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August 6, 1987

Ms. Jean A. Webb
Secretary
Commodity Futures Trading Commission
2033 K Street, N.W.
Washington, DC 20581

Dear Ms. Webb:

The Committee on Investment of Employee Benefit Assets (CIEBA) is pleased to have this opportunity to respond to the Commodity Futures Trading Commission's (CFTC) request for comment on the application by the Chicago Mercantile Exchange (CME) to trade the Nikkei Stock Average contract (FR Doc. 87-12283 filed 5/28/87).

By way of introduction, CIEBA was established in November 1985 as a standing committee of the Financial Executives Institute, an association of 13,000 financial executives representing 6,000 companies in the United States and Canada. CIEBA has approximately 40 members, as well as more than 100 advisory members, with each group of members drawn from private corporations all governed by ERISA and covering a broad base of industries. The employee benefit assets of the companies involved with CIEBA total considerably in excess of \$300 billion and the employees and retirees covered by these plans number in the millions.

Pension funds devote considerable time and effort to prudently investing and diversifying their multi-million or multi-billion dollar portfolios. Pension funds carefully invest assets in different proportions in this nation's equity markets, in this nation's debt instruments, and in smaller proportions in venture capital markets, in real estate, and in international equity and bond markets.

Comment

The use of the Nikkei 225 futures contracts has grown considerably on the SIMEX over the past year. As both volume and liquidity of the Nikkei 225 futures contract continue to increase, this futures contract will gain greater acceptance as an effective hedging vehicle. In this regard, CIEBA's position was set forth in our July 23, 1987 testimony provided to the U.S. House of Representatives Energy and Commerce Committee, Subcommittee on Telecommunications and Finance.

Specifically, that testimony stated:

To the extent pension funds prudently invest some assets in international markets, clearly we would welcome effective financial futures and options as hedging instruments for those market exposures. Furthermore, we believe that most U.S. pension funds would prefer using international futures contracts traded on U.S. markets falling under U.S. jurisdiction because this would provide the comfort of readily available legal remedies, as well as the surveillance, regulation and oversight provided by the Commodity Futures Trading Commission (CFTC), Securities and Exchange Commission (SEC) and National Futures Association (NFA). Nevertheless, as pension funds continue to participate in global markets, they will use hedging instruments offered in those countries to the extent it is considered prudent to do so.

Thus, CIEBA supports the CME Nikkei Stock Average contract as a potentially useful and economical hedging vehicle and supports trading it on the Chicago Mercantile Exchange. Furthermore, trading this futures contract on a U.S. Exchange should also contribute toward increased liquidity and volume, as well as more competitive pricing.

Sincerely,



W. Gordon Binns, Jr.
Chairman of the Committee on
Investment of Employee Benefit Assets

