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OFFICE OF THE SECRETARIAT
October 27, 1999

COMMENT

VIA FACSIMILE AND FEDERAL EXPRESS

Ms. Jean Webb
Office of the Secretary
Commodity Futures Trading Commission
1155 21st Street, N.W.
Washington, DC 20581

Re: Cantor Financial Futures Exchange's Proposal to Adopt Block Trading Procedure (64 Fed. Reg. 54620 -- October 7, 1999)

Dear Ms. Webb:

The New York Mercantile Exchange ("NYMEX" or the "Exchange") appreciates the opportunity to comment, on its own behalf and on behalf of its wholly-owned subsidiary, Commodity Exchange, Inc. ("COMEX"), on the Cantor Financial Futures Exchange proposal to adopt block trading procedures (the "Cantor Proposal").

NYMEX is a not-for-profit corporation organized under the laws of the State of New York. It has been designated by the Commission as a contract market for the trading of numerous commodity futures and commodity futures option contracts. NYMEX is the largest exchange in the world for the trading of futures and option contracts based on physical commodities. Public investors in our markets include institutional and commercial producers, processors, marketers and users of energy and metals products.

The Exchange believes that the issues posed by this release are of significant importance to the futures industry and that the Commission, in carrying out its statutorily mandated duties, carefully consider the issues presented prior to taking any permanent action. As a general matter, the Exchange believes that exchanges should have the initial say in determining the nature of the execution procedures to be permitted at that exchange. Certain innovative non-competitive procedures may provide additional liquidity and utility to a market. Such initiatives should be left to the business judgment of the exchange in the first instance, but any proposal submitted to the Commission for its review and approval must not adversely affect customers or cause any harm to the market.

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The New York Mercantile Exchange is composed of two divisions. The NYMEX Division offers trading in crude oil, heating oil, unleaded gasoline, natural gas, electricity, propane, platinum, and palladium. The COMEX Division offers trading in gold, silver, copper, and the Eurotop 100® index.

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The Exchange concurs with several of the issues noted by the Chicago Board of Trade and the Chicago Mercantile Exchange in their respective comment letters. NYMEX's primary concern is with the lack of price transparency in the Cantor Proposal. In the Cantor Proposal, the block trade transaction need not be reported to the exchange until ten minutes after it has been executed. Moreover, if a transaction is executed during the last ten minutes of the trading session on any given day or after the trading session has closed, the details of the transaction do not have to be reported to the exchange until immediately prior to the opening on the next business day.

Some of the most important functions of exchanges today relate to their role in achieving true price discovery in a centralized marketplace that provides price transparency uniformly to all market participants. NYMEX believes that the lack of immediacy in reporting of block trades under the Cantor Proposal would have certain detrimental effects on the marketplace and its participants. Under the delayed reporting requirements of the Cantor Proposal, certain participants, particularly those engaging in the block trading, will have knowledge of the block trade and its subsequent effect on the market price to the exclusion of other market participants. Consequently, block traders could effectively engage in a form of "front running" the market because of their informational advantage. Block traders, particularly in less liquid contracts, could trade based upon their knowledge of how their block trade would likely affect the marketplace. Therefore, other market participants would be adversely affected by not having adequate information to gauge the true price in the market and the integrity of the price transparency function of the exchange marketplace as a whole may suffer.

As the Chicago Mercantile Exchange aptly points out in its October 22, 1999 comment letter, this block trading proposal would result in a bifurcation of the marketplace into separate larger vs. smaller participant markets. There generally would be no opportunity for the smaller trader to participate in a block trade. The price discovery function of the exchanges would change into price discovery for a larger market for block trades, which excludes the smaller investor, and one for smaller customers. To the extent that a block trade provides a better price than the one in the "smaller" marketplace, small entities would not be able to participate.

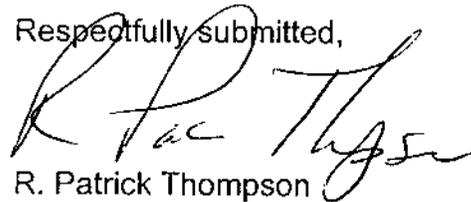
NYMEX has recently submitted to the Commission a rule permitting "large lot" trading of futures contracts which address certain of the concerns raised by the Cantor Proposal. This procedure is similar in principle to the "all-or-nothing" type trades done at the Chicago Mercantile Exchange. Bids and offers for large lot trades are announced in the trading ring and are executed by open outcry. Market participants are thereby informed of the participation of a large buyer and seller in the marketplace. Customer limit orders can be bundled in response to a request for a large lot trade. To the extent the orders so bundled did not meet the large lot size, a floor broker would be

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able to make up the difference. Prices for large lot trades would be immediately be displayed and disseminated to all market participants. NYMEX believes that this type of procedure maintains the price discovery and price transparency functions of the market and ameliorates some of the concerns raised by block trading.

In sum, NYMEX believes that there are certain concerns raised by the Cantor Proposal that need to be addressed by the Commission. NYMEX thanks the Commission for the opportunity to submit comments concerning the Cantor Proposal and would be pleased to furnish additional information in this regard. If you have any questions, please do not hesitate to contact the undersigned.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. Patrick Thompson". The signature is written in a cursive, flowing style with a large initial "R".

R. Patrick Thompson
President