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October 12, 1999

Via Facsimile and U.S. Mail

COMMENT

Ms. Jean A. Webb
 Secretariat
 Commodity Futures Trading Commission
 Three Lafayette Centre
 1155 21st Street, N.W.
 Washington, DC 20581

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Re: Notice of Petition for Exemption and Request for Comment

Dear Ms. Webb:

On August 25, 1999, the Commodity Futures Trading Commission requested comments on a notice of petition for exemption pursuant to Section 4(c) filed jointly by the Chicago Board of Trade, the Chicago Mercantile Exchange, and the New York Mercantile Exchange. 64 Fed. Reg. 46356. National Futures Association ("NFA") welcomes this opportunity to comment on the notice of petition. The numerous issues raised by the Commission in its request for comment on the exemption petition cited above and the widely divergent views which those issues will undoubtedly generate all illustrate the very basic point that the process of change can be a difficult one. But change is as inevitable as it is troubling, and the futures industry has succeeded and grown to its current prominence by welcoming rather than shrinking from such change.

Technology is changing the way business is done, creating an ever more competitive environment. Given the pace of change, it is critical to reexamine all of our regulatory requirements to ensure they are not outmoded. Even the exchanges, however, realize that a blanket eradication of regulatory requirements is not the appropriate response. What some may view as "regulatory burdens" can just as easily be described as "regulatory safeguards." The regulatory requirements imposed on exchange traded products are there for two basic purposes – to ensure the integrity and financial stability of our markets and to ensure fairness in the dealings between registrants and their customers.

Those fundamental regulatory goals must never change but the means of achieving those goals must continue to be analyzed as the markets themselves evolve. With these two goals in mind, NFA supports the exchanges' proposals to list new contracts without CFTC approval and to dramatically expedite the approval process for exchange rules. However, with respect to the proposal to allow exchanges to adopt



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trading rules and procedures comparable to those of a competing foreign exchange, NFA believes that the CFTC should have a meaningful opportunity to review the submission to determine the comparability of the rules of the foreign jurisdiction and the overall impact of the proposal.

NFA's belief that the exchanges should be allowed to list new contracts without CFTC approval is based upon three factors. First, exchanges are marketplaces, and ultimately the users of those markets will determine the economic viability of a contract. If the contract serves a useful purpose in transferring risk, it will survive; if it does not, it will perish. Second, in order to operate and to flourish, an exchange must develop contracts that meet users' needs. Thus, the self-interest of each exchange will dictate that each develops appropriate contracts. Third, experience in foreign jurisdictions which do not have any pre-approval requirements indicates that pre-approval is not critical to customer protection.

NFA strongly supports the exchanges' objective of expediting the rule approval process. We believe that the self-regulatory bodies are entitled to a higher degree of deference from the Commission in their rulemaking process and that the Commission's focus in reviewing such rules should be whether the proposal is reasonable in light of the self-regulatory organization's overall responsibilities. We recognize that this requires consideration of how the rule will affect both exchange members and exchange customers. That is why the Commission currently requires exchanges to include with their rule submissions a thorough description of the opposing viewpoints raised by its members or other persons. The key to an effective and efficient rule approval process is to allow the Commission time to consider the dissenting viewpoints while still ensuring a prompt review of the proposal. While NFA believes that the proposed ten-day review period is adequate, we recognize that others may feel a longer period is required. In our view, a somewhat longer period could be acceptable if it still provides for a swift review by a date certain.

We take the same approach with respect to the proposal to allow the exchanges to respond to foreign competition by adopting rules or procedures comparable to those of a foreign exchange which is offering a directly competing product. This proposal would not afford the Commission with any opportunity to review the proposal before it takes effect. We believe that the Commission should have an adequate opportunity to determine whether the proposed exchange rule is, in fact, comparable to the cited foreign rule in light of the overall regulatory protections provided in the foreign jurisdiction. As currently structured, the exchanges' petition would not provide that opportunity before the rules become effective and we, therefore, cannot support it.



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We appreciate this opportunity to present our views to the Commission and, as always, we look forward to working with the Commission on the important issues raised in this release.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Daniel J. Roth'.

Daniel J. Roth
General Counsel

kmg.comment.exemption.doc