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CHICAGO MERCANTILE EXCHANGE INC. RECEIVED

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RECORDS SECTION

OFFICE OF THE SECRETARIAT

July 11, 2001

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Ms. Jean A. Webb
Office of the Secretariat
COMMODITY FUTURES TRADING COMMISSION
1155 21st Street, N.W.
Washington, D.C. 20581

COMMENT

RE: Notice Registration as a Futures Commission Merchant or
Introducing Broker for Certain Securities Brokers or Dealers

Dear Ms. Webb:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") is pleased to comment on the Commodity Futures Trading Commission's ("Commission" or "CFTC") proposed rules relating to notice registration as a futures commission merchant ("FCM") or introducing broker ("IB") for certain securities brokers or dealers ("BD"). CME acknowledges that the Commodity Futures Modernization Act of 2000 ("CFMA") provides for notice registration as an FCM or an IB for a BD registered with the Securities Exchange Commission ("SEC"). As a prerequisite to such notice registration, a BD must, among other things, limit its involvement with commodity futures contracts to securities futures products.

CME believes that the notice registration procedures and the associated benefits and responsibilities imposed upon BDs that notice register as FCMs or IBs should be consistent with the procedures, benefits and responsibilities imposed upon FCMs and IBs that notice register as BDs with the SEC. Anything other than equal treatment for CFTC or SEC notice registrants will create competitive disadvantages for the entities that are subject to more rigorous registration or trading requirements. A review of the CFTC and SEC notice registration procedures clearly establishes that FCMs and IBs that notice register as BDs are at a competitive disadvantage compared to BDs that notice register as FCMs and IBs. The CFTC has authorized the National Futures Association ("NFA") to perform notice registration functions for BDs. The proposed notice registration functions established by NFA are basic and straightforward. The procedures state that a BD shall be registered as an FCM or IB upon the filing of a Notice Form 7-R with NFA. A "Notice" Form 7-R is an abbreviated revision of the Standard Form 7-R that full FCMs and IBs must complete. In addition, the BD limits itself to transactions in security futures products on a contract market or a derivatives transaction execution facility.

By way of stark contrast, SEC notice registration rules are onerous and discriminate against FCMs and IBs seeking to notice register as BDs. For example, FCMs and BDs seeking

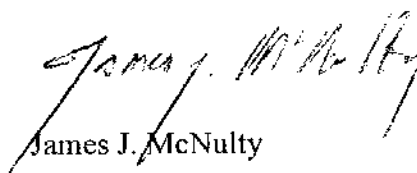
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to notice register as BDs must limit their business in securities to security futures products that are listed on futures exchanges and are prohibited from directly effecting such transactions on national securities exchanges. BDs that notice register as FCMs and IBs are not subject to similar restrictions. This requirement places FCMs and IBs that notice register as BDs at an extreme disadvantage compared to BDs that notice register as FCMs and IBs.

Additionally, FCMs and IBs seeking to notice register as BDs must complete a full SEC Form B-D. This requirement is unduly burdensome on FCMs and IBs seeking to notice register as BDs since BDs seeking to notice register as FCMs or IBs are not subject to such burdensome registration requirements. BDs that notice register as FCMs or IBs are allowed to notice register by completing a simplified version of a Form 7-R.

The disparate treatment that FCMs and IBs seeking to notice register as BDs are subjected to is contrary to the basic fairness goals of the CFMA. The differences in the notice registration requirements between the CFTC and SEC are substantial and raise many concerns for CME and its clearing firms and IBs. CME believes that the notice registration procedures for the CFTC and SEC should be virtually identical. As such, CME urges the CFTC to defer implementation of its final notice registration rules until the SEC and CFTC can more closely and fairly coordinate their notice registration procedures.

Respectfully submitted,



James J. McNulty

cc:

Honorable Barbara Pedersen Holum
Honorable David D. Spears
Honorable James E. Newsome
Honorable Thomas J. Erickson
Mr. Jonathan G. Katz