



FUTURES INDUSTRY ASSOCIATION INC.

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COMMENT

July 12, 2001

Ms. Jean A. Webb
Secretary to the Commission
Commodity Futures Trading Commission
1155 21st Street NW
Washington DC 20581

Re: **Notice Registration for Certain Brokers or Dealers**
66 Fed.Reg. 27476(May 17, 2001)

OFFICE OF THE COMMISSIONER

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Dear Ms. Webb:

The Futures Industry Association ("FIA") is pleased to submit the following comments on the Commodity Futures Trading Commission's ("Commission's") proposed amendments to Commission rules 3.10 and 170.15. The proposed amendments are designed to implement the provisions of the Commodity Futures Modernization Act of 2000 ("CFMA") authorizing the notice registration under the Commodity Exchange Act ("Act") of brokers or dealers that limit their futures-related activities to security futures products.

FIA, a not-for-profit corporation, is a principal spokesman for the futures industry. Its members include approximately sixty of the largest futures commission merchants ("FCMs") in the United States. Among its associate members are representatives from virtually all other segments of the futures industry, both national and international. Reflecting the scope and diversity of its membership, FIA estimates that its members effect more than eighty percent of all customer transactions executed on United States contract markets.

FIA is pleased to support the Commission's proposed rule amendments. In particular, the Commission's decision to delegate to the National Futures Association ("NFA") responsibility for implementing the notice registration procedures is appropriate. As the Commission notes, its proposal in this regard is consistent with congressional guidance encouraging the Commission to delegate its regulatory functions to NFA to the extent practicable.

We have had the opportunity to discuss with NFA representatives its proposed procedures for granting notice registration. As we understand it, notice registrants will be required to file only a simple one page document setting forth the minimum information required under the CFMA and proposed rule 3.10. To the extent it needs any additional information about a notice registrant, NFA will access the Central Registration Depository database.

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Ms. Jean A. Webb
July 12, 2001
Page 2

We also have had an opportunity to review NFA's comment letter on the proposed amendments. We concur with NFA that the circumstances under which the registrations of notice registered broker-dealers and of notice registered FCMs may be terminated should be parallel.

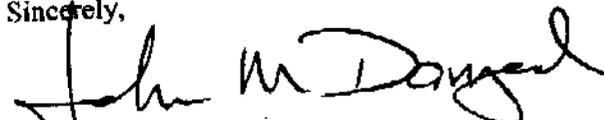
The simple and straightforward procedures contemplated by NFA are entirely consistent with the relevant provisions of the CFMA and, as important, the spirit underlying it. In this regard, we were disappointed that the Securities and Exchange Commission ("SEC") appears to have taken a different tack. As the Commission is no doubt aware, the SEC has proposed that any FCM that wishes to be notice registered as a broker-dealer would be required to file a complete Form BD. 66 *Fed.Reg.* 34041 (June 26, 2001). The SEC's proposal would impose an unnecessary burden on FCMs that want to take advantage of the special registration procedures established in the CFMA. We see no reason why the SEC cannot adopt a procedure similar to that which the Commission has proposed, and we encourage the Commission to consult with the SEC to this end.

Further, we note that the SEC's proposal to prohibit notice-registered FCMs from becoming members of a national securities exchange for the limited purpose of effecting transactions in securities futures products on that exchange appears to be based, in part, on a misperception of the membership procedures of the several designated contract markets. FIA intends to file comments with the SEC on this issue. However, we also urge the Commission to confer with the SEC on this issue.

Conclusion

FIA appreciates the opportunity to submit these comments on the proposed amendments to Commission rules 3.10 and 170.15

Sincerely,



John M. Damgard
President

cc: Honorable James E. Newsome
Honorable Barbara Pedersen Holum
Honorable David D. Spears
Honorable Thomas J. Erickson