FOR FURTHER INFORMATION CONTACT: Please contact Fred Linse of the Division of Economic Analysis, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st St., NW., Washington, DC 20581, telephone 202–418–5273.

SUPPLEMENTARY INFORMATION: The amended butter futures contract would call for the delivery of 40,000 pounds of Grade AA fresh or storage butter, packaged to conform to the requirements of the Commodity Credit Corporation for bulk butter, in carload lots containing only 25-kilogram or 68-pound net capacity boxes. Butter would be deliverable in store in Exchange-approved warehouses (not including plant storage facilities) within the 48 contiguous states. Delivery would be at par in Chicago and at location differentials to be determined by the Exchange at locations outside Chicago.

Trading would be conducted in the contract months of January, March, May, July, September, and November. Prices would be quoted in dollars and cents per pound. The minimum price fluctuation would be $0.00025 per pound. The maximum price fluctuation would be $0.025 per pound, which could be expanded to $0.05 per pound under certain conditions.

Delivery could be made on any business day of the contract month on or after the third business day following the first Friday of the contract month. Trading in an expiring contract month would end on the business day immediately preceding the last five business days of that month.

Butter options would trade in the same months as the futures contract, but would expire on the first Friday of the contract month. Thus, delivery on the futures contract would not be made until after the corresponding option had expired. Strike prices for the option would be listed at 2¢ per pound intervals above and below the previous day's closing price.

Speculative traders of the futures and option contracts would be subject to a combined position limit of 900 futures and futures equivalent option contracts net long or short in any contract month. In addition, futures positions held by speculative traders after the first Friday of expiring contract months would be subject to a limit of 300 contracts.

Copies of the terms and conditions will be available for inspection at the Office of the Secretariat, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st St., NW., Washington, DC. 20581. Copies of the terms and conditions can be obtained through the Office of the Secretariat by mail at the above address or by phone at (202) 418–5097.

Other materials submitted by the CME may be available upon request pursuant to the Freedom of Information Act (5 U.S.C. 552) and the Commission's regulations thereunder (17 CFR part 145 (1987)), except to the extent they are entitled to confidential treatment as set forth in 17 CFR 145.5 and 145.9. Requests for copies of such materials should be made to the FOI, Privacy and Sunshine Act Compliance Staff of the Office of the Secretariat at the Commission's headquarters in accordance with 17 CFR 145.7 and 145.8.

Any person interested in submitting written data, views, or arguments on the proposed terms and conditions, or with respect to other materials submitted by the CME, should send such comments to Jean A. Webb, Secretary, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st St., NW., Washington, DC 20581 by the specified date.

Issued in Washington, DC, on November 15, 1995.

John R. Mielke,

Acting Director.

[FR Doc. 95–28701 Filed 11–22–95; 8:45 am]

BILLING CODE 6351–01–P

New York Mercantile Exchange Proposed Futures Contract in Permian Basin Natural Gas

AGENCY: Commodity Futures Trading Commission.

ACTION: Notice of availability of the terms and conditions of proposed commodity options contract.

SUMMARY: The Commodity Futures Trading Commission previously published in the Federal Register a proposal of the New York Mercantile Exchange (NYMEX or Exchange) for designation as a contract market in Permian Basin natural gas futures (60 *Fed. Reg.* 53913). The Commission has determined, in this instance, to extend the comment period.

DATE: Comments must be received on or before December 18, 1995.

ADDRESS: Interested persons should submit their views and comments to Jean A. Webb, Secretary, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW., Washington, DC 20581. Reference should be made to the NYMEX Permian Basin natural gas futures contract.

FOR FURTHER INFORMATION CONTACT: Please contact Richard Shilts of the Division of Economic Analysis, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW., Washington, DC 20581, telephone 202–418–5275.

SUPPLEMENTARY INFORMATION: Copies of the terms and conditions will be available for inspection at the Office of the Secretariat, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street NW., Washington, DC 20581. Copies of the terms and conditions can be obtained through the Office of the Secretariat by mail at the above address or by phone at (202) 418–5097.

Other materials submitted by the NYMEX in support of the application for contract market designation may be available upon request pursuant to the Freedom of Information Act (5 U.S.C. 552) and the Commission's regulations thereunder (17 CFR Part 145 (1987)), except to the extent they are entitled to confidential treatment as set forth in 17 CFR 145.5 and 145.9. Requests for copies of such materials should be made to the FOI, Privacy and Sunshine Act Compliance Staff of the Office of the Secretariat at the Commission's headquarters in accordance with 17 CFR 145.7 and 145.8.

