

June 1, 1993

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  
NFA Financial Requirements Schedule B, Section B2, and  
Schedule C, Sections C1 and C2; Compliance Rules 2-7  
and 2-18; and the Deletion of Compliance Rules 2-19 and  
2-20

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 NFA Financial Requirements Schedule B, Section B2, and Schedule C, Sections C1 and C2; Compliance Rules 2-7 and 2-18; and the deletion of Compliance Rules 2-19 and 2-20. These amendments and deletions were approved by NFA's Board of Directors ("Board") at its meeting on May 20, 1993. NFA respectfully requests Commission review and approval of the amendments and deletions.

**PROPOSED AMENDMENTS**

- A. Proposed amendments to NFA Financial Requirements Schedule B, Section B2, and Schedule C, Sections C1 and C2 (additions are underscored and deletions are bracketed):

**FINANCIAL REQUIREMENTS**

\* \* \*

**SCHEDULE B  
EQUITY CAPITAL**

\* \* \*

**Sec. B2. Equity Withdrawal.**

B2-a. The following are prohibited:

\* \* \*

(ii) The making of an unsecured loan (including an advance) to a stockholder, partner, sole proprietor, or employee -- if, after giving effect to such withdrawal or loan, and capital reductions which are scheduled to



Ms. Jean A. Webb

June 1, 1993

occur within 6 months, Adjusted Net Capital of any of the consolidated entities would be less than the greatest of --

- (A) 120 percent of the greatest [minimum dollar] amount required by Section 1[(a)(i)], paragraph (i), (iii), or (iv) of these Requirements;
- (B) 7% of the funds required to be segregated and the foreign futures or foreign options secured amount, less the market value of commodity options purchased by customers on or subject to the rules of a contract market or a foreign board of trade, provided, however, the deduction for each customer shall be limited to the amount of customer funds in such customer's account and foreign futures and foreign options secured amounts; or,
- (C) For securities brokers or dealers, the amount of net capital specified in Rule 15c3-1(e) of the Regulations of the Securities and Exchange Commission (17 CFR 240.15c3-1(e))

or, in the case of a Member FCM which is included within such consolidation, if its equity capital would be less than 30% of the required debt-equity total as defined in Section 3.

\* \* \*

**SCHEDULE C  
SUBORDINATED LOAN AGREEMENTS**

**Sec. C1. Subordinated Loan Agreements.**

\* \* \*

**C1-b. Minimum Requirements for Subordination Agreements.**

\* \* \*

(vi) **Collateral for secured demand notes.** Only cash and securities which are fully paid for and which may be publicly offered or sold without registration under the Securities Act of 1933, and the offer, sale, and transfer of which are not otherwise restricted, may be pledged as collateral to secure a secured demand note.



Ms. Jean A. Webb

June 1, 1993

The secured demand note agreement shall provide that if any time the sum of the amount of any cash, plus the collateral value of any securities then pledged as collateral to secure the secured demand note, is less than the unpaid principal amount of the secured demand note, the Member FCM must immediately transmit written notice to that effect to the lender and its DSRO. The secured demand note agreement shall also require that following such transmittal:

\* \* \*

- (C) The secured demand note agreement may also provide that, in lieu of the procedures specified in the provisions required by (B) above, the lender with the prior written consent of the Member FCM and the DSRO may reduce the unpaid principal amount of the secured demand note: Provided, that after giving effect to such reduction the Adjusted Net Capital of the Member FCM would not be less than the greater of 7 percent of the funds required to be segregated pursuant to the Commodity Exchange Act and CFTC Regulations and the foreign futures or foreign options secured amount, less the market value of commodity options purchased by customers on or subject to the rules of a contract market or a foreign board of trade, provided, however, the deduction for each customer shall be limited to the amount of customer funds in such customer's account and foreign futures and foreign options secured amounts; or, for securities brokers or dealers, the amount of net capital specified in Rule 15c3-1d(b)(6)(iii) of the Regulations of the Securities and Exchange Commission (17 CFR 240.15c3-1d(b)(6)(iii)). Provided further, that no single secured demand note shall be permitted to be reduced by more than 15 percent of its original principal amount and after such reduction no excess collateral may be withdrawn. The DSRO shall not consent to a reduction of the principal amount of a secured demand note if, after giving effect to such reduction, Adjusted Net Capital would be less than 120 percent of the greatest [minimum dollar] amount required by Section 1[(a)(i)], paragraphs (i), (iii), or (iv) of these Requirements.

