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**eurex US**

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2004 AUG 31 AM 9:42 August 30, 2004

Jean Webb  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

**COMMENT**

Re: Proposed Rules for Trading Off the Centralized Market

Dear Ms. Webb:

U.S. Futures Exchange, L.L.C. ("Eurex US") welcomes the opportunity to comment on the Commodity Futures Trading Commission's (the "Commission") request for comments in connection with its proposed guidance for compliance with Core Principle 9.<sup>1</sup>

Eurex US is a newly designated contract market ("DCM") regulated by the Commission. Eurex US currently offers futures and options contracts on U.S. Treasury Notes and Bonds for trading on its electronic platform.

Eurex US applauds the Commission for providing more specific guidance to DCMs concerning compliance with Core Principle 9. Eurex US is dedicated to its obligation as a DCM to provide a marketplace that promotes accurate price discovery. Although the Exchange is all-electronic and does not provide for floor trading, it prefers transactions to be openly and competitively executed in its electronic order book. However, the Exchange also acknowledges that in many circumstances its Members cannot execute certain large orders, by virtue of their size, at a quality price. To address this issue, the Exchange provides a facility ("Block Trade Facility" or "BTF") that enables sophisticated parties to execute certain large transactions by means of pre-trade negotiations in order to minimize the significant price impact of such a large order. The guidance proposed by the Commission will be very helpful to Eurex US as it seeks to balance these two competing interests on an ongoing basis.

Eurex US takes issue with the comment by the Chicago Mercantile Exchange that different rules should apply to a DCM's BTF depending on whether the DCM "conducts the principal auction market for a specific derivative contract" or if it is a "new market." Apart from the protectionist flavor that underpins such a comment, such a comment is contrary to the fact that newer markets may be more apt to adopt innovative trading procedures and to be more responsive to the overall marketplace. The CME posits that new markets "could not be expected to fashion off-exchange trading rules to protect the important price discovery

<sup>1</sup> 69 FR 39880 (July 1, 2004).

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function..." However, the same CFTC Core Principle 9, which requires a DCM to provide a competitive, open, and efficient market and mechanism for executing transactions," governs both new and well-established markets. In self-certifying any rule that permits off-exchange transactions under certain circumstances, a DCM must certify that such a rule, *inter alia*, meets the requirements of Core Principle 9.

Finally, Eurex US would also like to note that it fully supports all Commission actions that promote competition between derivatives exchanges. In that regard, Eurex US would like to point out that the proposed guidance statement fully supports an Exchange's effort to facilitate transparent and competitive transfers of open interest from one exchange to another using various mechanisms, such as an Exchange for Futures ("EFF") rule that was introduced by the New York Mercantile Exchange and approved by the Commission on May 3, 2002 (?). Any attempt by an exchange to stifle such a mechanism is anti-competitive and not supported by the proposed guidance or Section 5(d)(18) of the Commodity Exchange Act, which provides that:

"Unless necessary or appropriate to achieve the purpose of this Act, [a] board of trade shall endeavor to avoid (A) adopting any rules or taking any actions that result in any unreasonable restraint of trade..."

Eurex US thanks the Commission for the opportunity to comment on the proposed changes.

Sincerely,



Satish Nandapurkar  
Chief Executive Officer