Any person interested in submitting written data, views, or arguments on the proposed terms and conditions, or with respect to other materials submitted by the NYMEX, should send such comments to Jean A. Webb, Secretary, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street NW., Washington, DC 20581 by the specified date.

Issued in Washington, DC, on November 16, 1995.

Jean A. Webb,

Secretary of the Commission.

[FR Doc. 95–28702 Filed 11–22–95; 8:45 am]

BILLING CODE 6351–01–M

Customer Orders

AGENCY: Commodity Futures Trading Commission.

ACTION: Order.

SUMMARY: The Commodity Futures Trading Commission (''Commission'') is defining a specified category of customer orders transmitted to and reported from exchange trading pits in an extremely rapid manner. With regard to such orders, an exchange can demonstrate substantial compliance with the objectives of Section 5a(b)(3)(B) of the Commodity Exchange Act (''Act'') without its audit trail recording a transmittal timestamp on the order ticket.

DATES: This Order is to be effective January 23, 1996.

FOR FURTHER INFORMATION CONTACT: De'Ana H. Dow, Special Counsel, or Rachel F. Berdansky, Attorney/Advisor, Division of Trading and Markets, Commodity Futures Trading Commission, 2033 K Street, N.W., Washington, D.C. 20581. Telephone (202) 418–5490.

SUPPLEMENTARY INFORMATION:

I. Introduction

Currently, Commission Regulation 1.35(a–1)(2)(i) requires that order tickets accurately reflect order receipt time on the trading floor (''entry time''). Similarly, Commission Regulation 1.35(a–1)(4) provides that order tickets also must accurately record a timestamp reflecting when the fill price is reported from the trading floor (''exit time'').[1] In October 1995, the heightened audit trail standards set forth in Section 5a(b)(3)(B) of the Act become effective to the extent deemed practicable by the Commission. Section 5a(b)(3)(B) includes a provision that exchanges' audit trail systems shall record, in addition to the entry and exit times already required by Commission regulation, the time that each customer order is received by a floor broker for execution (or when such order is transmitted in an extremely rapid manner to the broker).

The Commission has issued a Flashed Order Advisory (''Advisory'') that clearly sets forth the standards for customer orders that are transmitted to and reported from the trading pit in an extremely rapid manner through hand signals or verbally (''flashed orders'') to be deemed in good faith compliance with Section 5a(b)(3). The Commission has concluded that immediately executable flashed orders will not now require the additional transmittal timestamp, provided that such orders are in compliance with the Commission's Advisory and that appropriate recordkeeping and enforcement procedures are in place. Immediately executable flashed orders satisfying the Advisory's standards and the terms of this Order will be deemed in substantial compliance with the objectives of Section 5a(b)(3)(B) of the Act.

Exchanges subject to Section 5a(b)(3)(B) of the Act have informed the Commission that they cannot yet fully implement the systems necessary to capture broker receipt times on the trading floor or transmittal times for customer orders. The exchanges, however, have taken several steps in anticipation of the additional timestamp requirement. Among other things, one exchange has already expanded its computer fields and trade records in order for clearing firms to input the additional timestamp data. Further, the exchanges are pursuing the development of electronic systems, including order routing systems, and portable time clocks that eventually will provide audit trails with the capability to accurately record such broker receipt and transmittal times for all customer orders to the extent determined practicable by the Commission. The Commission intends to gather more information from the exchanges and brokers concerning their progress toward this goal and practicability. The Commission will then further assess, based on information obtained from the improved audit trail implemented by October 1995, distribution of order types (including market, limit, and stop orders), and data on order routing and booth processing systems.

II. Background

A. Legislative History

In a report to Congress prior to the enactment of the heightened audit trail standards found in Section 5a(b)(3) of the Act, the General Accounting Office (''GAO'') stated that:

> [C]omplete timing of trades, including the time the floor participant receives and executes trades, could help reconstruct the history of each trade, not only to detect potential abuses, but also to prove that they occurred.

