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New York Board of Trade
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April 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:

The Board of Trade of the City of New York, Inc. ("NYBOT"), parent company of the Coffee, Sugar & Cocoa Exchange, the New York Cotton Exchange, New York Futures Exchange and Citrus Associates of the New York Cotton Exchange, Inc., supports the proposed amendments to Commission Rule 1.35(a-1)(5), 68 *Fed. Reg.* 12319 (March 14, 2003), which modify the rules allowing certain account managers to bunch customer orders for execution of futures and options on futures contracts and to allocate them to individual accounts at the end of the trading session.

From NYBOT's perspective, the proposed amendments would appropriately modify the existing rule, addressing current market practices in connection with bunched orders while providing a continuation of effective customer protection. The proposed changes to the rule would fulfill the intent of the CFTC-requested report from the National Futures Association and the Futures Industry Institute, *Recommendations for Best Practices in Order Entry and Transmission of Exchange-Traded Futures and Options Transactions* (February 2001). This report stressed the "particular advantages" of bunched orders to account managers and their customers -- advantages that allow the prompt execution of what otherwise could be a substantial number of small orders. The account manager then has the capability of treating all customers equally with an increased likelihood of trade execution at a single price. The report recommendations seek to enhance the strengths of the bunched order practice without sacrificing client safeguards.

The proposed amendments would extend the benefits of post-execution allocation to all market participants (under carefully defined conditions) and allow account managers to serve their client base more effectively while still providing the records necessary to protect the clients' interests. The rule changes recognize the account manager as the focal point of the bunched order flow and the primary record keeper. As the NFA Report indicates, the original intent of the rule, while laudable in its concerns for client protection, has in practice proven to be unwieldy and counterproductive in its effect on equitable client service and increased access to U.S. futures and options exchanges.

By allowing FCMs greater flexibility in record keeping and focusing on the account manager as the primary record keeper, the proposed amendments would help to remedy a competitive issue faced by U.S. exchanges in a global marketplace. As established in the original rule, the cumbersome administrative and technical demands of recording each order on the Trade Register places all U.S. exchanges, and smaller exchanges in particular, at a competitive disadvantage in accommodating the business of account managers who rely on the execution of bunched orders to serve their clients. The global constituency served by the NYBOT markets requires more and more flexibility in order to accomplish their increasingly complex business goals.

With this change in the record-keeping process from an order-by-order basis to an assessment of data over time, the account manager would assume responsibility of recording trade information and remove the administrative burden from the floor brokers and the exchanges. The change would still provide the Commission and the self-regulatory organizations with the necessary information to determine accurately and effectively any unfair trade allocation.

The NYBOT considers the proposed rules changes prudent and necessary. The proposals facilitate the execution of bunched orders, provide more equitable client service, remove cumbersome and unnecessary administrative procedures and maintain client protection on a more practical level. We fully support and urge the expeditious adoption of the Commission's proposed amendments.

Very Truly Yours,

James E. Goodwin
Senior Vice President
Market Regulation