

August 26, 1992

Via Overnight Mail

Ms. Jean A. Webb
Secretariat
Commodity Futures Trading Commission
2033 K Street, N.W.
Washington, D.C. 20581

Re: Proposed Amendment to Article VII, Section 2, of
National Futures Association's Articles of Incorporation

Dear Ms. Webb:

Pursuant to Section 17(j) of the Commodity Exchange Act, as amended, National Futures Association ("NFA") hereby submits to the Commodity Futures Trading Commission ("Commission") a proposed amendment to Article VII, Section 2, of NFA's Articles of Incorporation ("Articles"). The amendment was ratified by NFA's Board of Directors ("Board") at its meeting on May 21, 1992 and has since been adopted by a two-thirds vote of those NFA Members actually voting in the Contract Market category and a majority of those Members actually voting in the FCM, LTM and IB category and the Industry Participant category. NFA intends to make the amendment to Article VII, Section 2, effective ten days after receipt of this submission by the Commission unless the Commission notifies NFA within the ten-day period that the Commission has determined to review the amendment for approval.

I. THE PROPOSED AMENDMENTS

Amendment to Article VII, Section 2, to change the allocation of FCM seats on NFA's Board (additions are underscored and deletions are placed within brackets):



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ARTICLES OF INCORPORATION
OF
NATIONAL FUTURES ASSOCIATION

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ARTICLE VII: BOARD OF DIRECTORS

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Section 2: Composition of Board.

The Board of Directors shall be comprised as follows:

* * *

- (b) Futures Commission Merchant, Leverage Transaction Merchant and Introducing Broker Representatives.
- (i) Sixteen (16) elected representatives of registered Futures Commission Merchant (hereinafter "FCM") Members, registered Leverage Transaction Merchant (hereinafter "LTM") Members, and registered Introducing Broker (hereinafter "IB") Members, divided [into five categories] as follows:
- (A) [~~Four(4)~~] Three (3) representatives of [such] FCMs and LTMs having 1-15 offices.
 - (B) [~~Four (4)~~] Three (3) representatives of [such] FCMs and LTMs having 16-50 offices.
 - (C) Two (2) representatives of FCMs and LTMs from either category A or B above.
 - ~~(D)~~ Six (6) representatives of [such] FCMs and LTMs having 51 or more offices.
 - [(D)] (E) One (1) representative of IBs required to maintain minimum adjusted net capital.



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[(E)] (F) One (1) representative of IBs not required to maintain minimum adjusted net capital.

An FCM and an LTM Member's offices shall include the offices of any affiliate through which offices the FCM or LTM Member conducts its FCM or LTM business.

* * *

II. EXPLANATION OF THE PROPOSED AMENDMENT

Article VII, Section 2, currently provides a total of 14 seats on the Board for FCM representatives. These seats are divided among three subcategories of FCMS which are based on the number of branch offices operated by the FCM. Specifically, there are six representatives for FCMS with 51 or more branch offices, four representatives for FCMS with 16-50 branch offices and four representatives for FCMS with 1-15 branch offices. This allocation of FCM seats on the Board has remained unchanged since NFA became registered as a futures association. Changes in the composition of the FCM community in recent years, however, have reduced the number of potential candidates to serve in the 16-50 category. In the last five years, the number of FCMS in this category has dropped 36%, from 22 in December 1986 to 14 in December 1991. The 1-15 category experienced a 20% drop but still has 259 FCMS to draw from. The 51 and above category, although fluctuating somewhat over the last five years, currently has the same number of FCMS, 13, as it did in 1986.

The scarcity of FCMS in the 16-50 category is not the only factor which dictates a reallocation of FCM seats. In addition, many of the FCMS from the 16-50 category do not conduct a significant amount of futures business. Moreover, most of these firms are from the central region. Since the Articles provide that no more than seven representatives may be from the same region, most of these firms would be ineligible for a Board seat if, as frequently happens, there were already seven representatives from the central region.




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Under the proposed amendment, the number of Directors in the 1-15 and 16-50 categories would be reduced from four to three with the remaining two Directors elected at large from either of those categories. The number of Directors in the 51 and above category would remain unchanged. The proposed amendment will inject flexibility into the categories which are experiencing the greatest amount of change, will continue to ensure that all categories of FCMs are adequately represented, and will create the least amount of disruption in the current structure.

As stated above, NFA intends to make the amendments to Articles VII effective ten days after receipt of this submission by the Commission unless NFA receives notification that the Commission has determined to review the amendments for approval.

Respectfully submitted,


Daniel J. Roth
General Counsel

DJR:cm(1tr/webb.cm)

cc: Chairman Wendy L. Gramm
Commissioner Fowler C. West
Commissioner William P. Albrecht
Commissioner Sheila C. Bair
Commissioner Joseph B. Dial
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DIVISION OF
TRADING AND MARKETS

COMMODITY FUTURES TRADING COMMISSION

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September 10, 1992

Mr. Daniel J. Roth
General Counsel
National Futures Association
200 West Madison Street
Chicago, Illinois 60606

Re: Proposed Amendment to Article VII, Section 2
of Articles of Incorporation

Dear Mr. Roth:

By letter dated August 26, 1992, and received by the Commission on August 27, 1992, the National Futures Association ("NFA") submitted the above-referenced proposal to the Commission. NFA's submission invoked the "ten-day" provision of Section 17(j) of the Commodity Exchange Act ("Act") to permit the above-referenced proposal to become effective ten days after Commission receipt unless the Commission determined to review the proposal for approval and so notified NFA.

Please be advised that the Commission has examined the above-referenced proposal and has decided to not review the proposal, as provided under Section 17(j) of the Act.

Very truly yours,

Alan L. Seifert
Deputy Director