Ms. Jean A. Webb

June 1, 1993

(vii) **Permissive prepayments ["]and special prepayments["].** A Member FCM at its option, but not at the option of the lender, may, if the subordination agreement so provides, make a payment of all or any portion of the payment obligation thereunder prior to the scheduled maturity date of such payment obligation (hereinafter referred to as "prepayment"), but in no event may any prepayment be made before the expiration of 1 year from the date such subordination agreement became effective: Provided, however, that the foregoing restriction shall not apply to temporary subordination agreements which comply with the provisions of C2-e below, nor shall it apply to revolving agreements covered under Section C2-f. No prepayments shall be made, if, after giving effect thereto (and to all payments of payment obligations under any other subordinated agreements then outstanding, the maturities[y] or accelerated maturities of which are scheduled to fall due within 6 months after the date such prepayment is to occur pursuant to this provision, or on or prior to the date on which the payment obligation in respect to such prepayment is scheduled to mature dis-regarding this provision, whichever date is earlier) without reference to any projected profit or loss of the Member FCM, either the Adjusted Net Capital of the Member FCM is less than the greatest of 7 percent of the funds required to be segregated under the Commodity Exchange Act and CFTC regulations and the foreign futures or foreign options secured amount, less the market value of commodity options purchased by customers on or subject to the rules of a contract market or a foreign board of trade, provided, however, the deduction for each customer shall be limited to the amount of customer funds in such customer's account and foreign futures and foreign options secured amounts; or, for securities brokers or dealers, the amount of Net Capital specified in Rule 15c3-1d(b)(7) of the Regulations of the Securities and Exchange Commission (17 CFR 240.15c3-1d(b)(7)); or 120 percent of the greatest [minimum dollar] amount required by Section 1[(a)(i)], paragraphs (i), (iii), or (iv) of these Requirements. Notwithstanding the above, no prepayment shall occur without the prior written approval of the Member FCM's DSRO.

**(viii) Suspended repayment.**

(A) The payment obligation of the Member FCM with respect to any subordination agreement shall be suspended and shall not mature if, after giving effect to payment of such payment obligation (and to all payments of payment



Ms. Jean A. Webb

June 1, 1993

obligations of the Member FCM under any other subordination agreement(s) then outstanding which are scheduled to mature on or before such payment obligation), the Adjusted Net Capital of the Member FCM would be less than the greatest of 6 percent of the funds required to be segregated pursuant to the Commodity Exchange Act and CFTC Regulations and the foreign futures or foreign options secured amount, less the market value of commodity options purchased by customers on or subject to the rules of a contract market or a foreign board of trade, provided, however, the deduction for each customer shall be limited to the amount of customer funds in such customer's account and foreign futures and foreign options secured amounts; or, for securities brokers or dealers, the amount of net capital specified in Rule 15c3-1d(b)(8)(i) of the Regulations of the Securities and Exchange Commission (17 CFR 240.15c3-1d(b)(8)(i)); or 120 percent of the greatest [minimum dollar] amount required by Section 1[(a)(i)], paragraph (i), (iii), or (iv) of these Requirements. Provided, that the subordinated agreement may provide that if the payment obligation of the Member FCM thereunder does not mature and is suspended as a result of the requirement of this paragraph for a period of not less than 6 months, the Member FCM shall then commence the rapid and orderly liquidation of its business but the right of the lender to receive payment, together with accrued interest or compensation, shall remain subordinate as required by the provisions of this Section.

\* \* \*

**Sec. C2. Miscellaneous Provisions.**

\* \* \*

**C2-b. Notice of Maturity or Accelerated Maturity.**

Every Member FCM shall immediately notify its DSRO if, after giving effect to all payments of payment obligations under subordination agreements then outstanding which are then due or mature within the following 6 months without reference to any projection of profit or loss of the Member FCM, its Adjusted Net Capital would be less than 120 percent of the greatest [minimum dollar] amount required by Section 1[(a)(i)], paragraph (i), (iii), or (iv) of these Require-



Ms. Jean A. Webb

June 1, 1993

ments; or[,] its Adjusted Net Capital would be less than the greatest of 6 percent of the funds required to be segregated pursuant to the Commodity Exchange Act and CFTC Regulations and the foreign futures or foreign options secured amount, less the market value of commodity options purchased by customers on or subject to the rules of a contract market or a foreign board of trade, provided, however, the deduction for each customer shall be limited to the amount of customer funds in such customer's account and foreign futures and foreign options secured amounts; or, for securities brokers or dealers, the amount of net capital specified in Rule 15c3-1d(c)(2) of the Regulations of the Securities and Exchange Commission (17 CFR 240.15c3-1d(c)(2)).

