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December 14, 2009

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

**COMMENT**

Re: Kansas City Board of Trade Exemption Requests and Request for Relief Pursuant to Section 4(c) of the Commodity Exchange Act -74 Fed. Reg. 58608 (November 13, 2008)

Dear Mr. Stawick:

International Assets Holding Company appreciates the opportunity to provide comment on the Commodity Futures Trading Commission's ("CFTC or Commission") Federal Register Release dated November 13, 2009 ("the Release"). Kansas City Board of Trade ("KCBT") is proposing to offer clearing services for agricultural swaps that will be executed off-exchange and cash settled.

International Assets Holding Company is a for-profit corporation organized under the laws of the State of Delaware. One of International Assets Holding Company's chief operating subsidiaries is FCStone LLC. FCStone LLC is a registered Futures Commission Merchant. International Assets Holding Company and its subsidiaries provide commodity risk management consulting and transaction execution services to commercial commodity intermediaries, end-users and producers. International Assets Holding Company and its subsidiaries assist primarily middle-market customers in optimizing their profit margins and mitigating exposure to commodity price risk.

International Assets Holding Company strongly supports the KCBT's request to permit the clearing of Wheat Calendar Swap Transactions for the following reasons:

**Mitigating Counter-Party Default Risk:**

By allowing the Kansas City Board of Trade Clearing Corporation ("KCBTCC") to clear Wheat Calendar Swap Transactions, counter-party credit risk would be mitigated as the KCBTCC, a registered derivatives clearing organization in good standing and in compliance with Part 39 of the Commission's rules and regulations, would provide to the counter-party of these swap transactions a guarantee to make whole.

The KCBTCC has proven its ability to manage risk by securing proper funding to protect itself if a default situation were to arise and has demonstrated with its past

successful risk management techniques and procedures to ensure intermediaries have the financial wherewithal to clear these transactions.

**Settlement Pricing and Margining Methodology:**

As the KCBTCC purports in its petition, settlement prices for these swap transactions will be based on the settlement of the respective futures contract. These settlement procedures provide for standardization of these products adding credibility and security to these instruments thereby opening these markets to other users who may have been reluctant in the past as settlement was not standardized. Standardizing margining applications to these products will provide for a more level playing field in OTC markets, offering guidance on margining these types of positions.

**Alternative for Delivery:**

If approved, this tailored standardized wheat calendar swaps will allow for extension and tailoring of a viable, liquid contract to producers and consumers outside of the primary growing and delivery region based upon a widely-known standardized pricing mechanism. As such, this provides producers and consumers more alternatives, greater flexibility and more competition for choosing how best to manage their risk.

**Performance Relief:**

Traditional short hedgers are currently in great need of margin relief. For a short hedger to manage his risk in these markets, his costs to maintain positions in this market is costly and in some instances unavailable. These products may mitigate some of the financing issues faced by the producer. As noted in the KCBTCC's request, the clearing house may determine to apply inter-market spread credits for accounts with identical ownership that hold such spread positions. Effectively this spread credit could provide much needed margining relief and still encourage growth and product development in these areas.

For reasons stated above, International Assets Holding Corporation and its subsidiaries believe the Commission should grant the Orders requested in the KCBTCC Petition and such orders are consistent with Congress' intent that the Commission use its exemption power under 4(c) of the Commodity Exchange Act to provide, "certainty and stability to existing and emerging markets so that financial innovation and market development can proceed in an effective and competitive manner".<sup>1</sup>

Sincerely,



Paul G. Anderson  
President

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<sup>1</sup> HOUSE CONF. REPORT NO. 102-978, 1992 U.S.C.C.A.N. 3179, 3213 ("4(c) Conf. Report").