

COMMENT

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C.F.T.C.

RE: Request to appear in the August 11, 1998 public meeting regarding the application of Cantor Financial Futures Exchange and statement of interest

DATE: August 5, 1998

1998 AUG 5 P 5:31
OFFICE OF THE SECRETARIAT

I am a chaired Full Professor at the Stanford Business School. As described more fully in the enclosed resume, I have published about 70 academic papers in the areas of financial markets, information technology and the interaction between the two, and have worked with leading securities exchanges worldwide. Together with Professor Yakov Amihud of New York University, I have been retained by the Chicago Board Of Trade to study alternative execution procedures, to make recommendations to the Exchange and to comment on the Commission's Release on the Regulation of Noncompetitive Transactions.

Through the initial conduct of this work, it became clear that the application of the Cantor Financial Futures Exchange raises many of the same issues raised by the Commission in its request for comment on the regulation of noncompetitive transactions and alternative execution procedures. The proposed application could fragment existing liquid markets, hurt that liquidity, raise the cost of hedging, and ultimately increase the US Treasury's cost of debt. This is supported by theory, empirical evidence and experience from other markets.

I request to appear in the Commission's public meeting on August 11, 1998, to alert the Commission to some of the issues raised by Cantor's application. I am still studying these issues (with Professor Amihud), and our final conclusions will be available in early September, 1998. Nevertheless, my past work can be applied to analyze Cantor's application, and I expect the Commission will benefit from that analysis.

Respectfully submitted,



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Curriculum Vitae
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PERSONAL DATA

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ACADEMIC DEGREES

- 1979 Ph.D. Department of Statistics, Tel Aviv University, Tel Aviv, Israel.
- 1977 M.Sc. (summa cum laude) in the Management Sciences, Faculty of Management, Tel Aviv University, Tel Aviv, Israel.
- 1972 B.Sc. (summa cum laude) in Mathematics and Physics, Faculty of Science, Hebrew University, Jerusalem, Israel.

ACADEMIC EXPERIENCE

- Present The James Irvin Miller Professor of Information Systems, Graduate School of Business, Stanford University, Stanford, California.
- 1987 - 1989 The Xerox Professor of Business Administration, William E. Simon Graduate School of Business Administration, University of Rochester, Rochester, New York.
- 1983 - 1987 Associate Professor of Business Administration, William E. Simon Graduate School of Business Administration, University of Rochester, Rochester, New York.
- 1979 - 1983 Assistant Professor of Business Administration, William E. Simon Graduate School of Business Administration, University of Rochester, Rochester, New York.

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CONSULTING EXPERIENCE

The American Stock Exchange
The Analysis Group
Bausch & Lomb
Chicago Board of Options Exchange
Eastman Kodak Company
Garden City Group
Gordon Capital Corporation
The Israel Telecommunications Agency
JP Morgan
Mid-America Institute for Public Policy Research
Microsoft
Morris & Morris
The New York Stock Exchange
Osler, Hoskin & Harcourt
Rochester Gas and Electric
ScotiaMcLeod Inc..
The Tel-Aviv Stock Exchange
UniForum
H. Warshow & Sons
Xerox Corporation

Served as Chief Systems Analyst of the Logistic Information Systems Center of the Israel Defense Forces.

PAST AND PRESENT ADMINISTRATIVE RESPONSIBILITIES

Area Coordinator, Operations, Information and Technology Area, Graduate School of Business, Stanford University

Co-Director, Stanford Business School Initiative on Information Systems, Organizations and Markets

Co-Director, Strategic Uses of information Technology

Dean's Advisory Group, Graduate School of Business, Stanford University

Executive Committee, Computer Industry Project, Stanford University

Stanford University Senate Committees:

Distributed Information and Computing Environment Committee
Chairman, C-ACIS Subcommittee on Administrative Computing

Stanford Information Technology Infrastructure Advisory Group

Restructuring and Administrative Systems Oversight Group, Stanford University

Steering Committee, Stanford Institute of Manufacturing and Automation, Stanford University

Computing Board of Directors, Graduate School of Business, Stanford University

International Advisory Board, The New Interdisciplinary University of Law, Management and Technology

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International Advisory Board, DISCS, National University of Singapore

Area Coordinator, Information Systems Area, William E. Simon Graduate School of Business Administration, University of Rochester

Coordinator, IBM Program of Support for Education in the Management of Information Systems, William E. Simon Graduate School of Business Administration, University of Rochester

International Advisory Board, Department of Information Systems and Computer Science, National University of Singapore

