

Born, Brooksley

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From: Sandee Kramer <skrame19@IDT.NET>
Sent: Sunday, April 19, 1998 2:30 PM
To: <bborn@cftc.gov>
Subject: Cantor Financial Futures Exchange, Inc. ("CFFE")

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1317 Glenmore Court
Barrington, IL 60010
April 19, 1998

Ms. Brooksley E. Born
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

COMMENT

RE: Application of Cantor Financial Futures Exchange, Inc.(=93CFFE=94)

Dear Ms. Born:

I wish to comment on the application of Cantor Financial Futures Exchange, Inc. (=93CFFE=94) to be designated as a CFTC - approved market =

in U.S. Treasury futures.=20

It is my opinion that the CFFE application is deficient in many respects in that it omits critical information regarding the proposed market and its trading system.

To begin with, the CFTC prohibits exchange members from serving on boards or most committees if they have been found to have committed a disciplinary offense within the preceding three years. Cantor Fitzgerald settled charges, including charges that it assisted in committing customer fraud, with the CFTC last year. In light of CFTC requirements on disciplinary offenses and CFTC views on eligibility, CFTC approval of Cantor=92s request for the ultimate registration of contract market designation, would be an abuse of agency discretion.

Cantor=92s application provides insufficient information when a trade is deemed to occur on the CFFE execution facilities, and it is unclear whether there is an audit trail that accurately captures this information. Also, they propose to place market surveillance responsibility in the hands of a two person NYCE surveillance staff which was found by the CFTC two months ago to be insufficient to meet NYCE needs for its existing markets.

There is a potential for a conflict of interest, misuse of material, nonpublic information and customer abuse, because Cantor will control the CFFE; will trade on the CFFE; will employ the individuals who control the entry and execution of customer and Cantor orders into the system; and Cantor ultimately controls the decisions whether customer orders have been abused.

Based on CFFE=92s proposed rules that do not prohibit disclosure of customer orders, inequitable allocation of customer orders, accommodation trading and a variety of other prohibitions customarily contained in exchange rules, it appears that trade execution facilities will not meet the fair and competitive trading standards of the Commodity Exchange Act and Commission rules.

Finally, Cantor does not appear to meet other statutory requirements for designation as a federally-approved contract market, e.g., no provision for meaningful resolution of customer grievances, non-compliance with diversity requirements for Board representation, no disclosure to customers of the risks and conflict inherent in the proposed market.=20

Sincerely,
James J. Kramer

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