate or otherwise false application to NFA for membership or registration as an Associate -- the President shall promptly so notify the person in writing and furnish a copy of the notice to the Membership Committee, setting forth the specific grounds for the determination. The person shall be given an opportunity to show to the President that the qualifications are met, or that the application is not intentionally incomplete, inaccurate or false. If the person requests, or if the Membership Committee orders, a hearing shall be held before the Membership Committee, and a record shall be kept. The person may be represented at the hearing, and submit evidence in the proceeding, call and examine witnesses, examine the evidence upon which the President's determination was based, and, in the discretion of the Membership Committee, present written or oral argument.
- (ii) If a hearing before the Membership Committee is held, the Committee shall make a final, written determination upon the record before it, setting forth the specific



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grounds for its determination. A copy of the determination shall promptly be sent to the person. If the determination is to deny or revoke membership or registration as an Associate, the Membership Committee shall, in the denial or revocation notice, inform the person of the right of such person under the Act to petition the Commission, within 30 days after the denial or revocation, for review of the action under Section 17(h) of the Act.

(h) Resignation.

A Member, unless under investigation or disciplinary charges by NFA, may resign at any time by filing written notice with the Secretary, but such resignation shall not relieve the Member of any responsibility under the NFA Code of Arbitration or Compliance Rules for activities prior to resignation, or of the obligation to pay any dues, assessments, fines, penalties or other charges theretofore accrued and unpaid.

(i) Name and Address.

Each Member shall at all times register and maintain with the Secretary its correct name and principal address, and the correct name and address of each registered Associate employed by the Member.

(j) Termination of Associate.

Each Member shall promptly inform the Secretary of the termination of employment of any registered Associate with the Member. If such person is no longer listed as an Associate of any Member following such termination, the individual's registration with NFA as an Associate shall lapse unless the Secretary is notified in writing by another Member, within 60 days thereafter, that such person has become associated with it.

* * *

B. Bylaw 305

Bylaw 305 is added to read as follows:

Bylaw 305. Registration and Qualification.

Schedule A attached to and made a part of these Bylaws shall set forth rules governing registration under the Act, including registration requirements, procedures and exemptions, and standards of qualification, including training, experience



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and proficiency, applicable to Members, persons associated with Members, Associates and all persons for which NFA has registration responsibilities. In accordance with such registration rules, NFA shall perform the portions of the registration functions under the Act which it is required or authorized by the Commission to perform and NFA shall determine qualification, for purposes of Bylaw 301(d), in accordance with such qualification rules.

* * *

C. Schedule A

Schedule A is added as follows:

SCHEDULE A

This schedule is promulgated pursuant to Bylaw 305 of these Bylaws and contains the requirements, procedures and exemptions relating to registration under the Act and the standards of qualification, including training, experience and proficiency, applicable to Members, persons associated with Members, Associates and all persons for which NFA has registration responsibilities.

I. REGISTRATION

(a) REGISTRATION REQUIREMENT

Types of persons subject to regulation under the Act, as defined in the Act or Commission regulation, for which NFA has registration responsibilities shall be required to register if required to register under the Act and not exempt from registration by Commission rule or order.

(b) REGISTRATION PROCEDURES

Persons required to register under the Act pursuant to Section I(a) of this Schedule A shall be subject to and NFA shall perform registration functions with respect to such persons in accordance with all of the Rules (except Rules 3.3 and 3.20) governing registrations contained in Part 3 of the Commission's Rules except that, with respect to such persons, all filings, applications, forms, certifications, notices and requests specified in those Rules to be filed with, submitted to or given by the Commission shall be filed with, submitted to or given by NFA at its Chicago office.

(c) GRANT, DENIAL, SUSPENSION AND REVOCATION OF REGISTRATION

With respect to persons required to register under the Act pursuant to Section I(a) of this Schedule A, NFA shall refuse



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to register, register conditionally, suspend or place restrictions on the registration or revoke the registration of any such person who would be prohibited from becoming or remaining a Member or associated with a Member under Bylaw 301(c). Registrations or temporary licenses may be granted by the President or Secretary or their designee. Final written orders denying registration, registering conditionally, suspending or restricting registration or revoking registration shall be made by the Membership Committee in accordance with the procedures applicable to denial or revocation of membership set forth in Bylaw 301(g) except that, in promulgating such orders, other than orders revoking registration, the Membership Committee may, but need not, hold a hearing if any of the disqualifications set forth in Bylaw 301(c)(i)-(viii) apply to the person who is the subject of such order; provided, however, that pending final determination under this paragraph, in cases submitted by the President to the Membership Committee, registration shall not be granted. Each such order shall be promptly sent to the subject of the order and shall inform such person of the right to petition the Commission for review of such order under Section 17(o) of the Act.

(d) REGISTRATION FEES

Associated Persons - Each Form 8-R submitted in connection with the registration of an associated person must be accompanied by a fee of \$30 for each registration capacity for which application is made.

II. QUALIFICATION

(reserved)

* * *

D. Bylaw 1001

CHAPTER 10

FINANCIAL REQUIREMENTS

Bylaw 1001. Financial Requirements. [for Member FCMs.]

Subject to Articles III and XI and Bylaw 1506, the Board shall adopt minimum financial and related reporting requirements [for FCM Members,] which rules shall be deemed a part of these Bylaws.

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E. Bylaw 1101

CHAPTER 11

DOING BUSINESS WITH NON-MEMBERS

Bylaw 1101. Prohibition.

No Member may carry an account, accept an order or handle a transaction in commodity futures contracts for or on behalf of any non-Member of NFA, or suspended Member, that is required to be registered with the Commission as an FCM, Introducing Broker, Commodity Pool Operator or Commodity Trading Advisor [, or that is an Agent,] and that is acting in respect to the account, order or transaction for a customer, a commodity pool or participant therein, a client of a commodity trading advisor, or any other person, unless (a) such non-Member of NFA is a member of another futures association registered with the Commission under Section 17 of the Act, or is exempted from this prohibition by Board resolution, or (b) such suspended Member is exempted from this prohibition by the Appeals Committee.

