

**Renaissance**

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SECRETARIAT

Ms. Jean A. Webb  
Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

## COMMENT

Re: Concept Release on the Placement of a Foreign Board of Trade's  
Computer Terminals in the United States

Dear Ms. Webb:

Renaissance Technologies Corp. ("Renaissance") and TCA Futures LLC ("TCA Futures") respectfully submit this comment letter in response to the Commodity Futures Trading Commission's (the "Commission") request for comment on its "Concept Release on the Placement of a Foreign Board of Trade's Computer Terminals in the United States".

Renaissance, an investment manager with over \$1 billion under management, has been registered with the National Futures Association (the "NFA") as a commodity pool operator and a commodity trading adviser since July 6, 1988 and April 2, 1991, respectively. Renaissance manages several different funds (both futures and equities) and conducts trading in futures exclusively for its own funds. Renaissance also manages TCA Futures, a futures commission merchant registered with the NFA since August 12, 1996, which trades contracts through a Deutsche Terminborse ("DTB") terminal in the United States on behalf of one of Renaissance's foreign funds. The DTB received permission from the Commission in a no-action letter to allow TCA Futures obtain a computer terminal in the United States. The trading that TCA Futures conducts through DTB's computer terminal in the United States is an important and essential part of our business, and we foresee that such trading will only become more important in the future.

Renaissance and TCA Futures appreciate the opportunity to provide input on such an important issue. We commend the Commission for addressing the issue in a timely manner and for recognizing the importance of developing a regulatory framework that will maintain the integrity of the U.S. markets and protect U.S. customers, and, at the same time, will not inhibit cross-border trading by imposing unnecessary regulatory burdens. In our comment letter, we wish to address this issue in the context of the globalization of financial markets and the potential negative impact on U.S. firms if access to these markets via foreign terminals is restricted or unduly limited.

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In the Concept Release, the Commission recognizes that significant developments in technologies in recent years has provided U.S. customers with a potential additional means of access to foreign products. Improvements in technologies have allowed for the globalization of financial markets, and as technology continues to improve, it seems reasonable to expect such computerized global markets to play an increased role in the future. Sophisticated market participants will seek out those markets where they can most efficiently pursue their investment strategies, regardless of the physical location or format (i.e., electronic or traditional) of the relevant market, and will adjust their operations to most efficiently access these markets. Therefore, it must be assumed that these global markets will continue to develop and, perhaps, in some situations, replace the more traditional financial forums, regardless of the position that the Commission takes on this issue.

In order for U.S. firms to remain competitive in such global markets, it is essential that U.S. firms have domestic access to these global markets and that U.S. firms be able to utilize the most recent technological advances to access these markets. Congress recently recognized the importance of the globalization of the financial industry when it abolished certain Internal Revenue Code regulations governing the tax treatment of offshore companies (known as the "Ten Commandments") with the intention of bringing financial service business, which had been forced offshore by the Ten Commandments, back into the United States. In this same way, access to global markets through foreign terminals in the United States would have the effect of increasing competition and ultimately bringing more business to the United States (as opposed to forcing business offshore). If access to global markets were to be denied or unduly limited, U.S. firms would be faced with seeking other methods to access these markets, including relocating offshore. Without a communication infrastructure directly linked to these global markets, U.S. financial firms will be at a disadvantage vis a vis non-U.S. financial firms located in countries that allow trading on foreign terminals.

A foreign board of trade's computer terminal is a valuable tool for U.S. firms because it provides a single access to potentially many different global markets. However, if the Commission restricts trading on foreign board of trade computer terminals within the U.S., or if the procedures adopted prove to be unduly burdensome, U.S. firms, such as ourselves or our clients, may be forced to move operations offshore or to transfer some or all of their activities to other industry participants who have direct access to those markets. This would result in increased cost and inconvenience for such firms, a loss of financial business for the United States, and the inability for the Commission to regulate these global markets at any level. In order to sustain the important position of U.S. financial markets in the world, we need to remain competitive with the global markets.

In its Concept Release, the Commission requests comments as to whether the Commission should request information concerning the ability of U.S. boards of trade to place and operate computer terminals in the petitioner's home country. While we understand and fully support the Commission's concerns in establishing reciprocal arrangements such that U.S. exchanges have access to foreign markets and in preventing

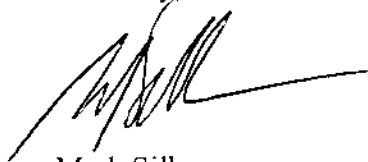
foreign countries from discriminating against U.S. exchanges, we are of the point of view that this should not be a significant factor in determining a petitioner exchange's eligibility. As described above, any restriction imposed by a country that has the effect of excluding foreign terminals will ultimately hurt the financial institutions in that country. For example, if Germany were to exclude Project A terminals, German firms would merely make other arrangements, outside of Germany, to trade in U.S. markets. We are of the opinion that the regulatory bodies in other countries, following the Commission's lead, will realize the importance of fully accessible global markets and develop flexible regulations that will cohere with the regulations of other members of the international financial community.

We would encourage the Commission to adopt rules for these terminals that are no less restrictive than those referred to in the series of previous DTB no-action letters. Even under those rules, the Commission would have sufficient regulatory control to ensure U.S. market integrity and an adequate level of protection for U.S. participants. Clearly, rules that are too restrictive will have the same result as outlawing the computer terminals altogether. Should the Commission, however, decide to place additional restrictions on these terminals, we would strongly encourage the Commission to enact a grandfather clause for firms with existing terminals to ensure that there will be no disruption in trading on existing foreign terminals.

Finally, we would discourage the Commission from adopting a rule that deems a foreign board of trade a U.S. contract market if the trading originating in the United States exceeds fixed market share percentages. Such a rule seems too arbitrary and would stifle trading and competition if the foreign board of trade or its participants feared that they were approaching the limit. Similarly, it is inconceivable that a U.S. exchange which has successfully placed terminals overseas would suddenly cede regulatory authority to a foreign regulatory agency merely because its products became too popular in that country.

For the reasons discussed above, we respectfully request that the Commission enact rules allowing for foreign terminals in the United States without unduly burdensome restrictions. If the Commission has any questions regarding this letter, please feel free to contact me at 212-486-6780.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Silber', with a long horizontal flourish extending to the right.

Mark Silber  
Vice President, Renaissance Technologies Corp.  
President, TCA Futures LLC