

Received CFTC  
Records Section

8/1/06

06-2  
21



Ms. Jean A. Webb  
Secretary of the Commission  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

1 August 2006

C. OF THE SECRETARIAT

2006 AUG - 1 AM 10: 23

RECEIVED  
CFTC.

Re: What Constitutes a Board of Trade Located Outside of the United States  
(Comment File Number 06-002)

Dear Ms. Webb:

COMMENT

Tokyo Financial Exchange Inc. would be pleased to make comments on the request for comment to the Federal Register 71, FR 34070 (Jun 13, 2006) as follows:

In principle, we consider that even if a FBOT had a certain level of presence in the U.S., the FBOT shall not be regarded as "not located outside the U.S." and shall not be required to become a designated contract market (DCM) or derivatives transaction execution facility (DTEF).

In addition, we oppose the idea of adopting a threshold of trading volume (ex. 50 %) in examining if a FBOT may no longer be "located outside the U.S.". And we are also against the idea that "trades via automated order routing systems from the U.S." shall be counted as U.S. volume, for the purpose of determining whether any volume threshold has been crossed, in addition to trades via direct execution systems. This scheme will be a new regulatory approach to foreign exchanges.

Furthermore, the Commission should not create a special exchange registration category because it will only lead to strengthen regulatory control. This could not be an effective solution to this matter.

If any new regulatory requirement were imposed regarding this issue, it might jeopardize free and fair futures trades interrupting the development of electronic market. This will in turn cause significant damage to not only U.S. market competitiveness but also development of futures industry as a whole.

We strongly believe that a regulatory authority should avoid looking to imposing new restriction on foreign exchanges to protect domestic exchanges. We completely agree with the idea of enhancing regulatory cooperation and regulatory harmonization between regulatory authorities.

Kind regards,

Jiro Saito  
President & CEO  
Tokyo Financial Exchange Inc.