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COMMENTDavid J. Vitale
President and
Chief Executive Officer

C.F.T.C.

October 1, 2001

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RECORDS SECTION

Jean A. Webb

Office of the Secretariat

Commodity Futures Trading Commission

Three Lafayette Centre

1155 21st Street, N.W.

Washington, D.C. 20581

Jonathan G. Katz

Secretary

Securities and Exchange Commission

450 Fifth Street, N.W.

Washington, D.C. 20549-0609

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Re: Cash Settlement and Regulatory Halt Requirements for Security Futures Products
66 Fed. Reg. 45903 (August 30, 2001)
SEC File No. S7-15-01

Dear Ms. Webb and Mr. Katz:

The Board of Trade of the City of Chicago, Inc. ("CBOT®") appreciates the opportunity to comment on the jointly proposed rules of the Commodity Futures Trading Commission ("CFTC") and the Securities and Exchange Commission ("SEC") (collectively, "Commissions") with regard to cash settlement procedures and regulatory halt requirements for security futures products.

The Commodity Futures Modernization Act of 2000 ("CFMA") requires that security futures products comply with listing standards that meet defined criteria. These criteria include a requirement that trading in a securities futures product not be readily susceptible to price manipulation, and a requirement that the market have procedures for coordinated trading halts with markets on which the underlying security or any related security is traded. The Commissions' proposed rules are designed to implement these requirements.

Proposed SEC Rule 6h-1(b) and (c) and CFTC Rule 41.25(b)(1) and (2) would require the final settlement price of a cash-settled security futures product to fairly reflect the opening price of the underlying security if based on a single security, and the opening prices of the underlying securities, if based on a narrow-based security index. If opening prices were not available, the rules would permit the final settlement price to fairly reflect the prices of the underlying securities during their most recent regular trading sessions. Proposed SEC Rule 6h-1(f) and CFTC Rule 41.25(b)(3) would provide exchanges with the opportunity to apply for an exemption from the application of these rules. The CBOT agrees with the approach to final settlement prices presented in proposed SEC Rule 6h-1 and CFTC Rule 41.25.

Proposed SEC Rule 6h-1(d) and CFTC Rule 41.25(a)(2)(i) would require that trading on a security futures product based on a single security be halted during the time that a news pending or a circuit breaker regulatory halt is in effect at the listing market for the

underlying security. Proposed SEC Rule 6h-1(e) and CFTC Rule 41.25(a)(2)(ii) would require that trading on a security futures product based on a narrow-based security index be halted during the time that a news pending or a circuit breaker regulatory halt is in effect for one or more underlying securities that constitute 30 percent or more of the market capitalization of the narrow-based security index.

Without addressing the merits of regulatory trading halts, the CBOT agrees that trading in a security futures product based on a single security should be halted when trading in the underlying security is subject to a regulatory halt. However, the CBOT does not agree that trading in a security futures product based on a narrow-based security index must be halted in all circumstances where there has been a halt in trading in one or more of the underlying securities that constitute at least 30 percent of the index's capitalization.

Trading halts in CBOT® Dow Jones Industrial AverageSM Index, CBOT® mini-sized DowSM, CBOT® Dow Jones Transportation AverageSM Index, CBOT® Dow Jones Utilities AverageSM Index and CBOT® Dow Jones Composite AverageSM Index¹ futures contracts are coordinated with trading halts of the underlying stocks listed for trading in the primary securities market. However, trading is not halted in these futures products unless there has been an exchange-wide circuit breaker trading halt in the primary market for the securities.

The Commissions have attempted to distinguish trading halts affecting such broad-based indices by stating that it is unlikely that news pending regulatory halts would be simultaneously imposed in securities representing a significant portion of the index. However, as the Commissions have acknowledged, there may be simultaneous news pending regulatory halts affecting several of the securities constituting a narrow-based index. Consequently, the Commissions have proposed that trading be halted in security futures products based upon a narrow-based index, not only when there has been a market-wide trading halt in the primary securities market, but also if trading halts have been imposed upon securities constituting 30 percent of the market capitalization of the index.

The CBOT believes that a 30 percent threshold is too low. Given the frequency of news pending regulatory halts, and depending upon the number of securities in a particular narrow-based index, the number of times that the 30 percent threshold may be triggered could be very disruptive to the security futures market.

¹ "Dow", "The Dow", "Dow Jones", "Dow Jones Industrial Average", "DJIA", "Dow Jones Utility Average", "DJUA", "Dow Jones Transportation Average", "DJTA", "Dow Jones Composite Average" and "DJCA" are service marks of Dow Jones & Company, Inc. and have been licensed for use for certain purposes by the CBOT. The CBOT's futures and futures option contracts based on Dow products are not sponsored, endorsed, sold or promoted by Dow Jones, and Dow Jones makes no representation regarding the advisability of trading in such products.

Ms. Webb and Mr. Katz

October 1, 2001

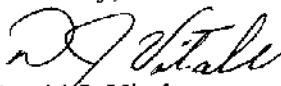
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When trading in futures on a broad-based index is halted as a result of an exchange-wide halt in the relevant securities market, such futures trading resumes only when at least 50 percent of the securities underlying the index, by market capitalization, have reopened for trading.

A trading halt in a security futures product based on a narrow-based index would only be warranted when trading has been halted in a large percentage of the underlying securities. The proposed 30 percent threshold is too small a percentage to justify the disruption that it would inflict upon the futures market. If the Commissions are going to require a halt based upon halts in a specified percentage of the underlying securities, short of an exchange-wide halt, the CBOI recommends that the threshold should be no lower than 50 percent of an index's capitalization. This threshold would be consistent with the threshold required for reopening futures trading on a broad-based index following a market-wide halt.

The CBOT would like to thank the Commissions' for the opportunity to comment on their proposed rules addressing cash settlement and regulatory halt requirements for security futures products.

Sincerely,



David J. Vitale