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COMMENT

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OFFICE OF THE SECRETARIAT

August 23, 2000

Ms. Jean Webb  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

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Re: "Regulatory Reinvention"

New Regulatory Framework for Multilateral Transaction  
Execution Facilities, Intermediaries and Clearing Organizations.  
65 Fed. Reg. 38995 (June 22, 2000)

Dear Ms. Webb:

Reuters Group PLC ("Reuters") is pleased to respond to the request of the Commodity Futures Trading Commission ("Commission") for comments regarding the above-referenced proposal. In general, we applaud the Commission's efforts to provide greater legal certainty for the derivatives markets. We also support the Commission's recognition that electronic trading of derivatives products among qualified participants does not require direct Commission regulation.

Background on Reuters

Reuters provides global solutions and technologies for the financial markets. It is a market leader and innovator in the area of electronic systems development and distribution. It develops and maintains efficient, electronic business-to-business transaction communities across a range of financial instruments. Reuters also designs and installs enterprise-wide information and risk management systems. Additionally, Reuters supplies the global financial markets and the news media with the widest range of information and news products, including real-time financial data, historical and graphical databases, and news, news video, news pictures and graphics.

Reuters provides brokerage services to the spot and forward foreign exchange markets. These constitute both conversational capabilities and anonymous real-time electronic matching. Launched in 1989, Reuters Dealing 2000-1 allowed traders to contact a specific counterparty and enter into an electronic conversation. Each trader could carry on four conversations simultaneously. The system automatically captured details of the trade, including deal type, currencies, volumes, value dates, rates and counterparty information. It created both an electronic and paper deal ticket record.

Beginning in 1992, Reuters offered the first anonymous electronic broking service for spot foreign exchange. Reuters Dealing 2000-2 allows users to view and trade on up to six currency pairs, while maintaining up to four 2000-1 conversations. Prices are pre-screened for credit. Credit limits are set and maintained by the users. In 1997, Reuters expanded the matching system to forwards with Dealing 2000-2 Forwards. Dealing 2000-2 Forwards 'proposes' a match to the counterparties, who then check mutual credit availability outside the system. The deal is completed only when both parties respond affirmatively to the trading 'proposal.'

Reuters has combined and enhanced the conversational and matching services in Dealing 3000 Direct. Where Dealing 2000-1 allowed users to hold up to four conversations, Dealing 3000 Direct allows up to 26 simultaneous conversations. Dealing 3000 Spot Matching, the successor to Dealing 2000-2, enables traders to view up to 20 currency pairs on a single screen. Dealing 3000 gives users greater flexibility to customize their screen displays and allows users to run other applications simultaneously.

#### Comments on New Regulatory Framework

We strongly support the Commission's new exemption for bilateral transactions. 65 Fed. Reg. 39033 (June 22, 2000). There is a critical need for greater legal certainty with respect to over-the-counter ("OTC") derivatives transactions. Formalistic requirements that derivatives conform to the standards required for "swap agreements" are unnecessary. The change that the Commission proposes in its new rules avoids the ambiguity of whether a particular transaction is a "swap" and avoids having to document transactions as swaps. As a result of this expansion, transactions including contracts for differences (CFDs) and similar cash-settled forward transactions clearly will be embraced within the exemption. Furthermore, the Commission's moving away from the requirements that the transactions be fungible and standardized is a recognition of the artificiality of these requirements. In addition, we endorse the recognition that claims for rescission cannot be asserted due solely to a violation of the exemption's requirements. Overall, the new exemption for bilateral transactions should permit a substantially broader range of transactions to enjoy a new level of legal certainty. We strongly urge the Commission to adopt its proposal as soon as possible.

We also endorse the Commission's proposal to adopt the new category of exempt multilateral transaction execution facilities ("Exempt MTEF"). First, however, we

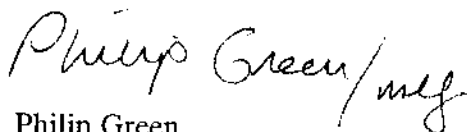
suggest that the Commission adopt a different definition of MTEF. In our opinion, electronic trading systems that include the use of credit filters or other trading screens should not be considered to be MTEFs. We understand that such language was recently adopted by the House Banking Committee in its version of the Commodity Futures Modernization Act of 2000. By not including such electronic trading facilities, the Commission would be recognizing that these systems are merely a more efficient way, compared to the telephone and voice brokers, for participants to engage in bilateral transactions. The result of such an interpretation would be that these transactions would be governed by the exemption for bilateral transactions and would enjoy the legal certainty provided by that exemption.

At the same time, we do support the relief provided by the Commission for the category of Exempt MTEFs. The products identified by the Commission as eligible for the Exempt MTEF category are products that Reuters has been and will be supplying to its participant base. In this regard, we strongly urge that the Commission include government securities in this category as it has proposed. While other regulators may have jurisdiction over the cash trading and delivery of government securities, we see no reason for that jurisdiction to extend to trading of derivatives, even where that trading occurs on an electronic trading facility. In the Commission's proposal, it retains antifraud and antimanipulation authority and also can require publication of trading data for those facilities that serve as a significant source of price discovery for the underlying commodity. These requirements are more than adequate to assure the marketplace and the public. There should be no need to treat government securities differently from the other underlying instruments covered by the Exempt MTEF category.

Furthermore, we suggest that the Commission consider expanding the category of Exempt MTEF to cover other derivatives including derivatives on physical commodities. In our view, there is no reason that the current proposed scheme of Exempt MTEF does not provide adequate protection to the electronic marketplace for any derivative where the trading is limited to eligible participants. With respect to the requirement that the Exempt MTEF publish trading data, we recommend that the Commission exercise care in not establishing too low a level in order not to discourage the development of electronic systems. As with the similar provision in the bilateral exemption, we support the Commission's proposal that violations of the terms of the Exempt MTEF will not render the transactions void. This new category of Exempt MTEF provides significant legal certainty to new electronic marketplaces in the enumerated derivatives.

In sum, we endorse the Commission's proposed rulemaking, which should provide substantially increased legal certainty for a range of derivative products. We recommend that the Commission move forward to finalize its proposed rules expeditiously. We appreciate the opportunity to provide these comments and stand ready to answer any questions that the Commission might have. If we can be of further assistance, please do not hesitate to contact Mitchell Feuer, Vice President for Government and Regulatory Affairs, Reuters America Inc. (202.898.8343), or Kenneth M. Raisler of Sullivan & Cromwell (212.558.4675), counsel to Reuters.

Sincerely,

A handwritten signature in black ink that reads "Philip Green" followed by a stylized flourish that appears to be "mg".

Philip Green  
Chief Executive  
Reuters Trading Solutions

Cc: Honorable William J. Rainer  
Honorable David D. Spears  
Honorable Barbara P. Holum  
Honorable James E. Newsome  
Honorable Thomas J. Erickson  
Andrew S. Lowenthal