F. Bylaw 1301

CHAPTER 13

DUES AND ASSESSMENTS

Bylaw 1301. Schedule of Dues and Assessments

* * *

(b) FCM[s and Agents.] Members.

* * *

[(iv) Each Agent shall pay to NFA annual dues of \$500.]

* * *

(c) Other Members.

Annual dues for a Commodity Pool Operator or Introducing Broker shall be \$500 for the year of such entity's



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initial registration with the Commission and thereafter shall be \$1,000. Annual dues for a Commodity Trading Advisor shall be \$500. All Members of NFA, other than those previously set forth in this Bylaw, shall pay to NFA annual dues of \$1,000. The Board may in its discretion waive or establish lower annual dues for such other Members, excluding Introducing Brokers, Commodity Pool Operators and Commodity Trading Advisors.

* * *

G. Bylaw 1302

Bylaw 1302. Payment of Dues and Assessments.

Annual dues shall be payable in advance on the first day of January of each year, or at such other time or times as the Board shall determine. Assessments based upon futures transactions shall be payable to NFA within thirty (30) days after the end of each NFA fiscal quarter for transactions effected during that quarter. In addition to such assessments each FCM shall pay to NFA an amount equal to one month's interest at an annual rate of 10% (or such other rate of interest as the President, with the concurrence of the Executive Committee, may determine from time to time) on the amount of any such assessment payable by the FCM for every month or fraction thereof such assessment payment is late. Except as the Board may otherwise provide by resolution, each Member shall pay dues and assessments, as applicable, for each category in which the Member --or an affiliate thereof, unless such affiliate is a Member in its own right-- is registered with the Commission and conducts business.

EXPLANATION OF AMENDMENTS TO BYLAWS

The amendments to Chapter 3 of the Bylaws will enable NFA to perform registration functions with respect to specific categories of registrants as that authority is delegated to NFA by the Commission and to fulfill the mandate under Section 17(p) of the Act to establish training standards and proficiency testing for persons for whom NFA has registration responsibilities.

Membership Rule - Bylaw 301

Disqualifications

The requirements and restrictions on NFA Membership are set out principally in Bylaw 301 which contains the fitness standards for membership. Proposed Bylaw 301(c) incorporates as



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membership disqualifications all of the statutory registration disqualifications set forth in Sections 8a(2), 8a(3) and 8a(4) of the Act. The statutory disqualifications set forth in Section 8a(2) of the Act are incorporated in proposed Bylaw 301(c)(i) through (viii) without substantial change except that where the date of a conviction is relevant the time is computed from the date of application for membership. The statutory disqualification set forth in Section 8a(4) of the Act is incorporated in proposed Bylaw 301(c)(ix) and the disqualifications set forth in Section 8a(3) of the Act are incorporated in proposed Bylaw 301(c)(x) through (xii). By proposing Bylaw 301(c) it is the intention of NFA to retain the congruent relationship between the standards of fitness for membership and the standards of fitness for registration. As discussed more fully below, when NFA is performing the Commission's registration functions NFA's rules will require evaluation of fitness for registration as though the applicant were applying for membership in NFA.

Eligibility

Pursuant to Section 17(b)(2) of the Act, proposed paragraph (a) of Bylaw 301 incorporates definitions of basic membership eligibility. This is done for two reasons. First, Section 17(b)(9) of the Act requires NFA to hold a hearing before barring any eligible person from membership. It would defeat one of the purposes of the new statutory disqualification provisions (which streamline registration by eliminating the need for a hearing in certain types of cases) if NFA were required to provide a membership hearing for persons who could be denied registration without a hearing. By making registration a prerequisite to eligibility for those persons required to be registered, NFA will not be required to hold a hearing on membership fitness for those applicants who are subject to one of the statutory registration disqualifications set forth in Section 8a(2) of the Act and incorporated in proposed Bylaw 301(c)(i) through (viii). This paragraph comports with Section 17(b)(2) of the Act which, inter alia, authorizes a registered futures association to restrict membership in such organization "on such ... specified and appropriate basis, as appears to the Commission to be necessary or appropriate in the public interest and to carry out the purpose of [Section 17 of the Act]."

Second, Section 17(b)(3) of the Act requires NFA to deny membership to certain classes of persons regardless of whether those persons could be registered. In order to separate those eligibility disqualifications from the standards in 301(c) used to determine fitness for membership and derivatively used to determine fitness for registration, they are placed under proposed Bylaw 301(a).



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All other sections of Bylaw 301 remain substantially unchanged (other than section designations and conforming changes to cross references) except that proposed Bylaw 301(j) amends existing Bylaw 301(g) to reflect the fact that, under current law, a terminated Associate may nevertheless remain associated with a Member and, therefore, entitled to continued registration as an Associate.

Registration Rules - Bylaw 305 and Schedule A

Bylaw 305 incorporates in the Bylaws by reference a new Schedule A which will contain (1) all of NFA's registration rules and procedures and (2) all of NFA's qualification and proficiency testing requirements.

Section I(a) of proposed Schedule A sets out the registration requirement and simply requires registration of every person (1) required by law to register and (2) for whom NFA has been delegated registration duties. Along with delegating the authority to administer registration generally, it is anticipated that the Commission will include in the appropriate delegation rule or order ("Delegation Order") a delegation to NFA of the authority to determine the categories of persons which, though within the definition of persons which are required to be registered, can be exempted from registration. As NFA determines to add to or alter existing exemptions that action would be accomplished by amending Section I(a) of proposed Schedule A. It is not anticipated that under the terms of such a Delegation Order that NFA would have any authority to accept or act on case-by-case requests for exemption from registration or for "no-action" interpretations of the applicable registration requirements.

