**COMPLIANCE RULES**

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**Part 2 - RULES GOVERNING THE BUSINESS CONDUCT OF MEMBERS REGISTERED WITH THE COMMISSION**

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**RULE 2-41. FOREX POOL OPERATORS AND TRADING ADVISORS**

(a) **Pool Operators.** Except for Members who meet the criteria in Bylaw 306(b) and Associates acting on their behalf, any Member or Associate operating or soliciting funds, securities, or property for a pooled investment vehicle that is not an eligible contract participant as defined in Section 1a(12) of the Act must comply with this section (a) if it enters into or intends to enter into any transaction described in NFA Bylaw 1507(b)(1) except as described in NFA Bylaw 1507(b)(3). For purposes of this section, a pooled investment vehicle may not claim to be an eligible contract participant by virtue of Section 1(a)(12)(A)(v)(II) or (III) of the Act.

(1) For each such pooled investment vehicle, the Member or Associate must prepare a Disclosure Document and must file it with NFA at least 21 days before soliciting the first potential pool participant that is not an eligible contract participant.

(2) The Member or Associate must deliver the Disclosure Document to a prospective pool participant who is not an eligible contract participant no later than the time it delivers the subscription agreement for the pool. Any information delivered before the Disclosure Document must be consistent with the information in the Disclosure Document.

(3) The Disclosure Document must comply with the requirements in CFTC Regulations 4.24, 4.25, and 4.26 as if operating a pool trading on-exchange futures contracts. The term "commodity interest" in those regulations should be read to include forex transactions, and the Risk Disclosure Statement required by CFTC Regulation 4.24(b)(1) must be replaced by the following if the pool does not trade on-exchange contracts and must be added as a separate statement if the pool trades both on-exchange contracts and forex.

RISK DISCLOSURE STATEMENT

YOU SHOULD CAREFULLY CONSIDER WHETHER YOUR FINANCIAL CONDITION PERMITS YOU TO PARTICIPATE IN A POOLED INVESTMENT VEHICLE. IN SO DOING, YOU SHOULD BE AWARE THAT THIS POOL ENTERS INTO TRANSACTIONS THAT ARE NOT TRADED ON AN EXCHANGE, AND THE FUNDS THE POOL INVESTS IN THOSE TRANSACTIONS MAY NOT RECEIVE THE SAME PROTECTIONS AS FUNDS USED TO MARGIN OR GUARANTEE EXCHANGE-TRADED FUTURES AND OPTIONS CONTRACTS. IF THE COUNTERPARTY BECOMES INSOLVENT AND THE POOL HAS A CLAIM FOR AMOUNTS DEPOSITED OR PROFITS EARNED ON TRANSACTIONS WITH THE COUNTERPARTY, THE POOL'S CLAIM MAY NOT RECEIVE A PRIORITY. WITHOUT A PRIORITY, THE POOL IS A GENERAL CREDITOR AND ITS CLAIM WILL BE PAID, ALONG WITH THE CLAIMS OF OTHER GENERAL CREDITORS, FROM ANY MONIES STILL AVAILABLE AFTER PRIORITY CLAIMS ARE PAID. EVEN POOL FUNDS THAT THE COUNTERPARTY KEEPS SEPARATE FROM ITS OWN OPERATING FUNDS MAY NOT BE SAFE FROM THE CLAIMS OF OTHER GENERAL AND PRIORITY CREDITORS.

FOREX TRADING CAN QUICKLY LEAD TO LARGE LOSSES AS WELL AS GAINS. SUCH TRADING LOSSES CAN SHARPLY REDUCE THE NET ASSET VALUE OF THE POOL AND CONSEQUENTLY THE VALUE OF YOUR INTEREST IN THE POOL. IN ADDITION, RESTRICTIONS ON REDEMPTIONS MAY AFFECT YOUR ABILITY TO WITHDRAW YOUR PARTICIPATION IN THE POOL.

INVESTMENTS IN THE POOL MAY BE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT, ADVISORY, AND BROKERAGE FEES, AND THE POOL MAY NEED TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETING OR EXHAUSTING ITS ASSETS. THIS DISCLOSURE DOCUMENT CONTAINS A COMPLETE DESCRIPTION OF EACH EXPENSE (SEE PAGE [insert page number]) AND A STATEMENT OF THE PERCENTAGE RETURN NECESSARY TO BREAK EVEN, THAT IS, TO RECOVER THE AMOUNT OF YOUR INITIAL INVESTMENT (SEE PAGE [insert page number]).

THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER FACTORS NECESSARY TO EVALUATE YOUR PARTICIPATION IN THIS POOL. THEREFORE, BEFORE YOU DECIDE TO PARTICIPATE YOU SHOULD CAREFULLY REVIEW THIS DISCLOSURE DOCUMENT, INCLUDING A DESCRIPTION OF THE PRINCIPAL RISK FACTORS OF THIS INVESTMENT (SEE PAGE [insert page number]).

