

Thomas R. Donovan
President and
Chief Executive Officer

COMMODITY FUTURES
TRADING COMMISSION
RECEIVED FOR
PUBLIC RECORD

Nov 3 7 24 AM '98



Chicago Board of Trade

RECEIVED
October 28, 1998

98-36

(3)

1998 OCT 33 A

SECRETARIAT

BY FACSIMILE AND CERTIFIED MAIL

Jean A. Webb
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

COMMENT

Re: Temporary License Eligibility - 63 Fed. Reg. 185 (September 24, 1998)

Dear Ms. Webb:

The Chicago Board of Trade ("CBOT®" or "Exchange") appreciates the opportunity to comment on the Commodity Futures Trading Commission's ("CFTC" or "Commission") proposed amendments to its rules governing the granting of temporary licenses ("TLs") by the National Futures Association ("NFA") to applicants for registration as associated persons ("APs"), floor brokers ("FBs"), floor traders ("FTs"), and guaranteed introducing brokers ("IBGs"). The Exchange understands that these amendments would authorize NFA to grant a TL to an applicant despite a "yes" answer to a Disciplinary History question, in appropriate cases. The Exchange further understands that the Commission has proposed these amendments so that it may approve certain registration rules submitted by NFA without creating inconsistencies between the Commission's rules and NFA's rules.

The Commission's rules and the NFA's current rules provide that one of the conditions for obtaining a TL is that an applicant have no "yes" answers to any of the Disciplinary History questions on the relevant registration application. The only exception allows applicants for registration as APs, FBs, or FTs, whose previous registration in these capacities was terminated within the preceding 60 days, to receive a TL upon mailing of a new registration application, even if the new registration application contains a "yes" answer to a Disciplinary History question, if: (1) the matter had already been disclosed in connection with a previous registration application, and registration had been granted; or (2) the "yes" answer was disclosed more than 30 days previously in an amendment to the prior registration application.

NFA has adopted and submitted for Commission approval various new rules and rule amendments which would eliminate the no "yes" answer criterion as an absolute bar to the issuance of a TL. NFA has represented that if its proposal were approved, it would use its authority to grant TLs to applicants with "yes" answers if: (1) NFA had previously cleared such applicants; or (2) NFA knew that it intended to clear such applicants.

Jean A. Webb
October 26, 1998
Page 2

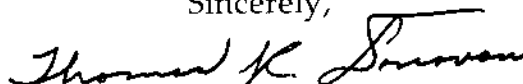
The Commission has stated that its preliminary view of the proposed NFA rule amendments is positive, and that it has now proposed to amend its rules governing the issuance of TLs in order that it may be permitted to approve the NFA rule amendments. Specifically, the Commission has proposed to eliminate the provisions in its rules that prohibit NFA from granting a TL to AP, FB, FT or IBG applicants if their registration applications contain a "yes" answer to a Disciplinary History question. The Commission has also proposed to eliminate the prohibition against granting TLs to such applicants whose registration terminated within the preceding 60 days if they have new "yes" answers to Disciplinary History questions. Finally, the Commission has proposed to amend two provisions of its rules to remove a restriction against the granting of registration where there is a "yes" answer to a Disciplinary History question.

The CBOT strongly supports all of the Commission's proposed rule amendments. Under the Commission's current rules, NFA may not grant TLs to new applicants for registration, and certain previously registered applicants, even if the disclosed disciplinary history is minor and would not be used as a basis for denying the applicants' registration applications or imposing conditions upon the granting of such registrations.

The Exchange agrees with the NFA's assessment that it has developed substantial expertise in exercising the registration authority which has been previously delegated to it by the Commission, and that it is able to identify in an accurate and prompt manner the types of disciplinary history which it would not use to disqualify an applicant from registration. If NFA is not permitted to grant TLs to such persons, it would defeat the Commission's goal to permit persons who will ultimately be granted registration to begin acting like registrants during the frequently lengthy process of conducting various background checks.

The Exchange applauds the Commission's efforts to amend its rules to eliminate requirements which experience has proven to be unnecessarily burdensome and appreciates the opportunity to provide its comments.

Sincerely,

A handwritten signature in cursive script, appearing to read "Thomas R. Donovan".

Thomas R. Donovan