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Global Headquarters – Chicago

2003 SEP 11 AM 11:36

September 9, 2003

Ms. Jean Webb
Secretary to the Commission
Commodity Futures Trading Commission
1155 21st Street NW
Washington DC 20581

COMMENT

RECORDS SECTION

2003 SEP 11 PM 3:22

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Re: Proposed Rules for Risk Based Capital: Fed. Reg. Vol. 68, No. 131, July 9, 2003

Dear Ms. Webb:

Carr Futures appreciates the opportunity to comment on the proposed amendments to the Commodity Futures Trading Commission ("CFTC") regulations referenced above. We support efforts to ensure the protection of our financial markets and its participants through appropriate financial requirements for intermediaries.

We are writing to endorse the Futures Industry Association ("FIA") position on these proposed regulations and to provide you with our additional comments on this matter. We especially agree that at present it is not necessary and is perhaps premature for the CFTC to adopt the proposed risk based capital requirements in its current form. While the risk based capital requirements have been in place at NFA and other self-regulatory organizations for a number of years, we strongly believe a more thorough examination would be appropriate before these requirements are adopted at the CFTC level.

This examination would provide for greater understanding of the inter-relationships of financial safeguards currently in place, as well as advances made in risk management. For example, at Carr Futures, we believe that our risk management and credit policies, including the thorough credit review of potential and existing clients that we undertake, provide significant financial safeguards. However, under the proposed "risk based" capital rules, our capital requirement would be the same as a competitor that does not have comparable programs in place and, therefore, may present a greater financial risk. While the amount of financial assets on hand is important after the fact, strong risk management and credit policies and procedures provide a preemptive line of defense against potential defaults. We believe the industry should have an opportunity to consider whether it is advisable to draft a rule for the CFTC's consideration that would take a firm's risk management and credit policies into account in determining that firm's capital requirement.



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MEMBER SIPC

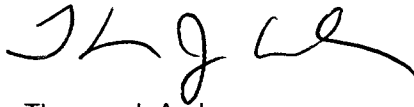
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Secondly, we concur with the FIA and Joint Audit Committee position on the elimination of the early warning notice. The sensitivity of risk based capital, combined with the more frequent reporting time frames currently in place at all self-regulatory organizations, establishes an activity-based requirement that makes an early warning requirement, and the higher minimum capital requirement that requirement implies, unnecessary. For example, clearinghouses monitor exchange member firms on a daily basis and, in periods of market volatility, often require member firms to meet demands for intra-day performance bond deposits.

Lastly, we wish to emphasize that we agree with the FIA letter in regard to proposed changes in the regulations relating to undermargined accounts. As noted above, our credit and risk policies provide a significant line of security against a client's inability to meet a margin call. There may be a perception that the timeliness and efficiency across banking systems globally has improved markedly. However, in practice, the transfer of funds within one day is not possible due to time zone, multi-currency and cash management practices.

Again, we appreciate the opportunity to comment on these proposals and look forward to working with the CFTC staff in furthering their development.

Sincerely,

A handwritten signature in black ink, appearing to read 'TJ Anderson', with a stylized flourish at the end.

Thomas J. Anderson
Chief Financial Officer

cc: Richard A. Ferina, Chairman & CEO
Bruce A. Beatus, Senior Vice President & General Counsel