

U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5000
Facsimile: (202) 418-5521



June 18, 2001

Mr. Edmund R. Schroeder
Cadwalader, Wickersham & Taft
100 Maiden Lane
New York, NY 10038

Re: Application of BrokerTec Futures Exchange, L.L.C. for Designation as a Contract Market

Dear Mr. Schroeder:

By letters dated May 8, 2000 through June 8, 2001, BrokerTec Futures Exchange, L.L.C. ("BTEX" or "Exchange") applied to the Commodity Futures Trading Commission ("Commission"), pursuant to Sections 5 and 6 of the Commodity Exchange Act ("Act"), 7 U.S.C. §§7 and 8, for designation as a contract market. The Commission has reviewed the materials submitted and has determined to designate BTEX as a contract market, pursuant to Sections 5 and 6 of the Act, 7 U.S.C. §§7 and 8.

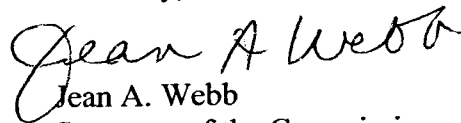
Concurrent with designation, the Commission approved, pursuant to Section 5c(c) of the Act, 7 U.S.C. §7a-2(c), BTEX Bylaws Sections 1.1, 2.1 - 2.7, 3.1 - 3.20, 4.1 - 4.5, 5.1 - 5.8, 6.1 - 6.9, 7.1, 7.2, 8.1, 8.2, 9.1 - 9.11, 10.1 - 10.5, 11.1, and 12.1 - 12.13; BTEX Rules 101 - 103, 201 - 210, 301 - 304, 401 - 408, 410 - 414, 501, 601, 701 - 712, 801 - 805, and 901 - 903; and BTEX's Market Maker Program. The Commission has also determined that the contracts submitted by the Exchange meet the requirements of the Act and the Commission regulations, including Guideline No. 1. Accordingly, the Commission approved, pursuant to Section 5c(c) of the Act, 7 U.S.C. §7a-2(c), BTEX's U.S. Treasury Bond, U.S. Long-Term Treasury Note, U.S. Medium-Term Treasury Note, and U.S. Short-Term Treasury Note futures contracts.

The Commission's designation is based upon, among other things, written submissions, explanations, and representations provided by the Exchange describing the manner in which BTEX will operate. The Commission's designation is also based upon written submissions, explanations and representations provided by BTEX and the National Futures Association ("NFA") concerning how NFA would assist BTEX in meeting the Exchange's self-regulatory obligations. BTEX should inform the Commission of any material modifications to the operation of BTEX, the BTEX Trading System, the BrokerTec Clearing Company, L.L.C., the affiliated entity responsible for clearing and settlement functions for BTEX, or BTEX's self-regulatory program, including those services provided by NFA.

In approving BTEX's application, the Commission is not approving the agreement covering compliance and surveillance services between BTEX and NFA. In this connection, BTEX itself remains directly responsible to the Commission for ensuring the performance of all self-regulatory functions required of it as a designated contract market under the Act, including maintenance of an effective affirmative action program, pursuant to Commission Regulation 1.51, and enforcement of the terms of all BTEX Bylaws and Rules.

The Commission notes that in approving Rule 406 – BTEX's block trade rule – the Commission found that the rule's minimum block trade size threshold and reporting time schedule were acceptable for the Exchange's four proposed U.S. Treasury securities futures contracts based upon information provided to Commission staff by BTEX and independent sources. The Commission will review the applicability of these threshold and reporting time requirements to new contracts on a case-by-case basis. In addition, Commission staff will monitor the impact of the BTEX block trading rule on price discovery in the relevant markets.

Sincerely,


Jean A. Webb
Secretary of the Commission

cc: Douglas Harris, BTEX
Edward Rosen, Cleary Gottlieb Steen & Hamilton
Yvonne Downs, NFA