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Commodity Futures Trading Commission  
Attn: Office of the Secretary  
3 Lafayette Center  
1155 21<sup>st</sup> St. NW  
Washington, DC 20581

COMMENT

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RE: Agricultural Trade Options: Revised Interim Rules

Thank you for the opportunity to comment on the interim final rules for Agricultural Trade Options.

Allendale Inc. is an Introducing Broker located in McHenry, Illinois specializing in research and brokerage for the agricultural community. We have participated in many of the hearings held by the Commodity Futures Trading Commission (Commission) and hearings held by Congress. We believe strongly that some of the proposed rule changes will reduce the price transparency as grain industry concentration will be more predominant.

**Commissions proposed revisions to the Agricultural Trade Option Rules**

**Registration Requirements:** Allendale supports the Commissions recommendation to maintain the registration requirement.

**Testing and Fingerprints:** Allendale opposes the Commissions proposal to delete the mandatory 6-hour training course for sales agents. Without such training and testing, ATOMs and their associated persons may not be fully aware of the rules, the risk and the obligation of full disclosure to ATO clients. Only through education, training and oversight can the Commission insure that its rules are being followed and the ATOMs are providing full disclosure and the public is being protected.

**Paperwork Associated With Registration:** Allendale supports the proposal to allow the NFA to handle processing of registration application. Oversight and audits could be done by the NFA as there experience in auditing the futures industry could provide an economical way of insuring continued credibility for the agricultural community.

**Physical Delivery:** Without the requirement of physicals, ATOs could easily develop into an off-exchange traded speculative marketplace. Unscrupulous ATOMs could circumvent many of the registration requirements associated with being and IB or a FCM and offer these contracts to the public as a means of speculating. The commission and the NFA has made great strides in cleaning up the futures and options industry, let us not take a step backwards.

**Risk Disclosure:** Realizing that ATOs are new markets it is very important that full disclosure is provided with each transaction. The recent "Hedge to Arrive" debacle is proof that full disclosure is not only necessary it must be mandatory.

**Account Information Reporting:** ATOMs should be required to provide ATO customers with a statement for every transaction. Monthly statements should be required so customers realize their position and the risk management necessary to hold such position. These statements are necessary to ensure customer protection.

**Required contract terms and limitations on certain strategies:** Allendale agrees with the Commission that there should be full disclosure of required contract terms and limiting certain strategies is advisable.

**Exemption level for sophisticated entities:** Allendale agrees with the Commission that the \$10 million net worth exemption should not be reduced. However, we believe that there should be no exemptions. Recent events in the futures industry have proven that no company is resistant to financial stress. How can it be determined that because a company has accumulated a large net worth that it is more ethical than a small company? The client deserves protection no matter if he or she is dealing with a small or large company. Additionally, it is more equitable for the industry to provide a level playing field for all companies offering ATOs.

**Conclusion:** The Commission has worked very hard to meet the demands of the grain industry. However there still remains illegal contracts which they are currently using. They have continued to provide flexible trading of so called Hedge-to-Arrive contracts. When grain prices go down all parties are happy. It is when prices rally these contracts become risky for the grain elevators and customers due to lack of disclosure, financial instability at the grain elevator or because of the concentration of the grain industry due to unfair ATO practices. It is time for the Commission to enforce its ATO program. We believe this the right way to go and back the Commission on this issue.

Respectfully submitted:  
Paul J. Georgy  
President