

NFA NATIONAL FUTURES ASSOCIATION
200 W. MADISON ST•CHICAGO, IL•60606•(312) 781-1300

December 28, 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:

Pursuant to Section 17(j) of the Commodity Exchange Act ("Act"), as amended, National Futures Association ("NFA") hereby submits to the Commodity Futures Trading Commission ("Commission") proposed amendments to Bylaw 1301 and hereby requests review and approval of these amendments. These amendments were unanimously approved by the Board of Directors ("Board") at a meeting on December 6, 1983.

Article XI of NFA's Articles of Incorporation requires that in order to adopt, amend or repeal any Bylaw regarding dues or assessments a majority of all Directors in each of the membership categories is necessary. For purposes of Article XI membership categories include contract markets, FCMs and Industry Participants. A majority of all Directors in the Industry Participant category was not present at the December 6 meeting. NFA is in the process of obtaining confirmation of this amendment through unanimous written consent and will inform the Commission when such confirmation is obtained.

In the text below, where appropriate, additions are underscored and deletions are bracketed:

I. The Amendments

BYLAWS OF NATIONAL FUTURES ASSOCIATION

* * *

CHAPTER 13

DUES AND ASSESSMENTS

Bylaw 1301. Schedule of Dues and Assessments.

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Ms. Jane K. Stuckey
December 28, 1983
Page Two

(c) Other Members.

[Annual dues for a Commodity Pool Operator or Introducing Broker shall be \$500 for the year of such entity's initial registration under the Act and thereafter shall be \$1,000 except that annual dues for an introducing broker not required to maintain adjusted net capital shall be \$150. Annual dues for a Commodity Trading Advisor shall be \$500.]

Annual dues for the other membership categories shall be as follows:

- (i) Commodity Trading Advisor - \$250
- (ii) Commodity Pool Operator - \$250
- (iii) Introducing Broker - \$500 for the year of such entity's initial registration under the Act and, thereafter \$1,000 except \$150 for an introducing broker not required to maintain minimum adjusted net capital.
- (iv) Commercial Firm - \$100
- (v) Commercial Bank - \$100

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.

(d) Dues of Related Members.

Notwithstanding any other provision of this Bylaw, where two or more Members elect to be within a group of "related" Members as described in this paragraph, those related Members shall together pay to NFA annual dues as follows:

- (i) The dues required of the related Member which is in the highest dues paying category, except that any of the related Members that are FCMs shall individually pay the dues required of FCMs;
- (ii) \$250 for each location at which records of the related Members are maintained (e.g., \$250 if a single location, \$500 if two locations). Business



Ms. Jane K. Stuckey
December 28, 1983
Page Three

addresses that are reasonably adjacent to each other shall be deemed a single location for purposes of this paragraph.

Solely for purposes of this paragraph, a Member may elect to be within a group of related Members where, with respect to any other Member within the related group, the Member is (A) employed or majority owned by the same person which employs or majority owns such other Member; (B) the Member is employed by such other Member; (C) a majority equity interest in the Member is held by such other member or employee thereof; or (D) the Member is otherwise similarly controlled by such other Member.]

II. Explanation of Amendments

A. CPOs and CTAs

The proposed reduction of CPO and CTA dues under Bylaw 1301(c) represents the Board's adoption in concept of the proposal of the CPO/CTA Advisory Committee to reduce dues of these Member categories and eliminate related Member dues for affiliated entities (a copy of which is attached hereto). The Executive Committee reviewed the Advisory Committee's proposal and recommended to the Board that the proposal be adopted with the modification that dues be set at \$250 for CPOs and CTAs instead of the \$200 level proposed by the Advisory Committee.

Further, the CPO/CTA Advisory Committee proposal which was distributed for public comment on September 22, 1983 prompted 60 comment letters from predominately CPOs and CTAs with approximately 55 commentators specifically addressing and supporting a lower dues level. Many of these commentators viewed a dues reduction in the CPO and CTA categories as more equitable than the existing dues structure. The Advisory Committee and commentators addressing the subject believed it was equitable for CPOs and CTAs to pay significantly less in NFA dues than FCMs and non-guaranteed IBs. The Advisory Committee's belief is supported by the CTA's or CPO's inability, unlike an FCM, to pass on assessment fees to its customers. This factor is one of the elements which warrant the difference in dues levels among these entities.

Approximately a quarter of the commentators addressed the issue of whether the \$1000 dues level constitutes a barrier to entry into the industry. All commentators in this area agreed that the present dues structure serves as a barrier especially for smaller entities. One commentator

NFA

Ms. Jane K. Stuckey
December 28, 1983
Page Four

pointed to four CPOs he was aware of which were not required to register with the CFTC and did not join NFA principally because of the \$1000 annual membership dues. One CTA who is publisher and editor of a financial publication and not required to join NFA stated he would resign his membership at the \$1000 level but would continue his membership if the \$200 level were adopted. As a corollary to these comments a number of commentators felt the reduction of the dues level will ease entry into the industry and thus serve to increase NFA membership.

