

POSITION PAPER OF
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Fellow CTA/CPO NFA Members:

We write to ask you to cast your vote for us in the upcoming election for Board of Directors of the National Futures Association. While Board confidentiality rules limit us somewhat in what we can disclose in terms of our tenure at the Board level, we can honestly say that we have shown the same zeal for representing your interests as we did in our pro bono representation of thousands of MF Global and PFG bankruptcy victims, and will continue to do so once re-elected.

Since our election, we have continued standing up for the industry, especially for CTAs and CPOs that struggle to deal with ever-increasing and changing regulation. If you deem us worthy of second terms, we will continue to work hard to balance customer protections with regulatory efficiency and reduce unnecessary or burdensome regulations that benefit no one.

Why This Election Is Important

If our bid for reelection fails, CTA/CPO representation would be dominated by the largest firms in the industry. This would mean that the firms with assets under management in the bottom 80% of CTA/CPO members would have no representative in their range of AUM. **Some of these top firms were only required to register in the last two years (due to changes in regulation) and their business bears no resemblance to 95% of NFA registered CTA/CPO firms.** Large firms are guaranteed a Board seat through NFA rules; small firms have to compete for a seat and the big firms are allowed to run against us in additional categories. We need your support to continue to represent the interests of small and emerging CTA/CPO firms--the supermajority of NFA Members--in NFA's affairs.

Our Progress

Increased Member Involvement in Rulemaking

In our two years on the Board, we have accomplished much. We have increased communication between the Board, Staff, and NFA Members through periodic virtual town hall meetings and social media. Our efforts have played a significant role in persuading NFA staff to send its CTA/CPO Capital Requirements Proposal back to the drawing board, saving registered CTAs and CPOs from the cost and hassle of two annual internal audits that would have resulted in very little real protection for customers.

Added Protections to Customer Segregated Funds

We proposed, and won Board approval for, a rule change permitting FCM customers to pursue arbitration against individual FCM principals in the event of a future FCM bankruptcy with a shortfall in segregated funds of at least \$50M. This is an additional deterrent to FCM staff who may think about "*Corzine-ing*" funds in the future. Moreover, it is a much faster and more cost-effective means to pursue damages from purloined customer funds than traditional litigation. Independently of NFA through the CCC, we have met with a large number of Congressional Members, their staffs, and Agriculture committee members in both the House and Senate, to push for increased customer

protections in the event of future FCM bankruptcies. We have also worked with FIA and pushed the NFA to support such protections, which helped get a customer protection bill passed in the House of Representatives. We will continue to advise Members of the Senate and work with other industry groups to see this and other measures pass into law.

Provided Stringent Corporate Governance and Technical Expertise

While on the Board, we have prioritized acting in our fiduciary capacity as Directors above maintaining consensus and the status quo. While we have acted professionally, we have not hesitated to raise difficult issues to NFA staff and have advocated for changes to executive compensation, audit practices, due diligence and nomination procedures for public Directors, and tighter scrutiny for Members whose affiliates have committed crimes.

We have also provided technical expertise to NFA staff, such as in implementing treasury safeguards during the forced liquidation of firms following MRAs, and improving the cyber security of Member data stored by NFA.

Increased CTA/CPO Representation on Board

After the Board's structure was changed by the addition of the Swap Dealer Representatives to create a Board composition of 18 sell-side firms versus 4 buy-side firms, we have advocated relentlessly to balance that representation. Thus far, we have succeeded in having the Board approve a 5th CTA/CPO seat to provide for representation for firms in the top 5% of AUM. If you re-elect us, we will continue to press for more equality for the buy-side at the Board-level, and ensure that CTAs and CPOs of all sizes have their interests represented--something NFA rules currently do not provide for.

Proposals for the Next Term

In addition to our commitment to broaden CTA/CPO representation in every facet of NFA's governance, we believe there are specific areas in which NFA's functions could be improved.

Increasing Transparency into NFA Governance

Making Meeting Minutes Public

If you re-elect us, we will present a two-part initiative to increase transparency into NFA governance. The first initiative is a proposal to make the minutes of board and committee meetings publicly available. As an SRO, NFA has an obligation to shield some of its dealings from the public so as not to assist malfeasants in perpetrating fraud or evading compliance. Additionally, meeting participants should be afforded a measure of confidentiality in order to foster a frank and open discussion of NFA business. However, this does not relieve NFA of an obligation to keep its membership abreast of its governance and management. If the Federal Open Market Committee of the Federal Reserve Bank can make its minutes public -- which move markets and policy globally -- surely NFA can make its minutes public without hampering its mission.

Creating a Formal Comment Letter Process

The second proposal is to require a public comment period before any rule change is committed and to create an online repository for public comment letters submitted by Members. NFA already maintains a repository of its own comment letters, but does not do so for member letters. We felt the

request for comment letters regarding the proposed CTA/CPO capital requirements illustrated one area in which NFA could improve its practices. A requirement for a comment period and the publication of comments will lead to better communication and more thoughtful, measured regulation.

Changing the Public Director Nomination and Election Process

NFA’s Public Director Board Members provide a valuable service to both NFA Members and the investing public. NFA’s current Public Directors are global leaders in their fields and NFA is lucky to benefit from their experience and knowledge. Yet, the selection of Public Directors is one of the least transparent and closely held practices of the Board. We believe that the Membership is best served by broadening its participation in the Public Director selection process. As such, we plan to propose the creation of a nominating committee for Public Directors and that Public Directors be selected by majority vote of the Membership instead of a majority vote of the Board.

Reforming the Promotional Material Review and Audit Processes

In our current term, we proposed NFA revamp its disclosure document review process in an effort to make that process more data driven and less subjective. As we discovered, much of the problem our Members have with NFA’s promotional review processes stem from the CFTC’s direction that NFA focus on what we believe to be immaterial minutiae. This year presents another opportunity to change this, as CFTC plans to audit its disclosure document review process with NFA. We plan to refine and reinstate our proposal in order to take advantage of the opportunity presented by the CFTC review. We also plan to work with NFA staff to propose ways to streamline the general promotional material review process, and to continue to help NFA implement the recommendations of the Berkeley Research Group for best practices in audit.

It has been our honor to serve on your behalf for these last two years. We need your support to continue our efforts to improve customer protections and regulatory efficiency. We are asking that every Member take the time during the busy holiday season to cast its vote for CTA/CPO representative. When doing so, please consider that we care so much about this industry that we put our own careers on hold to stand up for MF Global and PFG customers -- unlike our opponents whose firms have much greater resources.

As always, thank you for your time and we remain at your service.

Best regards,



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