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July 6, 2009

Mr. David A. Stawick
Secretary to the Commission
Commodities Futures Trading Commission
Three Lafayette Center
1155 21st Street, N.W.
Washington D.C. 20581
secretary@cftc.gov

COMMENT

Re: Revised Adjusted Net Capital Requirements for Futures Commission Merchants and Introducing Brokers, 74 Fed.Reg. 21290 (May 7, 2009)

Dear Mr. Stawick:

MF Global Inc.[1] ("MF Global") respectfully submits these comments regarding the Commodity Futures Trading Commission's ("Commission's") proposed amendments to its minimum net capital requirements for futures commission merchant ("FCMs") and introducing brokers ("IBs") (17 CFR § 1.17). Given the financial market activity of the last year, MF Global recognizes the importance of the Commission's review of existing capital requirements and, as set forth below, we support many of the Commission's proposals and offer our comments with respect to others.

Required Minimum Dollar Amount

The Commission is proposing to increase the required minimum dollar amount of the minimum adjusted net capital, as defined, ("ANC") that an FCM must maintain from $250,000 to $1,000,000, and that an IB must maintain from $30,000 to $45,000. We understand that the high growth in exchange traded futures trading activity has significantly increased the amount of customer funds held by FCMs. We also do not think that this level of increase for either an FCM or IB would be prohibitive from a business perspective so as to cause an operating issue for an existing company or deter new entrants into the market. Moreover, the IB requirement would be in line with that of the National Futures Association. Accordingly, we are not opposed to the proposal of raising an FCM's or IB's minimum ANC to $1,000,000 and $45,000, respectively.

Cleared Customer and Non-Customer OTC Positions

[1] MF Global Inc. is a wholly owned subsidiary of MF Global Ltd. which, through its various affiliates, is a leading broker of exchange-listed futures and options with offices in Bermuda, New York, London, Chicago, Paris, Mumbai, Singapore, Sydney, Toronto, Tokyo, Hong Kong, Taipei and Dubai. We provide execution and clearing services for exchange-traded and over-the-counter derivative products as well as for non-derivative foreign exchange products and securities in the cash market. MF Global operates across a broad range of trading markets, including interest rates, equities, currencies, energy, metals, agricultural and other commodities. MF Global operates in 12 countries on more than 70 exchanges, providing access to the world's largest and fastest growing financial markets.

MF Global Ltd.

717 Fifth Avenue
9th Floor
New York, New York 10022
Tel 212-589-6200
Fax 212-589-6215
www.mfglobal.com

The Commission is proposing to amend the computation of an FCM's minimum ANC requirement to incorporate into the calculation customer and noncustomer positions in over-the-counter derivative instruments that are submitted for clearing by the FCM to derivatives clearing organizations or other clearing organizations. We see no reason to exclude cleared products from this calculation and including such positions will provide consistency and transparency.

Cleared FCM Proprietary OTC Positions

Similarly, the Commission proposes to amend the regulations to require that FCM proprietary cleared OTC derivative positions be subject to capital deductions in a manner that is consistent with the capital deductions required by the Commission's regulations for FCM proprietary positions in exchange-traded futures contracts and options contracts. For the same reasons, we agree that such cleared products should be included in the calculation, similar to other trading activity.

Capital Computation for Customer and Non-Customer Position

The Commission proposes to amend the FCM capital computation to increase the applicable percentage of the total margin-based requirement for futures, options and cleared OTC derivative positions in customer accounts from eight percent to ten percent and in non-customer accounts from four percent to ten percent. Here again we agree that customer and non-customer positions may be treated in the same manner. We do not agree, however, that the applicable percentage for both should be ten percent. Rather, if the Commission believes that any change is necessary, we strongly urge that the Commission retain the customer percentage at eight percent - a level that has proved adequate – and increase the non-customer percentage to the same level.

To be sure, sensitive market conditions and high volatility in some sectors could cause an FCM to have a increased exposure. We believe, however, that the current risk based capital requirements have been highly effective in the past, specifically during the recent economic events which can be said to have been the ultimate stress test. The cornerstone of customer financial protection in the futures industry has always been the segregation of customer funds and to our knowledge there have been no customer losses due to any FCM collapse, including in this recent unprecedented environment. In addition, we are unaware of any historical analysis that supports such an increase.

Against this record of success is the financial burden that the Commission's proposed increase from 8% to 10% will impose. Having the ability to meet the higher requirement (which the Commission notes appears to be the case for most FCMs) does not mean that there will not be substantial costs. A major reduction in a firm's excess capital may compel a firm to seek outside funding which in the current economic environment may prove to be difficult at best and a financial and strategic burden. More directly, as an FCM's excess capital decreases, customers depart, furthering industry consolidation and making more pronounced the concentration of segregated and secured customer funds in a decreasing number of FCMs – a phenomenon about which the Commission is rightly concerned. And, less competition reduces customer choice and drives up cost, ultimately to the disadvantage of customers.

Meeting both Broker-Dealer and FCM Capital Requirements

Lastly, the Commission solicits public comments on the advisability of increasing the ANC requirement for FCMs that are also securities brokers and dealers by the amount of net capital required by the Securities and Exchange Commission ("SEC") Rule 15c3-1(a). We believe that the current method, which compares requirements under the Commission and SEC's rules and takes the greater amount, is sufficient. For the reasons just mentioned, we do not believe that the need for such a combined burden has been demonstrated at this time and so we respectfully but strongly urge the Commission not to adopt it.

MF Global understands that the market experiences of the past year necessitate that the Commission reexamine all financial requirements to assure the protection of market participants and enhance risk management practices and the financial integrity of futures markets. We are very grateful for the opportunity to comment of these proposals and we are pleased to support many of them. If any member of the Commission or its staff has any questions, please contact Laurie Ferber our General Counsel.

Sincerely,

Bernard W. Dan, CEO