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COMMENT

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)ecember 18, 2001

onathan G. Katz, Secretary
Jnited States Securities and Exchange Commission
50 Fifth Street, NW
Vashington, DC 20549-0609

Ms. Jean Webb
)ffice of the Secretary
:ommodity Futures Trading Commission
'hree Lafayette Centre
155 21st Street, NW
Vashington, DC 20581

:e: **File No. S7-16-01; Customer Margin for Security Futures**

)ear Mr. Katz and Ms. Webb:

Ay concerns deal with liquidity, and ways to improve the ability to roll out positions in single stock futures.

articularly on the last trading day of a cycle for regular options trading in the underlying security, or the last trading day or a particular single stock future, I think the usual margin rules should be relaxed.

:xisting margin rules for listed options do not make any exception on the last trading day of an option and this causes liquidity (margin requirements are too high for the day or hours remaining, so the options are often overpriced). The new ingle stock futures markets give us an opportunity to address this while creating a better market.

Vhen an investor uses futures to take a portfolio position, the regulations should allow that investor to (a) use his equity) roll out further, (b) anticipate accepting delivery after the close (for long positions), (c) anticipate making delivery after ie close (for short positions), or (d) to hedge with other instruments or securities valuing the single stock future positions ie same as the underlying securities.

propose a Customer Election to (a) have higher margin requirements than whatever minimum you adopt, *while holding ie securities in a futures account*, and *then* (b) get to use the margin value proposed in the prior paragraph, and otherwise :) be subject to the standard margin requirements. This will encourage broader participation and better markets, as some vho wouldn't use the minimum margin available *would* want to choose the market that provides the best price and quidity for a particular security transaction.

think the level of margin requirement as proposed is logical and consistent, but would prefer when you intend "20%" iat it be set at 40% of the Regulation T margin level, and as otherwise subject to SRO requirements (except as noted in ie next paragraph), so that it could automatically change when equity margin levels change.

rice Level Requirements

ıst as 50 cent stocks can have open $5.00 options, I do not think the single stock futures should have restrictions based ıerely on price. Providing that the overall market cap, average trading volume, and other liquidity criteria are met for any articular security, I would like to see the single stock futures for that security available regardless of the price of the nderlying security.

hope you take the time to do this right, the way these markets should work, and you won't be overly concerned with rogramming, operational, or compliance expense issues, or even delays. It's time for all security firms to calculate ıargin requirements in real time.

'hank you.

incerely,

ernard E Klein