

U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5000
Facsimile: (202) 418-5521



September 4, 1998

Mr. Michael R. Koblenz
Mound, Cotton & Wollan
One Battery Park Plaza
New York, New York 10004-1486

Re: Application of the Cantor Financial Futures Exchange for Designation as a Contract Market in the US Treasury Bond Futures Contract, the US Treasury Ten-year Note Futures Contract, the US Treasury Five-year Note Futures Contract and the US Treasury Two-year Note Futures Contract

Dear Mr. Koblenz:

By letters dated January 6, 1998, through August 27, 1998, the Cantor Financial Futures Exchange ("CFFE" or "Exchange") applied pursuant to the Section 6 of the Commodity Exchange Act ("Act"), 7 U.S.C. §8, for designation as a contract market in the US Treasury bond futures contract, the US Treasury ten-year note futures contract, the US Treasury five-year note futures contract and the US Treasury two-year note futures contract.

The Commission has reviewed the materials submitted by the CFFE and has designated the CFFE as a contract market in the US Treasury bond futures contract, the US Treasury ten-year note futures contract, the US Treasury five-year note futures contract and the US Treasury two-year note futures contract pursuant to Section 5 of the Act, 7 U.S.C. §7.

Concurrent with designation, the Commission approved, pursuant to Section 5a(a)(12)(A) of the Act, 7 U.S.C. §7a(a)(12)(A), proposed CFFE By-Law Scope Section; proposed CFFE By-Law Sections 1-5, 7-27, and 29-40; proposed CFFE Rules 1-24, 26-37, 100-103, 200-202, 300-312, 314-316, 401, 403, 500, 501, 600, 710-714, 716-725, and 820-846; proposed amendments to Commodity Clearing Corporation By-Law Sections 9-B and 20-A and Rules 3, 11, and 12; and proposed amendments to New York Cotton Exchange ("NYCE") Consolidated Rules 6.00, 6.04, 6.05, 6.06, 6.09, 8.00, 8.01, 8.04, and 10.01 and Chapter 10 Scope Section.

The Commission's approval of the CFFE's proposal and accompanying rules, rule amendments and other materials is based upon the Exchange's explanation of its regular and market-crossing trade-matching algorithms. Any material alterations to those algorithms, including the establishment of Clearing Time trading, must be submitted to the Commission for its review pursuant to Section 5a(a)(12) of the Act.

The Commission's approval also is based upon other written submissions and explanations provided by the Exchange describing the manner in which Cantor System will operate. Any material modifications to the operation of the Cantor System (e.g., changes to order entry procedures, clearing procedures, security systems, etc.) must be submitted for Commission review.

In approving the CFFE's proposal, the Commission believes that, based upon the employer-employee relationship between Cantor Fitzgerald Securities ("CFS") and CFFE's terminal operators ("TOs"), the acts, omissions, or failures of CFFE's TOs are required to be deemed the acts, omissions, or failures of CFS, under Section 2(a)(1)(A)(iii) of the Act, and that the Exchange's principal-agent relationship with CFFE's TOs does not in any way diminish the application of that provision to CFS.

The Commission understands that CFFE has volunteered to require that each of its TOs be registered with the Commission as floor brokers. Given that TOs will have access to order information and the responsibility to enter order information into the Cantor System, albeit in a ministerial capacity, the Commission believes it is an appropriate and prudent policy for CFFE TOs to be registered as floor brokers so as to ensure that TOs are personally liable for violations of the Act and the regulations. Accordingly, the Commission has determined that CFFE TOs may properly be deemed to have floor trading privileges at NYCE for purposes of being eligible for floor broker registration status under Commission Regulation 3.11(a)(2).

The Commission will not at this time require holders of CFFE trading privileges who do not trade on behalf of customers to register as floor traders under Commission Regulation 1.3(x). This condition may change if in the future the Commission determines it necessary or appropriate to revisit the issue of registration of proprietary traders on electronic systems.

In approving CFFE's proposal, the Commission is not approving either the September 8, 1997, CFFE Agreement between NYCE and CFFE, LLC, or the September 8, 1997, Over-the-Counter Clearing Agreement among Cantor Fitzgerald, LP, CCC, and NYCE. In this connection, CFFE must submit to the Commission any material changes to either of these agreements. The Commission underscores that the rules and bylaws being approved supersede the terms of those agreements and, further, that CFFE itself remains directly responsible to the Commission for performing all self-regulatory functions required of it as a designated contract market under the Act.

The Commission understands that CFFE does not intend to implement market-crossing session trading upon the start of trading at CFFE. The Commission reminds CFFE that it may not implement market-crossing session trading until it has submitted to the Commission for its review, pursuant to Section 5a(a)(12) of the Act, a revised customer disclosure statement describing the manner in which non-proprietary market-crossing session orders would be handled by CFFE members and trading privilege holders.