\* \* \*

**C2-e. Temporary Subordinations.**

To enable a Member FCM to participate as an underwriter of securities or undertake other extraordinary activities and remain in compliance with the financial requirements, a Member FCM shall be permitted, on no more than three occasions in any 12-month period, to enter into a subordination agreement on a temporary basis which has a stated term of no more than 45 days from the date the subordination agreement became effective. Provided, that this temporary relief shall not apply to any Member FCM if the Adjusted Net Capital of the Member FCM is less than the greatest of 7 percent of the funds required to be segregated under the Commodity Exchange Act and CFTC Regulations and the foreign futures or foreign options secured amount, less the market value of commodity options purchased by customers on or subject to the rules of a contract market or a foreign board of trade, provided, however, the deduction for each customer shall be limited to the amount of customer funds in such customer's account and foreign futures and foreign options secured amounts; or, for securities brokers or dealers, the amount of net capital specified in Rule 15c3-1d(c)(5)(1) of the Regulations of the Securities and Exchange Commission (17 CFR 240.15c3-1d(c)(5)(1)); or 120 percent of the greatest [minimum dollar] amount required by Section 1[(a)(i)] paragraph (i), (iii), or (iv) of these Requirements;[,] or if the amount of equity capital as defined in Schedule B is less than the limits specified in Section 3. Such temporary subordination agreement shall be subject to all of the other provisions of Schedule C.



Ms. Jean A. Webb

June 1, 1993

**C2-f. Revolving Subordination - Special Payments.**

A Member FCM shall be allowed to enter into a revolving subordination agreement which, at the option of the Member FCM but not at the option of the lender, if the agreement so provides, allows a prepayment at anytime prior to the scheduled maturity date, subject to the prior written approval of the Member FCM's DSRO. However, no such prepayment shall be made if:

(i)[.] After giving effect thereto (and to all payments of payment obligations under any other subordinated agreements then outstanding, the maturities~~es~~[y] or accelerated maturities of which are scheduled to fall due within six months after the date such special payment is to occur pursuant to this provision, or on or prior to the date on which the payment obligation in respect to such special payment is scheduled to mature disregarding this provision, whichever date is earlier) without reference to any projected profit or loss of the applicant or registrant, the Adjusted Net Capital of the applicant or registrant is less than the greatest of 10 percent of the funds required to be segregated pursuant to the Commodity Exchange Act and CFTC Regulations and the foreign futures or foreign options secured amount, less the market value of commodity options purchased by customers on or subject to the rules of a contract market or a foreign board of trade, provided, however, the deduction for each customer shall be limited to the amount of customer funds in such customer's account and foreign futures and foreign options secured amounts; or, for securities brokers or dealers, the amount of net capital specified in Rule 15c3-1d(c)(5)(ii) of the Regulations of the Securities and Exchange Commission (17 CFR 240.15c3-1d(c)(5)(ii)); or 200 percent of the greatest [minimum dollar] amount required by Section 1[(a)(i)], paragraph (i), (iii), or (iv) of these Requirements, or

(ii)[.] Pre-tax losses during the latest three-month period were greater than 15 percent of current excess Adjusted Net Capital.

Ms. Jean A. Webb

June 1, 1993

- B. Proposed amendment to NFA Compliance Rule 2-7 (additions are underscored and deletions are bracketed):

**COMPLIANCE RULES**

\* \* \*

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

\* \* \*

**Rule 2-7. BRANCH OFFICE MANAGER [MINIMUM EXPERIENCE] PROFI-  
CIENCY TESTING REQUIREMENT.**

No Member shall allow an Associate to be a branch office manager, as that term is used in Registration Rule 101, unless [that Associate has been continuously registered under the Act for a minimum of two years and has worked in such registered capacity for that period of time or that]:

- (a) The Associate has taken and passed the Branch Manager Exam-Futures; provided, however, that any Associate who subsequently ceases acting as a branch manager will not be required to retake and pass the examination in order to resume acting as a branch manager unless after acting as a branch manager the Associate was not registered in any capacity for a period of more than two year; or
- (b) The Associate is sponsored by a registered broker-dealer and is qualified to act as a branch office manager under the rules of either the New York Stock Exchange or National Association of Securities Dealers.

