COMMENT

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secretary

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Ms. Jean A. Webb
Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, N.W.
Washington, DC 20006

Re: Proposed Withdrawal of Interpretation No. 10

Dear Ms. Webb:

The AIG Series Trust, an investment company registered with the Securities and Exchange Commission ("SEC"), submits these comments on the proposed withdrawal of Financial and Segregation Interpretation No. 10 ("Interpretation No. 10") by the Commodity Futures Trading Commission's ("CFTC's") Division of Clearing and Intermediary Oversight. The AIG Series Trust currently has three funds 2010 High Watermark Fund, 2015 High Watermark Fund, and 2020 High Watermark Fund (collectively, the "Funds"). The Funds are designed to return to their shareholders, on their Protected Maturity Dates, the highest net asset value attained during their existence, adjusted as a result of dividends, distributions and any extraordinary expenses. The Funds seek to generate capital appreciation by dynamically allocating their portfolio exposure to U.S. equity and fixed income markets. The Funds' equity market exposure is obtained through exchange traded futures contracts on the Standard & Poor's 500 Index and options on those futures or options on the Standard & Poor's 500 Index. The Funds, therefore, can be expected to maintain significant positions in the U.S. futures markets, and the efficiency with which they are able to establish and liquidate futures positions, process margin calls and payments, and maintain custody of their margin assets directly impacts the Funds' ability to achieve their investment objectives and the consequent returns to investors.

In establishing their back office systems and banking arrangements, the Funds have relied upon the ability to maintain margin deposits for their futures positions in third party custody accounts maintained by the Funds' regular custodian, State Street Bank and Trust Company ("State Street"). The Funds maintain specialized communication links with State Street to facilitate asset movements and tracking of asset movements into and out of the third party accounts of the Funds and their regular custodial accounts. These arrangements represent a significant investment in software programs and communication systems. If the third party custody arrangements relied upon by the Funds were to become unavailable, the Funds would be compelled to establish new software programs, communication links, and reporting systems to support daily flows of margin to and from their futures commission merchant. The Funds would incur the costs of restructuring their arrangements with State Street and their futures commission merchant. In addition, under the terms of the Funds' agreement with Prudential Global Funding, Inc. ("Prudential") under which Prudential agrees to pay any shortfall between the Funds' net asset value and their protected high watermark values, the Funds are obligated to obtain Prudential's consent to any material modification of any agreement to which they are a party, which would include the Funds' custody agreements and futures brokerage agreements. Finally, over and above these transition costs, the Funds would suffer the loss of significant operational and supervisory efficiencies accruing from their current custodial arrangements.

In accordance with Interpretation No. 10, the Funds' third-party custodial arrangements provide for immediate flows of margin to their futures commission merchant upon receipt of a margin call. We are not aware of any situations whatsoever in which these flows have been delayed or impeded or of any other adverse impact upon the smooth operation of the futures margin system due to our third party custody arrangements. If we were to be informed of such a situation, it would be in the Funds' interest to respond immediately to address it, as the Funds' success in attaining their investment objectives depends, in significant measure, upon the integrity and efficiency of the futures markets and their margining systems.

In sum, the Funds would suffer material costs if their ability to maintain third party custody accounts were impaired, and we are not aware of any evidence of any adverse effects from the use of such accounts having been presented. We believe that the AIG Series Trust Funds, like other registered investment companies that make use of third party custody accounts, fully share the interests of the CFTC and its staff in ensuring the vitality and integrity of the futures markets and protecting against any potential systemic liquidity risks that might affect or be created by the operation of these markets. We do not believe that the lengthy record of experience with Interpretation No. 10 supports the view that withdrawal of Interpretation No. 10 would serve to protect against such risks, and other more direct approaches relating to futures commission merchant capital requirements would more meaningfully respond to the concerns alluded to by the CFTC staff. Withdrawal of Interpretation No. 10 would, however, create material costs to market users and the thousands of public investors they represent.

For the reasons set forth herein, we urge the CFTC to refrain from withdrawing Interpretation No. 10. The Funds also fully endorse the comments of the Investment Company Institute as set forth in its letter of April 4, 2005, on this subject.

Thank you for the opportunity to express our views concerning the proposed withdrawal of Interpretation No. 10. If you have any questions about our comments, please contact me at 201-324-6464.

Sincerely,

/s/ Vincent Marra

Vincent Marra
President
AIG Series Trust

cc: Honorable Sharon Brown-Hruska,
Acting Chairman
Honorable Walter L. Lukken, Commissioner
Honorable Fred Hatfield, Commissioner
Honorable Michael V. Dunn, Commissioner

Division of Clearing and Intermediary

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