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NATIONAL FUTURES ASSOCIATION

November 13, 2006

Via e-mail: Secretary@cftc.gov

Ms. Eileen Donovan
Acting Secretary of the Commission
Commodity Futures Trading Commission
1155 21st Street, NW,
Washington, DC 20581

COMMENT

Re: Electronic Filing of Part 4 Exemptions

Dear Ms. Donovan:

One of NFA's primary goals as a self-regulatory organization is to regulate in the most efficient and effective manner possible. Amending Commission regulations to require that notices of exemption or exclusion under Part 4 be filed with NFA electronically will further that goal and will provide benefits to those entities filing the notices.

As we noted in our Petition for Rulemaking, although the system we currently use to receive and process these requests has worked fairly well, the system does require a considerable amount of staffing resources and is subject to data entry error. By requiring filers to file the notice electronically, staff resources devoted to this area will be reduced and data entry errors will be eliminated because the filer will be inputting the pertinent information into the system.

The electronic filing system itself will be very user friendly and will provide guidance to filers. The system will provide assistance to filers through a help text that will outline the specific requirements of the exemption being filed. Filers will also be able to view a historical summary of all exemption notices it has filed and update its exemption information at any time.

The Commission also requested comment on whether the unavailability of Advisory 18-96 on a prospective basis would result in any adverse consequences to CPOs. In reviewing the relief provided by Advisory 18-96, NFA agrees that section (a) of the Advisory could be retired without any consequence going forward because any CPO claiming relief under that section would be eligible for relief under 4.13(a)(4). NFA

cautions the Commission, however, to take a close look at the consequences of eliminating the relief provided by section (b) of the Advisory.

As you know, section (b) provides certain CPOs with relief from the requirement that they maintain a pool's original books and records at its main business office in the U.S. Pools that qualify for relief under section (b), however, do not necessarily qualify for relief under Section 4.13(a)(4) because section (b), unlike Section 4.13(a)(4), does not prohibit a pool from having U.S. participants. As a result, there may be new off-shore pools that will not be able to maintain their original books and records at the off-shore location, and take advantage of certain relief from U.S. income taxes, if the Commission retires section (b) of Advisory 18-96. NFA has no way of gauging whether any CPOs with U.S. persons would be seeking relief from this requirement in the future. However, there are currently 23 pools that have filed for 18-96(b) relief and the most recent filing was made in June 2006. NFA encourages the Commission to consider whether it intended to eliminate this relief for off-shore pools with U.S. persons and to closely consider the industry's views on this issue.

In closing, NFA believes that requiring Part 4 notices of exemption to be filed electronically will provide significant benefits to NFA and those entities filing the notices. NFA also supports the Commission's proposal to amend certain exemption requirements to allow for delivery via electronic transmission of the notices to participants. We urge the Commission to adopt the rule changes related to electronic filing as outlined in October 13, 2006 *Federal Register* and again encourage the Commission to consider the industry's comments on the appropriateness of eliminating Advisory 18-96.

Sincerely,

Thomas W. Sexton, III
Vice President and General Counsel

(caw:Electronic Filing Comment Letter)