Any amendment to Section I(a) of proposed Schedule A would have to be submitted to the Commission under Section 17(j). Because any such amendment would necessarily be in derogation of the Act, NFA anticipates that the Delegation Order may specify that the Commission may deny approval of any such amendment for any reason sufficient to the Commission.

Section I(b) of proposed Schedule A will specify the forms and procedures which must be used to register and withdraw from registration. As proposed, the rule merely adopts all of the current CFTC forms and procedures. (However, CFTC fees and procedures for denying registration are not adopted). This should simplify the transition of registration functions from the Commission to NFA. However, NFA believes that the Delegation Order should make clear that it is anticipated that NFA may amend this rule or take other appropriate action satisfactory to the



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Commission to provide for the even distribution of registration renewal dates over the year provided that, in effecting such a distribution, NFA does not make the period of registration of any registrant (other than associated persons) less than one year or more than two years.

Section I(c) of the proposed Schedule A specifies the procedures for determining fitness to be registered. Basically, this rule states that registration will be conducted using the same fitness standards and the same procedures for hearings which apply to NFA membership. Where there is no cause to believe that any disqualification exists the registration may be granted by the President or Secretary. Where there is or may be a disqualification the procedures covering denial and revocation of membership in Bylaw 301 will apply and the Membership Committee will conduct hearings, if necessary, and issue the appropriate order. It should be noted that under the procedures set forth in Bylaw 301(d) (redesignated as 301(g)) any applicant with respect to whom there has been an initial determination of disqualification will be notified of such determination and have an opportunity to show the President prior to any hearing, if required, that the applicant is not disqualified.

NFA anticipates that the Delegation Order will require NFA to issue conditional registrations in cases where NFA grants registration in spite of the appearance of any disqualification (whether or not a hearing was held). NFA expects that the Delegation Order will provide that such registrations will be conditional for such period as will reasonably allow the Commission an opportunity to review the granting of such registrations.

Section I(d) of proposed Schedule A sets out a required fee for registration of associated persons. This fee is not annual and is intended to cover the costs of processing a registration application, including the \$12 out-of-pocket costs incurred by NFA in submitting fingerprints to the FBI. This fee is distinct from any annual dues for Associates which the Board may adopt or any application fee for registration as an Associate which may be adopted by NFA's Membership Committee. The \$30 registration fee is lower than the \$50 fee recently proposed by the Commission. However, Commission staff has indicated that they do not object to NFA's establishing a \$30 fee with the understanding that NFA may raise the fee if it is later determined not to cover actual costs.

Finally, NFA understands that its performance of any portion of the Commission's registration functions will be undertaken as a delegee of the Commission. Accordingly, all records collected and maintained by NFA in performance of those



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functions will be records of the Commission for purposes of the Freedom of Information Act, 5 U.S.C. §552 and the Privacy Act, 5 U.S.C. §552a.

Bylaw 1001

Bylaw 1001 previously authorized the NFA Board of Directors to adopt minimum financial and related reporting requirements for FCM Members only. The newly adopted amendments will enable the Board to adopt such requirements for other membership categories such as Introducing Brokers.

Bylaw 1101

This amendment reflects the addition of the category of Introducing Brokers into NFA's regulatory framework. Bylaw 1101 has been amended to prohibit an NFA Member from carrying an account, accepting an order or handling a transaction for or on behalf of an Introducing Broker acting for a customer unless the Introducing Broker is a Member of a registered futures association such as NFA.

Bylaw 1301

The Bylaw as amended sets dues for Introducing Brokers equal to the dues required of CPOs. Further, proposed 1301(b) has been amended, consistent with the adoption of the new registration category of Introducing Brokers, to eliminate references to Agents.

Bylaw 1302

Proposed Bylaw 1302 is amended to provide a disincentive to late payment of Assessment Fees collected by FCMs from customers. Experience with the progress of Assessment Fee payments which were due by April 30, 1983 indicates that a substantial portion of Assessment Fees are not paid in a timely manner. The proposed disincentive payment would help to ensure that those FCMs which have accumulated customer Assessment Fees turn these funds over to NFA when due.

II. AMENDMENTS TO COMPLIANCE RULES

A. Compliance Rule 1-1

Compliance Rule 1-1 is amended by redesignating subsections (i) through (l) as (j) through (m) and amending subsection (c) and adding new subsection (i) to read as follows:

* * *



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COMPLIANCE RULES

Part 1 - DEFINITIONS

Rule 1-1. DEFINITIONS

As used in these Rules --

* * *

- (c) "Associate" - means a person who is associated with a Member [of NFA or any Agent thereof] within the meaning of the term "associated person" as used in Section 4k of the Commodity Exchange Act and who is required to be registered as an "associated person" with the Commodity Futures Trading Commission[.] ; and any other person designated by the Board to be an Associate.

* * *

- (i) "Introducing Broker" - means an introducing broker as that term is used in the Commodity Exchange Act and that is required to be registered as such under the Act and Commission Rules.

* * *

B. Compliance Rule 2-8

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

* * *

Rule 2-8. DISCRETIONARY ACCOUNTS.

- (a) Grant of Discretion Must Be in Writing.

No Member FCM, Introducing Broker or Associate thereof shall exercise discretion over a customer's commodity futures account unless the customer or account controller has authorized the Member FCM, Introducing Broker or Associate thereof in writing (e.g., by power of attorney) to exercise such discretion. For purposes of this Rule, a person does not exercise discretion where



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the customer or account controller specifies the commodity, year and delivery month of the contract, the number of contracts, and that the transaction is either to buy or to sell.

(b) Review of Discretionary Trades.

