

COMMENT

COMMODITY FUTURES  
TRADING COMMISSION  
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March 28, 1998

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COMMODITY FUTURES  
TRADING COMMISSION  
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GENERAL INVESTMENT  
DIVISION

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Ms. Brooksley Born  
Three Lafayette Centre  
1155 21st Northwest  
Washington, D.C. 20581

Dear Ms. Born,

SUBJECT: ELECTRONIC TRADING AND THE CANTOR FUTURES EXCHANGE.

My name is Sean Bolger and I have been a clerk in the Eurodollar pit for the last five years. I came to the Chicago Mercantile Exchange after college because I felt the futures market was one of the last bastions of free markets and capitalism. These markets provide a neutral meeting ground where individuals can come together and engage in commerce, capitalism in its essence. Exchanges such as the CME and CBOT facilitate this opportunity.

After about a year in the pit I started exploring the possibilities of trading for myself off the floor. I felt, and still do feel, that this was the future of the industry. Over the years I have honed my technical analysis skills and saved my money for the day when I too could become a market participant. A day when I could be the one willing to accept another's risk in hopes of profiting from my own ideas. That day for me is now only a few months away. After nearly a year of meeting with clearing firms, data vendors and software vendors I have arrived at my decisions and I am ready to throw my hat into the ring (or pit in this case.)

Two weeks ago at the FIA Conference in Florida something happened which has since caused me to question both my decision to enter the realm of off the floor trading and my ideals regarding free markets. This action was Cantor-Fitzgerald's announcement to introduce the first electronic real-time bond futures market.

Although I had read about this in Futures magazine months earlier, the details since released are what disturb me. First, in regards to my concept of the exchange, I question whether there is a conflict of interest with a financial player such as Cantor designing a trading platform. How can an exchange remain a neutral ground for commerce when one of its largest participants is the entity running the said exchange? Second, the first in first out system of matching up trades, heralded by Howard Lutnick as "egalitarian, fair, and fast", is not as fair as professed. This system is biased towards funds and banks that are able to trade large size. The small ten or twenty lot trader will inevitably be run out of business. A platform like the CBOT's Project A is a more equitable system. It allows all traders, big and small, to get at least partial fills when traded at their price. Using Cantor's FIFO system a scenario could occur where my order, entered into the market a nanosecond behind an institutional 1000 lot, would go untraded repeatedly because the large order would gobble up everything at my price. Is this egalitarian? Although I was on the right side of the market, I cannot get my order done because my trading size was not large enough. Egalitarian...I think not.

I cannot help but think of previous arguments over "professional" markets where the only participants would be large institutions, leaving the small trader out of the picture. This small trader is the same one who has always been there to accept the institutions unwanted risk. Now that the institutions perceive themselves no longer needing these traders, they want to eliminate the small trader's opportunity to participate in the markets. Eliminate them from the very markets that these traders started over 100 years ago.

Although the institutions look to the locals and small traders in general as the Remora of the financial seas, attaching themselves to the bellies of the giants and eating their scraps, what would the markets be like without them? Like it or not, the institutions have to realize they need the small trader to provide the liquidity they need to get their large orders done. Without this liquidity, you will end up with a few large

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institutions trying to hammer each other into submission in a horrendously volatile environment.

"Free market for free men" is the slogan of one clearing firm in Chicago, and the anthem I sing to you today. Electronic markets are the future of our industry. In today's technology dependent society, it would be ludicrous to deny we are not heading in this direction. My only want is that this move is fair to all involved. Without institutions like the CFTC to keep people and institutions in line, free markets would no longer be free. To disregard this would have frightening ramifications for our free market system. "Free markets for really big financial conglomerates and institutional money" just does not have the same ring to it, does it? Judging from your past actions I know whatever path you and your board decide to take it will be the right one. Thank you for your time.

Sincerely,

A handwritten signature in cursive script that reads "Sean Bolger". The signature is written in black ink and is positioned above the typed name.

Sean Bolger  
Eurodollar Pit Clerk