

May 22, 1987

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

Re: National Futures Association, Proposed Amendment to Article XVII

Dear Ms. Webb:

Pursuant to Section 17(j) of the Commodity Exchange Act ("Act"), as amended, National Futures Association ("NFA") hereby submits to the Commodity Futures Trading Commission ("Commission") a proposed amendment to Article XVII of NFA's Articles of Incorporation ("Articles"). The amendment was ratified by NFA's Board of Directors at its meeting on February 26, 1987, and has since been adopted by a majority vote of NFA's Members in each of the contract market, FCM and IB, and Industry Participant categories.

I. THE PROPOSED AMENDMENT

Amendment to Article XVII to change the approval requirement for Articles amendments to a majority of those actually voting in the FCM and IB category and the Industry Participant category and two-thirds of those actually voting in the contract market category (additions are underscored and deletions are [bracketed]):

ARTICLES OF INCORPORATION
OF
NATIONAL FUTURES ASSOCIATION

* * *

ARTICLE XVII: ADOPTION, AMENDMENT AND REPEAL OF ARTICLES

No provision of these Articles may be adopted, amended or repealed except in the manner prescribed in this Article. Each such proposed change to the Articles shall be reviewed by the Board, and shall be submitted to the Members of NFA only upon ratification of the proposal by two-thirds of the Directors in the category set forth in Section 2(a) of Article VII (contract markets), and a majority of the Board members in each of the two categories set forth in Sections 2(b) and 2(c) of that Article (FCMs and IBs, and Industry



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Participants). If any such proposed change relates to Article III, Section 2, such proposed change shall not be considered by the Board for ratification unless at least 60 days written notice of the proposed change has been given to each contract market Member. Upon such ratification, the proposal shall be submitted to a ballot vote of the Members and shall be adopted upon the affirmative vote of two-thirds of those Members in the category set forth in Section 2(a) of Article VII who submit a proper ballot in a timely manner and a majority of those Members in each of the categories set forth in Sections 2(b) and [2(a) through] 2(c) of Article VII who submit a proper ballot in a timely manner.

II. EXPLANATION OF THE PROPOSED AMENDMENT

Article XVII currently provides that proposed amendments to the Articles which are ratified by the Board shall be submitted to a ballot vote of the membership. In order to pass, proposed amendments must receive the affirmative vote of a majority of all Members in each category, not just a majority of those casting votes.

In practice, the requirement that amendments to the Articles must be approved by a majority of all NFA Members in each of the three categories has proved to be cumbersome and goes well beyond what is necessary to ensure fair representation. Many Members fail to return their ballots and, under the current system, such missing ballots are the same as "no" votes. For this reason, an Articles amendment which has the support of an overwhelming majority of the Members voting in each category could nevertheless fail to receive approval simply because a sufficient number of Members ignore or lose their ballots. In the past, NFA has expended a significant amount of staff time on the telephone encouraging Members to send in their ballots.

The proposed amendment to Article XVII provides that an amendment to the Articles will be approved upon a majority vote of those actually voting in the FCM and IB category and the Industry Participant category, and upon a two-thirds vote of all contract market members actually voting. This requirement will still ensure fair representation of all categories of NFA Members for the following reasons:

1. An articles amendment must still be ratified by a two-thirds vote of all contract market Directors and a majority vote



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of all Directors in both the FCM and IB and the Industry Participant categories; and

2. Any Member or category of Members opposed to an Articles amendment will still have the right to vote against it.

The change will make it easier, however, to adopt Articles amendments that are acceptable to all categories of Members.

NFA respectfully requests that the amendment to Article XVII of NFA's Articles of Incorporation be declared effective upon approval by the Commission.

Very truly yours,

Kathryn Page Camp
Regulatory Affairs Attorney

KPC/del (D3/F17)

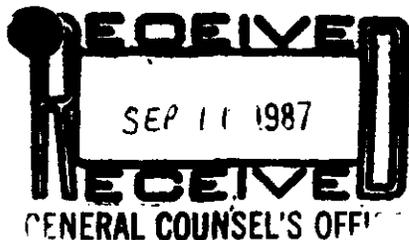
cc: Chairman Susan M. Phillips
Commissioner Kalo A. Hineman
Commissioner Fowler C. West
Commissioner William E. Seale
Commissioner Robert R. Davis
Andrea M. Corcoran, Esq.
Marshall E. Hanbury, Esq.
Dennis Klejna, Esq.
Kevin M. Foley, Esq.
Kenneth M. Rosenzweig, Esq.

