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COMMENT **FCStone**

July 28, 2008

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

OFFICE OF THE SECRETARY

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C.F.T.C.

Re: Chicago Mercantile Exchange Exemption Requests and Request for Relief Pursuant to Section 4(c) and 4(d) of the Commodity Exchange Act -73 Fed. Reg. 38403 (July 7, 2008)

Dear Mr. Stawick:

FCStone Group Inc. appreciates the opportunity to provide comment on the Commodity Futures Trading Commission's ("CFTC or Commission") Federal Register Release dated July 7, 2008 ("the Release"). Chicago Mercantile Exchange ("CME") is proposing to offer clearing services for agricultural swaps that will be executed off-exchange and cash settled.

Received CFTC
Records Section
7/28/08

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

FCStone Group, Inc strongly supports the CME's request to permit the clearing of OTC Agricultural Swap Transactions and the Commingling of Customer Funds Associated with such transactions with other Funds Held in Segregated Accounts for the following reasons:

Mitigating Counter-Party Default Risk:

By allowing the CME to clear OTC Agricultural Swap Transactions, counter-party credit risk would be mitigated as the CME, 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 CME 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 Performance Bond Methodology:

As the CME 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 the 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 performance bond 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:

Currently corn producers and consumers located in the western corn region including Nebraska, Iowa, South Dakota and Minnesota are unable to access standardized products tailored to their specific crop. By design these tailored standardized corn basis swaps will provide these producers an alternative to delivery and as such clearing these products by a regulated clearing organization will impart liquidity in these markets affording these producers and consumers greater flexibility in managing their risk.

Performance Relief:

Traditional short hedgers are currently in great need of performance bond/margin relief. For a short hedger to manage his risk in these volatile markets, his costs to maintain positions in these markets is costly and in some instances unavailable. These products may mitigate some of the financing issues faced by the producer. As noted in the CME'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 performance bond relief and still encourage growth and product development in these areas.

For reasons stated above, FCStone Group Inc and its subsidiaries believe the Commission should grant the Orders requested in the CME 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".¹

Yours Sincerely,

A handwritten signature in cursive script that reads "Paul G. Anderson".

Paul G. Anderson, CEO

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