

June 6, 1984

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

Re: National Futures Association, Proposed Amendments
to Compliance Rule 2-13 and Financial Requirements
Section 1

Dear Ms. Stuckey:

Pursuant to Section 17(j) of the Commodity Exchange Act ("Act"), as amended, National Futures Association ("NFA") hereby submits the following amendments to Rule 2-13 of the Compliance Rules and Section 1 of the Financial Requirements to the Commodity Futures Trading Commission ("Commission" or "CFTC") for review and approval. These amendments were unanimously approved by the NFA Board of Directors at its meeting on May 17, 1984. In the text below, where appropriate, additions are underscored.

I. The Amendments

A. Compliance Rule

COMPLIANCE RULES

* * *

Rule 2-13. CPO/CTA REGULATIONS.

Any Member who violates any of CFTC Regulations 4.1 and 4.16 through 4.41 shall be deemed to have violated an NFA requirement. Each Member required to file any document with or give notice to the CFTC under CFTC Regulations 4.13 and 4.16 through 4.32 shall also file one copy of such document with or give such notice to NFA at its Chicago office no later than the date such document or notice is due to be filed with or given to the CFTC.

B. Financial Requirement

FINANCIAL REQUIREMENTS

* * *

Section 1. Minimum Financial Requirement.

Each NFA Member that is registered or re-
quired to be registered with the Commodity Futures



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Trading Commission (hereinafter "CFTC") as a Futures Commission Merchant (hereinafter "Member FCM") must maintain "Adjusted Net Capital" (as defined in Schedule A hereto) equal to or in excess of--

- (a) The greatest of--
 - (i) \$50,000, or
 - (ii) 4 percent of the funds required to be segregated pursuant to the Commodity Exchange Act and CFTC Regulations, less the market value of commodity options purchased by option customers on or subject to the rules of a contract market, provided, however, the deduction for each option customer shall be limited to the amount of customer funds in such option customer's account; or,
 - (iii) (for securities brokers and dealers), the amount of net capital specified in Rule 15c3-1(a) of the Regulations of the Securities and Exchange Commission (17 CFR 240.15c3-1(a)).

II. Explanation of Amendments

A. Compliance Rule 2-13

NFA Compliance Rule 2-13 currently incorporates by reference CFTC Regulations 4.16 through 4.41 and makes violation of those CFTC Regulations a violation of an NFA Requirement. In addition, NFA Compliance Rule 2-13 requires that any document or notice required to be filed with the CFTC under CFTC Regulations 4.13 and 4.16 through 4.32 must also be filed with or given to NFA no later than the date the document or notice is filed with or given to the CFTC. Actual application of this Rule has indicated two ways in which it should be improved:

First, CFTC Regulation 4.1 should be included among the CFTC Regulations incorporated by reference among NFA Requirements. That Regulation provides that disclosure documents and other documents distributed pursuant to Part 4 Regulations must be clear and legible, paginated and fastened in a secure manner. CFTC Regulation 4.1 also defines the term "prominently disclosed" as used in the Part 4 Regulations.



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Second, as NFA Compliance Rule 2-13 currently stands, it could be argued that a document not filed with the CFTC need not be filed with NFA even if the failure to file with the CFTC was in violation of CFTC requirements.

The proposed amendments to Compliance Rule 2-13 address both of these concerns.

B. Financial Requirement Section 1

NFA Financial Requirements Section 1 sets forth the adjusted net capital requirement for FCM Members of NFA who are "required to be registered with the Commodity Futures Trading Commission." The adjusted net capital requirement set forth in CFTC Regulation 1.17 applies to all persons who are registered as FCMs. Thus, the CFTC's capital requirement applies to all registered FCMs, including those who register "voluntarily," while NFA's arguably does not.

Since NFA is required to set capital requirements at least as stringent as those set by the CFTC, NFA staff has interpreted Section 1 of NFA's Financial Requirements to apply to all FCM Members regardless of whether they are "required to be registered." The proposed amendment to NFA Financial Requirements Section 1 makes this point explicit.

NFA respectfully requests that the amendments described herein to Compliance Rule 2-13 and Section 1 of the Financial Requirements be declared effective upon approval by the Commission.

Very truly yours,

NATIONAL FUTURES ASSOCIATION

By:

Joseph H. Harrison, Jr.
General Counsel and Secretary

JHH:cm

cc: Chairman Susan M. Phillips
Commissioner Kalo A. Hineman
Commissioner Fowler C. West
Commissioner William E. Seale
Andrea M. Corcoran, Esq.
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UNITED STATES OF AMERICA
COMMODITY FUTURES TRADING COMMISSION

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



COPY TO FYI:

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July 5, 1984

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

Re: Proposed Amendments to NFA Compliance Rule 2-13
and Financial Requirements Section 1

Dear Mr. Harrison:

By your letter dated June 6, 1984, NFA submitted the captioned rule amendments for Commission review and approval pursuant to section 17(j) of the Commodity Exchange Act. Those amendments, which the Commission understands would be effective upon approval, were approved by the Commission on July 3, 1984.

Very truly yours,

Jane K. Stuckey
Secretary of the Commission