[This requirement may, in NFA's discretion, be waived upon a showing that the Associate has equivalent experience. Any Member seeking such a waiver may submit a written request to the Compliance Director and all such requests shall be ruled upon by a three-member panel consisting of one member from each Regional Business Conduct Committee, said members to be appointed by the Board from time to time. The decision of the panel shall be final and shall be based upon the written submissions and views of the Compliance Director. The panel shall communicate its decision to the Compliance Director or





Ms. Jean A. Webb

June 1, 1993

a person designated by the Compliance Director, who shall then inform the Member seeking the waiver.]

- C. Proposed amendment to NFA Compliance Rule 2-18 and deletion of Compliance Rules 2-19 and 2-20 (additions are underscored and deletions are bracketed):

**COMPLIANCE RULES**

\* \* \*

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

\* \* \*

**Rule 2-18. OPTION CUSTOMER COMPLAINTS.**

With respect to all written option customer complaints each Member FCM or IB which engages in the offer or sale of commodity options traded on or subject to the rules of a contract market shall:

- (a) Retain all such written complaints; and
- (b) Make and retain a record of the date the complaint was received, the Associate who serviced the account, a general description of the matter complained of, and what, if any, action was taken in regard to the complaint[; and].
- [(c) Immediately send a copy of such complaint to the Member's designated self-regulatory organization ("DSRO") and, upon final disposition thereof, immediately send a copy of the record of such disposition to the Member's DSRO.]

**[Rule 2-19. OPTION DISCLOSURE AND OTHER REQUIREMENTS.**

Each Member FCM or IB which engages in the offer or sale of commodity options traded on or subject to the rules of a contract market shall:

- (a) Give immediate written notification to the Member's DSRO of any disciplinary action taken against the FCM,



Ms. Jean A. Webb

June 1, 1993

IB or any of its Associates by the Commission or by any other self-regulatory organization;

- (b) Comply with and enforce the disclosure requirements set forth in Commission Regulation 33.7; and
- (c) Promptly submit to the Member's DSRO all promotional material, as defined in Commission Regulation 33.1, pertaining to such option trading.]

**[Rule 2-20. DISCRETIONARY OPTION CUSTOMER ACCOUNTS.**

With respect to any option customer account for which discretion is given for option trading (other than an account (i) of a commodity pool, the operator of which is registered with the Commission as a CPO; (ii) where the person who has discretionary authority is the spouse, parent or child of the option customer; or (iii) which is an omnibus account of another FCM) each Member FCM or IB shall:

- (a) Provide the option customer with an explanation of the nature and risks of the strategy or strategies to be used in connection with the option customer's account;
- (b) Ensure that an officer, general partner, sole proprietor, or branch office manager of the FCM or IB (other than any individual authorized to exercise discretion in trading the account) approves, in writing, the discretionary authority prior to any trading for the account;
- (c) Identify each order as discretionary at the time of entry and ensure that an officer, general partner, sole proprietor, or branch office manager of the FCM or IB (other than any individual authorized to exercise discretion in trading the account) approves, initials and dates all orders for a discretionary account; and
- (d) Review frequently all discretionary accounts.]

Ms. Jean A. Webb

June 1, 1993

**EXPLANATION OF PROPOSED AMENDMENTS****A. Explanation of proposed amendments to NFA Financial Requirements Schedule B, Section B2, and Schedule C, Sections C1 and C2.**

NFA's Financial Requirements for FCMs were recently amended to add additional alternative minimum capital requirements based on the number of branch offices or associated persons the FCM has. The proposed changes are technical amendments which will ensure that the new alternatives are properly referenced throughout the Financial Requirements.