Each commodity futures trade effected by a Member FCM, Introducing Broker or Associate thereof pursuant to the exercise of discretion must be specifically reviewed not later than the end of the business day following the trade by a partner, officer, director, branch office manager or supervisory employee of the Member FCM or Introducing Broker.

(c) Supervision.

All discretionary commodity futures accounts must be continuously supervised by the Member FCM or Introducing Broker for compliance with applicable provisions of these Rules.

* * *

EXPLANATION OF AMENDMENTS TO COMPLIANCE RULES

The above changes to Compliance Rules 1-1(c) and (i) and 2-8 conform NFA's rules with the adoption of the new registration categories of Introducing Broker and associated persons of CTAs, CPOs and Introducing Brokers under the Futures Trading Act of 1982.

Specifically, Rule 1-1(c) also will give the Board flexibility to designate other persons as Associates beyond those set forth under Section 4k of the Act. Additionally, Rule 2-8 now expands the discretionary account provision beyond FCMs to include Introducing Brokers.

III. AMENDMENTS TO CODE OF ARBITRATION

A. Section 1(a)

CODE OF ARBITRATION

Section 1. DEFINITIONS. As used in this Code --

- (a) "Associate" - means a person who is registered with NFA as an Associate. (Under NFA Bylaws every person who is associated with [an FCM] a Member [or Agent thereof]



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within the meaning of the term "associated person" as used in Section 4k of the Commodity Exchange Act, and who is required to be registered as such with the Commission, must register with NFA as an Associate.)

* * *

B. Section 10

Section 10 of the Code of Arbitration is amended to read as follows:

Section 10. ARBITRATION FEES.

Each party claiming or counterclaiming shall pay a filing fee based on the amount claimed or counterclaimed (exclusive of interest and costs) as follows:

Amount of Claim or Counterclaim	Fee
\$ 0 - \$ 2,499	\$ 50
\$ 2,500 - \$ 5,000	\$100
\$ 5,001 - \$10,000	\$150
\$10,001 - \$15,000	\$175
More than \$15,000	\$200
	(plus 1% of excess over \$15,000)

EXPLANATION OF AMENDMENTS TO CODE OF ARBITRATION

Section 1(a)

The adoption of the registration categories of "Introducing Broker" and associated persons of CPOs, CTAs and Introducing Brokers under the Futures Trading Act of 1982 necessitates the deletion of the reference to "Agent" in the definition of Associate under the NFA Code of Arbitration ("Code"). The proposed amendment makes the Code consistent with current law.

Section 10

With the adoption of the Futures Trading Act of 1982, the requirement under Section 17(b)(10) of the Act and Part 170 of the Commission's regulations that a registered futures association provide for a fair and equitable arbitration procedure for customer claims under \$15,000 has been amended by eliminating the \$15,000 ceiling. Accordingly, the Code also previously has been amended to reflect the change in this jurisdictional amount.



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However, NFA believes that consistent with that change, Section 10 of the Code setting forth the arbitration fee structure also must be revised.

Presently, a party bringing an arbitration claim or counterclaim in excess of \$10,000 is responsible for a filing fee of \$100. When this provision was drafted the maximum range of claims in this category was between \$10,000 and \$15,000. Since the \$15,000 ceiling has been removed, a claim far in excess of that amount would still result in a filing fee of \$100.

While NFA arbitration is not viewed as a net revenue producer, arbitration fees under the proposed amendment are consistent with other commercial arbitration programs in the commodities and securities industries. NFA believes the proposed amended fee schedule is a more realistic and administratively efficient alternative to our present fee schedule.

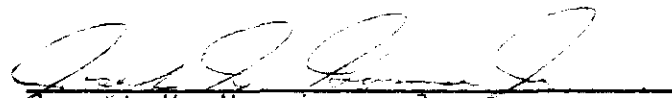
It should be noted that in claims under \$2,500 the proceeding is conducted entirely through written submissions and no hearing is held. Accordingly, for some claims in that category the fee has been reduced. For claims in the upper ranges of the fee schedule, fees have been proportionately increased to a level more commensurate with their size and probable complexity.

NFA respectfully requests that the foregoing amendments to the Bylaws, Compliance Rules and Code of Arbitration be declared effective upon approval by the Commission.

Very truly yours,

NATIONAL FUTURES ASSOCIATION

by:



Joseph H. Harrison, Jr.
General Counsel and Secretary

JHH:ep

cc: Chairman Susan M. Phillips
Commissioner Kalo A. Hineman
Commissioner Fowler C. West
Andrea M. Corcoran
Theodore W. Urban

July 13, 1983

Mr. Theodore W. Urban
Deputy Director
Division of Trading and Markets
Commodity Futures Trading Commission
2033 K Street, N.W.
Washington, D.C. 20581

Dear Ted:

By letter dated May 27, 1983 National Futures Association ("NFA") submitted certain amendments to its Bylaws and Code of Arbitration for review by the Commodity Futures Trading Commission ("Commission") under Section 17(j) of the Commodity Exchange Act including amendments establishing an annual dues requirement for introducing broker ("IB") Members and altering the schedule of arbitration filing fees. In connection with your review of those proposed amendments you made certain inquiries which this letter is intended to address.

You asked about the criteria which NFA employed to establish an annual dues requirement for IB Members at the same level as the requirement applicable to Members which are commodity pool operators ("CPOs"). It was the judgment of NFA's Board of Directors that there was no reason to believe that the regulatory costs to NFA with respect to IBs would not be similar to the costs with respect to CPOs. Therefore, the Board determined that the annual dues requirement for both types of Members should be equal.

