

August 21, 2013

Via Federal Express

Mr. Christopher J. Kirkpatrick
Deputy Secretary
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: National Futures Association: Phase 2 of the Daily Segregation Monitoring Systems - Proposed Technical Amendment to NFA Financial Requirements Section 4*

Dear Mr. Kirkpatrick:

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”) the proposed amendments to NFA Financial Requirements Section 4 regarding Phase 2 of the daily segregation monitoring system. NFA’s Board of Directors (“Board”) approved the proposal on August 15, 2013.

NFA is invoking the “ten-day” provision of Section 17(j) of the Commodity Exchange Act (“CEA”) and will make these proposals effective ten days after receipt of this submission by the Commission unless the Commission notifies NFA that the Commission has determined to review the proposals for approval.

**PROPOSED AMENDMENTS
(additions are underscored)**

FINANCIAL REQUIREMENTS

**SECTION 4. FINANCIAL REQUIREMENTS AND TREATMENT OF
CUSTOMER PROPERTY.**

(b) Each Member FCM must instruct each depository, as required by NFA, holding customer segregated funds under CFTC Regulation 1.20, customer secured amount funds under CFTC Regulation 30.7 or cleared swaps customer collateral under CFTC Regulation 22.2 to report the balances in the FCM's customer segregated funds, customer secured amount funds and cleared swaps customer collateral accounts to NFA or a third party designated by NFA in the form and manner prescribed by NFA.

(c) In addition to the requirements of CFTC Regulation 1.49(d), in order to be an acceptable depository to hold customer segregated funds accounts identified in CFTC Regulation 1.20, the depository must report the balances in the FCM's customer segregated funds account(s) held at the depository to NFA or a third party designated by NFA in the form and manner prescribed by NFA.

(d) In addition to the requirements of CFTC Regulation 30.7(c), in order to be an acceptable depository to hold customer secured amount accounts identified in CFTC Regulation 30.7, the depository must report balances in the FCM's customer secured amount account(s) held at the depository to NFA or a third party designated by NFA in the form and manner prescribed by NFA.

(e) In addition to the requirements of CFTC Regulation 22.4, in order to be an acceptable depository to hold cleared swaps customer collateral accounts identified in CFTC Regulation 22.2, the depository must report balances in the FCM's cleared swaps customer collateral account(s) held at the depository to NFA or a third party designated by NFA in the form and manner prescribed by NFA.

EXPLANATION OF PROPOSED AMENDMENTS

NFA Financial Requirements Section 4 requires FCMs that hold customer segregated, secured amount or cleared swaps customer collateral (collectively, customer segregated funds) to instruct their depositories holding customer segregated funds to report the balances in those accounts to NFA. Phase 1 of the daily monitoring system has been successfully implemented, with FCM bank depositories reporting

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customer segregated fund balances to NFA and CME Group (CME) through Alphamatrix360, which transmits this information to NFA and CME.

Beginning in March 2013, NFA and CME staff began the process of implementing Phase 2 of this daily monitoring system, which focuses on confirming balances for customer segregated funds held in non-bank depositories, mainly FCM accounts held at clearing FCMs and clearinghouses. NFA and CME have allocated Phase 2 implementation responsibilities. NFA is currently developing the system and data requirements for collecting balances from the clearing FCM community and CME is developing the system and data requirements necessary to confirm FCM balances held by clearinghouses.

NFA has completed the data requirements needed to obtain balances from clearing FCMs and expects a mid-September 2013 effective date. Phase 2 will require non-clearing FCMs to instruct all clearing FCMs carrying its customer omnibus account(s) to report end-of-day balances in those accounts to NFA and/or the CME. Therefore, beginning in mid-September, FCMs carrying customer omnibus accounts will be required to begin reporting via an SFTP connection the end of day balances in these accounts to the DSRO of the FCM for which it carries the account. Clearing FCMs that carry customer omnibus account(s) for both FCMs for which NFA is the DSRO and FCMs for which CME is the DSRO must establish an SFTP connection with both NFA and CME. NFA and CME have been working closely with the FCM community to ensure that FCMs will be able to comply with the proposed mid-September 2013 effective date.

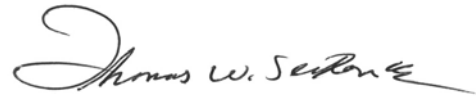
Since NFA and CME will be collecting the balance information directly from clearing FCMs and clearinghouses, a technical amendment to Financial Requirements Section 4 includes NFA as an entity to which segregated funds balances must be reported. The current language "third party designated by NFA" is sufficiently broad to cover the CME. Adding the reference to NFA removes any ambiguity about our authority to require that the information be reported directly to NFA.

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As mentioned earlier, NFA is invoking the “ten-day” provision of Section 17(j) of the Commodity Exchange Act. NFA intends to make the proposed amendments to NFA Financial Requirements Section 4 effective ten days after receipt of this submission by the Commission, unless the Commission notifies NFA that the Commission has determined to review the proposal for approval.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas W. Sexton". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Thomas W. Sexton
Senior Vice President and
General Counsel

*The proposed amendments to Financial Requirements Section 4 became effective September 6, 2013.