

secretary

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**From:** Mikio Hinoide [m.hinoide@ose.or.jp]  
**Sent:** Tuesday, August 01, 2006 4:47 AM  
**To:** secretary  
**Cc:** k.yamazawa@ose.or.jp  
**Subject:** What constitutes a Board of Trade Located Outside of the United States

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2006 AUG - 1 AM 10: 22  
O.F.C. OF THE SECRETARIAT

**Importance:** High

**COMMENT**

Dear Sir/Madam,

We, Osaka Securities Exchange Co., Ltd., herewith express our views concerning the concept release announced on June 13th 2006, as follows:

In our view it does not seem appropriate to regulate FBOT (Boards of Trade established in foreign countries and located outside the continental limits of the U.S.), which implies that CFTC will regulate FBOT and meet various conditions such as the DCM or DTEF under designation or registration, focusing on areas where there is no way for us to be aware who or how much portion of the trades is done through "AORS", such as defined at various levels in this concept release.

In this regard we do believe that sufficient protection already exists towards U.S. investors providing a no-action letter presented by CFTC staff to guarantee not to take any legal action toward us when Brokers/Dealers solicit our products for investors.

In cases where this regulation applies, there is no doubt that it would degrade the convenience of both US investors and those residing outside the US, because this would lead to a cost increase. Shifting the increase of the exchange regulation costs and/or broker's regulation costs, or setback of AORS utilization or diffusion would accumulate and cause a substantial cost increase. Therefore, the overall global securities market as well would definitely be degenerated.

Considering the above, we do believe this regulation proposal against FBOT activities is inappropriate and too excessive.

What sustains the world capital market and its development are the active cross boarder trades by investors around the world, and so it is highly essential to acquire global understanding on the matter by which manner those cross boarder trades should be regulated and fairly treated with careful regard.

Sincerely,

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