You also asked about the expected relationship between NFA's current and proposed schedule of arbitration fees and the cost to NFA of providing its arbitration forum. NFA does not yet have an actual cost history on which to accurately base estimations of average cost per arbitration case. However, NFA's analysis of expected costs, including NFA arbitration staff time, equipment and postage connected with the arbitration program and travel costs for NFA staff, lead NFA to the belief that fees paid under both the current schedule of arbitration fees and the proposed revision to that schedule will fall far short of recouping NFA's expenses related to arbitration.

Mr. Theodore W. Urban
July 13, 1983
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In connection with NFA's proposed amendment to Bylaw 1302, I enclose a copy of the letter sent to all FCM Members concerning their payment of the NFA Assessment Fee for the quarter ended June 30, 1983.

If you have any further questions or any comments please do not hesitate to contact me.

Sincerely,

Joseph H. Harrison, Jr.
General Counsel

JHH:cv
Enclosure

July 14, 1983

Ms. Jane K. Stuckey
Office of the Secretariat
Commodity Futures Trading Commission
2033 K Street, N.W.
Washington, D.C. 20581

Re: National Futures Association;
Proposed Amendments to Bylaws

Dear Ms. Stuckey:

By letter dated May 27, 1983 from the undersigned National Futures Association ("NFA") submitted to the Commodity Futures Trading Commission ("CFTC") the full text, including proposed amendments, of NFA Bylaws 301, 305 and Schedule A to NFA Bylaws for approval pursuant to Section 17(j) of the Commodity Exchange Act. In response to suggestions from CFTC staff NFA hereby submits certain technical changes to the text of NFA Bylaws 301, 305 and Schedule A to NFA's Bylaws. The technical changes are incorporated in the following full text of those Bylaws which should be substituted for the corresponding text in NFA's submission of May 27, 1983 and considered part of that submission.

I. AMENDMENTS TO BYLAWS

A. Bylaw 301

Bylaw 301 is amended to read as follows:

CHAPTER 3

MEMBERSHIP AND ASSOCIATION WITH A MEMBER

Bylaw 301. Requirements and Restrictions.

(a) Eligibility for Membership.

- (i) No person, unless eligible for Membership in the contract market, commercial firm or commercial bank category, shall be eligible to become or remain an NFA Member or associated with a Member unless such person is registered, temporarily licensed or exempt from



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registration under the Commodity Exchange Act (hereinafter "Act") or the rules of the Commodity Futures Trading Commission (hereinafter "Commission").

- (ii) Except as provided in paragraph (e) below no person shall be eligible to become or remain a Member or associated with a Member who:
 - (A) Has been and is suspended or expelled from a registered futures association or contract market for violating any rule of the association or contract market that:
 - (1) prohibits any act or transaction constituting conduct inconsistent with just and equitable principles of trade; or
 - (2) requires any act which, if omitted, constitutes conduct inconsistent with such principles; or
 - (B) Has been and is barred or suspended from being associated with all members of a registered futures association or contract market for violating a rule described in paragraph (A) above;
 - (C) Is subject to an order of the Commission: denying, suspending or revoking the person's registration under Section 6(b) of the Act; expelling or suspending the person from membership in a registered futures association or contract market; or barring or suspending the person from being associated with a Futures Commission Merchant (hereinafter "FCM");
 - (D) Whether before or after becoming a Member or associated with a Member, was, by the person's conduct while associated with a Member, a cause of any suspension, expulsion or order described in paragraphs (a)(ii)(A)-(C) above that is in effect with respect to the person; or
 - (E) Has associated with the person any other person who is known to, or in the exercise of reasonable care should be known to, the person to be ineligible to become or remain a Member or associated with a Member under paragraphs (a)(ii)(A)-(D) above.



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(b) Registration of Associates.

No person may be associated with a Member of NFA unless the person is registered with NFA as an Associate or is an NFA Member. As used in these Bylaws, the term "associated with a Member" means any person who is associated with a Member of NFA within the meaning of the term "associated person" as used in Section 4k of the Act and who is required to be registered as such with the Commission. Registration with NFA as an Associate is not registration as an associated person under the Act.

(c) Restrictions on Becoming or Remaining a Member or Associated with a Member.

A person may be deemed disqualified to become or remain a Member or associated with a Member -

- (i) If a prior registration under the Act of such person in any capacity has been suspended (and the period of such suspension has not expired) or has been revoked;
- (ii) If registration of such person in any capacity has been refused within five years preceding the filing of the application for membership or at any time thereafter;
- (iii) If such person is permanently or temporarily enjoined by order, judgment or decree of any court of competent jurisdiction, including an order entered pursuant to an agreement of settlement to which the Commission or any Federal or State agency or other governmental body is a party, from: (1) acting as a futures commission merchant, introducing broker, floor broker, commodity trading advisor, commodity pool operator, associated person of any registrant under the Act, securities broker, securities dealer, municipal securities broker, municipal securities dealer, transfer agent, clearing agency, securities information processor, investment adviser, investment company or affiliated person or employee of any of the foregoing; or (2) engaging in or continuing any activity involving any transaction in or advice concerning contracts of



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sale of a commodity for future delivery, concerning matters subject to Commission regulation under section 4c or 19 of the Act, or concerning securities;

- (iv) If such person has been convicted of any felony or if such person has been convicted within ten years preceding the filing of the application for membership or at any time thereafter of any misdemeanor that: (1) involves any transactions or advice concerning any contract of sale of a commodity for future delivery, or any activity subject to Commission regulation under Section 4c or 19 of the Act, or concerning a security; (2) arises out of the conduct of the business of a futures commission merchant, introducing broker, floor broker, commodity trading advisor, commodity pool operator, associated person of any registrant under the Act, securities broker, securities dealer, municipal securities broker, municipal securities dealer, transfer agent, clearing agency, securities information processor, investment adviser, investment company, or an affiliated person or employee of any of the foregoing; (3) involves embezzlement, theft, extortion, fraud, fraudulent conversion, misappropriation of funds, securities or property, forgery, counterfeiting, false pretenses, bribery, or gambling; or (4) involves the violation of section 152, 1341, 1342, or 1343, or chapter 25, 47, 95, or 96 of title 18, United States Code;
- (v) If such person, has been found by any court of competent jurisdiction, by the Commission or any Federal or State agency or other governmental body, or by settlement agreement to which the Commission or any Federal or State agency or other governmental body is a party: (1) to have violated any provision of the Act, the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Trust Indenture Act of 1939, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Securities Investors Protection Act of 1970, the Foreign Corrupt Practices Act of 1977, or any similar statute of a State or foreign



