



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

April 9, 2001

UNDER SECRETARY

COMMENT

01-03
14

RECEIVED
O.F.T.C.
RECORDS SECTION
01 APR 10 PM 3 26

Jean A. Webb
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: RIN 3038-AB63 Regulatory Reinvention

Dear Ms. Webb:

We appreciate the opportunity to comment on the Commission's proposed rules on a new regulatory framework for trading facilities, intermediaries and clearing organizations. *66 Fed. Reg.* 14262 (March 9, 2001). The Commission's proposed rules are intended to implement certain provisions of the Commodity Futures Modernization Act of 2000 ("CFMA") enacted on December 21, 2001.

Last June, the Commission published a regulatory reform proposal that, by regulation, would have created a new type of exchange, "derivatives transaction facilities," with reduced regulatory requirements. *65 Fed. Reg.* 38986 (June 22, 2000). In response to a specific request by the Commission at that time for comments on large position reporting, Treasury recommended that the Commission impose such reporting requirements for government security futures trading on derivatives transaction facilities.¹ In light of the enactment of the CFMA, the Commission withdrew the June 2000 regulatory reform proposal and related regulation. *65 Fed. Reg.* 82272 (Dec. 28, 2000).

The CFMA creates a new type of exchange called "derivatives transaction execution facilities" ("DTFs"), which are similar to the derivatives transaction facilities in the CFTC's original regulatory reinvention proposal. Futures on exempt securities are eligible to trade on DTFs. On March 9, 2001, the Commission issued a new proposal, modified in light of the CFMA, and again specifically requested comment on large trader position reporting requirements for futures on exempt securities trading on the new type of exchange.

¹ See Treasury letter dated August 16, 2000.

In response to this latest proposal, the Treasury reiterates its belief that large trader reporting requirements have worked well in the market for Treasury futures. These requirements reveal information that is useful to regulators, and they also have a deterrent effect. Accordingly, the Treasury recommends that there be large trader reporting requirements for any exempt security futures that trade on a DTF as well as on a regulated contract market.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Hammond', with a horizontal line extending to the right from the end of the signature.

Donald V. Hammond
Acting Under Secretary
(Domestic Finance)