

U.S. COMMODITY FUTURES TRADING COMMISSION

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February 11, 2000

Ms. Audrey R. Hirschfeld  
Sr. Vice President and General Counsel  
New York Board of Trade  
Four World Trade Center  
New York, New York 10048

**Received CFTC  
Records Section**

99-37  
NC 1

Re: Proposed New Rules 4-A, 25 and 305-A and Proposed Amendments to Rules 32, 300 and 302 - - Block Trading Proposal (Submission No. 99-64)

Dear Ms. Hirschfeld:

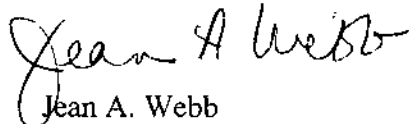
By letters dated September 15, 1999, through January 11, 2000, the New York Board of Trade ("NYBT") submitted to the Commission on behalf of Cantor Financial Futures Exchanges, Inc. ("CX" or "Exchange") proposed new Rules 4-A, 25 and 305-A and proposed amendments to Rules 32, 300 and 302 (collectively the "Block Trading Proposal") pursuant to Section 5a(a)(12)(A) of the Commodity Exchange Act ("Act") and Commission Regulation 1.41(c). The Block Trading Proposal would permit the execution of large orders for its U.S. Treasury Bond, U.S. Treasury Ten-year Note, Flexible Coupon U.S. Treasury Bond and Flexible Coupon U.S. Treasury Ten-year Note futures contracts, by negotiation between certain qualified parties to the trade rather than through the CX automated trading system.

Please be advised that on this date the Commission has determined to approve the above-referenced Block Trading Proposal on a one-year pilot program basis pursuant to Section 5a(a)(12)(a) of the Act and Commission Regulations 1.38 and 1.41(c). The Commission reminds the Exchange that any proposal to designate other futures contracts for purposes of block trading must be submitted for prior Commission review pursuant to Section 5a(a)(12)(A) of the Act and Section 1.41 of the Commission's Regulations. Any such submission should address why the minimum block size chosen would be an appropriate minimum size for block trading in light of transaction sizes in the relevant cash and futures markets. The Commission also reminds the Exchange that it should consider trading prices in all relevant futures and cash Treasury markets when evaluating whether the price of a block trade is "fair and reasonable" under CX Rule 305-A(a)(5). The Commission further reminds the Exchange that the Block Trading Proposal only permits the noncompetitive execution of block trades and compliance with CX's block trading requirements does not insulate block transactions from other requirements under the Act, the Commission's regulations or other applicable law. For example, each block transaction remains subject to the reporting and recordkeeping requirements and the antifraud and antimanipulation provisions under the Act and the Commission's regulations. See Sections 4b, 4o, 6(c) and

9(a)(2) of the Act. The Commission believes that the Exchange should make this point explicit to its members when educating them as to the implementation of the pilot program for block transactions.

The Commission notes that the Exchange's pilot program for block trading will terminate one year from the effective date of the Block Trading Proposal. The Exchange may petition the Commission, pursuant to the rule review procedures set forth in Section 5a(a)(12)(A) of the Act and Commission Regulation 1.41, either to extend the term of the pilot program or to approve it on a permanent basis.

Sincerely

  
Jean A. Webb  
Secretary of the Commission