

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54980; File No. SR-NFA-2006-04)

December 20, 2006

Self-Regulatory Organization; National Futures Association; Notice of Filing and Immediate Effectiveness of a Proposed Amendment Relating to the Interpretive Notice Regarding NFA Compliance Rules 2-7 and 2-24 and Registration Rule 401: Proficiency Requirements for Security Futures Products

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-7 under the Act,² notice is hereby given that on November 27, 2006, 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 prepared by NFA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. NFA also has filed the proposed rule change with the Commodity Futures Trading Commission (“CFTC”).

NFA, on November 21, 2006, submitted the proposed rule change to the CFTC for approval and invoked the “ten-day” provision of Section 17(j) of the Commodity Exchange Act (“CEA”).³ By letter dated December 4, 2006, the CFTC notified NFA of its determination not to review the proposed rule change.⁴

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

In November 2001, NFA’s Board approved an Interpretive Notice allowing current registrants to qualify to engage in security futures activities by taking a training program instead

¹ 15 U.S.C. 78s(b)(7).

² 17 CFR 240.19b-7.

³ 7 U.S.C. 21(j).

⁴ See Letter from Lawrence B. Patent, Deputy Director, CFTC, to Thomas W. Sexton, III, General Counsel, NFA (December 4, 2006) (“Letter”).

of a test. The Interpretive Notice initially provided for a six-month window after security futures products (“SFPs”) began trading, and the Notice was subsequently amended — as were NASD’s rules — to extend that window until December 31, 2006. The proposed rule change extends the current provisions substituting training for testing until December 31, 2009.

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 has prepared statements concerning the purpose of, and basis for, the proposed rule change, burdens on competition, and comments received from members, participants, and others. 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 such statements.

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

1. Purpose

Initially, both NFA and the National Association of Securities Dealers, Inc. (“NASD”) anticipated developing tests for registrants who engage in security futures activities. In the meantime, NFA and NASD jointly developed a web-based training program that complies with the training requirement. To date, just over 13,000 individuals have completed that program. Approximately 9,000 of these individuals were registered with full broker-dealers (some of which are also FCMs), and approximately 4,000 were registered with futures-only firms. The vast majority completed the training within a year after NFA began offering it.

Only 180 individuals completed the training in the first eight months of 2006. Based on the small number of new individuals who desire to sell these products and the fact that SFPs are

lightly traded, NFA and NASD staffs have concluded that developing and adopting tests at this time is not cost-effective.

2. Statutory Basis

The rule change is authorized by, and consistent with, Section 15A(k) of the Act.⁵

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

The rule change will not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act and the CEA.

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

NFA did not publish the rule change to the membership for comment. NFA did not receive comment letters concerning the rule change.

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

NFA, on November 21, 2006, submitted the proposed rule change to the CFTC for approval and invoked the "ten-day" provision of Section 17(j) of the CEA.⁶ By letter dated December 4, 2006, the CFTC notified NFA of its determination not to review the proposed rule change.⁷ The proposed rule change has become effective on December 4, 2006.

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 Act.⁸

⁵ 15 U.S.C. 78o-3(k).

⁶ 7 U.S.C. 21(j).

⁷ See Letter, supra note 4.

⁸ 15 U.S.C. 78s(b)(1).

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 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. Please include Filed No. SR-NFA-2006-04 on the subject line.

Paper Comments:

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

All submissions should refer to File No. SR-NFA-2006-04. 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 Internet Web site (<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 inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the 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 available

publicly. All submissions should refer to File No. SR-NFA-2006-04 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Florence E. Harmon
Deputy Secretary

⁹ 17 CFR 200.30-3(a)(75).