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July 21, 2009

David A. Stawick  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street N.W.  
Washington, D.C. 20581

**COMMENT**

Received CFTC  
Records Section  
7/28/09

Re: Investment of Customer Funds and Funds Held in an Account for Foreign Futures and Foreign Options Transactions. 74 FR 23962 (May 22, 2009)

Dear Mr. Stawick:

FCStone Group Inc. appreciates the opportunity to provide comments on the Commodity Futures Trading Commission's ("CFTC or Commission") Federal Register Release dated May 22, 2009 ("the Release"). The Commission is proposing to revise the regulations regarding the investment of customer segregated funds.

FCStone Group Inc. was originally formed as a cooperative of grain cooperatives, but is now a publicly held for-profit corporation. FCStone's chief operating subsidiary is FCStone, LLC ("FCStone"). FCStone is a registered Futures Commission Merchant ("FCM"). FCStone Group, Inc. and its subsidiaries provide commodity risk management consulting and transaction execution services to commercial commodity intermediaries, end-users and producers. FCStone and its subsidiaries assist primarily middle-market customers in optimizing their profit margins and mitigating exposure to commodity price risk.

FCStone strongly supports the Commission's oversight of the commodity futures industry, especially during the current global economic turmoil. It is a commendable achievement that not one dollar of customer segregated funds held in an operational FCM has been lost. In our view, the regulation and enforcement of segregated funds requirements by the Commission to protect customers has been an unqualified success.

FCStone believes, however, that some of the details of the Release present concerns. While the recent economic turmoil has produced notable bankruptcies and other failures in the capital markets, the parameters of Regulation 1.25 minimized exposure to the vast majority of "toxic assets". In our view, Regulation 1.25 does not need significant overhaul as it provides a broad mix of various investment choices which enhance diversification, and lessen concentration risk consistent with the objectives of preserving principal and maintaining liquidity.

The Commission has expressed interest in our views on the permitted instruments.

In FCStone's view, US Treasury and Agency securities must remain permissible investments. These securities carry the backing of the US Treasury and the markets for them are highly developed to maintain liquidity.

In FCStone's view, specific permitted investments listed in the Regulation 1.25 other than US Treasury, and Agency obligations should stay as permitted in the new release of the Regulation.

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In FCStone's view, corporate obligations and specifically commercial paper should remain as an allowable investment. Commercial paper is a short term corporate obligation and is a staple of many money market funds. It should be allowable as a stand alone investment as it has short maturity, is very liquid with an established secondary market and reflects current market rates.

In FCStone's view, securities with adjustable rates should remain an allowable investment with the caveat that coupon rates should reset within 3 months based upon a simple margin to an established index such as 3 month LIBOR, 1 month LIBOR, T-Bills or Fed Funds. Adjustable rate securities have been shown to maintain a market value close to par even in volatile interest rate environments, thereby minimizing principal risk.

In FCStone's view, securities with embedded derivatives can include mortgage backed pass-through securities. The market for mortgage backed pass-through securities remains very large and liquid. Since these types of investments have long final maturity dates, a reasonable restriction should be placed upon them as a percentage of the investment portfolio.

In FCStone's view, issuer concentration limits should be based upon a factor of capital of the organization. Issuer limitations that are codified could pose a one-size-does-not-fit-all situation. A restriction of this nature could limit the ability of a FCM to properly diversify investments.

In FCStone's view investments in money market funds should continue to be permitted subject to issuer limits. Money market funds offer professional management with daily liquidity. Such investments offer significant value in managing the day-to-day flows of cash.

It is impossible to totally remove market risk from the investment of customer segregated funds. Investments in securities that have large and liquid markets will limit liquidity risk. Investments in a broad mix of securities will enhance diversification and limit principal risk to the base of customer funds. Significantly limiting investment choices will only limit our ability to meet our client needs and may actually increase systematic risk to customer funds.

Yours Sincerely,



Paul G. Anderson  
Chief Executive Officer

cc: Honorable Gary Gensler, Chairman  
Honorable Michael Dunn, Commissioner  
Honorable Jill E. Sommers, Commissioner  
Honorable Bart Chilton, Commissioner  
Honorable Walter Lukken, Commissioner  
Ananda Radhakrishnan, Director-Division of Clearing and Intermediary Oversight