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COMMENT

April 25, 2003

03-5
(24)

Ms. Jean A. Webb
Secretary to the Commission
Commodity Futures Trading Commission
1155 21st Street NW
Washington, D.C. 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:

Bear, Stearns & Co. Inc. and Bear, Stearns Securities Corp. (which may hereinafter be collectively referred to as "Bear Stearns") are each futures commission merchants and broker/dealers, and welcome the opportunity to comment on the Commodity Futures Trading Commission ("Commission's") proposed amendments to Rule 1.35 (a-1)(5), 68 Fed. Reg. 12319 (March 14, 2003). Bear Stearns has participated for many years in industry and regulatory review of the current Rule 1.35. Bear Stearns' is an FCM with a large institutional client base, a large number of whose futures orders come from commodity trading advisors and investment managers. Therefore, the rules by which account managers may allocate by end of the trading day, futures and options contracts executed through bunched orders on behalf of multiple clients, is of significant interest to Bear Stearns.

After years of fact finding, the Commission has promulgated these amendments. Bear Stearns supports the Commission's amendments and commends the Commission on the lengthy and thoughtful process which has resulted in the proposed amendments. Bear Stearns fully supports the comment letter submitted by the Futures Industry Association ("FIA") of April 18, 2003.

Bear Stearns' experience is that the current rule has not recognized the reality of the marketplace for years. The current rule is not compatible with (a) the client base of today's large CTAs and IAs, (b) the current means of transmitting orders, (c) the method by securities order entry processed and the desire that futures and securities trade processing be similar. The amendments would now allow Bear Stearns as a futures commission merchant to expeditiously handle orders, without sacrificing customer protection; they respond to the current market environment yet, nonetheless, maintain record keeping responsibilities and fairly allocates the client protection.

Bear Stearns supports these amendments, firstly, because the amendments clarify the account managers' responsibility for fairness of allocation. Secondly, the amendments allow an expansion of the class of account managers which may take advantage of a bunched order procedure. Third, the expansion of the types of customers whose accounts may be included in these bunched orders allows a broader class of market participants to share in the advantage of bunched order trading.

These proposed amendments minimize overly cumbersome rules without sacrificing customer protection and yet more realistically recognize responsibility for allocation in the current marketplace.

We strongly urge passage of the amendments.

Sincerely yours,

Ronald Hersch

Ronald Hersch
Senior Managing Director
Futures Department