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jurisdiction, or any rule, regulation, or order under any such statutes, or the rules of the Municipal Securities Rulemaking Board; or (2) to have willfully aided, abetted, counseled, commanded, induced, or procured such violation by any other person;

- (vi) If such person is subject to an outstanding order denying trading privileges on any contract market to such person, denying, suspending, expelling or revoking such person's membership in any contract market, registered futures association or any other self-regulatory organization, or barring or suspending such person from being associated with a registrant under the Act or with a member of a contract market, registered futures association or other self-regulatory association;
- (vii) If such person is a futures commission merchant or introducing broker and shall knowingly accept any order for the purchase or sale of any commodity for future delivery on or subject to the rules of any contract market from any person denied trading privileges on a contract market by order of the Commission under Section 6(b) of the Act and the period of denial specified in such order shall not have expired;
- (viii) Such person failed reasonably to supervise another person, who is subject to such person's supervision, with a view to preventing violations of the Act, or of any of the statutes set forth in paragraph (c)(v) of this Bylaw or of any of the rules, regulations, or orders thereunder, and the person subject to supervision committed such a violation: Provided, that no person shall be deemed to have failed reasonably to supervise another person, within the meaning of this paragraph if (1) there have been established procedures, and a system for applying such procedures, which would reasonably be expected to prevent and detect, insofar as practicable, any such violation by such other person and (2) such person has reasonably discharged the duties and obligations incumbent upon that person, as supervisor, by reason of such procedures and system, without reasonable cause to believe that



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such procedures and system were not being complied with;

- (ix) Such person was debarred by any agency of the United States from contracting with the United States;
- (x) Such person willfully made any material false or misleading statement or willfully omitted to state any material fact in any application of such person for registration under the Act or for membership in NFA, in any report required to be filed with the Commission by the Act or the regulations thereunder, in any proceeding before the Commission, in any report required to be filed with NFA or in any proceeding before any Committee of NFA;
- (xi) Such person has pleaded nolo contendere to criminal charges of felonious conduct, or has been convicted in a State court or in a foreign court of conduct which would constitute a felony under Federal law if the offense had been committed under Federal jurisdiction;
- (xii) In the case of an applicant for membership in any capacity to which NFA's Financial Requirements apply, such person has not established that such person meets NFA's Financial Requirements;
- (xiii) Such person has been found by any court of competent jurisdiction or by any Federal or State agency or other governmental body, or by agreement of settlement to which any Federal or State agency or other governmental body is a party; (1) to have violated any statute or any rule, regulation, or order thereunder which involves embezzlement, theft, extortion, fraud, fraudulent conversion, misappropriation of funds, securities or property, forgery, counterfeiting, false pretenses, bribery, or gambling; or (2) to have willfully aided, abetted, counseled, commanded, induced or procured such violation by any other person;



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- (xiv) Such person has associated with such person any other person and knows, or in the exercise of reasonable care should know, of facts regarding such other person that are set forth as statutory disqualifications in Section 8a(2) of the Act, unless such person has notified the Commission or NFA, if NFA has been authorized or required to make the determination described in Section 4k(5) of the Act with respect to such other person, of such facts and the Commission or NFA, as the case may be, has determined that such other person should be registered or temporarily licensed; or
- (xv) There is other good cause; or
- (xvi) Any principal has been or could be refused membership: Provided, that for the purposes of this Bylaw, "principal" shall mean, if the person is a partnership, any general partner or, if the person is a corporation, any officer, director, or beneficial owner of at least 10 percent of the voting shares of the corporation, and any other person that the Commission, by rule, regulation, or order, or NFA, by Bylaw or Resolution of the Board, determines has the power, directly or indirectly, through agreement or otherwise, to exercise a controlling influence over the activities of such person which are subject to regulation by the Commission and NFA requirements;

(d) Qualification.

Except as provided in paragraph (e) below, no person may become or remain an FCM, CTA, CPO, or Introducing Broker Member or associated with such a Member unless qualified to do so in conformity with such standards of training and experience and proficiency testing requirements as NFA shall establish and such other qualification standards as NFA finds necessary or desirable.

(e) Exceptions from Ineligibility, Restrictions, and Qualifications.

A person who is ineligible or disqualified to become or remain a Member or associated with a Member under paragraphs (a) or (d) above may nevertheless become or remain a Member or associated with a Member:



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- (i) Subject to the provisions of Section 17(b)(3) of the Act, upon a finding by the Membership Committee (see Chapter 7) that the reason for ineligibility does not cause the person to pose a threat to Members, Associates or customers; or
 - (ii) In such other situations as may be approved or directed by the Commission.
- (f) Application.
- (i) All applications to become a Member or to register as an Associate shall be in writing, on forms prescribed by the Membership Committee, signed by the applicant or its chief executive officer or managing partner, and accompanied by payment of such application fee as the Membership Committee may prescribe from time to time.
 - (ii) The execution and delivery of the application shall constitute (A) a representation that the information supplied in the application is complete and accurate, and (B) an express agreement by the applicant that, if admitted to NFA membership or registered as an Associate, the applicant shall become and remain bound by all NFA requirements as then and thereafter in effect.
 - (iii) An application may be returned by the Secretary of NFA without action if it is materially incomplete or materially inaccurate.
 - (iv) Each application, together with any required application fee, shall be sent to the Secretary for processing, in accordance with such procedures as shall be adopted by the Membership Committee. As soon as practicable after the application is received and reviewed, the Secretary shall notify the applicant of the action taken (see paragraph (g) below).
- (g) Denial and Revocation.
- (i) If the President has reason to believe that: an applicant for membership or registration with NFA as an Associate does not meet the qualifications set forth in this Chapter for NFA membership or association with a Member, as the case may be; a Member or registered



