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Jean A. Webb
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, D.C. 20581

Re: the regulation of noncompetitive transactions executed on or subject to the rules of a contract market

Dear Ms. Webb:

Lind-Waldock & Company is pleased to submit the following comment to the Commission's concept release regarding the reevaluation of its approach to the regulation of noncompetitive transactions executed on or subject to the rules of a contract market. Lind-Waldock is registered with the Commission as a futures commission merchant ("FCM") and is a clearing member of all principal United States futures exchanges. Lind-Waldock was formed in 1965 and has been serving primarily retail clientele for over 30 years. The firm currently maintains more than 25,000 retail customer accounts and over \$675,000,000 in customer segregated funds. For the reasons described below, Lind-Waldock adamantly opposes the Commission's proposal to expand the permitted use of exchange for physicals trades ("EFPs").

First and foremost among our concerns is that an increase in the amount of "upstairs trading" will divert trading activity from the central marketplace. Off-exchange futures trading would also deprive the market of the real time information that would otherwise have been available. Thus, an expanded amount of upstairs trading would potentially weaken the primary market as a legitimate price discovery venue. What we are most concerned about, however, is the accompanying decreased liquidity. This would also serve to impair commercial market users' ability to transfer risk and effectively hedge their inventory.

Further, absent any regulatory restrictions limiting the amount of "upstairs trading", the various exchanges will inevitably end up competing amongst themselves for each others' business without any toehold in the market. They will list new contracts for products which are already being successfully traded at other exchanges. The only way to address this issue is to restrict the amount of

trading allowed to be executed "upstairs" to a modest percentage of that exchange's overall volume. This would serve to prevent listing new contracts in attempts to garner clearing business.

A major concern is that the lure of greater potential profits will result in too many firms choosing to act as marketmaker/principal to their customers, rather than as a broker directing business to an exchange. Most firms will make fair, competitive markets for their customers, even though, to get a bid and offer as opposed to 30 people competing for a trade in the pit will never be as competitive. The fear is of the unscrupulous firm that will not make fair markets to its customers. This firm may not even be in existence today. Accordingly, Lind-Waldock feels that any contract market seeking approval for such transactions should be required to demonstrate its ability to monitor and regulate said trading activity.

In spite of the foregoing concerns, should the Commission elect to move forward with its plan to expand the use of EFPs, then we must demand that these new markets be made available to all market participants. It would be patently unfair to only allow access to such markets to commercial and/or sophisticated investors, thereby disenfranchising the retail customer. Indeed, the individual investor has a right to obtain the best possible price for his trades in any market he desires, which may not be on the trading floor or on the floor of any organized exchange. The Commission's January 26, 1998 Release recognizes this fact where it states:

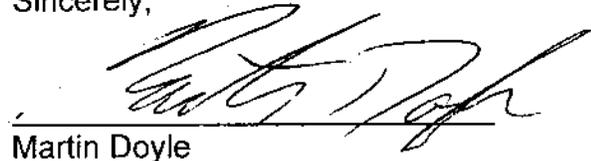
"Both the Commodity Exchange Act and the rules and regulations of the commodity exchanges require that futures transactions be executed openly in a competitive manner. Certain carefully prescribed exceptions to competitive trading are allowed, but they do not nullify the general requirement of open and competitive trading. The purpose of this requirement is to ensure that all trades are executed at competitive prices and that all trades focused into the centralized marketplace to participate in the competitive determination of the price of futures contracts. This system also provides ready access to the market for all orders and results in a continuous flow of price information. (Citing Report of the Senate Committee on Agriculture and Forestry, S. Rep. No. 1131, 93rd Cong., 2d Sess. 16 (1974) emphasis added)

We agree! All orders should have equal access to the markets. Our small orders are entitled to the same consideration as large institutional orders.

In summation, Lind-Waldock opposes the Commission's plan to expand the amount of permissible, upstairs trading. If, however, the proposal is passed and new markets are created, the Commission should restrict the amount of business transacted upstairs to a reasonable percentage (10%?) of that

exchange's total volume. Furthermore, these markets must be open to all market users including the retail customer.

Sincerely,

A handwritten signature in black ink, appearing to read "Martin Doyle", written over a horizontal line.

Martin Doyle

Vice President and General Counsel