

November 29, 1993

Via Overnight Delivery

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 Bylaw 515, Proposed NFA Bylaw 708, and NFA Compli-
ance Rules 2-8 and 2-9

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 the above-referenced NFA Bylaws and Compliance Rules. The proposed amendments were approved by NFA's Board of Directors on November 18, 1993. By letter dated September 10, 1993, NFA submitted to the Commission for its review and approval proposed NFA Bylaw 708 (formerly NFA Bylaw 707). NFA hereby withdraws proposed NFA Bylaw 708 from that submission and herein resubmits it.

Unless the Commission notifies NFA within ten days after receipt of this letter by the Commission that the Commission has determined to review the amendments for approval, NFA intends to make the amendments to NFA Bylaws 515 and 708 effective ten days after receipt of this submission by the Commission and to make amendments to NFA Compliance Rules 2-8 and 2-9 effective upon the effective date of the revisions to the disciplinary rules submitted to the Commission by letter dated September 10, 1993.

- A. Proposed Amendments to NFA Bylaw 515, Proposed NFA Bylaw 708, and NFA Compliance Rules 2-8 and 2-9 (additions are underscored and deletions are bracketed):

BYLAWS
OF
NATIONAL FUTURES ASSOCIATION

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CHAPTER 5

BOARD OF DIRECTORS

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Bylaw 515. Qualifications of Directors.

- (a) No individual shall be eligible to serve as a Director if such person:
 - (i) is subject to any of the disqualifications set forth in CFTC Regulation 1.63(b);
 - (ii) has been convicted of a felony within the prior ten years; or
 - (iii) is subject to a Member Responsibility Action or Associate Responsibility Action which is currently in effect.
- (b) In the event that a Director becomes disqualified after election to the Board, the vacancy shall be filled as prescribed by Article VII, Section 8. If the sanction is stayed or overturned on appeal before the vacancy is filled, the Director shall be entitled to resume his seat on the Board.
- (c) NFA shall publish a list of those Rules which, if violated, would [not] constitute a disciplinary offense as defined in CFTC Regulation 1.63(a) ([4]6)(i).

* * *

CHAPTER 7

COMMITTEES

* * *

Bylaw [707] 708. Qualifications of Members of [Regional Business Conduct] Committees.

- [(a)] No individual shall be eligible to serve as a member of [a Regional Business Conduct] any NFA Committee if such person:
 - [(i)] (a) is subject to any of the disqualifications set forth in CFTC Regulation 1.63(b);
 - [(ii)] (b) has been convicted of a felony within the prior ten years; or



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[(iii)] (c) is subject to a Member Responsibility Action or Associate Responsibility Action which is currently in effect.

* * *

COMPLIANCE RULES

* * *

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

* * *

Rule 2-8. DISCRETIONARY ACCOUNTS

* * *

(d) Minimum Experience Requirement.

No Member FCM or Introducing Broker shall allow an Associate to exercise discretion over a customer's commodity futures account 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. This requirement shall not apply to any individual registered as a Commodity Trading Advisor. 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] three members of the Business Conduct Committee and/or the Hearing 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 the views of the Compliance Director. The panel shall communicate its decision to the Compliance Director or a person designated by the Compliance Director, who shall then inform the Member seeking the waiver. An Associate who has been determined to have equivalent experience pursuant to the rules of any contract market member of NFA having a similar minimum experience requirement shall be deemed to have satisfied the requirement of this Rule.

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Rule 2-9. SUPERVISION.

(a) Each Member shall diligently supervise its employees and agents in the conduct of their commodity futures activities for or on behalf of the Member. Each Associate who has supervisory duties shall diligently exercise such duties in the conduct of that Associate's commodity futures business on behalf of the Member.

(b) NFA's Board of Directors may require Members which meet specific criteria established by the Board relating to the employment history of its associated persons to adopt supervisory procedures specified by the Board for the supervision of telemarketing. This requirement may, in NFA's discretion, be waived upon a showing by the Member that the Member's current supervisory procedures provide effective supervision over its employees and agents. Any Member seeking such a waiver may submit a written request to a three-member panel consisting of [one member from each Regional] three members of the Business Conduct Committee and/or the Hearing Committee, said Members to be appointed by the Board from time to time. Within 30 days after a Member submits a waiver request the Compliance Director will submit a written response to the panel. The decision of the panel shall be final and shall be based upon the written submissions of the Member and of the Compliance Director.

