



NATIONAL FUTURES ASSOCIATION

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Via Electronic Mail and U.S. Mail

COMMENT

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

Re: Notice Registration as a Futures Commission Merchant or Introducing Broker for Certain Securities Brokers or Dealers; 66 Fed. Reg. 27476 (May 17, 2001)

Dear Ms. Webb:

On May 17, 2001, the Commodity Futures Trading Commission ("Commission") requested comments on proposed rules regarding the notice registration as Futures Commission Merchants ("FCM") or Introducing Brokers ("IB") of registered securities Broker or Dealers ("BD") who limit their futures activities to security futures products. National Futures Association ("NFA") welcomes the opportunity to submit the following comments in response to the issues raised by the Commission's release.

NFA supports the Commission's proposed rules and confirms that it has agreed to process the notice registrations for BDs. In contemplation of the Commission's adoption of final rules in this regard, NFA has approved amendments to its Registration Rules to process BD notice registration filings. NFA submitted those rule amendments to the Commission on May 24, 2001 for approval. NFA believes that BDs "passporting" into FCM or IB registration and Commission registrants "passporting" into BD registration should be subject to comparable rules for obtaining and terminating such registrations. NFA notes that the Commission's proposed rules differ from the statutory provisions governing FCMs "passporting" into BD registration regarding termination and suspension of registration. To ensure that comparable rules apply to all "passporting" firms, NFA's proposed rules incorporate the substance of these statutory provisions.

Section 203(a)(1) of the Commodity Futures Modernization Act of 2000 ("CFMA"), Pub. L. No. 106-554, 114 Stat. 2763, provides for notice registration as BDs with the Securities and Exchange Commission ("SEC") of Commission registrants that



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are required to register with the SEC solely because they engage in security futures activities. It requires that the Commission registrant seeking notice registration as a BD must be a member of a registered limited purpose national securities association ("LPNSA"), and NFA is seeking such to qualify as an LPNSA. It also provides that the BD's registration will be suspended if the LPNSA suspend the firm's membership. Similarly, the BD registration will terminate if the firm is no longer a member of the LPNSA or if engaging in security futures activity is not the sole reason it is required to be registered as a BD. These suspension and termination provisions do not appear in Section 252(b) of the CFMA, the section that governs notice registration of BDs as FCMs or IBs.

NFA believes that inclusion of analogous suspension and termination provisions in its rules is appropriate. A BD that is no longer registered with the SEC, is no longer a member of a registered national securities association ("RNSA") or no longer restricts its futures activities to transactions in security futures products, the conditions necessary to obtain notice registration, should automatically lose its FCM or IB registration. Similarly, if the RNSA suspends the firm's membership, the firm's FCM or IB registration should be automatically suspended. Without such provisions, NFA would be required to institute a formal action to suspend or revoke the firm's registration during which time the firm could continue to operate despite no longer meeting the eligibility requirements for the notice registration. Fairness dictates that the rules applicable to futures firms obtaining notice registration as BDs in the securities industry and the rules applicable to BDs obtaining FCM and IB notice registration should be the same.

We appreciate this opportunity to present our views to the Commission and, as always, we look forward to working with the Commission on implementing these rules.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Daniel J. Roth', written over a horizontal line.

Daniel J. Roth
Senior Executive Vice President
and General Counsel