



January 10, 1994

Via Overnight Courier Delivery

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

Re: National Futures Association: Proposed Amendments to
Article VII of NFA'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") proposed amendments to Article VII of NFA's Articles of Incorporation ("Articles"). The Articles amendments were ratified by NFA's Board of Directors ("Board") on November 18, 1993, and have 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 (CPO and CTA) category.

NFA intends to make the amendments 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 amendments for approval.

THE PROPOSED AMENDMENTS

The proposed amendments to Article VII are as follows (additions are underscored and deletions are bracketed):

ARTICLES OF INCORPORATION
OF
NATIONAL FUTURES ASSOCIATION

* * *

ARTICLE VII: BOARD OF DIRECTORS

* * *



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Section 2: Composition of Board.

* * *

(c) Industry Participant and Public Representatives.

(i) Six (6) [Five (5)] individuals (hereinafter "Industry Participants") as follows:

(A) Three (3) [Two (2)] elected representatives of registered commodity pool operators (hereinafter "CPOs") that are NFA Members; and

(B) Three (3) elected representatives of registered commodity trading advisors ("CTAs") that are NFA Members.

(ii) Nine (9) individuals who are not employed by any Member of NFA (hereinafter "Public Representatives"). At least four (4) of these individuals may not have any direct association with a business enterprise in the commodity futures industry. The remaining Public Representatives may be drawn from commercial banks, commercial firms or other users of the futures markets. Any individual serving as a Public Representative must meet the standards set forth in Commission Regulations.

(iii) Not more than two (2) [one] of the Directors in either [any] of the categories (i) (A) and (B) above shall reside in the same NFA region. If more than two (2) [one] of the individuals receiving sufficient votes for election to the Board in a particular category reside[s] in the same NFA region, only the two individuals receiving the greatest number of votes from among those individuals shall be elected. The remaining representative[s] on the Board for each of those categories shall be the [those] individual[s] not within that region who receives the greatest number of votes among such individuals. Ties shall be resolved by the Board by random draw.

* * *



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EXPLANATION OF PROPOSED AMENDMENTS

The proposed amendments to Article VII provide for a third CPO representative on the Board and provide that two CTA or two CPO representatives may reside in the same region.

Section 17(b)(5) of the Commodity Exchange Act and CFTC Regulation 170.3 both require that NFA assure fair and equitable representation of the various categories of NFA Members on the Board of Directors. Guided by these requirements the founders of NFA allotted three positions on the Board for CTAs and two positions for CPOs, and those basic numbers have remained unchanged. While the number and composition of FCM and IB representatives have been re-evaluated from time to time, the allotment for CPO and CTA representatives has not. Therefore, the Board felt that it was appropriate to examine the provisions regarding CPO and CTA representation on the Board.

In considering this issue, NFA recognized that it is impossible to apply an exact mathematical formula to determine what constitutes "fair representation" for any category of Member. NFA did note, however, the significant increase in both the number of registered CPOs and the amount of funds invested in pools over the last several years. For example, the number of Members who are primarily engaged as CPOs has more than doubled since 1984. Although the measurement of funds invested in the futures markets by CPOs is less precise, by a conservative estimate that amount has at least tripled during that same time. The Board concluded that these numbers justify adding one more CPO representative to the Board.

The Board also concluded that the current geographic restrictions on CPO and CTA representation should be eased. The Articles currently provide that all three CTA representatives on the Board must reside in different regions. This restriction provides no real protection to CPOs and CTAs since their interests do not vary according to region. This limitation may at times preclude highly qualified individuals from serving on the Board. The Board determined that one way to provide greater flexibility while still preserving geographic diversity would be to provide that the three CTA representatives and the three CPO representatives may not all come from the same region.

As stated above, NFA intends to make the amendments to Article VII effective ten days after receipt of this submission

NFA

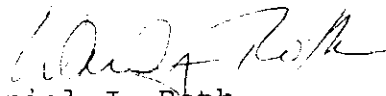
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by the Commission unless NFA receives notification that the Commission has determined to review the amendments for approval.

Respectfully submitted,



Daniel J. Roth
General Counsel

DJR:ckm(sub\VII)

cc: Acting Chairman Barbara Pedersen Holum
Commissioner Sheila C. Bair
Commissioner Joseph P. Dial
Commissioner John E. Tull, Jr.
Andrea M. Corcoran, Esq.
Dennis P. Klejna, Esq.
Alan L. Seifert, Esq.
Susan C. Ervin, Esq.
Lawrence B. Patent, Esq.
David Van Wagner, Esq.



COMMODITY FUTURES TRADING COMMISSION

2033 K Street, NW, Washington, DC 20581

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January 21, 1994

DIVISION OF
TRADING AND MARKETS

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

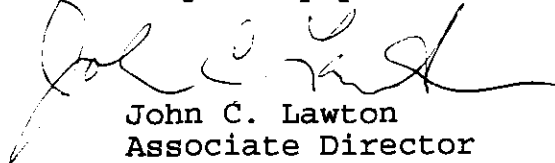
Re: Proposed Amendments to Article VII of
Articles of Incorporation--Composition of
Board of Directors

Dear Mr. Roth:

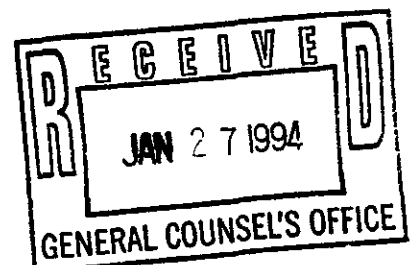
By letter dated January 10, 1994, and received by the Commission on January 11, 1994, the National Futures Association ("NFA") submitted the above-referenced proposal to the Commission. NFA's submission invoked the "ten-day" provision of Section 17(j) of the Commodity Exchange Act ("Act") to permit the above-reference proposal to become effective ten days after Commission receipt unless the Commission determined to review the proposal for approval and so notified the NFA.

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

Very truly yours,



John C. Lawton
Associate Director



AMENDMENTS TO ARTICLE VII
BECOME EFFECTIVE

By letter dated January 10, 1994, NFA submitted to the CFTC proposed amendments to Article VII, Section 2. NFA informed the Commission that it intends to make the amendments effective ten days after receipt of the submission by the Commission unless the Commission notifies NFA within the ten-day period that the Commission has determined to review the amendments for approval. Not having received such notification from the Commission, the amendments became effective on January 21, 1994.

Article VII was amended to provide for a third CPO representative on the Board and allow for two CTA or two CPO representatives to reside in the same region. The amendments received membership approval.

Chris Makino
January 24, 1994