The GAO report further stated that for audit trail purposes, it is crucial to capture the time when brokers receive customer orders because a time is then established when the floor broker assumes responsibility for promptly and competitively executing the order. GAO noted that without complete timing information, the history of each order is incomplete. GAO further stated that floor trade practice abuses could occur without detection and customers could be defrauded.[2]

In addition, a futures commission merchant (''FCM'') testified before the Senate Committee on Agriculture, Nutrition, and Forestry in support of capturing broker receipt times:

> [T]he biggest problem with audit trail isn't when did the order get filled. The biggest question we have is * * * what exact moment in time did the broker get the order? That's the key ingredient to a better audit trail.[3]

The FCM explained that efforts to determine the accuracy of customer fills are impeded by the window of time between when an order reaches the floor and is executed, which is generally about two minutes but can range up to three and one-half minutes.

The Futures Industry Association (''FIA'') also testified before the Senate Committee on Agriculture, Nutrition and Forestry in general support of the enhanced audit trail standards. However, the FIA expressed concern that the new standards effectively would eliminate order entry methods such as ''flashing'' orders.[4] Congress responded to this concern and adopted the specific language found in Section 5a(b)(3)(B) of the Act addressing rapidly transmitted orders. Second 5a(b)(3)(B) of the Act, specifically provides that for customer trades, among other things, exchange audit trails must record the entry and exit time for each order and the time that each order ''is received by the floor broker for execution *(or when such order is transmitted in an extremely rapid manner to the broker)* * * *'' (emphasis added).[5] Thus, for flashed orders, audit trails can capture transmittal time at the floor trading desk rather than broker receipt time.

The Commission believes that the broker receipt or transmittal timestamp would add a valuable component to exchanges' audit trails. This information would assist in market reconstruction for trade practice investigation purposes, particularly in identifying dual trading-related abuses such as trading ahead of customer orders, and resolving customer complaints about bad fills. The additional time also would narrow the timing window within which a trade execution could have occurred, thus providing another

[1] These entry and exit timestamp requirements now are codified under Section 5a(b)(3)(B) of the Act.

[2] Futures Markets—Strengthening Trade Practice Oversight, United States General Accounting Office Report to the Chairman and the Ranking Minority Member, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate (September 1989).

[3] Hearings on S. 1729 before the Senate Committee on Agriculture, Nutrition, and Forestry, 101st Cong., 1st Sess. (1989) (statement of Barry J. Lind, Chairman of Lind-Waldock & Company).

[4] *Id.* (Statement of John M. Damgrad, President, FIA). The order entry method is quite different for paper orders and flashed orders. A paper order is written down by a phone clerk and taken by a runner to a broker in the trading pit. Paper orders are filled when the market hits the appropriate price, consistent with the written order instructions. Flashed orders also are written down on order tickets by a phone clerk but are hand-signalled or shouted into the pit to a broker or his clerk, and the order usually is filled immediately.

[5] Without the parenthetical in Section 5a(b)(3)(B) of the Act, it would be difficult, if not impossible, for audit trails to capture broker receipt time for orders that are rapidly transmitted via hand-signal or verbally to a floor broker. Because the order ticket will remain at a floor trading desk until after execution, the floor broker cannot record order receipt time contemporaneously on the written order.

means of verifying the accuracy of one-minute execution times.

The legislative history of Section 5a(b)(3) of the Act contemplates that flashed orders can meet the objectives of Section 5a(b)(3)(B) without the additional transmittal timestamp. The same FCM who testified concerning the importance of recording broker receipt times, also testified that it is critical to distinguish between conventional paper orders and flashed orders because flashed orders present few audit trail problems due to the speed at which they are filled. For such orders, the FCM believed that order entry and order fill are likely to occur in the same minute.

The FCM further testified that a second or a few seconds can be critical in a fast-moving market and that an additional timestamping requirement could have a negative impact on customers and the futures market by reducing the speed and liquidity that are well-established advantages of the futures markets.[6] Section 5a(b)(5)(A)(ii) of the Act, therefore, requires that the Commission afford special treatment to flashed orders to the extent that substantial compliance with the objectives of Section 5(a)(b)(3) can otherwise be achieved.

B. Immediately Executable Flashed Orders

The Commission has determined that flashed orders that are immediately executable are capable of substantial compliance with the objectives of Section 5a(b)(3)(B) of the Act without an exchange's audit trail recording the transmittal time on an order ticket. Provided that, those exchanges where brokers do not record customer fill information on sequenced trading cards must require that any trade record prepared by a broker or his clerk reflecting the fill for flashed orders and the order ticket be retained together.[7]

Flashed orders permit firms to relay customer orders into, and order fills out of, trading pits in an extremely rapid fashion. In most cases where flashed orders are immediately executable, the entry time, the time the order is flashed and received by the floor broker, and the execution time should be virtually contemporaneous. Thus, the ''immediately executable'' requirement ensures that the orders are executed within a very narrow time window and obviates the need for an additional timestamp.[8]

