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COMMODITY FUTURES TRADING COMMISSION
2033 K STREET, N.W., WASHINGTON, D.C. 20581

DIVISION OF
TRADING AND MARKETS

August 2, 1985

Re: CME-SIMEX Mutual Offset System; Request for No-Action Position

Dear :

This is in response to your letter of July 18, 1985 in which you requested, on behalf of the Chicago Mercantile Exchange ("CME" or "Exchange), that the Commission not take any enforcement action if the Exchange permits "A", Inc. to accept and carry an omnibus account of "B", Inc. for purposes of trading through the Mutual Offset System established between the CME and the Singapore International Monetary Exchange, Ltd. You note in your letter that Exchange Rule 879 provides that an authorized Clearing Member shall not accept or carry positions executed pursuant to the Mutual Offset System in an omnibus account of a non-member futures commission merchant ("FCM") registered as such with the Commission under the Commodity Exchange Act unless such account is a proprietary account (as defined in Commission regulation 1.3(y)) of the non-member FCM. Thus, absent appropriate relief, the Exchange could not permit "A" to accept or carry non-proprietary positions executed pursuant to the Mutual Offset System for "B" in an omnibus account.

In your letter, you indicate that:

> "B" has represented that it will use the Mutual Offset System on behalf of a customer only after an authorization executed by the customer in the form required under CME Rule 874 is on file with "B". In the case of non-discretionary accounts, "B" has further represented that each order for Mutual Offset is to be authorized by the customer and designated as such when the order is taken.
>
> National Futures Association ("NFA") has agreed to enforce Exchange Rule 874. Failure on the part of "B" to deliver the appropriate risk disclosure statements or to receive customer authorization would be a violation of NFA Compliance Rules, including, without limitation, NFA Compliance Rule 2-4 and may subject "B" to disciplinary action by NFA. NFA has also undertaken to conduct periodic examinations of the books and records of "B" to determine if "B" is in compliance with its agreement.

By letter dated July 30, 1985, NFA has confirmed its willingness to enforce Exchange Rule 874 in the manner described above. Based upon the foregoing, the Division of Trading and Markets has determined that it will not recommend that the Commission take any enforcement action against the CME for its failure to enforce Exchange Rule 879 in the circumstances described above. Of course, any different, changed, or omitted facts might require a different conclusion. The Exchange may, however, proceed in a similar manner with respect to other non-member futures commission merchants upon notice to the Division of Trading and Markets.

If you have any questions concerning this matter, please contact Kenneth M. Rosenzweig, Associate Director of the Division, at (202) 254-8955.

Very truly yours,

Andrea M. Corcoran
Director