

July 21, 2009

**Received CFTC  
Records Section**

7/21/09

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

C.F.T.C.  
OFFICE OF THE SECRETARIAT  
2009 JUL 21 AM 9 55

09-6  
6

**COMMENT**

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

Dear Mr. Stawick:

MF Global Inc.<sup>1</sup> ("MF Global") respectfully submits these comments regarding the Commodity Futures Trading Commission's ("Commission's") proposed amendments to Commission Rule 1.25, Investment of Customer Funds, and Rule 30.7, Treatment of Foreign futures or Foreign Options Secured Amount. Given the financial market activity of the last year, MF Global recognizes the importance of the Commission's review of existing investment requirements and, as set forth below, we support many of the Commission's proposals and offer our comments with respect to others.

**Permitted Investments**

We are unaware of any problems encountered by any FCMs due to the scope or character of currently permitted investments so we believe that no limitation or other alteration is necessary

**Marketability**

We also believe that the definition of 'readily marketable' as set forth in SEC Regulation 15c3-1 has proven adequate and so current regulations are sufficient.

**Rating Requirements**

The market's unprecedented fluctuations and the pronounced economic recession have raised valid concerns regarding adequate protection over customer funds. In one regard, however, the current rating requirements under Rule 1.25(b)(2) may be read to prohibit the use of discount notes issued by government sponsored enterprises because typically such notes are not independently rated. This is due to the frequency with which such notes are issued and their short dated maturities. In the market, they carry the implied rating of the issuer. The exposure from investing in these instruments is not significant and we believe would still be well within the Commission's intent to minimize risk.

Additionally, Rule 1.25(b)(2) currently provides that the instruments described must have the highest short-term rating of an NRSRO or one of the two highest long-term ratings of an NRSRO.

<sup>1</sup> 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.

We believe this could be further revised to require listed instruments with the highest short-term rating or the highest long-term rating of at least two NRSROs.

### **Concentration Limits/Liquidity**

Overall, we believe that there should be diversity in investable client funds by asset class or sector, to further minimize credit, market, and liquidity exposure. Currently, Rule 1.25 permits an FCM may to invest 100 percent of customer funds in a single asset class. We believe this is acceptable with respect to US Treasury securities but we suggest a limit of 75% on agency securities and 25% on each other asset class. Such requirements would prevent an FCM from investing the majority of customer funds in one specific money market fund, or in one asset class such as corporate securities.

To address the Commission's concerns over liquidity risk, we are not opposed to the Commission requiring a certain percentage of customer funds in more liquid investments, such as reverse repurchase agreements.

### **Money Market Mutual Funds**

While most Money Market mutual funds have maintained liquidity and performed reasonably well, we believe increased transparency would benefit the industry overall. Rule 1.25(b)(4) does not currently regulate the nature of permitted money market mutual funds. We believe that investments in money market mutual funds should be limited to those funds that have at least weekly, if not daily reporting. This would assist in limiting exposure to a particular facet of the market. To further diversify risk, we also believe in limiting the investment of overall investable client funds to any one family of money market funds.

### **Amendments to Rule 30.7**

We are not opposed to the Commission applying the requirements of Regulation 1.25 to investment of 30.7 funds, but recommend that this change only apply to investments made within the U.S. In some foreign markets, time deposits are a key vehicle for the investment of currency deposits but such investments are not allowable under Regulations 1.25. Indeed, in some jurisdictions, time deposit investments are required by the regulatory framework. We believe deposits held outside of the US should remain under the current 30.7 rules to allow for the practicality of managing currency deposits outside of the U.S and in consideration of foreign market convention.

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,

A handwritten signature in black ink, appearing to read "Bernard W. Dan". The signature is written in a cursive style with a large, stylized initial "B".

Bernard W. Dan, CEO