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OFFICE OF THE SECRETARIAT
C.F.T.C.

David A. Stawick
Secretariat
Commodity Futures Trading Commission
1155 21st Street, N.W.
Washington, DC 20581

COMMENT

Re: Advance Notice of Proposed Rulemaking for Regulations 1.25 and 30.7

Dear Mr. Stawick:

National Futures Association appreciates this opportunity to comment on the Commission's advance notice of proposed rulemaking regarding the investment of customer segregated funds under Commission Rule 1.25 and the treatment of foreign futures or foreign options secured amount under Commission Rule 30.7.

As the Commission's release notes, the primary objective of Commission Rules 1.25 and 30.7 is to preserve principal and maintain liquidity of customer funds. Given recent events in the financial markets, NFA applauds the Commission's timely reassessment of the different collateral classes available for investing customer funds and we believe this reassessment will provide the Commission with an excellent opportunity to review how well the current list of permitted investments satisfies these rules' primary objective.

As you are aware, in late 2007, NFA developed an electronic system to track the collateral classes in which the FCMs for which we serve as the DSRO invest their customer funds. NFA reviews this information, which has remained relatively static, on a monthly basis. In particular, these firms hold the majority of their customer segregated funds in bank accounts or on deposit with a carrying broker. They also, however, invest a significant portion of their funds (approximately one-third) in U.S. government securities and a smaller amount (approximately ten percent) in money market funds. Other investments are negligible. NFA recognizes that the CFTC as part of its reassessment will conduct its own review of the asset classes in which FCMs

invest their customer funds, including those for which NFA is not the DSRO. For simplicity purposes, NFA would support the elimination of any asset classes that have not historically been utilized to any material extent.

In conducting its review, NFA also encourages the Commission to consider whether it is appropriate to tighten the concentration limits contained in Regulation 1.25(b)(4) with respect to asset classes covered by these limits, and the amount of customer funds that can be invested in a single issuer and a particular collateral sector. Additionally, the Commission should clarify that it has the authority to change any established concentration limits if market circumstances warrant. In conducting its review, NFA also encourages the Commission to consider new investment vehicles that are compatible with the Commission's objectives, such as securities issued by a bank and guaranteed by the Federal Deposit Insurance Corporation (FDIC) in accordance with the FDIC's Temporary Liquidity Guarantee Program.

Finally, NFA supports applying the investment requirements of Commission Rule 1.25, including any prospective amendments, to investments of 30.7 funds. In applying Regulation 1.25's standards to 30.7 funds, the Commission should consider adding liquid securities issued by foreign banks and guaranteed as to principal and interest by certain relevant foreign governments.

NFA thanks the Commission for the opportunity to comment on this matter. If the Commission would like any further information on investment of segregated funds by FCMs for which NFA is the DSRO, NFA would be happy to provide that information. We also look forward to commenting on any proposed amendments to Regulations 1.25 and 30.7 that the Commission believes appropriate in light of its reassessment of these rules. If you have any questions on these comments or would like to further discuss them, please do not hesitate to contact me.

Sincerely,

Thomas W. Sexton, III
Senior Vice President and
General Counsel