



## U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre  
1155 21st Street, NW, Washington, DC 20581  
Telephone: (202) 418-5000  
Facsimile: (202) 418-5521  
[www.cftc.gov](http://www.cftc.gov)

April 20, 2010

David J. Gilberg  
Sullivan & Cromwell LLP  
125 Broad Street  
New York, NY 10004-3588

Re: Application of Cantor Futures Exchange, L.P. for designation as a contract market and request for approval of the Cantor Futures Exchange Rules submitted as part of its application for designation as a contract market.

Dear Mr. Gilberg:

By submissions dated November 28, 2008 through April 15, 2010 (collectively the "DCM application"), and Part 38 of the Commission's regulations, Cantor Futures Exchange, L.P. ("Cantor") has applied to the Commodity Futures Trading Commission ("Commission"), pursuant to Section 5 of the Commodity Exchange Act ("Act"), 7 U.S.C. § 7(b), for designation as a contract market. The Commission has reviewed the materials submitted and has determined to designate Cantor as a contract market, pursuant to Sections 5 and 6(a) of the Act, 7 U.S.C. §§ 7 and 8(a), subject to the terms and conditions of the accompanying order.

Concurrent with designation, the Commission approved, pursuant to Section 5c(c) of the Act, 7 U.S.C. § 7a-2(c), the following documents submitted as part of the DCM application:

- Cantor Rules I-1 – I-5, II-1 – II-12, III-1 – III-10, IV-1 – IV-22, V-1 – V-12, VI-1 – VI-11, VII -1 – VII-20, VIII-1 – VIII-4, IX-1 – IX-2, X-1, and Cantor's Liquidity Provider Program.

The Commission's designation is based upon, among other things, written submissions, explanations, demonstrations and representations provided by Cantor describing the manner in which it will operate. The Commission's designation is also based upon written submissions, explanations, demonstrations, and representations provided by:

- (1) Cantor and Cantor Fitzgerald, L.P., the parent company of Cantor;
- (2) Cantor and Cantor Clearinghouse, L.P., which, simultaneous with this letter and Order, is being registered as a derivatives clearing organization that will perform clearing and settlement services for its futures contracts;
- (3) Cantor and the National Futures Association ("NFA"), a registered futures association that will provide trade practice and market surveillance, other compliance services and arbitrations for member/customer disputes and member/member disputes; and

(4) Cantor and the Rentrak Corporation to provide the reported box office revenue data on which final settlement of the domestic box office receipt contracts will be determined.

In approving Cantor's application, the Commission is not approving the agreements covering services between Cantor and third parties, including but not limited to agreements between Cantor and the Cantor Clearinghouse, Cantor and NFA, and Cantor and the Rentrak Corporation. Furthermore, in issuing the order of designation and approving the submitted Cantor rules, the Commission notes that it is not approving any form of box office receipt contract and has not determined whether the terms and conditions of any such contracts are consistent with the Act and the Commission's regulations.

The Commission observes that Cantor's application did not include any proposed contracts to be traded on the exchange. Accordingly, the Commission in assessing Cantor's compliance with the Act and the regulations, evaluated Cantor's proposed operations generally and did not evaluate them in the context of a particular contract. The Commission notes that Cantor's general method of compliance with the Act and the regulations may not be appropriate for all types of contracts. For instance, certain contracts may warrant the institution of special surveillance or compliance matters, or special rule provisions. Cantor, as part of its continuing obligation to comply with the Act and the regulations, will be expected to ensure the appropriateness of its self-regulatory procedures for each contract that it lists. Likewise, the Commission in evaluating Cantor's contracts will include the appropriateness of the exchange's self-regulatory measures as part of that evaluation. The Commission notes that the Domestic Box Office Receipt futures contract is here separately for Commission review and approval pursuant to Regulation 40.3.

Moreover, it is important to note that Cantor itself shall remain directly responsible for ensuring the performance of all self-regulatory functions required of it as a designated contract market under the Act and the Commission's regulations, including enforcement of all Cantor rules. The Commission points out that Cantor's responsibility for compliance with all designation criteria and core principles, as required by the Act and its Order of Designation, includes those for which relevant functions have been contracted out. The Commission notes this includes the responsibility to make available directly to Commission staff, upon request, for all third party entities that provide such regulatory services to Cantor: (i) information and records concerning their role in performing services for Cantor; and (ii) direct contact and access to offices, both as the Commission staff deems necessary and appropriate in the conduct of its regulatory oversight responsibilities relating to Cantor.

The Commission notes that the following items are considered "rules" under Part 40 of the Commission's regulations and that, accordingly, changes thereto should be submitted to the Commission for review pursuant to 5c(c) of the Act, 7 U.S.C. § 7a-2(c), and Part 40 of the Commission's regulations: (1) the exchange trading system; (2) any policies and procedures; (3) both the identity of and self-regulatory services provided to the exchange by third-party providers; (4) the no-bust range for error trades; (5) adjustments to the trade matching algorithm; (6) changes to or adoption of any market maker programs; and (7) the minimum contract size thresholds and reporting time for block trades. In addition, the Commission reminds Cantor that

Position Limits or Position Accountability procedures must be specified for futures contracts listed by the Exchange. All Position Limits or Position Accountability procedures should be submitted to the Commission in connection with the listing of each futures contract.

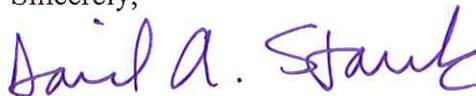
The Commission further notes that Cantor must inform the Commission of any material modification to the operation of the contract market, including the clearing and settlement arrangements provided by the Cantor Clearinghouse, the regulatory services provided by NFA or Cantor's self-regulatory program. The Commission also reminds Cantor that any change in the identity of regulatory service providers or the regulatory services they provide to Cantor constitutes a rule change that must be submitted to the Commission pursuant to 5c(c) of the Act, 7 U.S.C. § 7a-2(c) and Part 40 of the Commission's regulations.

The Commission notes that Cantor will operate as a non-intermediated market and that its members will also be members of the Cantor Clearinghouse. Ordinarily, clearing members are required to file large trader reports with the Commission under Regulation 17.00. But the Commission has accepted Cantor's undertaking that it will submit large trader reports to the Commission under Regulation 17.00. Likewise, as a non-intermediated market, Cantor is excepted from the clearing member report requirement of Regulation 16.00.

The Commission reminds Cantor that it has undertaken to implement an anti-money laundering ("AML") for its customers, and has provided the Commission with its AML procedures and policies. The Commission notes that an appropriate time to update the Commission on Cantor's implementation of the AML program would be during its periodic reviews of Cantor's compliance with the Core Principles of the Act.

Finally, the Commission reminds Cantor that it must comply with the terms of the enclosed Order of Designation, which includes certain undertakings offered by Cantor in representations to the Commission.

Sincerely,



David A. Stawick  
Secretary of the Commission