Organized the Bay Area Information Systems Research Symposium

Five-year review committee for the Decision Sciences Department, The Wharton School, University of Pennsylvania

University Committee of Tenure and Privileges, University of Rochester

Policy Committee, William E. Simon Graduate School of Business Administration, University of Rochester

Committee on MBA Programs, William E. Simon Graduate School of Business Administration, University of Rochester

Ph.D. Committee, William E. Simon Graduate School of Business Administration, University of Rochester

Committee on Educational Policy, William E. Simon Graduate School of Business Administration, University of Rochester

Editorial Board, Information Systems Research
Associate Editor, Management Science
Associate Editor, MIS Quarterly
Associate Editor, Communications of the Association for Computing Machinery
Associate Editor, Organizational Computing

Edited Special Issues of Information Systems Research, Journal of Organizational Computing and Electronic Commerce, and Management Science.

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REVIEWER FOR:

ACM Transactions on Database Systems, The American Economic Review, Communications of the Association for Computing Machinery, Computers and Operations Research, Computing Reviews, Decision Support Systems, Econometrica, Economic Inquiry, Financial Management, IEEE Transactions on Software Engineering, Information Processing Letters, Information Systems Research, The International Economic Review, Journal of Banking and Finance, Journal of Business, Journal of Economic Behavior and Organization, Journal of Economic Dynamics and Control, Journal of Finance, Journal of Financial Economics, Journal of Financial and Quantitative Analysis, Journal of Macroeconomics, Journal of Money, Credit, and Banking, Journal of Organizational Computing, Marketing Science, Mathematics of Operations Research, McGraw-Hill Book Company, Management Science, MIS Quarterly, National Science Foundation, Naval Research Logistics Quarterly, Operations Research, The RAND Journal of Economics, Review of Economic Studies, Review of Financial Studies, Scandinavian Journal of Economics.

PUBLICATIONS

"Number of Shareholders and Stock Prices: Evidence from Japan," (with Y. Amihud and J. Uno), Journal of Finance, forthcoming.

"Information Technology and Time-Based Competition in Financial Markets," (with S. Dewan), Management Science, vol. 44 (1998), pp. 595-609.

"Market Microstructure and Securities Values: Evidence from the Tel Aviv Stock Exchange," (with Y. Amihud and B. Lauterbach), Journal of Financial Economics, vol. 45 (1997), pp. 365-390.

"Pricing for Market Segmentation in Data Networks," (with P. Afeche), Proceedings of the Association for Information Systems.

"Information and Organization for Horizontal Multimarket Coordination," (with K. Anand), Management Science, vol. 43 (1997), pp. 1609-1627.

"Approximate Representation of Probabilistic Data in Expert Systems," (with S. Sarkar and V. Storey), European Journal of Operations Research, Vol. 94 (1996), pp. 488-504.

"A New Approach to the Regulation of Trading Across Securities Markets," (with Y. Amihud), New York University Law Review, Vol. 71 (1996), pp. 1411-1466.

"Is the Internet Doomed by Economics?" TechnoLaw Vol. 1 (1996), pp. 6-7, 12.

"Modeling vs. Forecasting: The Case of Information Systems Spending," (with V. Gurbaxani), Information Systems Research Vol. 5 (1994), pp. 180-190.

"Free Access Policy for Internal Networks," (with P. S. Giridharan), Information Systems Research, Vol. 5 (1994), pp. 1-21.

"Information Systems and the Organization of Modern Enterprise," (with E. Brynjolfsson), Journal of Organizational Computing, Vol. 3 (1993), pp. 245-255.

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"Liquidity, Trading Costs and Asset Prices: Implications for Japan," (with Y. Amihud), Restructuring Japan's Financial Markets, (Ingo Walter and Takao Hiraki, Eds.) Irwin, 1993, pp. 61-78.

"The Use of Secondary Analysis in MIS Research," (with V. Gurbaxani), in: The Information Systems Research Challenge: Survey Research Methods, (Kenneth L. Kraemer, Editor), Harvard Business School Press (1991), pp. 71-106.

"Transaction Taxes and Stock Values," (with Y. Amihud), in: Kenneth Lehn and Robert Kemphuis, eds., Modernizing U.S. Securities Regulation Economic and Legal Perspectives, Irwin, 1993, pp. 477-500.

"User Delay Costs and Internal Pricing for a Service Facility," (with S. Dewan), Management Science, Vol. 36 (1990), pp. 1502-1517.

"An Integrative Model of Information Systems Spending Growth," (with V. Gurbaxani), Information Systems Research, Vol. 1 (1990), pp. 23-46.