''Immediately executable'' is intended to encompass only those flashed orders that are transmitted as a whole to a single broker and are immediately executed. This definition of ''immediately executable'' is intended to include a flashed order executed opposite multiple brokers or traders, provided that all portions of the order are immediately executed.[9] Further, a flashed order partially filled according to the customer's original instructions and the remaining portion executed immediately pursuant to new instructions would be within the scope of this Order.[10]

Order Relating to Flashed Orders: The Commission's Flashed Order Advisory provides guidance concerning the necessary elements for a flashed order to be deemed in good faith compliance with Section 5a(b)(3). The Commission has now determined that an exchange's audit trail system can demonstrate substantial compliance with the objectives of Section 5a(b)(3)(B) of the Act for immediately executable flashed orders.

Accordingly, the Commission Hereby Orders:

That it is appropriate to find that an exchange subject to Section 5a(b)(3) of the Act is in substantial compliance with the objectives of Section 5a(b)(3)(B), without requiring the additional transmittal timestamp, for those flashed orders that are:

(1) Capable of immediate execution when received at a floor trading desk;

(2) Immediately transmitted from a floor trading desk to a floor broker or floor broker's clerk in a trading pit through hand signals or verbal communication; and

(3) Filled immediately upon receipt by the floor broker receiving the order.

Provided that, the exchange meets the current audit trail standards under Section 5a(b)(2) of the Act, complies with the standards set forth in the Commission's Flashed Order Advisory, and ensures that trade records prepared by a broker or his clerk reflecting order fill are retained together with the order ticket.

The Commission will be providing further guidance concerning the practicability of requiring the additional broker receipt or transmittal timestamp referred to in Section 5a(b)(3)(B) of the Act for types of customer orders other than those addressed by this Order. The Commission's guidance will be based upon its review of exchange practices, as well as information the Commission expects to obtain concerning the current status of order routing systems and practicability as a result of the exchanges' good faith implementation of the October 1995 enhanced audit trail standards.[11]

Dated: November 16, 1995.

By the Commission:

Jean A. Webb,

Secretary to the Commission.

[FR Doc. 95–28699 Filed 11–22–95; 8:45 am]

BILLING CODE 6351–01–M

DEPARTMENT OF DEFENSE

Department of the Air Force

Intent To Grant an Exclusive Patent License

Pursuant to the provisions of Part 404 of Title 37, Code of Federal Regulations, which implements Public Law 96–517, the Department of the Air Force announces its intention to grant Lawrence Systems, Inc., a corporation of the State of Ohio, an exclusive license under: United States Patent Application Serial No. 08/481,945 filed in the name of Lawrence Jacknin et al for a ''Virtual Navigator, An Inertial Angular Measurement System.''

The license described above will be granted unless an objection thereto,

[6] Hearings on S. 1729, *supra* note 4 to 4.

[7] Retaining such trade records together with the order ticket will provide a complete record of how the order was filled and will assist exchanges, as well as Commission staff, in reconstructing trades as needed for trade practice investigations.

[8] Both the entry time and the transmittal time for immediately executable flashed orders are analogous to the time that a written order is received by a floor broker for execution.

[9] Thus, flashed orders that are filled in increments over a period of time will not come within this Order. Without the additional timestamp, the audit trail for such orders would be impaired because it would be difficult to relate particular timestamps to the time at which a broker received a specific portion of the order to execute.

Orders that are held at the trading desk and then flashed when the market reaches the desired price also are excluded from this Order. Of course, for such orders, the initial retention at the trading desk must be in accordance with their terms. The enhanced order ticket timestamping requirement for such orders will be addressed at a later time.

[10] For example, an order for fifty contracts could be flashed into the pit to be purchased at a particular price which is near the prevailing market price. The broker may only fill forty contracts at that price before the market moves. Upon flash of that fill to the desk, the remaining ten contracts are then flashed back into the pit at the new price, executed and flashed back to the desk. If this all occurs virtually instantaneously, these transactions will be within the scope of this Order.

Further, flashed orders that are flashed back to the desk as completely unfilled which are then immediately flashed back to the pit with new instructions also would be considered ''immediately executable'' for purposes of this Order.

[11] As part of the Commission's effort to implement Section 5a(b)(3) of the Act, it has already gathered information on order routing systems and the progress of the exchanges towards implementing those systems.