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January 25, 2000
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OFFICE OF THE SECRETARIAT

COMMENT

VIA OVERNIGHT MAIL

Ms. Jean A. Webb
Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Received CFTC
Permits Section

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Re: Proposed Rulemaking Concerning Amendments to Insider Trading Regulation

Dear Ms. Webb:

On December 28, 1999, the Commodity Futures Trading Commission requested comments on a Proposed Rulemaking Concerning Amendments to Insider Trading Regulation. 64 Fed. Reg. 72587. National Futures Association ("NFA") welcomes this opportunity to comment on the proposed amendments. NFA applauds the Commission's action to clarify Regulation 1.59 and believes that such action is warranted given the current corporate governance environment at self-regulatory organizations ("SROs") which often blurs the distinctions between the various classes of persons who act on behalf of SROs. Additional clarity will provide legal certainty ensuring that SROs may attract highly qualified candidates to serve on their governing boards without fear of inadvertently triggering liability under Regulation 1.59.

As SROs have begun to pay governing board members, the distinction between employees and such members has been clouded. As the rule currently reads, any person who is compensated for serving as a board member could theoretically be considered an employee. To avoid this classification, its consequences under Regulation 1.59, and its chilling effect on qualified persons serving as board members, NFA supports the Commission's proposed amendment to the definition of "employee" to exclude explicitly governing board members of SROs. NFA also supports the addition of the definition of the term "governing board member" to Regulation 1.59 to include *ex officio* or *emeritus* members. NFA believes that "non-paid advisors" should be added to this definition and treated the same as governing board members. NFA maintains that these two additions to the definition of "governing board member" are appropriate, because such persons may have access to material, nonpublic information through their roles at SROs which should subject them to the same, but no greater, restrictions as governing board members.



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Moreover, NFA supports the Commission's proposed amendment to Regulation 1.59(b)(1)(i), which subdivides each prohibition into a separate subparagraph. NFA believes that these changes clarify the circumstances under which employees of SROs are absolutely prohibited from trading commodity interests from the situations in which they are prohibited from trading only if they have access to material, nonpublic information. Such an amendment ensures fairness in the markets.

Consultants play many different roles at SROs and may or may not have access to material, nonpublic information. Consultants who are truly independent contractors and are not under the SRO's control should not be considered employees for purposes of Regulation 1.59. It is, however, appropriate to limit their use of material, nonpublic information on terms similar to those applied to members of governing boards and committees.

We appreciate this opportunity to present our views to the Commission and, as always, we look forward to working with the Commission on the important issues raised in this release.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel J. Roth".

Daniel J. Roth
General Counsel