

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-71980; File No. SR-NFA-2014-02)

April 21, 2014

Self-Regulatory Organizations; National Futures Association; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Interpretive Notice entitled “NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Security Futures Contracts”

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 (“Exchange Act”),<sup>1</sup> and Rule 19b-7 under the Exchange Act,<sup>2</sup> notice is hereby given that on April 7, 2014, National Futures Association (“NFA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change described in Items I, II, and III below, which Items have been substantially prepared by NFA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. NFA also filed this proposed rule change with the Commodity Futures Trading Commission (“CFTC”).

On December 5, 2013, NFA requested that the CFTC make a determination that review of the proposed rule change of NFA is not necessary.<sup>3</sup> On March 21, 2014, the CFTC notified NFA that the CFTC had determined not to review the proposed rule change.<sup>4</sup>

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<sup>1</sup> 15 U.S.C. 78s(b)(7).

<sup>2</sup> 17 CFR 240.19b-7.

<sup>3</sup> See Letter dated December 5, 2013, from Thomas W. Sexton, III, Senior Vice President/General Counsel, NFA, to Melissa D. Jurgens, Secretary, Office of the Secretariat, CFTC.

<sup>4</sup> See Letter dated March 21, 2014, from Gary Barnett, Director, Division of Swap Dealer and Intermediary Oversight, CFTC, to Thomas W. Sexton, III, Senior Vice President/General Counsel, NFA.

I. Self-Regulatory Organization’s Description and Text of the Proposed Rule Change

The amendments to NFA’s Interpretive Notice 9050 entitled “NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Security Futures Contracts” (“Interpretive Notice 9050”) make a minor change to the settlement section of the risk disclosure statement for security futures contracts (“Statement”) to reflect an alternative settlement and clearance process that will be used for a new security futures product (“SFP”). The proposed rule change would accommodate the clearing of physically-settled single stock futures (“SSFs”) on a shorter time frame than three business days after the maturity date of each such physically-settled SSF.

The text of the proposed rule change is available on NFA’s website at [www.nfa.futures.org](http://www.nfa.futures.org), at the principal office of NFA and at the Commission's Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, NFA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NFA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of these statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Section 15A(k) of the Exchange Act<sup>5</sup> makes NFA a national securities association for the limited purpose of regulating the activities of NFA Members (“Members”) who are registered as

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<sup>5</sup> 15 U.S.C. 78o-3(k).

brokers or dealers under Section 15(b)(11) of the Exchange Act.<sup>6</sup> NFA's Interpretive Notice 9050 applies to all Members and persons associated with Members ("Associates") who meet the criteria outlined in Interpretive Notice 9050.

Interpretive Notice 9050 requires NFA Members and Associates who are registered as brokers or dealers under Section 15(b)(11) of the Exchange Act to provide the Statement to a customer at or before the time the Member approves the account to trade SFPs. The Statement is a uniform disclosure that was jointly developed in 2002 by NFA, the Financial Industry Regulatory Authority ("FINRA") (then known as NASD) and a number of securities and futures exchanges. Among other things, the Statement describes the features of SFPs, including the settlement process.

The amendment makes a minor change to the settlement section of the Statement to reflect an alternative settlement process that will be used for a new SFP, namely SSFs. In addition, FINRA intends to make the same modifications to its risk disclosure statement for security futures contracts to cover its members, and has proposed a similar rule change.

Amendments to Interpretive Notice 9050 were previously filed with the SEC in SR-NFA-2002-05, Exchange Act Release No. 34-46613 (October 7, 2002), 67 FR 64176 (October 17, 2002); SR-NFA-2002-06, Exchange Act Release No. 34-47150 (January 9, 2003), 68 FR 2381 (January 16, 2003); SR-NFA-2007-07, Exchange Act Release No. 34-57142 (January 14, 2008), 73 FR 3502, (January 18, 2008); SR-NFA-2010-02, Exchange Act Release 34-62624 (August 2, 2010), 75 FR 47666 (August 6, 2010); and SR-NFA-2010-03, Exchange Act Release 34-62651 (August 4, 2010), 75 FR 48393 (August 10, 2010).

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<sup>6</sup> 15 U.S.C. 78o(b)(11).

## 2. Statutory Basis

NFA believes that the proposed rule change is consistent with Section 15A(k)(2)(B) of the Exchange Act.<sup>7</sup> That section requires NFA to have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, including rules governing sales practices of security futures products. NFA believes the proposed rule change accomplishes this by changing the Statement to include reference to an alternative settlement process that will be for a new SFP, namely SSFs.

### B. Self-Regulatory Organization's Statement on Burden on Competition

NFA does not believe the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act as amended.<sup>8</sup> The proposal does not impose new requirements on Members, but rather will change the settlement section of the Statement to reflect an alternative settlement process that will be used for a new SFP, namely SSFs.

### C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

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<sup>7</sup> 15 U.S.C. 78o-3(k)(2)(D).

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(I)

### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

NFA filed the proposed rule change with the CFTC on December 5, 2013.<sup>9</sup> On March 21, 2014, the CFTC notified NFA that the CFTC had determined not to review the proposed rule change.<sup>10</sup>

NFA did not file the proposed rule changes concurrently with the SEC. Instead, NFA filed the proposed rule changes on April 7, 2014. Section 19(b)(7)(B) of the Exchange Act provides that a proposed rule change filed with the SEC pursuant to Section 19(b)(7)(A) of the Exchange Act shall be filed concurrently with the CFTC.

Section 19(b)(7)(C) of the Exchange Act provides, *inter alia*, that “[a]ny proposed rule change of a self-regulatory organization that has taken effect pursuant to [Section 19(b)(7)(B) of the Exchange Act] may be enforced by such self-regulatory organization to the extent such rule is not inconsistent with the provisions of this chapter, the rules and regulations thereunder, and applicable Federal law.” At any time within 60 days of the date of effectiveness of the proposed rule change, the Commission, after consultation with the CFTC, may summarily abrogate the proposed rule change and require that the proposed rule change be refiled in accordance with the provisions of Section 19(b)(1) of the Exchange Act.

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<sup>9</sup> See Letter dated December 5, 2013, from Thomas W. Sexton, III, Senior Vice President/General Counsel, NFA, to Melissa D. Jurgens, Secretary, Office of the Secretariat, CFTC.

<sup>10</sup> See Letter dated March 21, 2014, from Gary Barnett, Director, Division of Swap Dealer and Intermediary Oversight, CFTC, to Thomas W. Sexton, III, Senior Vice President/General Counsel, NFA.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Exchange Act.

Comments may be submitted by any of the following methods:

##### Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NFA-2014-02 on the subject line.

##### Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NFA-2014-02. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of

NFA. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make publicly available. All submissions should refer to File Number SR-NFA-2014-02 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(73).