B. Explanation of Proposed Amendments to NFA Bylaw 515, Proposed NFA Bylaw 708, and NFA Compliance Rules 2-8 and 2-9

As the Commission is aware, CFTC Regulation 1.63 prohibits individuals with a history of recent disciplinary actions (other than those involving minor financial, recordkeeping or reporting violations) from serving on self-regulatory organizations' governing boards, disciplinary committees, and arbitration panels. The Commission recently amended CFTC Regulation 1.63 to broaden committees covered by the rule to include "oversight panels."

NFA Bylaw 515 and proposed NFA Bylaw 708 (formerly Bylaw 707) apply the qualification standards of CFTC Regulation 1.63 to members of the Board of Directors and the Business Conduct and Hearing Committees. Since many NFA committees are subsets of the Board, the only committees not covered by either of these Bylaws are the Advisory Committees. Although the Advisory Committees may not be "oversight panels" for the purposes of CFTC Regulation 1.63, NFA proposes amending NFA Bylaw



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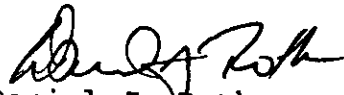
708 so that the qualification standards of CFTC Regulation 1.63 are applied to all NFA committees, thereby eliminating any ambiguity.

CFTC Regulation 1.63(d) required NFA to publish a list of the rules which can be violated without resulting in a disqualification, and this requirement was added to NFA Bylaw 515. The recent amendments revised CFTC Regulation 1.63(d) to require that NFA publish a list of those rules which do result in a disqualification if violated and changed a subsection number which was referenced in NFA Bylaw 515. Therefore, NFA proposes corresponding amendments to NFA Bylaw 515.

Finally, the discretionary review panel authorized by NFA Compliance Rule 2-8 (to grant waivers of the two-year experience requirement for exercising discretion over accounts) and the telemarketing review panel authorized by NFA Compliance Rule 2-9 (to grant waivers of the taping requirements imposed on certain telemarketing firms) are composed of one member of each of the three Regional Business Conduct Committees. Since NFA intends to eliminate the Regional Business Conduct Committees under the new disciplinary committee structure, NFA proposes that NFA Compliance Rules 2-8 and 2-9 be amended to provide that these committees will be composed of three members of the newly constituted Business Conduct or Hearing Committees.

As stated above, NFA intends to make the amendments to NFA Bylaws 515 and 708 effective ten days after receipt of this submission by the Commission unless NFA receives notification that the Commission has determined to review the amendments for approval. NFA intends to make the amendments to NFA Compliance Rules 2-8 and 2-9 effective simultaneously with the disciplinary rules submitted to the Commission for approval on September 10, 1993.

Respectfully submitted,


Daniel J. Roth
General Counsel

DJR:ckm(sub\111993.515)

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

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



December 9, 1993

Amendments to
NFA Bylaws 515 and 708 and
Rule 211 and Part 500 of NFA Registration Rules
Become Effective

By letters dated November 29, 1993, NFA submitted proposed amendments to NFA Bylaws 515 and 708 (formerly Bylaw 707) and Rule 211 and Part 500 of NFA Registration Rules. Please be advised that the Commission dismissed review of the proposed amendments. The amendments, therefore, become effective on December 10, 1993.

Chris Makino



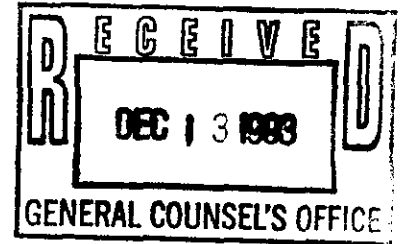
DIVISION OF
TRADING AND MARKETS

COMMODITY FUTURES TRADING COMMISSION

2033 K Street, NW, Washington, DC 20581

(202) 254 - 8955

(202) 254 - 8010 Facsimile



December 8, 1993

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

Re: Proposed New Compliance Rule 3-17, Proposed
Amendment to Bylaw 515 and Proposed Amendment
and Renumbering of Bylaw 707 as Bylaw 708

Dear Mr. Roth:

By letters dated September 10, 1993 and November 29, 1993, the National Futures Association ("NFA") submitted the above-referenced proposal to the Commission. NFA's submissions 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 determined to review the proposal for approval and so notified NFA.

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

Very truly yours,

John C. Lawton
Associate Director