

July 3, 1985

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

Re: National Futures Association, Proposed Amendments
to NFA Bylaws 301(a)(i) and 301(j) and Proposed
Amendments to NFA Compliance Rule 2-22.

New York Futures Exchange, Proposed Amendments
to Exchange Rule 205.

Dear Ms. Webb:

Pursuant to Section 17(j) of the Commodity Exchange Act ("Act") as amended, National Futures Association hereby submits the following amendments to NFA Bylaws 301(a)(i) and 301(j) and NFA Compliance Rule 2-22, and the New York Futures Exchange ("NYFE") hereby submits, pursuant to Section 5a(12) of the Act, the following amendments to Exchange Rule 205, to the Commodity Futures Trading Commission ("Commission" or "CFTC") for review and approval. NFA Bylaw 301(b) was declared effective as of August 1, 1985, and the Proposed Amendments to NFA's rules were approved, by NFA's Board of Directors at its meeting on May 23, 1985. The Amendments to NYFE's rule were approved by NYFE's Board of Directors at its meeting on April 30, 1985. One of the purposes of these rule amendments is to simplify the registration process for Associated Persons ("APs") by allowing APs to obtain all necessary Commission, NFA and Exchange approvals by filing one application form with NFA. It is the understanding of NFA and the NYFE that the Board of Trade of the City of Chicago and the Chicago Mercantile Exchange will also be submitting rule amendments to the Commission in order to achieve this purpose.



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I. THE AMENDMENTS

A. Proposed Amendments to NFA Bylaws 301(a)(i) and 301(j).
(Additions are underscored.)

BYLAWS OF NATIONAL FUTURES ASSOCIATION

* * *

Chapter 3

MEMBERSHIP AND ASSOCIATION WITH A MEMBER

Bylaw 301. Requirements and Restrictions.

(a) Eligibility for Membership.

- (i) No person, unless eligible for Membership in the contract market, commercial firm or commercial bank category, shall be eligible to become or remain an NFA Member or associated with a Member unless such person is registered, temporarily licensed or exempt from registration under the Commodity Exchange Act (hereinafter "Act") or the rules of the Commodity Futures Trading Commission (hereinafter "Commission"). If a person becomes ineligible to remain a Member or associated with a Member pursuant to this section of paragraph (a) then such person's Membership or registration with NFA as an Associate shall terminate. Such termination shall not relieve the Member or Associate of any responsibility under the NFA Code of Arbitration, Compliance Rules or Bylaws for activities prior to termination, or of the obligation to pay any dues, assessments, fines, penalties or other charges theretofore accrued and unpaid.

* * *

(j) Termination of Associate.

Each Member shall promptly inform the Secretary of the termination of employment of any registered Associate



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with the Member. If such person is no longer listed as an Associate of any Member following such termination, the individual's registration with NFA shall lapse unless the Secretary is notified in writing by another Member, within 60 days thereafter, that such person has become associated with it. Lapse of an individual's registration with NFA as an Associate shall not relieve the Associate of any responsibility under the NFA Code of Arbitration, Compliance Rules, or Bylaws for activities prior to the lapse, or the obligation to pay any fines, penalties or other charges theretofore accrued and unpaid.

* * *

B. Proposed Amendment to NFA Compliance Rule 2-22. (Additions are underscored.)

COMPLIANCE RULES

Part 2 - RULES GOVERNING THE BUSINESS CONDUCT
OF
MEMBERS REGISTERED WITH THE COMMISSION.

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Rule 2-22. PROHIBITED REPRESENTATIONS.

No Member or Associate shall represent or imply in any manner whatsoever that such Member or Associate has been sponsored, recommended or approved, or that such Member's or Associate's abilities have in any respect been passed upon, by NFA; provided, however, that this Rule shall not prohibit a Member from stating the fact of Membership, or an Associate from stating the fact of registration as an Associate, if the effect of NFA Membership or registration as an Associate is not misrepresented, or from discussing or explaining the functions and purposes of NFA.

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C. Proposed Amendments to NYFE's Exchange Rule 205. (Additions are underscored and deletions are bracketed.)

NEW YORK FUTURES EXCHANGE RULES

* * *

REGISTERED COMMODITIES REPRESENTATIVES

* * *

Rule 205.

(a) No member, nominee or approved person, or general partner, officer or employee (or person occupying a similar status or performing similar functions) of a member or member organization shall engage either in the solicitation or acceptance of customers' orders for futures contracts or option contracts, other than in a clerical capacity, unless such person is approved by the Exchange as a registered commodities representative. [Prior to such person's approval by the Exchange as a registered commodities representative, such person shall be registered as an associated person with the Commission. A copy of his application for registration as an associated person as filed with the Commission and such additional information as may be required by the Exchange or the Commission shall be submitted to and reviewed by the Exchange before approval of any person as a registered commodities representative will be given.]

(b) [A candidate for approval as a registered commodities representative shall successfully pass such written proficiency examination as the Exchange may require; provided, however, that a candidate for approval as a registered commodities representative who is affiliated with a member or member organization that is a member of another commodities exchange or a registered futures association may, at the Exchange's discretion, be deemed to have qualified without passing any such examination.] An Associated Person of a member or member organization registered as such by the Commission and the National Futures Association shall, unless the member or member organization directs the Exchange otherwise, be approved as a registered commodities representative.



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(c) Each [person seeking approval by the Exchange as a] registered commodities representative shall [sign an agreement in form satisfactory to the Exchange to] abide by the Rules of the Exchange.

