

November 20, 2012

Via Federal Express

Ms. Sauntia Warfield
Assistant Secretary
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: National Futures Association: Assessment Fee – Amendments to
Interpretive Notice entitled: *NFA Bylaw 1301(b): NFA's Assessment Fee –
Diminutive Notional Value Contracts and Security Futures Products**

Dear Ms. Warfield:

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 amendment to the Interpretive Notice entitled: *NFA Bylaw 1301(b): NFA's Assessment Fee – Diminutive Notional Value Contracts and Security Futures Products*. NFA’s Board of Directors (“Board”) approved the proposal on November 15, 2012.

NFA is invoking the “ten-day” provision of Section 17(j) of the Commodity Exchange Act (“CEA”) and will make the proposal 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.

PROPOSED AMENDMENTS

(additions are underscored and deletions are ~~stricken through~~)

INTERPRETIVE NOTICES

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INTERPRETIVE NOTICE

**NFA BYLAW 1301(b): NFA'S ASSESSMENT FEE –
DIMINUTIVE NOTIONAL VALUE CONTRACTS AND
SECURITY FUTURES PRODUCTS**

From time to time, upon application by a contract market or exempt commercial market, the Executive Committee may designate certain contracts as diminutive notional value contracts (DNVCs). These contracts typically have a notional value of \$100 or less. The NFA assessment fee for DNVCs shall be \$0.00008 per round-turn, with a minimum fee of \$.01 per round-turn in the event that a customer trades less than 100 contracts. If any computation results in a fraction of a cent, the fee should be rounded to the nearest penny. For example:

- Customer A purchases and sells 100 DNV contracts. Customer A's round-turn assessment fee is \$.01 (100 contracts purchased and sold multiplied by \$0.00008 equals \$0.008). However, the minimum amount due for a trade of less than 100 contracts is \$.01);
- Customer B purchases and sells 150 DNV contracts. Customer B's round-turn assessment fee is \$.01 (150 contracts purchased and sold multiplied by \$0.00008 equals \$.012. Rounding down to the nearest penny results in an assessment fee due of \$.01);
- Customer C purchases and sells 10,000 DNV contracts. Customer C's round-turn assessment fee is \$.80 (10,000 contracts purchased and sold multiplied by \$0.00008 equals \$.80). No rounding is necessary.
- Customer D purchases and sells 150,000 DNV contracts. Customer D's round-turn assessment fee is \$12 (150,000 contracts purchased and sold multiplied by \$0.00008 equals \$12). No rounding is necessary.

NFA will list qualifying DNV contracts on its website in an attachment to the Interpretive Notice entitled *NFA Bylaw 1301: NFA Assessment Fee Questions and Answers for FCMs.*

~~Qualifying DNV Contracts~~

Symbol	Contract Name	Exchange	Effective Date
MCL	Micro Crude Oil Futures	NYMEX	xx/xx/2012

In addition to adopting this fee of \$0.00008 per round-turn with a minimum fee of \$.01 per round-turn and the rounding methodology described above for DNVCs , the Board has also at this time decided to adopt this fee structure for security futures products.

EXPLANATION OF PROPOSED AMENDMENTS

At its May 2012 meeting, the Board adopted an Interpretive Notice to NFA Bylaw 1301(b) entitled *NFA Bylaw 1301(b): NFA's Assessment Fee – Diminutive Notional Value Contracts and Security Futures Products* to impose a reduced NFA assessment fee upon diminutive notional value (DNV) futures contracts. The NFA assessment fee rate for DNV contracts is \$0.00008 per contract on a round-turn basis, with a minimum fee of \$0.01 per round-turn. The Board adopted this fee based upon a request from the CME Group (CME), which began offering a micro crude oil futures contract with a notional value of \$100. In adopting this fee, the Board felt that the current assessment fee rate of \$.04 per round-turn is unduly burdensome for the DNV contracts. The Interpretive Notice further permits NFA's Executive Committee upon application by a contract market or exempt commercial market to designate additional contracts as DNV contracts.

In mid-October, in connection with ICE Futures U.S.'s (ICE) conversion of previous OTC contracts to futures, ICE requested that NFA designate as DNV contracts four brent oil futures contracts. Since the notional value of these single barrel ICE brent oil contracts was very similar to the CME's micro crude oil contract, NFA's Executive Committee designated these four contracts as DNV contracts. ICE subsequently requested that 56 additional energy/power futures contracts that had an approximate notional value of \$175 each qualify for the DNV contract assessment fee rate. Upon consideration of ICE's request, the Executive Committee decided to designate these 56 ICE energy/power contracts as DNV contracts.

At the time the Interpretive Notice was adopted, NFA expected that there would be few DNV contracts and therefore believed it appropriate to identify the DNV contracts in the Interpretive Notice itself. As long as there was few DNV contracts, this approach was acceptable even if changes (e.g. the addition and deletion of designated DNV contracts) to the current Interpretive Notice required Board and Commission approval.

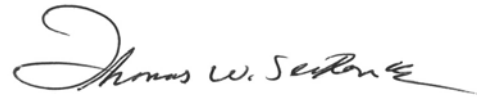
Given recent events, however, NFA expects that additional requests for DNV contract treatment will be forthcoming. Therefore, the proposed amendment to the Interpretive Notice eliminates the need to identify the DNV contracts in the notice itself. Rather, NFA plans to notify the membership of what contracts have obtained DNV designation by listing qualifying DNV contracts on NFA's website in an attachment to the staff-issued Interpretive Notice entitled *NFA Bylaw 1301: NFA Assessment Fee Questions and Answers for FCMs*, and changes to this Notice do not necessitate Board and Commission approval.

Ms. Sauntia Warfield

November 20, 2012

As mentioned earlier, NFA is invoking the “ten-day” provision of Section 17(j) of the Commodity Exchange Act. NFA intends to make the amendments to the Interpretive Notice entitled: *NFA Bylaw 1301(b): NFA's Assessment Fee – Diminutive Notional Value Contracts and Security Futures Products* 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 flourish extending to the right.

Thomas W. Sexton
Senior Vice President and
General Counsel

*The proposed amendments to the Interpretive Notice became effective January 3, 2013.