

COMMODITY FUTURES  
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Jun 9 7 48 AM '98 Earl Pomeroy  
Congress of the United States  
North Dakota

June 4, 1998

COMMENT

Ms. Jean Webb  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, D.C. 20581

COMMODITY FUTURES  
TRADING COMMISSION  
SECRETARY  
JUN 8 1 59 PM '98  
CFTC

Dear Secretary Webb:

I am writing concerning the proposed establishment of the Cantor Fitzgerald Futures Exchange (CFFE, or Cantor Exchange). As I understand, the CFFE, a collaboration between Cantor Fitzgerald Securities and the New York Cotton Exchange, would offer for trading Treasury Security futures contracts. Due to the ambiguity of the CFFE's application and my concern for customer protection in commodities trading, I have an interest in the Commodity Futures Trading Commission's (CFTC's) review of this proposal.

As proposed, Cantor Fitzgerald would regulate the formation of the CFFE by appointing eight of 13 members of the board, and would allow Cantor Fitzgerald Securities employees to exclusively execute the trades on the Cantor exchange. Because the structure of this proposal presents potential conflict of interest issues related to customer protection and contains uncertain audit trail and dual trading safeguards, it is my hope the CFTC will proceed cautiously and thoroughly in its review of this proposal. Furthermore, because the CFTC's policy is to disqualify parties from serving on an exchange board or disciplinary committee if that party has been subject to a disciplinary offense within three years, I also have reservations about the formulation of the Cantor Exchange in that the CFTC fined Cantor \$500,000 for its role in a fraudulent money management scheme in 1997.

Such questions surrounding the foundation on which this exchange will be built lead me to believe this proposal, and the circumstances under which the exchange would conduct its transactions, merit comprehensive review. I urge the CFTC, as a fiduciary or "watchdog" which ensures fair and competitive trading, to advance with caution in the consideration of this proprietary exchange proposal. /

Sincerely,

EARL POMEROY  
Member of Congress

EP:dm

*Specifying as a former regulator, this proposal needs a thorough review with careful assessment of customer protections and independent management.*