(d) [The Exchange may deny approval to any applicant for approval as a registered commodities representative who fails to meet] No person may act as a registered commodities representative unless that person meets the qualifications set forth in paragraphs [(a),] (b) and (c) above. The Exchange may also deny approval to or condition the approval of [any such applicant] a registered commodities representative for the reasons and pursuant to the procedures contained in Rule 110. Every registered commodities representative must continue to meet [the] these qualifications for approval [contained in the Rules of the Exchange].

* * *

II. EXPLANATION OF AMENDMENTS

A. Proposed Amendments to NFA Bylaw 301(a)(i) and 301(j).

Proposed Amendment to NFA Bylaw 301(a)(i). Bylaw 301(a) provides that no person shall be eligible to become or remain an NFA Member or Associated with a Member unless such person is registered, temporarily licensed or exempt from registration under the Act. The Bylaw in its present form does not indicate the process which must be afforded an individual whose registration as an AP has been revoked or whose temporary license has been terminated, before the individual's membership may be terminated. The process given the individual under the Act prior to the revocation satisfies any similar procedural requirement with respect to terminating Membership or registration as an Associate. Therefore, to avoid meaningless duplication the proposed amendment would provide for the automatic termination of Membership or registration as an Associate once an individual has lost his temporary license or AP status. In addition, in order to maintain disciplinary authority over an individual whose membership or registration as an Associate is terminated, the proposed amendment also provides



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that termination shall not relieve a Member or Associate of any responsibility under the NFA Code of Arbitration, Compliance Rules, or Bylaws for activities prior to termination, or of the obligation to pay any fines, assessments, penalties or other charges theretofore accrued and unpaid.

Proposed Amendment to NFA Bylaw 301(j). Bylaw 301(j) currently provides that an individual's registration as an Associate will lapse whenever the individual terminates employment with a Member and fails to become associated with another Member within 60 days thereafter.

In its present form Bylaw 301(j) leaves open the question of whether a person who allows his registration as an Associate to lapse can be held responsible for violations occurring before the date of the lapse.

To eliminate any ambiguity Bylaw 301(j) as proposed provides that the lapse of an individual's registration as an Associate shall not relieve the individual of responsibility for activities prior to the lapse.

B. Proposed Amendment to NFA Compliance Rule 2-22

Compliance Rule 2-22 currently provides that no Member shall in any manner represent or imply that such Member has been sponsored, recommended or approved, or that such Member's abilities have been passed upon by NFA. The rule in its present form does not specifically prohibit such representations by Associates. To preclude the possibility of any such misrepresentations by Associates as well as Members the proposed amendment to Compliance Rule 2-22 expressly includes Associates.

C. Proposed Amendments to NYFE's Exchange Rule 205

Exchange Rule 205 currently provides that no person shall engage either in the solicitation or acceptance of customer's orders for futures contracts or option contracts, other than in a clerical capacity, unless such person is approved by the Exchange as a registered commodities representative. The Rule further provides that in order to be approved, a person must submit a copy of his application for registration as an associated person as filed with the Commission, such additional information as may be required



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by the Exchange, and shall pass such written proficiency examination as the Exchange may require. The proposed amendments would simplify the registration process by allowing an individual to solicit or accept customers' orders for futures contracts or option contracts upon registration and approval by the Commission and NFA.

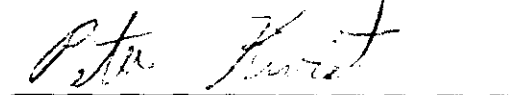
NFA respectfully requests that the proposed amendments to NFA Bylaws 301(a)(i) and 301(j) and NFA Compliance Rule 2-22, and the NYFE respectfully requests that the proposed amendments to Exchange Rule 205, be declared effective upon approval by the Commission.

Very truly yours,

NATIONAL FUTURES ASSOCIATION

NEW YORK FUTURES EXCHANGE


Joseph H. Harrison, Jr.
General Counsel and Secretary


Peter A. Kiviat
Managing Director, Regulations and Surveillance

JHH/PAK:cm

cc: Chairman Susan M. Phillips
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Chicago Mercantile Exchange

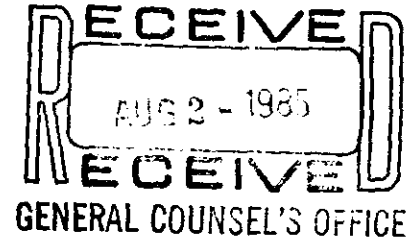
UNITED STATES OF AMERICA
COMMODITY FUTURES TRADING COMMISSION

2033 K Street, N.W.
Washington, D.C. 20581



July 30, 1985

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



Re: NFA Bylaws 301(a) (i) and 301(j) and Compliance
Rule 2-22

Dear Mr. Harrison:

On July 30, 1985, the Commission approved amendments to the captioned rules of the National Futures Association as submitted in your letter of July 3, 1985, pursuant to Section 17(j) of the Commodity Exchange Act. The Commission understands that NFA intends to make those rule changes effective on August 1, 1985, in conjunction with the implementation of the previously approved Bylaw 301(b), which requires persons affiliated with NFA Members to be enrolled as Associate Members of NFA in order to act in the capacity of associated persons. The latest amendments primarily clarify certain continuing responsibilities of Associate Members. They also provide that termination of NFA Membership or Associate status will be automatic if a Member's or an Associate's registration status under the Act (including temporary license) is in any way terminated, since an unregistered person would no longer be eligible to remain a Member or Associate of NFA.

Your July 3 submission also contained a proposal from the New York Futures Exchange pursuant to Section 5a(12) of the Act. NYFE proposed to amend its Rule 205 to reflect the Exchange's arrangement with NFA to process applications for registered commodities representatives of NYFE beginning August 1, 1985. For your information, the Commission also approved the amendments to NYFE Rule 205.

Very truly yours,

Jean A. Webb
Jean A. Webb
Secretary of the Commission

cc: Gerald Byrne