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Associate does not meet the qualifications set forth in this Chapter for continuation as a Member or Associate; or the person has submitted an intentionally incomplete, inaccurate or otherwise false application to NFA for membership or registration as an Associate -- the President shall promptly so notify the person in writing and furnish a copy of the notice to the Membership Committee, setting forth the specific grounds for the determination. The person shall be given an opportunity to show to the President that the qualifications are met, or that the application is not intentionally incomplete, inaccurate or false. If the person requests, or if the Membership Committee orders, a hearing shall be held before the Membership Committee, and a record shall be kept. The person may be represented at the hearing, and submit evidence in the proceeding, call and examine witnesses, examine the evidence upon which the President's determination was based, and, in the discretion of the Membership Committee, present written or oral argument.

- (ii) If a hearing before the Membership Committee is held, the Committee shall make a final, written determination upon the record before it, setting forth the specific grounds for its determination. A copy of the determination shall promptly be sent to the person. If the determination is to deny or revoke membership or registration as an Associate, the Membership Committee shall, in the denial or revocation notice, inform the person of the right of such person under the Act to petition the Commission, within 30 days after the denial or revocation, for review of the action under Section 17(h) of the Act.

(h) Resignation.

A Member, unless under investigation or disciplinary charges by NFA, may resign at any time by filing written notice with the Secretary, but such resignation shall not relieve the Member of any responsibility under the NFA Code of Arbitration or Compliance Rules for activities prior to resignation, or of the obligation to pay any dues, assessments, fines, penalties or other charges theretofore accrued and unpaid.



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(i) Name and Address.

Each Member shall at all times register and maintain with the Secretary its correct name and principal address, and the correct name and address of each registered Associate employed by the Member.

(j) Termination of Associate.

Each Member shall promptly inform the Secretary of the termination of employment of any registered Associate with the Member. If such person is no longer listed as an Associate of any Member following such termination, the individual's registration with NFA as an Associate shall lapse unless the Secretary is notified in writing by another Member, within 60 days thereafter, that such person has become associated with it.

* * *

B. Bylaw 305

Bylaw 305 is added to read as follows:

Bylaw 305. Registration and Proficiency Requirements.

Schedule A attached to and made a part of these Bylaws shall set forth rules governing registration under the Act, including registration requirements and procedures, and standards of proficiency, including training, experience and proficiency testing requirements, applicable to Members, persons associated with Members, Associates and all persons for which NFA has registration responsibilities. In accordance with such registration rules, NFA shall perform the portions of the registration functions under the Act which it is required or authorized by the Commission to perform pursuant to Section 8a(10) or Section 17(o) of the Act and NFA shall determine proficiency, for purposes of determining fitness to be registered under the Act and for purposes of determining membership qualification under Bylaw 301(d), in accordance with such proficiency requirements.

* * *



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C. Schedule A

Schedule A is added as follows:

SCHEDULE A

This schedule contains the requirements and procedures relating to registration under the Act and the standards of proficiency, including training, experience and proficiency testing requirements, applicable to Members, persons associated with Members, Associates and all persons for which NFA has been delegated registration responsibilities pursuant to Section 8a(10) or Section 17(o) of the Act.

I. REGISTRATION

(a) REGISTRATION REQUIREMENT

Types of persons subject to regulation under the Act, as defined in the Act or Commission regulations, for which NFA has been delegated registration responsibilities pursuant to Section 8a(10) or Section 17(o) of the Act shall be required to register if required to register under the Act and not exempt from registration by Commission rule or order.

(b) REGISTRATION PROCEDURES

Persons required to register under the Act pursuant to Section I(a) of this Schedule A shall be subject to and NFA shall perform registration functions with respect to such persons in accordance with all of the Rules (except Rules 3.3 and 3.20) governing registrations contained in Part 3 of the Commission's Rules except that, with respect to such persons, all filings, applications, forms, certifications, notices and requests specified in those Rules to be filed with, submitted to or given by the Commission shall be filed with, submitted to or given by NFA at its Chicago office.

(c) GRANT, DENIAL, SUSPENSION AND REVOCATION OF REGISTRATION

With respect to persons required to register under the Act pursuant to Section I(a) of this Schedule A, NFA may refuse to register, register conditionally, suspend or place restrictions on the registration or revoke the registration of any such person based upon the grounds for such action and the standards



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of fitness set forth in the Act applicable to registrations granted by the Commission. Registrations or temporary licenses may be granted by the President or Secretary or their designee. Final written orders denying registration, registering conditionally, suspending or restricting registration or revoking registration shall be made by the Membership Committee in accordance with the procedures set forth in Section I(d) of this Schedule A; provided, however, that pending final determination, in cases submitted by the President to the Membership Committee, registration shall not be granted.

