

MEMO# 4775

May 11, 1993

CFTC PROPOSES RULE AMENDMENTS TO PERMIT BUNCHED ORDERS

May 11, 1993 TO: INVESTMENT ADVISERS COMMITTEE NO. 11-93 SEC RULES COMMITTEE NO. 46-93 DERIVATIVE INSTRUMENTS SUBCOMMITTEE RE: CFTC PROPOSES RULE AMENDMENTS TO PERMIT BUNCHED ORDERS

_____ The Commodity Futures Trading Commission is soliciting comments on a proposal to permit bunching of futures or futures options orders under certain circumstances. The proposal is intended to facilitate institutional participation in the futures markets. A copy of the proposing release is attached. Specifically, under proposed Regulation 1.35(a-1)(5), multiple customer orders could be bunched for execution without individual customer account identifiers, provided that the person placing the order had investment discretion with respect to the accounts and submitted to the futures commission merchant ("FCM"), at the time of entering an order, a single series designation identifying all the accounts to be included in the bunched order and a predetermined order allocation formula. In addition, proposed Regulation 1.35(a-1)(6) would allow futures exchanges to submit for CFTC approval proposed rules permitting end-of-day allocation of bunched orders that are entered by "eligible account managers" on behalf of certain institutional customers as part of a bona fide intermarket trading strategy also involving securities. According to the proposing release, the purpose of such rules would be to provide equivalent treatment of customers' accounts traded pursuant to strategies involving activity in both the futures markets and the securities markets (where post-trade allocation already is permitted). Under the proposal, the term "eligible account manager" would include, among others, an investment adviser registered as such under the Investment Advisers Act of 1940, and eligible customers would include registered investment companies and certain other specified institutions. Comments on the proposal must be filed with the CFTC by June 17. If there are any issues you would like the Institute to consider including in a comment letter to the CFTC, please contact me at 202/955-3514 (or by fax at 202/659-1519) by Thursday, June 3. Frances M. Stadler
Assistant Counsel Attachment