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August 18, 1998

FEDERAL EXPRESS

Alan L. Seifert, Esq.
Deputy Director
Division of Trading and Markets
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW, 4th Floor
Washington, D.C. 20581

Aug 19 3 38 PM '98
COMMODITY FUTURES
TRADING COMMISSION
RECEIVED FOR
PUBLIC RECORD

Re: Application of Cantor Financial Futures
Exchange for Designation as a Contract
Market in U.S. Treasury Bond, Ten-Year Note,
Five-Year Note and Two-Year Note Futures Contracts
Our File No.: 316.1

Dear Alan:

As a result of the Public Meeting held before the Commission on August 11, 1998 and a telephone conference call held on August 12, 1998 with you and other members of the Commission's staff, additional information has been requested. The following responses are provided in the order in which issues were raised by the Commission's staff during the August 12, 1998 call and thereafter.

1. Tick Size. CFFE Treasury Futures Contract Rule 825 has been revised to provide that the minimum price fluctuation for the 30 Year Treasury Futures Contract shall be done at full ticks (or one 1/32nd of a point), rather than at 1/2 ticks (or 1/2 of 1/32 of a point). See Exhibit 1.

2. Supervision of TOs. The only representations made with respect to the supervision of the Terminal Operators ("TOs") were contained in previous responses to the Commission's Q&A. There are no references to TO Supervisors in the By-Laws and Rules of CFFE. While the TOs will be employed by a Cantor Fitzgerald affiliate,

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the regulatory supervision of TOs will be carried out exclusively by the staff of the Board of Trade of the City of New York, Inc. ("NYBT")/the New York Cotton Exchange ("NYCE"). In the interest of clarity, all references in our prior submissions to "Supervisors" are hereby withdrawn.

3. Solicitation and Marketing by TOs. The (limited) role of TOs in connection with CFFE's solicitation and marketing efforts has been codified in a new proviso to CFFE Rule 712-A(a). See Exhibit 2.

4. CFFE Market Information Phone Number. Authorized Traders that have access to a TO may ask such TO to provide them with market information. Market information includes the number and the aggregate amount of orders resting in the Cantor System at a particular time, any remaining quantity offered or bid for at the conclusion of the Execution Time, size and price of executed trades and an Authorized Trader's place in the order lineup.

To ensure that the general public can obtain the same market information as Authorized Traders, CFFE will provide a publicly available phone number that will connect every interested person with a call-in desk located on Cantor Fitzgerald's premises. The individuals sitting at such desk will have access to a TO terminal, and therefore be able to provide to the public the same information that Authorized Traders can obtain by calling a TO. No orders can be placed at this call-in desk and no trading advice will be given to the public.

Cantor Fitzgerald will install approximately between 65 and 70 telephone lines to provide the public with access to this market information. The market information phone lines will be taped, with the tapes being retained for 120 days. In addition, NYBT's Compliance staff will monitor this phone desk.

5. CFFE Board of Directors. We have amended CFFE By-Law Section 2 to clarify the powers and duties of the Board of Directors of CFFE, including in relation to the regulatory responsibilities of NYBT and NYCE. See Exhibit 2.

6. Adjustment of Errors to Account IDs by Clearing Members. An Authorized Trader acting on behalf of a Customer will provide the TO with an Account Identifier for such Customer at the time of instructing a TO to enter an order. The TO registers that Account ID on their customer order sheet. Shortly after the trade is executed, the TO enters the Account ID into the system. After the executed trade is checked and verified, it is transmitted to Commodity Clearing Corporation ("CCC") and is immediately available

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to be reviewed by the relevant Clearing Member. The Clearing Member verifies the accuracy of the trade and accepts or challenges the trade. Upon accepting the trade, the Clearing member is able to change the Account ID if they have determined that the trade was allocated to the wrong account. All original entries and changes to the Account ID are maintained in the system for future review.

7. Proprietary Trading by Cantor Fitzgerald & Co. We have revised CFFE Rule 712 to clarify that the trading prohibition contained in such rule is applicable to Cantor Fitzgerald & Co. See Exhibit 2.

