

October 5, 1992

Via Overnight Mail

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
Articles VII and XVII of NFA's Articles of Incorporation
and to NFA Bylaw 406

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 Articles VII and XVII of NFA's Articles of Incorporation ("Articles") and to NFA Bylaw 406. The Articles amendments were ratified by the Board of Directors ("Board") on August 20, 1992, and have since been adopted by a two-thirds vote of those NFA Members actually voting in the Contract Market category and a majority of those Members actually voting in the FCM, LTM and IB category and the Industry Participant category. The Bylaw amendment was adopted by the Board on August 20, 1992, contingent upon membership approval of the amendment to Article VII. NFA intends to make the amendments effective ten days after receipt of this submission by the Commission unless the Commission notifies NFA within the ten-day period that the Commission has determined to review the amendments for approval.

I. THE PROPOSED AMENDMENTS

- A. Amendments to Article VII, Section 3, and Bylaw 406 to provide that ballots will not be sent to those categories of Members where there are no contested elections (additions are underscored and deletions are placed within brackets):



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ARTICLES OF INCORPORATION
OF
NATIONAL FUTURES ASSOCIATION

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ARTICLE VII: BOARD OF DIRECTORS

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Section 3: Nominations; Election.

The elected Directors shall be chosen as follows:

(a) Nominating Committee.

The Nominating Committee (see Article X) shall nominate at least one candidate for each elected Director position to be filled, at least one of which shall be a representative of an FCM which is not a member of any contract market. These nominations shall be made in accordance with the eligibility requirements contained in this Article.

(b) Petition Procedure.

Nominations may be made for elected Director positions by:

- (i) Petition signed by 50 or more NFA Members in the category for which the nomination is made (i.e., FCM and LTM; IB; CPO; and CTA); or
- (ii) Petition submitted by any organization or association recognized by NFA as fairly representing the category (see (b)(i) above) for which the nomination is made.

Petitions shall be submitted in the manner specified in the Bylaws. No petition may nominate more than one candidate for the same position.



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(c) Election.

[Each category] If there is a contested election in any category (see (b)(i) above) of NFA Members, the Members in that category shall thereafter elect by plurality vote from such nominees the Directors that are to represent that category. The election shall be conducted in the manner provided in the Bylaws, which shall provide for an Annual Election.

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BYLAWS
OF
NATIONAL FUTURES ASSOCIATION

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Bylaw 406. Elections.

[Beginning with the calendar year 1983, t]The Annual Election shall be held on the second Tuesday in January, at which the contested vacancies on the Board and Nominating Committee shall be filled. Before the October 15 preceding the election, the Secretary shall (i) notify all Members in the FCM and LTM; IB; [and Industry Participant] CPO; and CTA categories of the elected Directors and the members of the Nominating Committee whose terms will expire at the Annual Election and (ii) request the submission to the Nominating Committee of the names of eligible persons to fill those positions. Before the November 20 preceding the election, the Nominating Committee shall submit its list of nominees for the positions to the Secretary, who shall promptly notify the Members of the nominations. Other nominations may be made by petition, as prescribed in the Articles. Each petition must identify the position to which the nomination pertains. Petitions must be received by the Secretary within 21 days of the issuance of the Secretary's notification of the candidates proposed by the Nominating Committee. Promptly after the expiration of the period within which petitions may be submitted, the Secretary shall notify the Members of all of the candidates [whose names will appear on the ballot] for Director and member of the



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Nominating Committee. In the event of a contested election, [T]he Secretary shall cause written ballots to be sent to all [FCM and LTM; IB; and Industry Participant] Members in that category (i.e., FCM and LTM; IB; CPO; or CTA) by December 15.

* * *

- B. Amendment to Article XVII to authorize Public Directors to vote with the Industry Participant Directors on Articles amendments (additions are underscored and deletions are placed within brackets):

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] categor[ies]y set forth in Section[s] 2(b) [and 2(c)] of that Article (FCMs, LTMs, and IBs[; and Industry Participants]); and a majority of the remaining Board members. 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(c)



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of Article VII who submit a proper ballot in a timely manner.

II. EXPLANATION OF THE PROPOSED AMENDMENTS

A. Amendments to Article VII, Section 3, and Bylaw 406:

Article VII, Section 3, of NFA's Articles provides that Directors shall be elected by majority vote of the Members in the same category as the Director (i.e., FCM and LTM, IB, CPO, or CTA). Bylaw 406 requires NFA to: (1) notify Members of the Directors whose terms will expire and request nominations; (2) notify the Members of the nominations and announce that other nominations may be made by petition; (3) promptly after the expiration of the period within which petitions may be submitted, notify the Members of all candidates whose names will appear on the ballot; and (4) send ballots to Members by December 15. This procedure works well when there is a contested election. However, when there is no contested election in a particular category, the current procedure still requires NFA to mail out ballots to all Members in that category and to tabulate any ballots that are returned. The Board viewed this as a waste of NFA's resources. Therefore, the Board ratified a proposal to amend Article VII and Bylaw 406 to provide that ballots will not be sent to those categories of Members where there are no contested elections.

B. Amendment to Article XVII:

Another anomaly within NFA's Articles disenfranchises Public Directors from voting on Articles amendments. Article XVII currently provides for ratification of Articles amendments by a two-thirds vote of all Contract Market Directors, a majority vote of all FCM, LTM and IB Directors, and a majority vote of all Industry Participant Directors (i.e., CPO, CTA, Commercial Firm, and Commercial Bank Directors). The Board ratified a proposal to amend Article XVII to authorize Public Directors to vote with the Industry Participant Directors on Articles amendments.

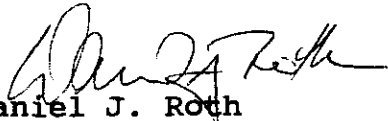


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As stated above, NFA intends to make the amendments to Article VII, Bylaw 406 and Article XVII effective ten days after receipt of this submission by the Commission unless NFA receives notification that the Commission has determined to review the amendments for approval.

Respectfully submitted,


Daniel J. Roth
General Counsel

DJR:cm(sub/sub3)

cc: Chairman Wendy L. Gramm
Commissioner Fowler C. West
Commissioner William P. Albrecht
Commissioner Sheila C. Bair
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COMMODITY FUTURES TRADING COMMISSION

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DIVISION OF
TRADING AND MARKETS

October 20, 1992

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

Re: Proposed Amendments to Articles VII and XVII
of Articles of Incorporation and to Bylaw
Section 406

Dear Mr. Roth:

By letter dated October 5, 1992, and received by the Commission on October 6, 1992, the National Futures Association ("NFA") submitted the above-referenced proposal to the Commission. NFA's submission 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 Commission has examined the above-referenced proposal and has decided to not review the proposal, as provided under Section 17(j) of the Act.

Sincerely,

David P. Van Wagner
Special Counsel

