

September 7, 2010

Via Federal Express

Mr. David A. Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: National Futures Association: Forex Dealer Member Trade Reporting System – Proposed Adoption of NFA Compliance Rule 2-48*

Dear Mr. Stawick:

Pursuant to Section 17(j) of the Commodity Exchange Act, as amended, National Futures Association (“NFA”) hereby submits to the Commodity Futures Trading Commission (“CFTC” or “Commission”) proposed adoption of NFA Compliance Rule 2-48 regarding a Forex Dealer Member (“FDM”) Trade Reporting System. NFA’s Board of Directors (“Board”) approved this proposal on August 19, 2010. NFA respectfully requests Commission review and approval of the proposed amendments.

**PROPOSED AMENDMENTS
(additions are underscored)**

COMPLIANCE RULES

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

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RULE 2-48. FOREX DEALER MEMBER DAILY TRADE DATA REPORTS

- (a) Each Forex Dealer Member must file a daily electronic report of trade data with NFA using the electronic filing method required by NFA. The report must contain the data and be in the format prescribed by NFA. Each Forex Dealer Member must prepare the report as of 5:00 P.M. Eastern time and file it with NFA by 11:59 P.M. Eastern time the same day.
- (b) By submitting the report, the FDM certifies that the report is true and complete.
- (c) Each daily report that is filed after it is due shall be accompanied by a late fee of \$200 for each business day that it is late. Payment and acceptance of the fee does not preclude NFA from filing a disciplinary action for failure to comply with the deadlines imposed in this rule.

EXPLANATION OF PROPOSED AMENDMENTS

Last year, NFA's Board of Directors ("Board") authorized staff to develop an electronic trade practice surveillance system to monitor FDM forex trading activity in order to identify trade practice abuses. The Board recognized that NFA's current methods for identifying trade practice abuses (through audits or investigations of customer complaints) involves a very labor intensive manual review of trading activity. Therefore, it would be beneficial for NFA to receive regular current trade information from FDMs in a format that allowed NFA to monitor the information electronically and produce exception reports and alerts for activity that might be indicative of a trade practice abuse.

Over the last 18 months, NFA staff has developed a system that will receive daily information from FDMs and produce exception reports that will assist staff in identifying potential trade practice abuses. A pilot program to test the system began on July 1, 2010. Currently, several FDMs are participating. NFA has invited all FDMs to participate in the pilot and we hope to have the majority of the FDMs submitting daily reports in the next few weeks.

NFA staff has made FDM Members fully aware of the system's development. Compliance staff contacted each FDM and provided significant information on the system and what the firm's obligations will be once the system becomes fully operational. In addition, Compliance staff held a series of conference calls with FDMs to address their questions and concerns.

However, in order to formally implement the system, NFA must adopt a rule to impose the reporting requirement on FDM Members. Proposed Compliance Rule 2-48 requires FDM Members to submit the required daily report of trade data and to impose an automatic late fee for reports that are not filed in a timely manner.

Although Rule 2-48 does not specify the information that the FDM must submit, NFA intends to require FDMs to submit at least the following:

- All order transaction records on a daily basis;
- A list of executed trades on a daily basis;
- A list of all money managers on the first day of reporting, with any changes being reported daily;
- A list of all price adjustments made by the FDM on a daily basis; and
- A list of any unusual events, such as a system outage or "fast market" on a daily basis as applicable.

The system will analyze this information and create exceptions reports that identify, among other things:

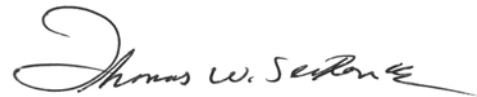
- Delays between when customer orders reach the platform and when they are executed;
- How frequently prices received by customers differ from the prices reflected on the platform at the time the orders reach it;
- Whether the fills at a particular FDM are out-of-line with the market (as measured by a feed from Bloomberg or a similar source) or an FDM's spreads are out-of-line with those offered by other FDMs; and
- Whether prices that touch off customer stop orders or induce margin calls are consistent with prices offered by other FDMs.

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NFA respectfully requests that the Commission review and approve the proposed adoption of NFA Compliance Rule 2-48 regarding an FDM trade reporting system.

Respectfully submitted,

A handwritten signature in cursive script that reads "Thomas W. Sexton". The signature is written in black ink and is positioned above the printed name and title.

Thomas W. Sexton
Vice President and General Counsel

* The proposed adoption of NFA Compliance Rule 2-48 will become effective February 4, 2011.