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September 28, 2004

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

Re: U.S. Futures Exchange, LLC — U.S. Treasury Futures Incentives — Amendments

Dear Ms. Webb:

Effective October 1, 2004, the U.S. Futures Exchange, LLC ("Eurex US" or the "Exchange") is planning to amend its market making program for its suite of treasury futures products (the "Futures MM Program"), which is part of a more comprehensive incentive program ("X-Factor Program"). Generally, the Exchange plans to adopt a minimum monthly volume requirement to guarantee that the rewards of compliance with the Futures MM Program are proportionate to the risks. Moreover, the Exchange intends to amend its revenue share program ("Revenue Share") by increasing the maximum order size for from 50 to 100 contracts.

Futures MM Program Amendment

The current Futures MM Program[1] is comprised of Permanent Market Makers and European Hours Market Makers. Permanent Market Makers ("PMMs") must comply with the following:

Contract	Month	Bid/Ask Spread	Min. Size	Time Period
2yr U.S. T-Note Future (FTNS)	Front month contract until five exchange trading days immediately preceding the first day of the delivery month; afterwards market makers have the choice of quoting the front or the next contract month	3 ticks (= ¾/32)	10	70% of the daily trading period from 7:20 am to 2:00 pm CST on a monthly average
5yr U.S. T-Note Future (FTNM)		2 ticks (= 1/32)	25	
10yr U.S. T-Note Future (FTNL)		2 ticks (= 1/32)	25	
30yr U.S. T-Bond Future (FTBX)		4 ticks (= 2/32) or 3 ticks (= 1½ 32)	20 or 10	

The markets must be made in at least 2 out of the 4 treasury futures contracts (i.e., 2 year, 5 year, 10 year and 30 year).

[1] Reference is made to the Exchange's original letter outlining the entire X-Factor Program, dated June 24, 2004.

The Exchange also implemented a MM program to stimulate activity during European trading hours. The European Hours Market Makers ("EurHrMM"), are required to comply with the following:

Contract	Month	Bid/Ask Spread	Min Size	Time Period
2yr U.S. T-Note Future (FTNS)	Front month contract until five exchange trading days immediately preceding the first day of the delivery month; afterwards market makers have the choice of quoting the front or the next contract month	4 ticks (= 1/32)	5	60% of the daily trading period from 1:00 am to 7:20 am CST on a monthly average
5yr U.S. T-Note Future (FTNM)		3 ticks (= $1\frac{1}{2}$ /32)	10	
10yr U.S. T-Note Future (FTNL)		3 ticks (=$1\frac{1}{2}$ /32)	10	
30yr U.S. T-Bond Future (FTBX)		5 ticks (= $2\frac{1}{2}$ /32)	10	

Such markets must be made in 2 out of 4 of the treasury futures contracts.

The Exchange rewards each MM for compliance on a monthly basis. Compliant PMMs receive $15,000 per month, and compliant EurHrMMs receive $7,500 per month. Members may also participate in both the PMM and EurHrMM programs, for which they receive a $22,500 per month stipend. Stipends are available through the end of 2004 and are awarded based on compliance with the market making requirements of the programs.

The Exchange has paid out stipends to all of its complying MMs at the end of July and August, and will send out stipends to all MMs that comply with the original terms of the Futures MM Program during the month of September. Despite the absence of volume requirements, complying MMs have generally made up a large portion of activity on the Exchange. However, the level of activity of a few of the MMs, and thus the relative risks of those MMs, has not been proportionate to the size of the stipends paid out to those MMs. Thus, the Exchange has decided to amend its criteria by adding a minimum monthly volume requirement of 4,000 contracts.[2] This should ensure that the risks borne by complying MMs will be proportionate to the rewards of the Futures MM Program. This requirement will become effective on October 1, 2004.

Revenue Share Program Amendment

The Revenue Share Program provided for the participation of MMs and non-MMs, so-called Early Volume Adopters ("EVAs"). The ultimate payout of the Revenue Share Program is based on the amount of total qualifying volume transacted by the participant, but no aggressive orders above 50 contracts are eligible to be counted towards that minimum requirement.[3] In implementing this restriction, the Exchange addressed the concern voiced by

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[2] This is approximately 200 contracts per day in any one month of trading. Moreover, the minimum volume requirement will apply to both the PMM and EurHrMMs. Thus, Members participating in both MM programs would have to execute at least 8,000 contracts per month.

[3] Attachment 2 to the Offer for the Status of PMM and Offer for the Status of EVA, which describes the criteria for qualifying for the Revenue Share Program, provides that only aggressive orders of 50 contracts or less will

some MMs that without it, traders may gain too great of an advantage over complying MMs by aggressively taking complying MMs bids or offers. The Exchange has decided that the current depth of our markets warrants an increase of that limit to 100 contracts, effective October 1, 2004.

Conclusion

The Exchange is of the opinion that these amendments will improve the performance of the X-Factor Program, resulting in even better Treasury futures markets. If you have any questions or need to discuss these changes in greater, feel free to give me a call at 312.544.1074. Thank you for your consideration to this matter.

Very truly yours,

Satish Nandapurkar
CEO & President
Eurex US

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qualify as volume. An "aggressive order" is defined as one that hits an existing bid or takes an existing offer. No restrictions apply to passive or resting orders.