

Dear Ms. Webb,

I am currently a shareholder in The Clearing Corporation which was formerly BOTCC and I am also a member of the Chicago Board of Trade. My main concern in the application of Eurex USA pertains to physical commodities. While money, or more properly, financial instruments are the principal commodities that are involved in this application for futures trading, it is my understanding that the trading of futures on physical commodities will also be developed in this organization. The reason for my concern in this area centers on two potential elements of this new organization's strategy, namely payment for order flow and internalization of order flow.

The relation of supply and demand in a physical commodity market is vastly different from that of a money based market. An interesting example of this happened last year in the natural gas market when a large speculator with commercial interests in the energy industry exercised at expiration a disproportionately large number of call options that were significantly out of the money. The result was to create a short position amongst a variety of traders who assumed that the likelihood of assignment was negligible if not infinitesimal. The following trading day natural gas futures rose in excess of 10% in value. The effects of this squeeze were not only felt in the futures markets but also in every home and business in our country which is a user of natural gas. Such is the tightrope that we often walk between supply and demand in our physical commodity markets.

I pose one simple question to you: Can we be sure that the internalization of order flow will not at some time have a detrimental effect upon the precarious nature of supply and demand in commodities of limited supply? If you believe the answer to be no without any doubt, then straightforwardly approve the application. Personally, with 22 years in the futures industry I have my doubts.

One final concern I have relates to information. Will the principals in this new organization in concert with "the link" have privileged information regarding the trading activities and positions of various market participants? If so, then how will in fact the trading activities of these principals be monitored? How are we to be sure that these principals will abstain from processing information, relative to the positions and activities of other market participants, from which they could profit themselves? Will this information in our electronic marketplace be instantly disseminated into the public domain for all traders to educate themselves?

Please reflect on these issues I have brought forth as you review this application. I thank you for your consideration and time.

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