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LEHMAN BROTHERS

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CHARLES P. NASTRO
MANAGING DIRECTOR
DIRECTOR OF FUTURES

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RECORDS SECTION

October 19, 1999

Ms. Jean A. Webb
Secretary to the Commission
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581

Re: Exemption from Registration for Certain FCMs and IBs, 64 Fed.
Reg. 46618 (August 26, 1999)

Dear Ms. Webb:

Lehman Brothers Inc. ("Lehman") appreciates the opportunity to submit this comment letter to the proposed amendments to CFTC regulations governing foreign futures and foreign option transactions as set forth in the Exemption for Registration for Certain Futures Commission Merchants and Introducing Brokers, 64 Federal Register 46618 (August 26, 1999). Lehman is a large global investment banking firm which is a clearing member of all the major international futures exchanges. Its institutional client base trades on all of these global futures markets.

Lehman wants to thank the Commission for proposing these amendments to Part 30 of the CFTC regulations. We know about the extensive discussions that took place between CFTC staff and the FIA Law and Compliance Division regarding this issue and are grateful to the staff of the Division of Trading and Markets for their cooperation and willingness to work with the industry on this very important issue. While the proposed Part 30 amendments to Part 30 are an excellent first step, the proposed changes in CFTC Rule 30.12, in our opinion, significantly limit the intended benefits from the proposal originally submitted by the FIA Law and Compliance Division. We therefore respectfully request that the Commission adopt CFTC Regulation 30.12 essentially in the same format as the FIA Law and Compliance Division originally proposed. We therefore support the views expressed by the Futures Industry Association in its comment letter, dated October 15, 1999.

In addition, we strongly encourage the Commission to consider which other current CFTC regulations could be modified to provide greater flexibility, from a regulatory perspective, for large institutional users of the global futures markets. This so-called "two-tier" regulatory approach works quite effectively in the U.K. and should be adopted as well by the Commission. It is true that the Commission has already commenced this approach to eliminate certain CFTC regulations as they may affect institutional end users, but this piecemeal approach taken to date needs to be broadened immediately to encompass a total review of all applicable CFTC regulations. In particular, we recommend that the Commission adopt a total exemption to Part 30 as these rules may apply to U.S. institutional end users of the global futures markets. Query, do these sophisticated clients really need the same protections that do and should exist to protect the retail customer? We do not believe so. Our client base today, and that at other major FCMs, primarily involves large institutional users, many of whom are very sophisticated money managers, who have the requisite expertise to trade these global futures markets with little or no regulatory protection, other than the general anti-fraud provisions of Section 4b of the Commodity Exchange Act. Given today's current environment, the Commission must carefully review its regulations and determine which, if any, of its current regulations could be amended to provide an exemption for these large institutional users. We welcome the opportunity to work closely with the Commission on this project in achieving the requisite safeguards while, at the same time, providing greater flexibility to those who need less regulatory protections.

To effectively achieve this goal, the Commission must adopt, as proposed by the National Futures Association, in connection with its proposed rulemaking submitted in 1998, and as set forth in the FIA comment letter submitted on this matter, a uniform definition of an institutional or "enumerated" customer for all applicable CFTC regulations. In the current proposal regarding CFTC Rule 30.12, the Commission wants only to permit a highly select group of institutional customers to have the advantage of the exemptive relief being proposed in CFTC Rule 30.12. We disagree with a regulatory approach of creating different categories of institutional customers and then trying to determine which group could be exempted from one rule but not another. To promote flexibility, the Commission must be uniform in its analysis of what constitutes an institutional or "enumerated" customer and then apply this standard to each and every exemptive relief sought for or by an institutional customer. This uniform approach should be the only approach taken by the Commission in considering exemptions, such as that proposed in CFTC Rule 30.12, other matters under Part 30 or any other applicable CFTC rule.

Once again, we want to thank the Commission for this opportunity to submit comments and welcome the opportunity to discuss this comment letter with the Commission and its staff at its request.

Very truly yours,

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

Charles P. Nastro
Director of Futures

cc: Honorable William J. Rainer
Honorable Barbara Pederson Holum
Honorable David D. Spears
Honorable James E. Newsome
Honorable Thomas J. Erickson
C. Robert Paul, General Counsel
John C. Lawton, Acting Director, Division of Trading and Markets
John Damgard, President, Futures Industry Association
Ronald Hersch, Chairman, Futures Industry Association
Ronald Filler, Lehman Brothers Inc.