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From: P K [mailto:pk7689@yahoo.com]

Sent: Saturday, August 15, 2009 1:06 AM

To: secretary

Subject: RE: CFTC Seeks Public Comment on Exemption Request from the Chicago Mercantile Exchange Involving Credit Default Swaps

Mr. Secretary:

The request should be denied.

Transparency in the CDS market is an essential goal for the long term stability of the financial systems. Clearing these trades under a public exchange such as the CME is a good first step in removing some of the risk from the system. However, agreeing to commingle the funds could create an even bigger mess than AIG's collapse.

There needs to be a "fire door" between highly leveraged instruments such as CDS's and other assets and securities. For example, consider what may have happened if CME was clearing AIG's trades. When AIG could not pay-off the CDS's, all of AIG's trades and positions would be at risk, not just the CDS's. As the clearing firm, this risk would have been transferred to the Chicago Mercantile Exchange, as this is the very essence of what a clearing house is for. If these risks brought down AIG, what would they do to the CME? Instead of just the CDS market freezing up, many of CME's other markets would also freeze up, which would quickly cascade to other exchanges. At least if the CDS market was segregated, the damage would be contained.

At least one positive aspect of the crisis was that the stock exchanges and the clearing houses still functioned quite well. Do you really want to put that in jeopardy?

Paul