**B. Explanation of proposed amendment to NFA Compliance Rule 2-7.**

Last year the Board adopted Compliance Rule 2-7 which requires, with certain exceptions, that branch office managers of NFA Members have a minimum of two years of continuous experience as Associated Persons. The rule was adopted as an interim measure designed to ensure a minimum level of experience in and knowledge of the industry by branch office managers while a branch office manager proficiency examination was being developed. NFA has finalized the Branch Manager Exam-Futures, and in accordance with the Board's intention at the time the rule was adopted, the proposed amendment to Rule 2-7 rescinds the two-year experience requirement and replaces it with a requirement that an AP take and pass the proficiency examination in order to be listed as a branch office manager of an NFA Member.

As proposed, Rule 2-7 provides that an AP who is sponsored by a registered broker-dealer and who is qualified to act as a branch office manager under the rules of either the New York Stock Exchange or the National Association of Securities Dealers will be exempt from the proficiency testing requirement. This exemption is consistent with the current rule which exempts these APs from the minimum experience requirement. In addition, although not included in the rule itself, the Board adopted a separate resolution which provides that any AP who is listed as a branch office manager at the time the amendment to Rule 2-7 becomes effective will be "grandfathered" and will not be required to take the test to continue acting as a branch manager. Finally, under the proposed amendment, a grandfathered or previously tested branch manager who loses his branch manager status will not be required to retake the exam to resume acting as a branch manager unless he was out of the industry for more than two years after acting as a branch manager.

Ms. Jean A. Webb

June 1, 1993


**C. Explanation of proposed amendment to NFA Compliance Rule 2-18 and the deletion of Compliance Rules 2-19 and 2-20.**

When the Commission instituted its 1982 pilot program authorizing the introduction of exchange traded options, the Commission required all contract markets and registered futures associations to adopt specific option sales practice rules which have no analogue in futures transactions. Most of these options sales practice rules were contained in Commission Regulation 33.4, and NFA paralleled the requirements of the regulation in its Compliance Rules 2-18(c), 2-19 and 2-20.

The Commission recently deleted Regulation 33.4(b)(4)(iii) and (b)(8) and has proposed deleting Regulation 33.4(b)(6) and (b)(9). The proposed amendment to NFA Compliance Rule 2-18 and the deletion of NFA Compliance Rule 2-19(a) and (c) conform to the Commission's changes. Compliance Rules 2-19(b) and 2-20 duplicate requirements covered by NFA Compliance Rules 2-30(d)(3) and 2-8, respectively. Deleting these rules will eliminate confusion by ensuring that both futures and options transactions are governed by the same rules.

NFA respectfully requests that the Commission review and approve the proposed amendments to NFA Financial Requirements Schedule B, Section B2, and Schedule C, Sections C1 and C2; NFA Compliance Rules 2-7 and 2-18; and the deletion of NFA Compliance Rules 2-19 and 2-20. NFA requests that these amendments and deletions be declared effective upon Commission approval.

Respectfully submitted,

  
Daniel J. Roth  
General Counsel

DJR:ckm(sub\052093)

cc: Acting Chairman William P. Albrecht  
Commissioner Sheila C. Bair  
Commissioner Joseph B. Dial  
Andrea M. Corcoran, Esq.  
Dennis P. Klejna, Esq.

Joanne T. Medero, Esq.  
Alan L. Seifert, Esq.  
Susan C. Ervin, Esq.  
Lawrence B. Patent, Esq.  
David Van Wagner, Esq.

UNITED STATES OF AMERICA  
**COMMODITY FUTURES TRADING COMMISSION**

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



January 28, 1994

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

Re: The National Futures Association's  
Proposed Amendments to Compliance Rule 2-7  
and Financial Requirements Schedule B,  
Section B2 and Schedule C, Sections C1 and  
C2; and Proposed Deletion of Compliance Rules  
2-18(c), 2-19(b), 2-19(c) and 2-20

Dear Mr. Roth:

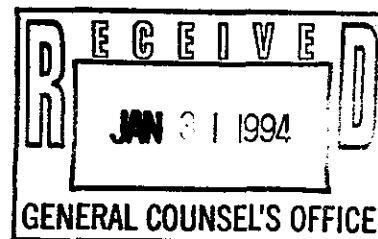
By letters dated June 1, 1993 and December 14, 1993, the National Futures Association ("NFA") submitted the above-referenced proposed rule amendments and rule deletions to the Commission, pursuant to Section 17(j) of the Commodity Exchange Act ("Act").

