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secretary

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**Sent:** Wednesday, August 05, 1998 5:13 PM  
**To:** secretary  
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**Subject:** Cantor Financial Futures Exchange Meeting

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Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street NW  
Washington, DC 20581

## COMMENT

OFFICE OF THE SECRETARIAT

August 5, 1998

Re: Cantor Financial Futures Exchange Meeting

On April 6, 1998, Mike Uretsky and I submitted a paper to Ms. Jean A. Webb, Secretary, CFTC, to be included in the comments on the proposal for the Cantor Financial Futures Exchange. The paper, "Next Generation Trading in Futures Markets: An Overview of the Cantor Financial Futures Exchange (CFFE)" referenced academic literature on the impact of technology on markets and their performance, provided a summary of the key features of the proposed screen-based trading mechanism, and offered comparisons of the proposed trading mechanism and the open outcry floor market structure currently used to trade U.S. treasury futures contracts.

We would like to appear before the Commission on Tuesday August 11, 1998 in order to provide a statement based on the paper we wrote. An abstract of our intended content follows:

Financial markets are changing rapidly in response to customer needs and new trading technologies. With the introduction of new screen-based trading systems, a "market for markets" has emerged. Exchanges, broker-dealer firms, and market data vendors are competing to offer trade execution services that will attract customers and trading volumes. This competition is favored by regulatory bodies such as the SEC and the CFTC, who have taken steps such as approving the listing of equity options on multiple exchanges. The market structure of the Cantor Financial Futures Exchange (CFFE), a market system for trading futures contracts on U.S. Treasury securities, differs from that of the established, floor-based futures markets. We expect that the CFFE will provide market participants with more control over their trading activities and greater access to the price discovery process. In addition, its trading and order execution algorithm provides incentives to participants to place quotes and supply liquidity, and ensures that market participants are given equal treatment in the execution of their orders. The CFFE should enable investors to lower their transactions costs, and improve the returns performance of their investment portfolios.

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