8. Timing of Execution of Orders and Check-out. The period of time between the execution of a trade and its check-out by the relevant TO will be no longer than 30 minutes. New CFFE Rule 301-A(d) provides that, if a TO fails to check out a trade within such 30-minute period, such trade will be sent to CCC for clearing based on the information previously entered into the Cantor System with respect to such trade. NYBT's Compliance and Market Surveillance staff will generate an exception report which will list trades that were not checked out within such 30-minute period.

9. TOs Responsibility Regarding Use of the Customer Order Sheet. We have amended CFFE Rule 301-A to clarify each TO's responsibility with respect to the use of the customer order sheet for purposes of maintaining an accurate audit trail of Authorized Traders' orders on behalf of Customers. See Exhibit 2.

10. Representation on CFFE's Board of Directors. As stated by Joseph J. O'Neill at the Commission's Public Meeting regarding CFFE, NYCE and each of its affiliates and subsidiaries have a long-standing tradition of maintaining a significantly higher commercial (industry) representation on their respective boards of directors than other contract markets. This tradition forms the basis for having Cantor Fitzgerald appoint a majority of the members of the Board of Directors of CFFE.

11. Authorized Traders and Screen Based Traders. We have amended the By-Laws and Rules of CFFE (i) to clarify the respective roles and functions of Screen Based Traders and Authorized Traders on CFFE and (ii) to ensure that Associate Members are subject to all applicable provisions of such By-Laws and Rules.

12. Type of Terminal Located at NYBT's Premises. There will be a CFFE Terminal located on NYBT's premises. This CFFE Terminal will be the same type of terminal available to Authorized Traders and Associate Members, but will be different from the type of

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terminal used by a TO. NYBT staff will have access to TO terminals, and be able to listen in on conversations of TOs on Cantor Fitzgerald's premises.

13. Samples of Logs. Samples of the Data Entry Transaction Log, the Transaction Log, the Changes to the Executed Transaction Log and the compliance computer reports that will be used by NYBT's Compliance and Market Surveillance staff in their audit trail review are currently being prepared by NYBT's Compliance staff and will be separately submitted.

14. Floor Broker Associations. New CFFE Rule 37 requires the registration of floor broker associations under certain circumstances and replaces the reference to the incorporation by reference of NYCE's and Coffee, Sugar & Cocoa Exchange, Inc.'s ("CSCE") floor broker association rules. See Exhibit 2.

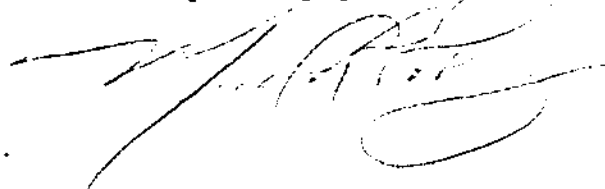
15. Floor Broker and Floor Trader Definitions. We have revised CFFE Rules 21 and 22 to clarify that the categories of Floor Broker and Floor Trader shall not be limited to members of NYBT. See Exhibit 2.

16. Organizational Chart. For the purpose of clarifying the organizational relationship among NYBT, NYCE and CSCE, attached as Exhibit 3 is an organizational chart of NYBT. The Agreement between CFFE, LLC and NYCE relating to the formation and operation of CFFE requires NYCE (the contract market) to carry out and perform all of the regulatory and oversight responsibilities with respect to CFFE. As a result of the recent merger wherein NYBT became the holding company of NYCE and CSCE, such responsibilities will be carried out by the staff of NYBT/NYCE.

17. Commodity Clearing Corporation By-Laws and Rules. Attached as Exhibit 4 are the proposed amendments to the By-Laws and Rules of Commodity Clearing Corporation relating to CFFE.

Thank you for your assistance and cooperation.

Very truly yours,



MRK:ms

Enc.

cc: David P. VanWagner, Esq.
Adam Wernow, Esq.
Mr. Albert M. Weis
Mr. Marc Brenner
Mr. Joseph J. O'Neill

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