NFA believes this proposed reduction is consistent with previous representations made by NFA in a letter to Theodore W. Urban dated September 22, 1983. In that letter NFA agreed with the Commission that cost of regulation and distribution of regulatory benefits are important factors in determining equitable allocation of dues. NFA also pointed out that other factors such as the relative burden of dues payments, the requirement that dues not be structured as a barrier to entry as well as the goal of encouraging membership of persons who are not required to join NFA must be considered when analyzing NFA's dues structure. Accordingly, NFA also believes the \$250 dues level in the modified proposal adopted by the Board is consistent with the "equitable allocation of dues" requirement under Section 17(b)(6) of the Act.

NFA estimates that the reduction of CPO/CTA dues to \$250 will reduce NFA revenues by approximately \$238,000 in fiscal 1985 which is projected to be approximately 2% of NFA's total budget. Accordingly, NFA does not believe this reduction will seriously impair NFA's budget structure and that such reduction still represents an equitable allocation of dues.

Without such a proposed dues reduction NFA believes it will not be able to attract the broadest spectrum of CPO/CTA entities under NFA's regulatory umbrella. While NFA is cognizant that the reduced dues level will not assure that all CTAs and CPOs will join NFA, the proposed \$250 level will relieve many of the economic barriers to entry which presently are perceived to exist.

NFA staff has found the "related group" concept under Bylaw 1301(d) to be unwieldy from an administrative perspective since determining whether an applicant properly meets the qualifications for reduced dues under the current dues structure has been found to be extremely time consuming. The proposed amendment to Bylaw 1301(d) will eliminate this concept.

Ms. Jane K. Stuckey
December 28, 1983
Page Five

B. Commercial Firms and Commercial Banks

Bylaw 1301(c) presently sets dues for commercial firms and commercial banks at \$1000 and authorizes the Board to lower or waive that requirement.

Currently, there are 2 commercial firm and 3 commercial bank NFA Members. Efforts by NFA to encourage membership in those categories has met with limited success due in part to the high level of required annual dues. NFA believes that an annual dues requirement of \$100 from commercial banks and commercial firms would cover the costs of processing and maintaining membership records and the cost of the NFA Manual which is supplied to Members. NFA also believes that a \$100 annual dues requirement will make it possible to increase membership in the commercial firm and commercial bank categories. Finally, NFA believes, because commercial banks and commercial firms are not subject to regulation by NFA, that the \$100 dues requirement for these categories comports with Section 17(b)(6) of the Act.

NFA respectfully requests that the proposed amendments to Bylaw 1301 be declared effective upon approval by the Commission. The Board has resolved to implement 30 days after Commission approval.

Very truly yours,
NATIONAL FUTURES ASSOCIATION

By:


Joseph H. Harrison, Jr.
General Counsel and Secretary

cc: Chairman Susan M. Phillips
Commissioner Kalo A. Hineman
Commissioner Fowler C. West
Commissioner William E. Seale
Andrea M. Corcoran, Esq.
Theodore W. Urban, Esq.
Linda Kurjan, Esq.

NATIONAL FUTURES ASSOCIATION
300 W. MADISON ST. • CHICAGO, IL 60606 • (312) 733-1111

February 7, 1984

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 December 28, 1983 from Joseph H. Harrison, Jr., General Counsel and Secretary of National Futures Association ("NFA"), NFA submitted to the Commodity Futures Trading Commission ("CFTC") proposed amendments to NFA Bylaw 1301. In that letter NFA undertook to notify the CFTC by supplemental letter of the date of its adoption by the Board of Directors of NFA.

Please be advised that the above-referenced amendment to NFA Compliance Rules was adopted by unanimous written consent of the Provisional Board of Directors of NFA dated as of December 6, 1983.

Very truly yours,
NATIONAL FUTURES ASSOCIATION

By:


Joseph H. Harrison, Jr.
General Counsel and Secretary

JHH:dc

UNITED STATES OF AMERICA
COMMODITY FUTURES TRADING COMMISSION
2033 K Street, N.W.
Washington, D.C. 20581



February 27, 1984

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

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Re: Amendments to Bylaw 1301(c) and (d)

Dear Mr. Harrison:

This is to notify you that on February 27, 1984, the Commission approved the captioned bylaw amendments, which you submitted by letter dated December 28, 1983, pursuant to section 17(j) of the Commodity Exchange Act. The amendments reduce the amounts of annual membership dues required of commodity pool operators, commodity trading advisors, commercial banks and commercial firms. In addition, the provision for dues of related members is eliminated.

The Commission is pleased that NFA took the opportunity to examine these aspects of its fees structure and then proposed changes that appear to reflect a more equitable allocation of regulatory and administrative costs and a lesser barrier to entry. Nevertheless, the Commission again reminds NFA that, as it gains more experience with the services and programs which NFA's various fees are intended to support, the Commission expects NFA to continue to evaluate and, as necessary, modify the fees to assure that the criteria of section 17(b)(6) and regulation 170.4 continue to be met.

Very truly yours,

Jane K. Stuckey
Secretary of the Commission