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ILLINOIS

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United States Senate
WASHINGTON, DC 20510-1303

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COMMENT

OFFICE OF THE SECRETARIAT

September 3, 1998

The Honorable Brooksley Born
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581

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COMMODITY FUTURES
TRADING COMMISSION
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Dear Chairperson Born:

I understand that you are currently evaluating an application of the Cantor Financial Futures Exchange (CFFE) for designation as a new contract market for the trading of U.S. Treasury futures contracts. I would like you to delay ruling on this application, as I do not believe that there has been an adequate opportunity for the public or the Congress to comment on this proposal. An abbreviated public meeting was held on August 11, but since that time, CFFE's proposal has been amended no less than three times, with the most recent changes made available to the public a mere four days ago.

I am appalled that Cantor Fitzgerald is the recipient of such expeditious treatment, in light of reports regarding serious incidents of harassment based on race, gender, disability and sexual orientation, along with what appear to be significant abuses of the mandatory arbitration requirement in their employment contracts. These abuses were the subject of NBC's Dateline on Tuesday, May 26th. I am personally offended that senior traders donned blackface for a videotape which mocked African Americans and other minorities. I am also disgusted by the treatment reportedly accorded the Cantor trainee whose arm prosthesis was stolen, filled with water, and frozen. This kind of conduct has no place in America nor in the futures industry you oversee.

In addition to the wholly inappropriate fast-track process, I have serious concerns with the substance of the CFFE proposal. The CFFE contracts would be routinely executed on a noncompetitive basis and have the potential to fragment the market, reduce liquidity and increase transaction costs.

I would like you to delay the approval of this application. I have asked Secretary Rubin to analyze this proposal and its implications on the Treasury securities markets. I would also request that you review the CFFE proposal in light of a recently released study on this issue by Yakov Amihud and Haim Mendelson, "Evaluation of Alternative Execution Procedures in Futures Markets." I believe you and Secretary Rubin should have the opportunity to consider this study and its analysis of the effects this proposal would have on the Treasury bond market.



The study indicates that the granting of this application would fragment the market,

reduce liquidity, increase overall trading costs, hamper price discovery and reduce the incentive to provide information to the market. Specifically, the CFFE could bring about a less liquid market for U.S. Treasury futures, an increased cost of hedging U.S. Treasury securities and a higher cost of debt for the U.S. government.

Given the potential for harm to the U.S. Treasury, I call on you to delay ruling on the CFFE proposal to give Secretary Rubin the opportunity to comment. Thank you for your consideration of this matter.

Sincerely,

Carol Moseley-Braun
United States Senate

cc: The Honorable Barbara Holum Pederson
The Honorable John E. Tull, Jr.
The Honorable David D. Spears
The Honorable James E. Newsome