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August 21, 2000

OFFICE OF THE SECRETARIAT

ENERGY SERVICES
One Williams Center
P.O. Box 3448
Tulsa, Oklahoma 74101
918/573-2000

Commodity Futures Trading Commission
Three Lafayette Centre
1125 Twenty First Street, N.W.
Washington, D.C. 20581

COMMENT

Attention: Office of the Secretariat

Re: Regulatory Reinvention

Ladies and Gentlemen:

The attached document sets forth the comments of Williams Energy Marketing and Trading Company ("WEM&T") on rules proposed by the Commodity Futures Trading Commission ("Commission") and published in the Federal Register on June 22, 2000 (65 Fed.Reg.No. 121 at 38986 et seq.). These comments, filed pursuant to the Commission's action on August 7, 2000 to extend the time to file comments, are intended to replace those originally filed with the Commission on August 7, 2000 on behalf of WEM&T's parent company, The Williams Companies.

Should you have any questions or require additional information, please contact me at (918) 573-2083. Thank you.

Sincerely,

Garson Knapp
Manager, Government Affairs
Regulatory Policy & Administration
Williams Energy Services

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RECORDS SECTION

**UNITED STATES OF AMERICA
BEFORE THE
COMMODITY FUTURES TRADING COMMISSION**

**Notice of Proposed Rulemaking – A New) CFTC Docket No.
Regulatory Framework for Multilateral)
Transaction Execution Facilities,)
Intermediaries and Clearing Organizations)**

**REVISED COMMENTS OF WILLIAMS ENERGY MARKETING AND
TRADING COMPANY**

Pursuant to the Commission's request for comments in its June 22, 2000 Notice of Proposed Rulemaking on the introduction of a new regulatory framework to apply to multilateral transaction execution facilities, market intermediaries and clearing organizations, Williams Energy Marketing and Trading Company ("WEM&T") hereby submits its comments.

I.

COMMUNICATIONS AND CORRESPONDENCE

WEM&T requests that the following names be placed on the service list maintained for this proceeding by the Commission and that all correspondence and communications be addressed to the following:

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II.**INTRODUCTION**

WEM&T is an indirect, wholly owned subsidiary of The Williams Companies, Inc. (NYSE: WMB) and is engaged in nation-wide and international energy marketing and trading and risk management activities. In addition to offering a full line of leading-edge price-risk management services, WEM&T buys, sells and arranges for the transportation of all energy commodities, including natural gas, and gas liquids, crude oil and refined products.

As part of its operations, WEM&T operates a 21,000 square-foot, 300-position, state-of-the-art energy trading floor, the largest of its kind in the United States to date. Reuters and Dow Jones provide traders with real-time data, business information and commodity and energy futures from NYMEX, the Kansas City Board of Trade and other exchanges.

III.**COMMENTS**

A. **General.** WEM&T appreciates this opportunity to offer its comments on the Commission's proposal to replace its "one-size-fits-all" regulation for futures markets with broad, flexible "Core Principals," and establish regulatory tiers for three distinct markets.¹ WEM&T commends the Commission for proposing a regulatory framework, matching the degree of regulation to the varying nature of the products and the sophistication of the customers trading in the market. WEM&T believes that not only

¹ Recognized Futures Exchanges (RFE), Recognized Derivatives Transaction Facility (DTF), and Exempt Multilateral Transaction Facility (Exempt MTEF).

does this represent a sound and practical approach, but it also will promote innovation, reduce systemic risk and protect derivatives customers.

WEM&T supports the Commission's efforts to avoid regulatory measures that could increase legal uncertainty with respect to OTC derivatives and encourages the Commission's efforts to enhance legal certainty for all derivative transactions, including those based on nonfinancial commodities such as energy. WEM&T is especially encouraged by the Commission's proposal to replace the existing swaps exemption with a new exemption for Bilateral Transactions. This proposal appropriately builds upon certain principles of the Swap Exemption while accommodating the variety of legitimate over-the-counter instruments that have developed, and will no doubt continue to develop, since the Commission initially issued the exemption.

WEM&T also supports the exemption of Multilateral Transaction Facility ("MTEF") transactions from the Commodity Exchange Act ("CEA") and Commission rules.² With respect to MTEFs, the absence of prescriptive regulatory rules will confer on market participants greater flexibility in meeting technological and competitive challenges associated with those commodities not generally susceptible to manipulation.

