N.I.B.A. National Introducing Brokers Association

55 W. Monroe, Ste. 3600 Chicago, IL 60603 312.977-0598 www.theniba.com

The Opening Remarks of Melinda Schramm, Chairman of the Board, NIBA for September 16, 2010 CFTC Roundtable – Proposed OCR Rule:

Founded in 1991, the National Introducing Brokers Association (NIBA), is a not-for-profit organization which represents Introducing Brokers (IBs) and Commodity Trading Advisors (CTAs). Our membership includes approximately 350 registered entities. While our members trade in all markets, they primarily transact business in the retail sector of the futures and options industry.

Our statements and appearance today are representative of our IB membership only.

The NIBA's mission is to provide a forum in which IBs can learn, network and have a voice in the many developing issues affecting the daily activities of their offices. Our goal is to support the IB community so that it can better serve its customers and grow the revenues of the business.

NIBA's members typically have 3-12 sales, research and support staff total per office. In fact many IB registrants are still 1-2 person offices. Each office may service 50-400 customers which could be solicited face-to-face or through web-based interactions. The majority of customers who trade through IB offices open individual accounts with an initial deposit of \$30,000 or less.

About one-third of NIBA's members are licensed as both IB and CTA, or conduct other financial or futures related business such as securities or insurance transactions. The typical NIBA member nets less than \$250,000 per year in personal income.

NIBA acknowledges that it is in the best interest of all American businesses to know who their customers are, and how and by whom certain decisions are made. We are already working to educate our members on the upcoming NFA amendments to the Know-Your-Customer rules and the associated risk disclosure requirements.

By all standards, NIBA's members – and indeed, virtually all IBs – are small businesses. They are typically owner-operated with little or no unregistered, clerical support. As correctly pointed out in the proposal, much of the

information required by the OCR is already obtained by the IB office which opens the account, and maintained by both that IB office and its clearing FCM. Generally, IBs do not transact business for funds, pools or other large accounts which require any entity other than the individual account owner to be designated as "account controller."

IBs, particularly Guaranteed Introducing Brokers (GIBs), work hand-in-hand with their clearing FCMs. These FCMs, root data sources, are already requiring and maintaining most of the OCR information proposed.

While NIBA agrees that a single, uniform protocol for reporting should be adopted, we do not agree that this reporting should be done at the IB level. Weekly reporting would, in most cases, be unnecessary since, as we have previously pointed out, FCMs are already collecting all information necessary to open an account on their current account forms. Additionally, IBs should not be required to submit any such reports directly to the Commission. In fact, in the case of GIBs in particular, all such communications with any reporting agency, such as the NFA, is nearly always required by the clearing FCM to be submitted to/through the FCM in order that the FCM can comply with its supervisory duties.

Given these realities of the IB Community, we believe that the majority of our members are "small entities" as that term is defined in the Regulatory Flexibility Act. In this context, we look forward to discussing the impact of this proposed rule and sharing our perspective.

Thank you for the opportunity to participate in this meeting. We are ready to discuss any issues regarding this proposal and any you may have in the future regarding the IB community in general.