UNITED STATES OF AMERICA
COMMODITY FUTURES TRADING COMMISSION

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



September 8, 1987



Kathryn Page Camp, Esq.
Regulatory Affairs Attorney
National Futures Association
200 West Madison Street
Chicago, Illinois 60606

Re: Proposed Amendment to Article XVII of the National
Futures Association's Articles of Incorporation

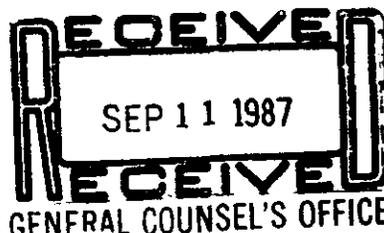
Dear Ms. Camp:

By letters dated May 22, 1987 and June 12, 1987, the National Futures Association ("NFA") submitted pursuant to Section 17(j) of the Commodity Exchange Act ("Act") a proposed amendment to Article XVII of NFA's Articles of Incorporation. The Commission understands that NFA intends to implement the proposed revision to Article XVII upon receipt of notice of Commission approval.

Please be advised that the Commission has this date approved the above-referenced revision to the NFA Articles of Incorporation under Section 17(j) of the Act.

Sincerely,

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



June 12, 1987

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

Re: National Futures Association, Proposed Amendment to Article XVII

Dear Mr. VanWagner:

As you requested over the telephone on June 9, 1987, this letter will provide additional information regarding the proposed amendment to Article XVII of the Articles of Incorporation ("Articles") of the National Futures Association ("NFA"). The proposed amendment was submitted to the Commodity Futures Trading Commission for approval on May 22, 1987.

Article XVII governs amendments to the Articles. Before they can even be submitted to the Membership for approval, Articles amendments must be ratified by two-thirds of all contract market directors, a majority of all FCM/IB directors, and a majority of all Industry Participant directors. This particular provision will remain unchanged. The current Articles provide that amendments must then be approved by a majority of all members in all three categories: contract markets; FCMs and IBs; and Industry Participants. The proposed amendment streamlines this cumbersome procedure by basing Membership approval on the number of members actually voting. The amendment requires approval by two-thirds of the contract market Members actually voting and a simple majority within the other categories.

The two-thirds majority requirement for contract market votes is based on the unique role that contract markets have historically played in the government of NFA. Contract markets have a long history of self-regulation. The insights the contract markets draw from their experience have been and continue to be invaluable to NFA in developing and maintaining its own program of self-regulation. Furthermore, the contract markets have expended substantial resources on NFA's behalf and have a substantial interest in avoiding duplicative and/or conflicting regulation of NFA Members which are also members of at least one contract market.

The importance to NFA of the contract markets' unique role and prospective is already reflected in the current requirement that Articles amendments must be ratified by two-thirds of the contract market directors. The current proposal is consistent



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with that approach by requiring the same super-majority of those contract market Members actually voting. Raising the approval percentage to two-thirds of the contract market votes cast has the effect of assuring that NFA will continue to benefit from the strong presence and input of all contract market Members, large and small, on issues of fundamental importance to NFA.

With regard to the other information you requested, NFA currently has thirteen contract market members. They are:

- AMEX Commodities Corp.
- Chicago Board of Trade
- Chicago Mercantile Exchange
- Chicago Rice & Cotton Exchange
- Coffee, Sugar & Cocoa Exchange
- Commodity Exchange, Inc.
- Kansas City Board of Trade
- MidAmerica Commodity Exchange
- Minneapolis Grain Exchange
- New York Cotton Exchange
- New York Futures Exchange
- New York Mercantile Exchange
- Philadelphia Board of Trade

Article VII, Section 2(a) of the Articles provides that each of the eleven contract market Members with the greatest volume shall have a representative on the Board of Directors ("Board"), and any contract market with more than 20% of the volume shall have an additional representative on the Board. For 1987, this means that the Chicago Board of Trade and the Chicago Mercantile Exchange each have two Board representatives, and the AMEX Commodities Corp. and the Chicago Rice & Cotton Exchange have no Board representatives.

I hope this letter has answered your questions. If you need any additional information, please contact me.

Very truly yours,

Kathryn Page Camp
Regulatory Affairs Attorney