WEM&T welcomes the Commission's inquiry into how best to move the commodities markets forward and urges the Commission to stay the course of establishing the basic parameters for its new regulatory framework and to permit the marketplace to devise creative and innovative solutions to the host of challenges and opportunities this industry faces. With its new regulatory framework initiative, the Commission is positioning itself to meet the challenges of a quickly evolving marketplace with less regulatory drag.

² Recognizing, however, that MTEF's would still remain subject to the CEA's anti-fraud and anti-manipulation provisions.

B. The Bilateral Proposal. The Commission's proposed exemption of bilateral transactions represents a welcomed effort to update the Swap Exemption and clarify the intent to reach new and innovative risk management tools that have developed (and will continue to develop) since the original Swaps Exemption was issued. WEM&T concurs with the Commission that its proposal to amend its Part 35 exemption to expand and to clarify its operation, including the availability for clearing these transactions, will operate also to reduce systemic risk.

WEM&T particularly supports the Commission's affirmation of its intent not to change its energy interpretation and energy exemption³ as part of its Part 35 Swaps Exemption amendment proposal. Similarly, WEM&T appreciates the Commission's position not to retroactively call into question any transaction undertaken under the Part 35 rules as presently drafted.

C. Exempt Multilateral Transaction Execution Facilities. WEM&T supports the Commission's proposal to exempt from regulation by the Commission those multilateral transaction facilities ("MTEFs") meeting the conditions specified in the proposed rule.⁴ WEM&T shares the Commission's view that these commodities, when traded between or among eligible participants, need not be subject to the regulatory scheme of Commodity Exchange Act.

³ 55 FR 39188 and 58 FR 21286 respectively.

⁴ Contracts based upon (1) a debt obligation, (2) a foreign currency, (3) an interest rate, (4) an exempt security, (5) a measure of credit risk or quality, including instruments known as "total return swaps," "credit swaps" or "spread swaps," (6) an occurrence or contingency beyond the control of the counterparties to the transaction, or (7) cash-settled, based upon an economic index or commercial index beyond the control of the counterparties to the transaction and not based upon prices derived from trading in a directly corresponding underlying cash market.

Additionally, WEM&T supports the Commission's proposal to include government securities in the list of commodities that are eligible for exemption under Part 36. In this respect, the regulation of government securities under the Government Securities Act of 1986, as amended, is sufficient. The grant of a broad exemption to contract markets for futures on government securities is not likely to give rise to significant opportunities for regulatory arbitrage.

D. Commission Jurisdiction Over Exempted Transactions. As proposed, the Commission, in exercising its authority under its exemptive rules, would not make any determination that the exempted transactions are or are not subject to its jurisdiction.⁵ Citing specifically the exemption of certain swaps in 1993, the Commission notes that, in exercising its exemptive authority to date, it has not made a determination that the transactions being exempted were, or were not, subject to the Commission's jurisdiction under the CEA. With respect to MTEFs, the Commission states its intent to continue the practice of not making such determinations. WEM&T requests the Commission reconsider its position on this issue.

While recognizing the potential benefits to the Commission of not making such jurisdictional determinations, WEM&T believes counterparties to novel instruments will possess greater incentives to exercise their ingenuity to create more sophisticated instruments in the absence of the specter of Commission jurisdiction under the CEA. WEM&T therefore urges the Commission to consider making jurisdictional determinations as requested by market participants.

⁵ In support, the Commission cites Congressional Conferee language pertaining to Section 4(c) of the CEA.

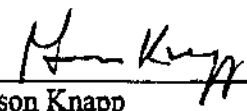
E. Other Suggested Changes. WEM&T has reviewed the comments of the International Swaps and Derivatives Association, Inc. in this proceeding ("ISDA Comments"), and, without addressing all of those comments, would in particular like to indicate its support of the suggested changes to both the "Bilateral Proposal" (ISDA Comments at Page 2) and the "Multilateral Proposal" (ISDA Comments at Page 4).

IV.

Conclusion

WEM&T believes the Commission can establish the basic regulatory framework for clearing organizations while preserving the ability of the market to remain competitive and innovative. In this regard, WEM&T strongly supports the Commission's proposal to establish a regulatory framework that matches the degree of regulation to the varying nature of the products and the sophistication of the customers trading in the market.

Respectfully submitted,

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