

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-62624; File No. SR-NFA-2010-02)

August 2, 2010

Self-Regulatory Organizations; National Futures Association; Notice of Filing and Immediate Effectiveness of Proposed Changes 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 (“Act”),<sup>1</sup> and Rule 19b-7 under the Act,<sup>2</sup> notice is hereby given that on July 8, 2010, 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 the NFA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. NFA also has filed this proposed rule change concurrently with the Commodity Futures Trading Commission (“CFTC”).

On July 8, 2010, NFA requested that the CFTC make a determination that review of the proposed rule change of NFA is not necessary. On July 26, 2010, the CFTC notified NFA of its determination not to review the proposed rule change.<sup>3</sup>

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

The amendment to the Interpretive Notice entitled “NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Security Futures Contracts” updates the document to reflect the treatment of dividends for a new class of security futures contracts that did

---

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

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

<sup>3</sup> See letter from William Penner, Deputy Director, CFTC to Thomas W. Sexton, Senior Vice President and General Counsel, NFA, dated July 26, 2010.

not exist at the time the Interpretive Notice was adopted. Specifically, the amendment indicates that price adjustments for ordinary dividends may be made for a specified class of security futures contracts based on the rules of the exchange and the clearing organization.

The text of the proposed rule change is available on NFA's Web site at <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 such 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 Act<sup>4</sup> makes NFA a national securities association for the limited purpose of regulating the activities of NFA Members ("Members") who are registered as brokers or dealers under Section 15(b)(11) of the Act.<sup>5</sup> NFA Interpretive Notice entitled "NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Security

---

<sup>4</sup> 15 U.S.C. 78o-3(k).

<sup>5</sup> 15 U.S.C. 78o(b)(11).

Futures Contracts” applies to all NFA Members and Associates, including those who are registered as security futures brokers or dealers under Section 15(b)(11).

NFA Compliance Rule 2-30(b) requires NFA Members and Associates who are registered as brokers or dealers under Section 15(b)(11) of the Act to provide a Risk Disclosure statement for security futures contracts to a customer at or before the time the Member approves the account to trade security futures products. The Risk Disclosure statement is a uniform statement that was jointly developed in 2002 by NFA, the National Association of Securities Dealers, Inc. (now known as the Financial Industry Regulatory Authority, Inc.), and a number of securities and futures exchanges. Among other things, this Risk Disclosure statement describes the features of a security futures product as those features existed in 2002. Specifically, the Risk Disclosure statement indicates that there are generally no adjustments for dividends because the dividends are accounted for in the pricing of the security futures.

Recently, One Chicago LLC (OCX), an exchange listing security futures products, developed and plans to list a new class of security futures products whose dividend feature differs from the dividend feature described in the Risk Disclosure statement. In particular, the new product will adjust for any declared dividends because the dividend is not accounted for in the pricing of the security futures product. In order to ensure that the Risk Disclosure statement accurately reflects the dividend feature of this new product, the Interpretive Notice, which sets forth the Risk Disclosure statement, has been amended to indicate that price adjustments for ordinary dividends may be made for a specified class of security futures contracts based on the rules of the exchange and the clearing organization.

Amendments to the Interpretive Notice entitled “NFA Compliance Rule 2-30(b): Risk Disclosure Statement for Security Futures Contracts” were previously filed with the SEC in SR-NFA-2002-05, SR-NFA-2002-06 and SR-NFA-2007-07.

2. Statutory Basis

The rule change is authorized by, and consistent with, Section 15A(k)(2)(B) of the Act.<sup>6</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, which includes rules governing sales practices of security futures products. The proposed rule change accomplishes this by ensuring that the Risk Disclosure Statement for Security Futures Contracts, which NFA Members registered as a broker or dealer under Section 15(b)(1) of the Exchange Act are required to provide to a customer at or before the time the Member approves the account to trade security futures products, accurately describes the dividend features of all classes of security futures products.

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

The proposed rule change will have little or no impact on competition since the amendments to the Interpretive Notice do not impose any new requirements on Members. Rather, the amendments merely revise the language in the Interpretive Notice to accurately reflect the dividend feature of a class of security futures products that was not available at the time the Interpretive Notice was adopted.

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

---

<sup>6</sup> 15 U.S.C. 78o-3(k)(2)(B).

NFA did not publish the rule change to its 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

On July 26, 2010, the CFTC notified NFA that it had determined not to review the proposed rule change and, therefore, NFA is permitted to make the amendments effective as of this date.<sup>7</sup> 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 Act.

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](mailto:rule-comments@sec.gov). Please include File Number SR-NFA-2010-02 on the subject line.

Paper Comments

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

---

<sup>7</sup> See note 3.

All submissions should refer to File Number SR-NFA-2010-02. 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 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 Web site 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-2010-02 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>8</sup>

Florence E. Harmon  
Deputy Secretary

---

<sup>8</sup> 17 CFR 200.30-3(a)(73).