

July 17, 1990

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

Re: National Futures Association: Proposed Amendments to  
Articles VII and X

Dear Ms. Webb:

Pursuant to Section 17(j) of the Commodity Exchange Act, as amended ("the Act"), National Futures Association ("NFA") hereby submits to the Commodity Futures Trading Commission ("Commission") proposed amendments to Articles VII and X of NFA's Articles of Incorporation ("Articles"). The amendments were ratified by NFA's Board of Directors ("Board") at its meeting on May 17, 1990 and have since been adopted by a two-thirds vote of those NFA Members actually voting in the contract market category and a majority vote of those NFA Members actually voting in each of the FCM and IB and the Industry Participant categories. NFA intends to make the amendments to Articles VII and X effective ten (10) 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.

**I. THE PROPOSED AMENDMENTS**

Amendments to Articles VII and X to streamline election procedures for commercial firm and commercial bank representatives to the Board of Directors (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.**

The Board of Directors shall be comprised as follows:

\* \* \*

**(c) Industry Participant Representatives**

(i) Ten (10) individuals related to participants in the commodity futures industry other than contract markets, FCMs, LTMs or IBs (hereinafter "Industry Participants"), as follows:

- (A) Three (3) [elected] representatives of persons or affiliates thereof primarily engaged in the business of manufacturing, processing, refining, merchandising or consuming a commodity traded for future delivery on a contract market (hereinafter "commercial firms");
- (B) Two (2) elected representatives of registered commodity pool operators (hereinafter "CPOs") that are NFA Members;
- (C) Three (3) elected representatives of registered commodity trading advisors ("CTAs") that are NFA Members; and
- (D) Two (2) [elected] representatives of commercial banking institutions.

\* \* \*

**Section 3: Nominations; Election.**

The elected Directors shall be chosen as follows:

**(a) Nominating Committee.**

The Nominating Committee (see Article X) shall nominate at least one candidate for each elected Director position to be filled; at least one of which shall be a representative of an FCM which is not a member of any contract market. These nominations shall be made in accordance with the eligibility requirements contained in this Article.

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(b) Petition Procedure.

Nominations may be made for elected Director positions by:

- (i) Petition signed by 50 or more NFA Members in the category for which the nomination is made (i.e., FCM and LTM; IB; [commercial firm;] CPO; and CTA; [and commercial bank];) or
- (ii) Petition submitted by any organization or association recognized by NFA as fairly representing the category (see (b)(i) above) for which the nomination is made.

Petitions shall be submitted in the manner specified in the Bylaws. No petition may nominate more than one candidate for the same position.

\* \* \*

(e) Commercial Firm and Commercial Bank Representatives.

The commercial firm and commercial bank representatives shall be chosen as follows: Before the Annual Election, the Board shall solicit from the commercial bank Members the nomination of individuals to serve on the Board in the commercial bank category and shall solicit from the commercial firm Members the nomination of individuals to serve on the Board in the commercial firm category. The Executive Committee may also nominate individuals to serve on the Board in the commercial bank and commercial firm categories. At the Board's regular annual meeting, the Board shall, by majority vote, select from among such nominees the commercial firm representative and the commercial bank representative to serve on the Board.

\* \* \*

**ARTICLE X: NOMINATING COMMITTEE**

**Section 1: General.**

There shall be a Nominating Committee, composed of four (4) [six (6)] Sub-Committees, one for each of the following categories of Members: FCMs and LTMs; IBs; [commercial firms;] CPOs; and CTAs[; and commercial banks]. Each Sub-Committee shall nominate at least one candidate for each position to be filled on



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the Board in the Sub-Committee's category, in accordance with the eligibility requirements of Article VII.

\* \* \*

## II. EXPLANATION OF THE PROPOSED AMENDMENTS

Article VII of NFA's Articles of Incorporation governs the composition of the Board of Directors and the selection of the different categories of directors. Section 2(c) provides, in part, that three directors shall be elected to represent commercial firms and two directors shall be elected to represent commercial banks. They do not have to be affiliated with commercial firms and commercial banks that are NFA Members.

Section 3 of Article VII currently provides that the commercial firm and commercial bank representatives shall be elected by plurality vote by Members in the categories they represent. Article X currently provides for a number of Sub-Committees of the Nominating Committee, including one composed of three representatives of commercial firms and one composed of three representatives of commercial banks. The members of the Nominating Committee are also elected by Members in their respective categories.

NFA currently has four commercial firm Members and one commercial bank Member, and the nomination and election process for these categories typically produces more candidates than voters. The proposed amendments eliminate this inefficient and unnecessarily complex means of choosing directors in the commercial firm and commercial bank categories and replace it with an election procedure similar to that used for public directors.

The proposed amendments require NFA to solicit nominations from the Members in the commercial firm and commercial bank categories and provide the Executive Committee with the opportunity to make additional nominations. The commercial firm and commercial bank representatives will then be elected by a majority vote of the Board.

The proposed amendments will not disenfranchise the commercial firm and commercial bank Members of NFA. Commercial firms and commercial banks will still retain their same representation on the Board and will be given the opportunity to nominate individuals of their choice. Furthermore, since commercial firms and commercial banks are not subject to regulation by NFA and are



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not required to be Members of NFA, they will not be prejudiced by the fact that they will not be able to directly elect their own directors.

The commercial firm and commercial bank Members of NFA support these proposed amendments. All of the commercial firm and commercial bank representatives present at the May 17, 1990 Board meeting voted in favor of the amendments. Furthermore, all of the ballots received from Members in the commercial firm and commercial bank categories were in favor of the amendments.

As stated above, NFA intends to make the amendments to Articles VII and X effective ten (10) days after receipt of this submission 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

KPC:jac(Ltrs\Webb2.DJR)

cc: Chairman Wendy L. Gramm  
Commissioner Kalo A. Hineman  
Commissioner Fowler C. West  
Commissioner William P. Albrecht  
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DIVISION OF  
TRADING AND MARKETS

August 3, 1990

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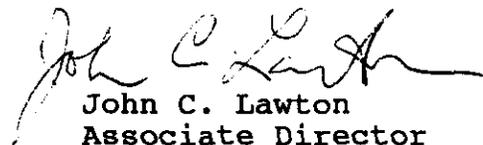
Re: Proposed Amendments to Articles VII and X of  
NFA's Articles of Incorporation

Dear Mr. Roth:

By letter dated July 17, 1990, and received by the Commission on July 23, 1990, 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-referenced proposal to become effective ten days after Commission receipt unless the Commission determines to review the proposal for approval and so notifies NFA.

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

Very truly yours,

  
John C. Lawton  
Associate Director