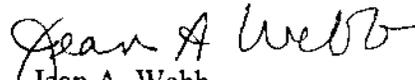
The Commission understands that CFFE's Cantor System would not be capable of accepting customer account identifiers upon the entry of non-proprietary orders into the System. As an interim measure, CFFE will require a procedure for customer orders which includes the

Mr. Michael R. Koblenz

Page 3

preparation of timestamped order sheets with account identifiers prior to entry of account identifiers into the System. CFFE has expressly agreed to a "sunset provision" with respect to this procedure such that the Cantor System would be upgraded to accept customer account identifiers upon order entry within one year of CFFE's initial contract market designation. This arrangement is codified in CFFE Rule 301-A. Therefore, if the Cantor System were not upgraded within one year of designation, the Exchange will not be permitted to accept non-proprietary orders thereafter until such an upgrade occurred.

Sincerely,


Jean A. Webb
Secretary of the Commission

cc: Joseph J. O'Neill
Kenneth M. Raisler

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of the Application of the Cantor)
Financial Futures Exchange for Designation)
as a Contract Market in the U.S. Treasury)
Bond Futures Contract)

ORDER OF DESIGNATION

The Cantor Financial Futures Exchange ("CFFE") having submitted, pursuant to Section 6 of the Commodity Exchange Act ("Act"), 7 U.S.C. § 8, an application for designation as a contract market in the U.S. Treasury bond futures contract and the Commodity Futures Trading Commission having reviewed the application and the complete record in this matter, and for the reasons set forth in the Division of Trading and Markets' September 1, 1998, memorandum to the Commission and the Division of Economic Analysis' August 28, 1998, memorandum to the Commission respectively recommending designation of this contract market, the Commission finds that for purposes of this application the CFFE has demonstrated compliance with the requirements of Section 5 of the Act, 7 U.S.C. § 7, and the regulations thereunder. Therefore,

IT IS HEREBY ORDERED, under Section 5 of the Act, 7 U.S.C. § 7, that the application of the CFFE for designation as a contract market in the U.S. Treasury bond futures contract is granted,

IT IS FURTHER ORDERED that this grant of designation shall be subject to compliance with all sections of the Act and regulations thereunder applicable to the CFFE as a contract market under the Act,

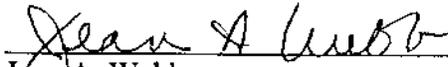
IT IS FURTHER ORDERED, under Commission Regulation 1.35(l), 17 C.F.R. 1.35(l), that CFFE, CFFE members and CFFE trading privilege holders be granted an exemption from the requirements of Commission Regulations 1.35(d), (j) and (k), 17 C.F.R. 1.35(d), (j) and (k),

IT IS FURTHER ORDERED that CFFE members and CFFE trading privilege holders who trade only for their proprietary accounts at CFFE shall not be deemed to be floor traders, under Commission Regulation 1.3(x), 17 C.F.R. 1.3(x), on the basis of that trading activity alone, and

IT IS FURTHER ORDERED that CFFE terminal operators may properly be deemed to have trading privileges at the New York Cotton Exchange for the purpose of such terminal operators' being eligible for floor broker registration status under Commission Regulation 3.11(a)(2).

Issued in Washington, D.C., this 4th day of September 1998.

By the Commission



Jean A. Webb
Secretary of the Commission

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of the Application of the Cantor)
Financial Futures Exchange for Designation)
as a Contract Market in the U.S. Treasury)
Ten-year Note Futures Contract)

ORDER OF DESIGNATION

The Cantor Financial Futures Exchange ("CFFE") having submitted, pursuant to Section 6 of the Commodity Exchange Act ("Act"), 7 U.S.C. § 8, an application for designation as a contract market in the U.S. Treasury ten-year note futures contract and the Commodity Futures Trading Commission having reviewed the application and the complete record in this matter, and for the reasons set forth in the Division of Trading and Markets' September 1, 1998, memorandum to the Commission and the Division of Economic Analysis' August 28, 1998, memorandum to the Commission respectively recommending designation of this contract market, the Commission finds that for purposes of this application the CFFE has demonstrated compliance with the requirements of Section 5 of the Act, 7 U.S.C. § 7, and the regulations thereunder. Therefore,

IT IS HEREBY ORDERED, under Section 5 of the Act, 7 U.S.C. § 7, that the application of the CFFE for designation as a contract market in the U.S. Treasury ten-year note futures contract is granted,

IT IS FURTHER ORDERED that this grant of designation shall be subject to compliance with all sections of the Act and regulations thereunder applicable to the CFFE as a contract market under the Act,

IT IS FURTHER ORDERED, under Commission Regulation 1.35(l), 17 C.F.R. 1.35(l), that CFFE, CFFE members and CFFE trading privilege holders be granted an exemption from the requirements of Commission Regulations 1.35(d), (j) and (k), 17 C.F.R. 1.35(d), (j) and (k),

IT IS FURTHER ORDERED that CFFE members and CFFE trading privilege holders who trade only for their proprietary accounts at CFFE shall not be deemed to be floor traders, under Commission Regulation 1.3(x), 17 C.F.R. 1.3(x), on the basis of that trading activity alone, and

IT IS FURTHER ORDERED that CFFE terminal operators may properly be deemed to have trading privileges at the New York Cotton Exchange for the purpose of such terminal operators' being eligible for floor broker registration status under Commission Regulation 3.11(a)(2).

