

January 17, 2014

Ms. Melissa D. Jurgens
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: RIN 3038-AE09: Membership in a Registered Futures Association

Dear Ms. Jurgens:

National Futures Association (NFA) appreciates the opportunity to comment on the Commodity Futures Trading Commission's (CFTC or Commission) proposed amendment to Part 170 of the Commission's regulations, which would require all persons registered with the Commission as introducing brokers (IBs), commodity pool operators (CPOs), and commodity trading advisors (CTAs) to become members of a registered futures association (RFA). While NFA certainly supports the Commission's ultimate goal of ensuring that comprehensive and effective regulatory oversight is applied consistently to all registered intermediaries, NFA does not believe it is necessary to extend this requirement to CTAs that qualify for an exemption from registration under CFTC Regulation 4.14(a)(9) to achieve this goal.

As you know, through NFA Bylaw 1101 and NFA Compliance Rule 2-36, IBs, CPOs and CTAs that accept an order or handle a transaction in commodity futures or forex contracts with customers, pool participants or CTA clients are effectively required to become NFA Members and therefore become subject to NFA's oversight. NFA fully agrees with the Commission's analysis that given the unique nature of the swaps markets, IBs, CPOs and CTAs engaging in swap transactions with clients may not be captured by NFA Bylaw 1101 or NFA Compliance Rule 2-36 and therefore not required to become an NFA Members and subject to NFA oversight. NFA also agrees with the Commission's views that these entities should be subject to NFA's oversight and therefore a Commission regulation requiring their membership is appropriate.

NFA, however, does not agree that there is any real regulatory benefit for requiring CTAs that are not directing client accounts or otherwise exercising discretion over client accounts to be Members of NFA. NFA's Rules focus primarily on the intermediaries' conduct with respect to their clients and have little applicability to CTAs



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that do not direct client accounts or otherwise exercise discretion. Moreover, NFA believes that the risks to the markets and the public associated with the business activities of these types of CTAs is significantly less than the risks related to CTAs that actually manage customer accounts. Accordingly, NFA respectfully requests that the Commission consider excluding CTAs that qualify for an exemption from registration under CFTC Regulation 4.14(a)(9) from the proposed mandatory membership requirement.

If you have any questions concerning this letter, please do not hesitate to contact the undersigned at (312) 781-1413 or tsexton@nfa.futures.org or Carol Wooding at (312) 781-1409 or cwooding@nfa.futures.org.

Very truly yours,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Thomas W. Sexton, III
Senior Vice President,
General Counsel and Secretary

(caw:comment letters_Mandatory Membership)