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Secretary of the Commission
Commodity Futures Trading Commission
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To those reviewing the recent work of the NFA's proposed Interpretive Notice on supervision of Automated Order Routing Systems:

I own and run a smaller Commodity Trading Advisory firm that also happens to be an SEC Registered Investment Advisor. I have traded securities and futures for over 25 years now and am quite familiar with the electronic side of the both of these pieces of the investment business. I participated in the committee to develop this Interpretive Notice and feel that it is not only necessary; it may not go as far as I'd like to see it go.

Since I have been involved in more traditional SEC based investments, as well as commodities, I know, first hand, the advancements in electronic trading the securities industry now enjoys. A number of years ago, I unsuccessfully tried to get the commodities industry to adapt some form of electronic transmission standard to make the transmission of trading information from firm to firm more efficient. Some of the largest firms in the futures industry, as well as the few software vendors that control the vast majority of the industry's back office systems were unresponsive to the my perceived need for industry standards. These firms cited lack of budget and time to make changes, the impending Y2K concerns and a lack of industry demand to put a standard in place. Now the Y2K concerns are in the distant past, budgets still and always will be tight and firms continue to fight decreasing margins, eliminating overhead and dealing with intense competition, both domestic and foreign. My concern is that the same firms that were passive to any standardization efforts in the industry will find additional excuses to keep things the way they are to stretch out, as long as possible, the status quo.

Other parts of the financial services industry do have standards like FIX and SWIFT and these standards have created a platform for record volumes, tighter regulatory practices, more credibility in the integrity of the markets and lower trading costs for the public who make use of the electronic trading medium. Exchanges outside our country, like EUREX, have become completely automated electronic exchanges and are acquiring increasing market shares of the trading volumes around the world. I hope this Interpretive Notice becomes a wake-up call to those who will not get on the standards bandwagon. My fear is that it may not go far enough to get key players in the industry to move quickly to get the futures industry's automated order routing up to the levels enjoyed by other parts of the US financial services industry and some offshore futures exchanges.

I hope the Commission will adopt this quickly and move to help the industry set the stage for more automation in the trading of commodity contracts and options. The Notice sets up some framework for firms to use in moving to efficient use of automated order routing systems. The Notice is flexible and should allow some room for firms to design their own response to electronic order routing. The Notice does not dictate anything that must be done. If firms do not move forward with these concepts, they will eventually realize that the financial order routing systems have passed them by.

Sincerely,

Thomas F. Basso
CEO, Trendstat Capital Management, Inc.