"Optimal Incentive-Compatible Priority Pricing for the M/M/1 Queue," (with S. Whang), Operations Research, Vol. 38 (1990), pp. 870-883.

"Trading Mechanisms and Value Discovery: Cross-National Evidence and Policy Implications," (with Y. Amihud), Carnegie-Rochester Conference Series on Public Policy, Vol. 34 (1992), pp. 105-134.

"Liquidity, Asset Prices and Financial Policy," (with Y. Amihud), Financial Analysts Journal, November/December 1991, pp. 56-66.

"How (Not) to Integrate the European Capital Markets," (with Y. Amihud), European Financial Integration (A. Giovannini and C. Mayer, editors), Cambridge University Press, 1991, pp. 73-100.

"Volatility, Efficiency and Trading: Evidence from the Japanese Stock Market," (with Y. Amihud), Journal of Finance, Vol. 46 (1991), pp. 1765-1789.

"An Empirical Analysis of Software and Hardware Spending," (with V. Gurbaxani), Decision Support Systems, Vol. 8 (1992), pp. 1-16.

"Liquidity, Maturity and the Yields on U.S. Government Securities," (with Y. Amihud), Journal of Finance, Vol. 46 (1991), pp. 1411-1426.

"Liquidity and Asset Prices," (with Y. Amihud), Financial Markets and Portfolio Management, Vol. 5 (1991), pp. 235-240.

"Market Microstructure and Price Discovery in the Tokyo Stock Exchange," (with Y. Amihud), Japan and The World Economy, Vol. 1 (1989), pp. 341-370. Reprinted in: Japanese Financial Market Research, W. Bailey, Y. Hamao and W. T. Ziemba (eds.), North Holland Publishing Co.

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"Stock Market Microstructure and Return Volatility: Evidence from Italy," (with Y. Amihud and M. Murgia), Journal of Banking and Finance, Vol. 14 (1990), pp. 423-440.

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"The Effects of Computer-Based Trading on Volatility and Liquidity," (with Y. Amihud), in Henry C. Lucas, Jr. and Robert A. Schwartz (eds.), The Challenge of Information Technology for the Securities Markets: Liquidity, Volatility, and Global Trading, Dow Jones-Irwin, 1989, pp. 59-85.

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"Liquidity and Asset Prices: Financial Management Implications," (with Y. Amihud), Financial Management, Spring 1988, pp. 5-15.

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"Liquidity and Stock Returns," (with Y. Amihud), Financial Analysts Journal, Vol. 42, May/June 1986, pp. 43-48.

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"Random Competitive Exchange: Price Distributions and Gains From Trade," Journal of Economic Theory, Vol. 37, 1985, pp. 254-280.

"An Integrated Computerized Trading System," (with Y. Amihud), in: Market Making and the Changing Structure of the Securities Industry, Lexington Heath, 1985, pp. 217-235.

Discussion of "Rip-offs, Lemons and Reputation Formation in Agency Relationships: A Laboratory Market Study," Journal of Finance, Vol. 40, 1985, pp. 820-823.

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- "Linear Probing and Related Problems," Applied Probability-Computer Science: The Interface, Vol. II, Birkhauser, 1982, pp. 253-268.
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- "The Output-Inflation Relationship: An Inventory-Adjustment Approach," (with Y. Amihud), Journal of Monetary Economics, Vol. 9, 1982, pp. 163-184.
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- "Optimal Policies for Data-Base Reorganization," (with U. Yechiali), Operations Research, Vol. 29, 1981, pp. 23-36.
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- "On Permutations with Limited Repetition," Journal of Combinatorial Theory: Series A, Vol. 30, 1981, pp. 351-353.
- "A Stochastic Allocation Problem," (with J.S. Pliskin and U. Yechiali), Operations Research, Vol. 28, 1980, pp. 687-693.
- "Dealership Market: Market-Making with Inventory," (with Y. Amihud), Journal of Financial Economics, Vol. 8, 1980, pp. 31-53.
- "A New Approach to the Analysis of Linear Probing Schemes," (with U. Yechiali), Journal of the Association for Computing Machinery, Vol. 27, 1980, pp. 474-483.

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"Performance Analysis of the Chaining Method for Random-Access Addressing," (with U. Yechiali), in: Chandy, K. M. And M. Reiser (eds.), Computer Performance, North-Holland, Amsterdam, 1977, pp. 341-261.

"Optimal Inventory Policies Under Uncertainties in Output," (with Y. Amihud), The Israel Review of Business Economics, Vol. 2, 1977, pp. 19-26.