(d) DENIAL AND REVOCATION PROCEEDINGS

- (i) If the President has reason to believe that NFA should refuse to register, register conditionally, suspend or place restrictions on the registration or revoke the registration of any person required to register under the Act pursuant to Section I(a) of this Schedule A the President shall promptly so notify the person in writing and furnish a copy of the notice to the Membership Committee, setting forth the specific grounds for the determination. The person shall be given an opportunity to show to the President that the qualifications are met. If the person requests, or if the Membership Committee orders, a hearing shall be held before the Membership Committee, and a record shall be kept. The person may be represented at the hearing, and submit evidence in the proceeding, call and examine witnesses, examine the evidence upon which the President's determination was based, and, in the discretion of the Membership Committee, present written or oral argument; provided that, in cases other than those involving revocation of registration, The Membership Committee may, but need not, hold a hearing if the President has made a final determination that any of the disqualifications set forth in Section 8(a)(2) of the Act apply to the person.
- (ii) If a hearing before the Membership Committee is held, the Committee shall make a final, written order upon the record before it, setting forth the specific grounds for its determination. A copy of the order shall promptly be sent to the person. If the determination is to deny, condition, suspend,



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restrict or revoke registration under the Act, the Membership Committee shall, in the copy of the order, inform the person of the right of such person under the Act to petition the Commission for review of such order under Section 17(o) of the Act.

(e) REGISTRATION FEES

Associated Persons - Each Form 8-R submitted in connection with the registration of an associated person must be accompanied by a fee of \$30 for each registration capacity for which application is made.

II. PROFICIENCY REQUIREMENTS


(reserved)

* * *

Very truly yours,

NATIONAL FUTURES ASSOCIATION

By:


Joseph H. Harrison, Jr.
General Counsel and Secretary

JHH:cv

cc: Chairman Susan M. Phillips
Commissioner Kalo A. Hineman
Commissioner Fowler C. West
Ms. Andrea M. Corcoran
Mr. Theodore W. Urban

July 19, 1983

Ms. Jane K. Stuckey
Office of the Secretariat
Commodity Futures Trading Commission
2033 K Street, N.W.
Washington, D.C. 20581

Re: National Futures Association;
Proposed Amendments to Bylaw 1301

Dear Ms. Stuckey:

By letter dated May 27, 1983 from the undersigned, National Futures Association ("NFA") submitted to the Commodity Futures Trading Commission ("CFTC") certain amendments to NFA Bylaws for approval pursuant to Section 17(j) of the Commodity Exchange Act. Included in those amendments was a proposed amendment to NFA Bylaw 1301 to establish an annual dues requirement for introducing broker members.

In connection with its review of the proposed amendment to Bylaw 1301 CFTC staff has suggested that a certain existing portion of Bylaw 1301, not effected by the proposed amendment, may cause confusion following delegation to NFA of the CFTC's registration function. Specifically, CFTC staff has suggested that the reference in Bylaw 1301(c) to "registration with the Commission" be replaced with the language "registration under the Act."

In deference to the opinion of CFTC staff, NFA hereby agrees to the alteration in the language of 1301(c). Please consider such alteration as part of NFA's submission dated May 27, 1983.

Very truly yours,

NATIONAL FUTURES ASSOCIATION

By: _____
Joseph H. Harrison, Jr.
General Counsel and Secretary

UNITED STATES OF AMERICA
COMMODITY FUTURES TRADING COMMISSION

2033 K Street, N.W.
Washington, D.C. 20581



July 28, 1983

Mr. Joseph H. Harrison, Jr., Esq.
General Counsel and Secretary
National Futures Association
200 West Madison Street
Chicago, Illinois 60606

Re: NFA Bylaws 301 and 305 and Schedule A to Bylaw
305; and Authorization to Perform Certain Regis-
tration Functions on Behalf of the Commission

Dear Mr. Harrison:

On April 6, 1983, Robert K. Wilmouth wrote to the Commission to request that the NFA be authorized to perform the Commission's registration functions under the Act with respect to persons required to be registered as introducing brokers (IBs) or as associated persons (APs) of IBs. Subsequently, by letters dated May 27 and July 14, you submitted the captioned proposed new and revised general rules for Commission review and approval. Those rules concern registration standards and procedures and NFA membership qualifications and requirements. In addition, Mr. Wilmouth's July 18 letter stated NFA's undertaking regarding the confidentiality of records that NFA will maintain in the performance of such registration function.

As you are aware, on June 21 the Commission approved in principle (pending submission and approval of final NFA rule proposals) authorization to NFA to grant applications of IBs and APs of IBs for registration with the Commission under the Act. On July 28, the Commission approved the captioned rules pursuant to section 17(j) of the Act and issued its Notice and Order authorizing NFA pursuant to section 8a(10) of the Act to grant such applications from persons in those two registration categories after the Commission's regulations concerning their registration are adopted and take effect. In that regard, the Commission expects to consider its final rules at its July 29 meeting. A copy of the newly issued Notice and Order, which will be published in the Federal Register shortly, is enclosed.

Very truly yours,

Jane K. Stuckey

Jane K. Stuckey
Secretary of the Commission

Enclosure

UNITED STATES OF AMERICA
COMMODITY FUTURES TRADING COMMISSION

2033 K Street, N.W.
Washington, D.C. 20581



July 28, 1983

AUG - 1 1983

Joseph H. Harrison, Jr., Esq.
General Counsel and Secretary
National Futures Association
200 West Madison Street
Chicago, Illinois 60606

Re: NFA Bylaws 1001, 1101, 1301 and 1302; Compliance
Rules 1-1 and 2-8; and Code of Arbitration §§1(a)
and 10

Dear Mr. Harrison:

By your letter dated May 27, 1983, NFA submitted amendments to the captioned rules for Commission approval pursuant to section 17(j) of the Act. The Commission approved those amendments on July 27, 1983, and also determined that they may be placed into effect immediately. Please note, however, that any action by NFA's President under the amendment to Bylaw 1302 would constitute a rule change which itself would be subject to section 17(j) review by the Commission.

Your May 27 letter also proffered other rule proposals dealing with NFA's assumption of the Commission's registration functions as well as certain revisions to NFA's membership requirements and qualifications. The Commission is addressing those proposals separately.

Very truly yours,

Jane K. Stuckey

Jane K. Stuckey
Secretary of the Commission