

RECEIVED
C.F.T.C.

06-04
(10)

SEP 01
2006 ~~AUG 32~~ PM 4: 48

September 1, 2006

RECORDS SECTION

SENT VIA E-MAIL
secretary@cftc.gov

Ms. Eileen Donovan
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

COMMENT

RE: Conflicts of Interest in Self-Regulation and Self-Regulatory Organizations
Proposed Regulations Dated July 7, 2006.

Dear Ms. Donovan:

I am writing in response to the aforementioned regulations proposed by the Commission. As a public director of the Kansas City Board of Trade ("KCBT"), I am appalled at the proscriptive nature of these unnecessary and ill-conceived regulations that are contrary to the spirit and intent of the 2000 Commodity Futures Modernization Act's revised regulatory architecture based on core principles with compliance flexibility. As president of the KCBT for 17 years, I saw firsthand how the maintenance of a balanced board representing the diversity of industry interests brought together the requisite expertise necessary to handle the critical operational and competitive challenges that exchanges continually face, while providing the necessary checks and balances that ensure that none of these diverse interests control or have undue influence over exchange governance. Upsetting this balance by heavily weighting the board with public directors would only serve to dilute the representation of the market users with the knowledge and understanding of the exchange operations necessary to further the best interests of both the contract markets and the participants they serve.

In addition, a Regulatory Oversight Committee ("ROC") made up exclusively of public directors will not be effective in providing guidance to exchange compliance departments due to the highly complex nature of their functions. In order for an ROC to be effective, it must be represented by the same diversity of interests mentioned above. If structured correctly, the function of an ROC should be to oversee the regulatory operations in general in order to identify and address any potential conflicts of interest between the regulatory and administrative/marketing functions of the exchange. However, the ROC's charge should not include functions that are traditionally management responsibilities.

What the proposal lacks are specific examples of problems evident in the commodities industry giving rise to such acrimonious regulation. In reading over the Commission proposal and the sources and studies referenced, I get the distinct impression that the Commission is of the opinion that despite such a lack of major problems or issues stemming from conflicts of interest, the commodities industry might be better served being regulated more like the securities industry. If that is the case, it begs the question, "Then why not have the Securities Exchange

OFFICE OF THE SECRETARY

2006 SEP -1 PM 3: 15

RECEIVED
C.F.T.C.

September 1, 2006
Page 2

Commission regulate the commodities industry?" I feel strongly that the unique nature of the commodities industry requires a separate regulator who understands the important differences between the two industries. However, this proposal is the strongest evidence yet of an unfortunate move in that direction.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Braude". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Michael Braude