NATIONAL FUTURES ASSOCIATION HAS NEITHER PASSED UPON THE MERITS OF PARTICIPATING IN THIS POOL NOR THE ADEQUACY OR ACCURACY OF THIS DISCLOSURE DOCUMENT.

(b) **Trading Advisors.** Except for Members who meet the criteria in Bylaw 306(b) and Associates acting on their behalf, any Member or Associate managing, directing or guiding, or soliciting to manage, direct, or guide, accounts or trading on behalf of a client that is not an eligible contract participant as defined in Section 1a(12) of the Act by means of a systematic program must comply with this section (b) if it intends to manage, direct, or guide the client's account or trade in transactions described in NFA Bylaw 1507(b).

(1) The Member or Associate must prepare a Disclosure Document and must file it with NFA at least 21 days before soliciting the first potential client that is not an eligible contract participant.

(2) The Member or Associate must deliver the Disclosure Document to a prospective client who is not an eligible contract participant no later than the time it delivers the agreement to manage, direct, or guide the client's account or trading. Any information delivered before the Disclosure Document must be consistent with the information in the Disclosure Document.

(3) The Disclosure Document must comply with the requirements in CFTC Regulations 4.34, 4.35, and 4.36 as if managing, directing, or guiding accounts or trading in on-exchange futures contracts. The term "commodity interest" in those regulations should be read to include forex transactions, and the Risk Disclosure Statement required by CFTC Regulation 4.34(b)(1) must be replaced by the following if the managed, directed, or guided account or trading will not include transactions in on-exchange contracts and must be added as a separate statement if it will include transactions in both on-exchange contracts and forex.

RISK DISCLOSURE STATEMENT

THE RISK OF LOSS IN FOREX TRADING CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. IN CONSIDERING WHETHER TO TRADE OR TO AUTHORIZE SOMEONE ELSE TO TRADE FOR YOU, YOU SHOULD ALSO BE AWARE OF THE FOLLOWING:

FOREX TRANSACTIONS ARE NOT TRADED ON AN EXCHANGE, AND THOSE FUNDS DEPOSITED WITH THE COUNTERPARTY FOR FOREX TRANSACTIONS MAY NOT RECEIVE THE SAME PROTECTIONS AS FUNDS USED TO MARGIN OR GUARANTEE EXCHANGE-TRADED FUTURES AND OPTIONS CONTRACTS. IF THE COUNTERPARTY BECOMES INSOLVENT AND YOU HAVE A CLAIM FOR AMOUNTS DEPOSITED OR PROFITS EARNED ON TRANSACTIONS WITH THE COUNTERPARTY, YOUR CLAIM MAY NOT RECEIVE A PRIORITY. WITHOUT A PRIORITY, YOU ARE A GENERAL CREDITOR AND YOUR CLAIM WILL BE PAID, ALONG WITH THE CLAIMS OF OTHER GENERAL CREDITORS, FROM ANY MONIES STILL AVAILABLE AFTER PRIORITY CLAIMS ARE PAID. EVEN CUSTOMER FUNDS THAT THE COUNTERPARTY KEEPS SEPARATE FROM ITS OWN OPERATING FUNDS MAY NOT BE SAFE FROM THE CLAIMS OF OTHER GENERAL AND PRIORITY CREDITORS.

THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN FOREX TRADING CAN WORK AGAINST YOU AS WELL AS FOR YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS.

MANAGED ACCOUNTS MAY BE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT AND ADVISORY FEES AND THE ACCOUNT MAY NEED TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETING OR EXHAUSTING ITS ASSETS. THIS DISCLOSURE DOCUMENT CONTAINS A COMPLETE DESCRIPTION OF EACH FEE TO BE CHARGED TO YOUR ACCOUNT BY THE ACCOUNT MANAGER. (SEE PAGE [insert page number]).

THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND SIGNIFICANT ASPECTS OF THE FOREX MARKETS. THEREFORE, YOU SHOULD CAREFULLY REVIEW THIS DISCLOSURE DOCUMENT BEFORE YOU TRADE, INCLUDING THE DESCRIPTION OF THE PRINCIPAL RISK FACTORS OF THIS INVESTMENT (SEE PAGE [insert page number]).

NATIONAL FUTURES ASSOCIATION HAS NEITHER PASSED UPON THE MERITS OF PARTICIPATING IN THIS TRADING PROGRAM NOR THE ADEQUACY OR ACCURACY OF THIS DISCLOSURE DOCUMENT.

**RULE 2-42. FOREX POOL REPORTING**

(a) Except for Members who meet the criteria in Bylaw 306(b), any Member operating a pool that trades forex must comply with the requirements in CFTC Regulation 4.22 in the same manner as would be applicable to the operation of a pool trading on-exchange futures contracts. The term "commodity interest" in that regulation should be read to include forex transactions.

(b) A Member may file with NFA a request for an extension of time in which to file the annual report in the same form as provided for in CFTC Regulation 4.22(f).