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**VIA EMAIL**

Jean A. Webb  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Center  
1155 21<sup>st</sup> Street, NW.,  
Washington, DC 20581

**RE: CFTC Request for Comment on “Self-Regulation and Self-Regulatory Organizations in the Futures Industry”**

Dear Ms. Webb:

Citigroup Global Markets Inc. (“CGMI”) is pleased to respond to the Commission’s request for comment on “Self-Regulation and Self-Regulatory Organizations in the Futures Industry” (the “Request for Comment”). We believe that effective self-regulation in the futures markets is integral to ensuring the integrity and smooth functioning of these markets. In this regard, we believe the Request For Comment serves a worthy purpose in promoting discussion of these issues, and as such applaud the Commission’s issuance of the Request for Comment.

CGMI participated in the preparation of the letter by the Futures Industry Association (the “FIA Letter”) and generally supports the analysis and views set forth in the FIA Letter. We believe the FIA Letter reflects a broad consensus among the FCMs and other intermediaries who constitute FIA’s core membership on best practices for addressing the inherent conflicts in the SRO concept and to ensure the continued viability of self-regulation in an evolving marketplace. In particular, we want to underscore several points made by FIA. First, SRO boards should have significant representation by truly independent directors. Independent directors should not be exchange members, Commission registrants, or persons who receive material payments from the SRO, or have been in one of those categories during the three years prior to beginning their board service. Second, disciplinary panels should be representative of the SRO’s membership in general and should consist of not less than 50 percent independent members.<sup>1</sup>

<sup>1</sup> CGMI also agrees that NFA, and any other registered futures association may appropriately use somewhat different standards in addressing these issues given the fact that it does not have a functional stake in the success or failure of any one marketplace and is subject to a higher degree of Commission oversight in any event.

Most importantly, however, we are writing separately to highlight one area that CGMI believes is central to ensuring transparency and accountability of self-regulation in the futures markets, namely CFTC review and approval of certain SRO rulemaking.

We strongly support the proposition that the Commission should have and should exercise the authority to review and approve a carefully limited class of SRO rules, specifically those exchange rules that relate to the terms and conditions of contracts listed for trading and that have open interest, and rules of a designated clearing organization that materially alter existing rights and obligations of clearing members. This sensible approach would ensure the continued confidence of market participants in the impartiality of SRO rulemaking, and would protect against suspicions that such rulemaking was unduly influenced by market participants with a vested interest. In addition, this approach would mitigate potential conflicts of interest SROs encounter in light of the increasing competitive pressures each faces, thereby strengthening the ability of the SROs to perform their regulatory functions. If the Commission does not believe that it has the existing statutory authority to require SROs to submit for review and approval this limited class of rules, we believe it is incumbent upon the Commission to seek such statutory authority from Congress.

We appreciate the opportunity to respond to the Request for Comment. Please contact me at 212.723.3843 or [robert.f.klein@citigroup.com](mailto:robert.f.klein@citigroup.com) if you have any questions.

Sincerely,

/s/ Robert F. Klein

Robert F. Klein  
Managing Director

CC:

Reuben Jeffrey III, Chairman, Commodity Futures Trading Commission  
John M. Damgard, President, Futures Industry Association  
Thomas W. Sexton III, Vice President and General Counsel, National Futures Association