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LEHMAN BROTHERS

**RONALD H. FILLER
SR. VICE PRESIDENT**

April 23, 2003

**COMMENT
Received CFTC
Records Section
04/25/2003**

Ms. Jean A. Webb
Secretary to the Commission
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581

Re: Proposed Amendments to Rule 1.35(a-1)(5) -- Post-Execution Allocation of Bunched Orders, 68 *Fed. Reg.* 12319 (March 14, 2003)

Dear Ms. Webb:

Lehman Brothers Inc. ("Lehman Brothers") welcomes the opportunity to comment on the Commodity Futures Trading Commission's ("Commission" or "CFTC") proposed amendments to CFTC Rule 1.35(a-1)(5) as set forth in 68 *Fed. Reg.* 12319 issued on March 14, 2003. Lehman Brothers is registered as a Futures Commission Merchant ("FCM") with the CFTC and is a clearing member firm, either directly or through an affiliate, of most of the major international futures exchanges and clearing houses. The proposed amendments modify the terms and conditions pursuant to which eligible account managers may allocate trades involving futures and options on futures contracts executed in a bunched order entered on behalf of multiple client accounts.

Lehman Brothers strongly commends the Commission and its Division of Clearing and Intermediary Oversight (the "Division") for its insight in providing welcomed relief in this area. The proposed amendments strike an appropriate balance as they expand current rules involving post-trade allocations that have not properly achieved their original intent and purpose, yet still imposed important customer protections and principles that must always co-exist. These proposed amendments clearly reflect the Commission's efforts to evaluate existing rules and how they may impact changing market conditions. We encourage the Commission and the Division to continue to review other areas that need to be addressed given the significant changes taking place in the global futures environment. Lehman Brothers welcomes the opportunity to work with the Commission staff in these endeavors.

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Lehman Brothers endorses the comment letter issued by the Futures Industry Association ("FIA") on April 18, 2003. Colleagues at Lehman Brothers worked with the FIA staff and its member firms in preparing the FIA comment letter.

As set forth in the FIA comment letter, the National Futures Association ("NFA") and the FIA jointly undertook an industry wide study of various issues associated with order transmission and entry procedures regarding exchange-traded futures and options on futures contracts. As set forth in that report, *Recommendations for Best Practices in Order Entry and Transmission of Exchange-Traded Futures and Options Transactions*, issued in February 2001, various principles regarding order entry and the allocation of the underlying trades on a post trade basis were established. In particular, the responsibility for the allocation of such orders was placed on the shoulders of the advisor, the entity acting in a fiduciary capacity to the underlying customers. The proposed amendments to CFTC Rule 1.35(a-1)(5) endorse this same principle and strengthen the proposition that the underlying procedures involved in a post-trade execution allocation provide important customer protections. Lehman Brothers supports this approach to fair and equitable regulation.

In conclusion, Lehman Brothers believes that these proposed amendments provide important customer protections as well as regulatory reforms. We, therefore, urge the Commission to adopt the amendments as proposed.

If the Commission or the Division desire to discuss this comment letter further, please call Ronald H. Filler of Lehman Brothers at (212) 526-0236.

Very truly yours,



Ronald H. Filler

Cc: Honorable James Newsome
Honorable Barbara Holum
Honorable Sharon Brown-Hruska
Honorable Walt Luken
Ms. Jane Thorpe

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