

January 28, 2004

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Ms. Jean Webb  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Center 8th Floor  
1155 21st Street, N.W.  
Washington, D.C. 20581

Re: U.S. Futures Exchange, LLC

Dear Ms. Webb:

The purpose of this letter is to address the application of Eurex US. Their materials still do not describe how they plan to trade options, how their global clearing link will be operated, or details about their purchase of Brokertec. This position is supported by a January 26, 2004 editorial in FO Week which states, "...with barely a week to go before the proposed launch, market participants are still unclear about how the vital aspects of Eurex's plan will work..."

If Eurex intends to offer their options in a call-around format, it still has not stated how it intends to conduct surveillance on this call-around market or why that type of market should be allowed under the umbrella of a DCM. In Europe, Eurex advocates as well as practices, the crossing of orders, internalization of orders, and payment-for-order flow in their call-around-markets. As you are well aware, these practices are either forbidden or not practiced on domestic futures exchanges. The

central criticism to these practices is the lack of transparency that is attendant to each. This does not make for an even playing field for all users of these markets, and definitely masks true price discovery. Does the CFTC really wish to condone pre-arranged futures and options trading? Does the CFTC wish to condone the inherent conflict of interest that arises when a brokering firm takes the other side of their customers' order?

No formal clearing agreement or information on the global clearing link has been made public. In fact, Eurex announced it was beginning this link on March 28th and would not need special approval by US regulators to do so. The CFTC responded with a letter calling their statements "misleading in several respects."

Some may view the "merger" with Brokertec as essentially a payment-for-order-flow (PFOF) program, buying orders from certain FCM's under the guise of an "investment" in Eurex US. Details of this "merger" have not been made readily available for public scrutiny either.

Eurex has been less than forthright in its dealings with not only the CFTC, but with Congress and the public as well. In fact, the one thing we've learned is that Eurex's public statements have been consistently inconsistent. The public has not been privy to many of the details of Eurex's plan, as noted in my previous letter.

The Congressmen who spoke with Mike McErlean may be interested to learn that the "President and CEO" that they grilled in the November Congressional hearings actually turned out to be just the "sales director."

As noted above, the CFTC itself has had to chastise Eurex over their incorrect assumptions that they did not need CFTC approval to implement their global clearing link.

It's fairly obvious to all that the shots are being called in Frankfurt, not in the US, especially after the US "president and ceo" has been proven to be anything but in charge. Just how cooperative does the CFTC, Treasury and Congress think this German exchange will be if they capture the market in US Treasury futures and an international crisis occurs?

Frankfurt has been opaque and vague in their communications in regards to their US subsidiary. It seems obvious that Eurex plans to rewrite the rules and regulations of the US futures markets and the CFTC to fit their own vision. Please do not allow this to happen. The possibility brings up strong security issues unadvised so far!

Respectfully submitted,

Michael D. Morelli