

Received CFTC
Records Section

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COMMENT

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To Whom It May Concern:

I have been a floor broker on various exchanges in New York since 1987, and now trade exclusively on ICE. Instead of addressing the size issue of a Block trade, I would like to comment on the overall fairness and necessity of providing a venue for Block Trades to take place. In my opinion, the Block Trading guidelines, as currently enforced, will take transparency out of the market and lead to manipulation and corruption.

In the past exchanges, governed by the CFTC, had an obligation, by law, to assure that all trading took place in a Centralized Market Place. This Centralized Market Place, along with the mechanics of price discovery assured that both buyers and sellers interest would be equally represented no person's best interest would supersede the market place. Price discovery, in a centralized forum, allows market to operate fairly and efficiently, the markets operate transparently. Block Trading in its present implementation has had an adverse affect on markets. The current guidelines established can lead to abuse by brokers and mistrust of the industry by the public.

Block Trading, by its very definition is a "non competitive trade". The wording of guidelines goes against the fundamental role of exchanges and can lead to divisive consequences. Block Trading takes place out of the realm of a Centralized Market Place. The opaque nature of non competitive trading can and will lead to market manipulation, market distrust, unethical brokers and questionable trading practices.

In the following scenario a broker receives an order to block a trade. From the moment the order is received the integrity of the entire exchange is brought into question. Does the broker diligently search for the best price for his client or does he have ulterior motives? Financially it would be in his best interest to find another one of his customers to take the other side of the trade, thus getting brokerage on both the buy and the sell side. Indirectly a secondary market based on commissions might evolve. A particularly juicy trade might be offered to the person that offers the highest commission and not the best price. Or the broker, in question, may fill the order in the pit first and then personally take the other side of the order at a worse price for his costumer and keep the profits. Or maybe the broker really does try to get the best price on behalf of his costumer but with his limited resources gets a price worse than what would have been achieved in the pit.

The problem with the previous scenario, is the integrity of the executing broker and by extension, the exchange can be questioned. There are too many situations that can occur where the best interest of the market will not be served. The Block Trade guideline as written, places the onus of due diligence on the executing broker with too many ambiguities for an unethical person to exploit. The CFTC's explicit "mission is to protect market users and the public from fraud, manipulation and abusive practices." Currently block trades orders are disclosed to very few leading to possible manipulation and collusion. *More disturbingly, customer orders in the pit regardless of price or depth are not protected; they can be traded through on a block.* The CFTC is being asked to police a guideline that is inconsistent with its own mission.

Since 1987, when I started trading, every change in the market place has been made for the sole purpose of protecting the integrity of the market place. With the increasing use of computers the public and institutions have immediate access to markets. However, now with most exchanges answering to share holders, raising company profits is tantamount. In this climate of public distrust, with companies doing whatever to raise profits, we need more regulations and transparency, not less. It has become increasingly more important for the CFTC to safeguard the sanctity of our exchanges. Allowing guidelines like Block Trading goes against the very job the CFTC was suppose to enforce.

When guidelines like Block Trading are in place, why should we have any guidelines at all? Any course of action adopted by an exchange should exclude any and all improprieties not provide loopholes for people to exploit.

Thank you,

Lawrence D. Conway

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