Issued in Washington, D.C., this 4th day of September 1998.

By the Commission



Jean A. Webb
Secretary of the Commission

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of the Application of the Cantor)
Financial Futures Exchange for Designation)
as a Contract Market in the U.S. Treasury)
Five-year Note Futures Contract)

ORDER OF DESIGNATION

The Cantor Financial Futures Exchange ("CFFE") having submitted, pursuant to Section 6 of the Commodity Exchange Act ("Act"), 7 U.S.C. § 8, an application for designation as a contract market in the U.S. Treasury five-year note futures contract and the Commodity Futures Trading Commission having reviewed the application and the complete record in this matter, and for the reasons set forth in the Division of Trading and Markets' September 1, 1998, memorandum to the Commission and the Division of Economic Analysis' August 28, 1998, memorandum to the Commission respectively recommending designation of this contract market, the Commission finds that for purposes of this application the CFFE has demonstrated compliance with the requirements of Section 5 of the Act, 7 U.S.C. § 7, and the regulations thereunder. Therefore,

IT IS HEREBY ORDERED, under Section 5 of the Act, 7 U.S.C. § 7, that the application of the CFFE for designation as a contract market in the U.S. Treasury five-year note futures contract is granted,

IT IS FURTHER ORDERED that this grant of designation shall be subject to compliance with all sections of the Act and regulations thereunder applicable to the CFFE as a contract market under the Act,

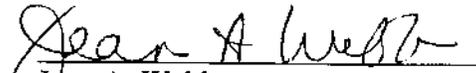
IT IS FURTHER ORDERED, under Commission Regulation 1.35(l), 17 C.F.R. 1.35(l), that CFFE, CFFE members and CFFE trading privilege holders be granted an exemption from the requirements of Commission Regulations 1.35(d), (j) and (k), 17 C.F.R. 1.35(d), (j) and (k),

IT IS FURTHER ORDERED that CFFE members and CFFE trading privilege holders who trade only for their proprietary accounts at CFFE shall not be deemed to be floor traders, under Commission Regulation 1.3(x), 17 C.F.R. 1.3(x), on the basis of that trading activity alone, and

IT IS FURTHER ORDERED that CFFE terminal operators may properly be deemed to have trading privileges at the New York Cotton Exchange for the purpose of such terminal operators' being eligible for floor broker registration status under Commission Regulation 3.11(a)(2).

Issued in Washington, D.C., this 4th day of September 1998.

By the Commission



Jean A. Webb
Secretary of the Commission

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of the Application of the Cantor)
Financial Futures Exchange for Designation)
as a Contract Market in the U.S. Treasury)
Two-year Note Futures Contract)

ORDER OF DESIGNATION

The Cantor Financial Futures Exchange ("CFFE") having submitted, pursuant to Section 6 of the Commodity Exchange Act ("Act"), 7 U.S.C. § 8, an application for designation as a contract market in the U.S. Treasury two-year note futures contract and the Commodity Futures Trading Commission having reviewed the application and the complete record in this matter, and for the reasons set forth in the Division of Trading and Markets' September 1, 1998, memorandum to the Commission and the Division of Economic Analysis' August 28, 1998, memorandum to the Commission respectively recommending designation of this contract market, the Commission finds that for purposes of this application the CFFE has demonstrated compliance with the requirements of Section 5 of the Act, 7 U.S.C. § 7, and the regulations thereunder. Therefore,

IT IS HEREBY ORDERED, under Section 5 of the Act, 7 U.S.C. § 7, that the application of the CFFE for designation as a contract market in the U.S. Treasury two-year note futures contract is granted,

IT IS FURTHER ORDERED that this grant of designation shall be subject to compliance with all sections of the Act and regulations thereunder applicable to the CFFE as a contract market under the Act,

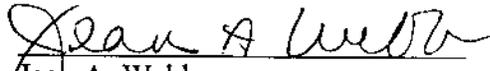
IT IS FURTHER ORDERED, under Commission Regulation 1.35(l), 17 C.F.R. 1.35(l), that CFFE, CFFE members and CFFE trading privilege holders be granted an exemption from the requirements of Commission Regulations 1.35(d), (j) and (k), 17 C.F.R. 1.35(d), (j) and (k),

IT IS FURTHER ORDERED that CFFE members and CFFE trading privilege holders who trade only for their proprietary accounts at CFFE shall not be deemed to be floor traders, under Commission Regulation 1.3(x), 17 C.F.R. 1.3(x), on the basis of that trading activity alone, and

IT IS FURTHER ORDERED that CFFE terminal operators may properly be deemed to have trading privileges at the New York Cotton Exchange for the purpose of such terminal operators' being eligible for floor broker registration status under Commission Regulation 3.11(a)(2).

Issued in Washington, D.C., this 4th day of September 1998.

By the Commission


Jean A. Webb
Secretary of the Commission