The Commission understands that NFA intends to implement its proposal upon receipt of notice of Commission approval. Please be advised that on this date the Commission has approved the above-referenced proposed rule amendments and rule deletions under Section 17(j) of the Act.

The Commission also understands that the NFA has agreed to allow the Commission to stay its review of NFA's proposed deletion of Rule 2-19(a) until the Commission takes some final action with respect to its proposed deletion of counterpart Commission Regulation 33.4(b)(6).

Very truly yours,

Jean A. Webb  
Secretary of the Commission



December 14, 1993

Mr. David Van Wagner  
Division of Trading and Markets  
Commodity Futures Trading Commission  
2033 K Street, N.W.  
Washington, D.C. 20581

Re: Series 30 Branch Managers Exam -- Futures to be administered pursuant to the proposed amendments to NFA Compliance Rule 2-7

Dear Mr. Van Wagner:

The Series 30 Branch Managers Exam -- Futures has been developed by NFA to be administered to persons desiring to be designated as branch office managers. It is designed to test an individual's knowledge of fundamental Commission and NFA Requirements as well as their knowledge of what is needed to implement compliance with those Requirements and monitor ongoing adherence to them.

The Series 30 exam contains ten sections, including:

SECTION

DESCRIPTION

1. General

- This covers books and records; order tickets; options procedures; customer deposits; general supervision; registration; NFA discipline; reportable positions; NFA arbitration; on-site audits; bona fide hedging transactions; and trading on foreign exchanges.

2. CPO/CTA - General

- This covers registration; books and records; customer reports; and block orders.

3. CPO/CTA Disclosure Documents

- This covers management and incentive fees; performance records; length of period that document may be used; conflicts; principal participation, disciplinary history and business background; amendments; and review by NFA and the Commission.



Mr. David Van Wagner

December 14, 1993

4. NFA Know Your Customer Compliance Rule 2-30

- This covers the information required to be obtained from customers; circumstances requiring the gathering of additional customer information; and circumstances triggering a responsibility to make additional risk disclosure.

5. Disclosure by CPOs and CTAs required for costs associated with futures transactions.

- This covers the duty to disclose upfront fees and expenses as well as the effect that those fees and expenses have on net performance.

6. Disclosure by FCMS and IBs required for costs associated with futures transactions.

- This covers the duties imposed on FCMS and IBs by NFA Compliance Rule 2-4 (which requires adherence to high standards of commercial honor and just and equitable principles of trade) to disclose transaction costs prior to trading and to explain fees which are not levied on a per trade or round-turn basis in writing.

7. IB - General

- This covers accepting funds from customers; guarantee agreements; responsibility of guarantor FCMS; capital requirements; time-stamping; and books and records.

8. General Account Handling and Exchange Regulations

- This covers risk disclosure statements; margins; stop-loss orders; order preparation; block orders; proprietary accounts; position limits and reporting requirements; and confirmations.

9. Discretionary Account Regulations

- This covers requirements related to the opening and handling of discretionary accounts as well the supervision of compliance with those requirements and the review of trading activity in discretionary accounts.



Mr. David Van Wagner

December 14, 1993

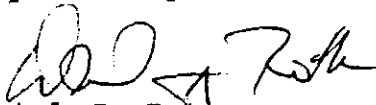
10. Promotional Material - NFA Compliance Rule 2-29

- This covers the area of what is included within the definition of promotional material; a Member's liability for promotional material which is prepared and/or used on its behalf by a third-party; liability for the use of reprints of articles from industry publications as promotional material; promotional material recordkeeping requirements; the accurate portrayal of past performance; the disclosure of the limitations of hypothetical performance; and the obligation to have written procedures for supervision of compliance with Compliance Rule 2-29 which require review and approval of such material by supervisory personnel.

The Series 30 test contains fifty True/False questions which test-takers are given one hour to complete. A typical line of questioning might include an inquiry about whether certain conduct was permitted or required and further questioning about the duties or potential liabilities of principals.

Of course, all persons not otherwise exempted who wished to act as branch office managers would be required to pass the Series 3 in addition to the Series 30. NFA is satisfied that passage of these tests would provide at least as much assurance of branch office manager competence as the current two-years of experience requirement.

Respectfully submitted,

  
Daniel J. Roth  
General Counsel

/jac (Ltrs\BrnMgrEx.PMR)