Neal L. Wolkoff
Chief Executive Officer
ELX Futures L.P.
www.elxfutures.com

T. 212 294 8056
F. 212 294 8058

110 East 59th Street
New York, NY 10022
nwolkoff@elxfutures.com

April 18, 2011

David A. Stawick, Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

Re: 17 CFR Parts 1, 16, and 38 Core Principles and Other Requirements for Designated Contact Markets

Dear Secretary Stawick:

ELX Futures, L.P. ("ELX") is pleased to submit these comments to the Commodity Futures Trading Commission (the "CFTC") with respect to the above-referenced proposed rulemaking (the "Proposal") concerning Core Principles and Other Requirements for Designated Contract Markets, 76 Fed. Reg. 14825 (March 18, 2011). ELX submitted a prior comment letter on February 22, 2011, and submits this letter to comment on the CFTC's published data.

The principal concern that ELX wishes to stress is that a numerical threshold upon which a new product will lose DCM status will undermine the ability of a DCM to innovate in introducing new or competitive products. The risk that a newly listed contract can lose its market will be a disincentive for any client who otherwise might have an interest in trading the product, especially if that client doesn't meet minimum standards for trading on a SEF. The numerical threshold will cause potential customers to take a wait and see attitude before committing to a new product in order to avoid the threat of disruption. It also increases the possibility that viable futures markets and options on futures markets might yield less information for the public since pre and post transparency standards for SEFs are less inclusive than those for DCMs.

New products need to foster as much user acceptance as possible right at the launch of trading, so this proposal runs counter to innovation and competition at DCMs.
The basis of this proposed rule is that price discovery is not reliable or efficient if more than 15% of volume is executed off-exchange or "off market." Yet the basis for that statement is not apparent. The list of established contracts with more than 15% of its volume trading "off market," includes a number of products where there is a clear link with the underlying market and ample price discovery information including daily

settlement price, volume and open interest statistics[1]. For instance, there is no disconnect between crude oil options and its related future or the cash market even though more than 15% of its volume is labeled "off market." The same goes for the S&P and Dow, as well as others.

Notwithstanding the obvious effort in compiling data, there is simply no basis to support the conclusion that 15% is an appropriate standard to show that the price discovery function of futures markets is helped by such a numerical threshold.
In conclusion, a 15% threshold will impede DCM innovation and competition, and appears unrelated to price transparency.

The Commission should consider a much broader standard for DCM listings, and a waiver process that allows new markets to continue as a DCM beyond the time periods prescribed in the NOPR.

Thank you for the opportunity to comment. Feel free to contact me with any questions.

Sincerely,

Neal Wolkoff

Neal L. Wolkoff, CEO

[1] Crude Oil (LO), Gasoline OB, and Heating Oil Options (OH), and Nasdaq 100 (ND), Palladium (PA), and S&P 500 (SP) fall in the category of having more than 15% off-exchange volume. Natural Gas (ON) and Gold (OG) Options as well as Gasoline (RB) and $10 Dow Jones (II) Futures have between 10% and 15% of their volume executed off-exchange.