

# COMMENT

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**From:** Victor Karram [vjkt@earthlink.net]  
**Sent:** Sunday, May 21, 2000 10:20 AM  
**To:** secretary@cftc.gov  
**Subject:** Dollar Index physical delivery

The following comments are on the proposal to convert the U.S. Dollar Index Futures Contract to Physical Delivery from Cash Settlement.

I have been a market maker for the USDX since 1990. The conversion to physical delivery is something that must be done in order to maintain the integrity of the USDX. Due to the changes that have taken place in the currency market the old method of cash settlement is no longer reliable.

Since the uncertainty would be removed on the reliability of the quotes received during expiration both customers and market makers would benefit. As we approach expiration both customers and market makers alike would be able to adjust their positions much more efficiently since markets would be tighter since this risk of reliable quotes is eliminated.

Market participants who are hedged and make or take delivery will not realize profits or losses since they will continue to have the same position after expiration. Participants who are not hedged will simply roll their position into the next active month or get out of their position before expiration with the advantage of tighter markets as previously discussed.

By converting to physical delivery the problem of price manipulation is also eliminated. Since the quality and quantity of quotes received during the cash settlement procedure has significantly declined it is very susceptible to manipulation. Since these quotes are merely indications and not dealing prices parties with influence and an interest in the expiration settlement price can post false quotes to their benefit. Under physical delivery the actual settlement price at expiration will not affect the realized profit or loss since this will happen when the position is unwound at dealing prices in the cash market.

It is clear that changes to physical delivery merely preserves what the USDX futures was intended to represent.

Sincerely,

Victor John Karram

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