



November 17, 2010

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

Re: Rule Proposal on Ownership Limitations and Governance Requirements for Derivatives Clearing Organizations, Designated Contract Markets and Swap Execution Facilities
(RIN 3038-AD01)

Dear Mr. Stawick:

MF Global Inc. (“MF Global”)¹ is pleased to submit this letter in response to the proposed rule² (the “Proposal”) in which the Commodity Futures Trading Commission (the “Commission”) solicited comments on regulations to mitigate conflicts of interest in the operation of derivatives clearing organizations (“DCOs”), designated contract markets (“DCMs”) and swap execution facilities (“SEFs”). The Proposal would impose certain ownership and governance requirements pursuant to Section 726 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”).

The fundamental purpose of Dodd-Frank is the reduction of systemic risk. In the context of the derivatives market, the statute’s primary means to accomplish this goal is to require that most transactions be cleared through a regulated clearinghouse and, wherever possible, also be executed through a centralized exchange or other regulated facility. By migrating transactions to centralized and regulated entities, market-wide transparency may be increased and risk decreased. We commend this objective, and we believe it will be successful only if a broad range of industry participants have fair and open access to the markets. We therefore urge the Commission to ensure robust protections for unrestricted access to all registered entities.

¹ MF Global Inc. is a wholly owned subsidiary of MF Global Holdings Ltd. which, through its various affiliates, is a leading broker of exchange-listed futures and options with offices in Bermuda, New York, London, Chicago, Paris, Mumbai, Singapore, Sydney, Toronto, Tokyo, Hong Kong, Taipei and Dubai. We provide execution and clearing services for exchange-traded and over-the-counter derivative products as well as for non-derivative foreign exchange products and securities in the cash market. MF Global operates across a broad range of trading markets, including interest rates, equities, currencies, energy, metals, agricultural and other commodities. MF Global operates in 12 countries on more than 70 exchanges, providing access to the world’s largest and fastest growing financial markets.

² Requirements for Derivatives Clearing Organizations, Designated Contract Markets, and Swap Execution Facilities Regarding the Mitigation of Conflicts of Interest, 75 Fed. Reg. 63732 (proposed October 18, 2010).

Dodd-Frank recognizes the importance of open access in two provisions. First, Dodd-Frank amends the Commodity Exchange Act to require that the participation and membership requirements of each DCO must “permit fair and open access.”³ In addition, Section 726 of Dodd-Frank cites the promotion of competition as a primary purpose of the Commission’s rulemaking on conflicts of interest. This purpose is wholly consistent with the other listed objectives—reducing systemic risk and mitigating conflicts of interest—and best achieved by promoting the creation of liquid and competitive markets that will have the greatest likelihood of ensuring stability, fairness and transparency.

The Proposal addresses issues of market competitiveness and open access but only indirectly, through ownership and governance requirements. We are concerned that ownership and governance requirements, however robust, may not be sufficient to ensure the fair and open access that Dodd-Frank mandates. We suggest that, in addition to promulgating regulations on conflicts of interest with regard to swaps-related entities, the CFTC must also address this mandate more directly, including how the Commission intends to police and enforce it. In order to achieve the promise of Dodd-Frank, we believe it is of vital importance that the eligibility requirements of SEFs, DCMs and DCOs not be permitted to serve as barriers to prevent adequately qualified futures commission merchants from participating in the marketplace.

We believe that the Commission should go beyond merely requiring SEFs, DCMs and DCOs to establish and abide by membership requirements; it should also set standards for fair and open access and have the ability to enforce them. In addition, each SEF, DCM and DCO seeking to clear or trade swap-related products should be required to demonstrate that their rules meet the standards established by the Commission and the Commission should review the rules with the benefit of public comment.

We note that the proposed rules governing SEFs and DCMs specifically address “access” and require that any committee performing a membership or participation function “shall not, and shall not permit the registered [SEF or DCM] to, restrict access or impose burdens on access in a discriminatory manner”⁴ The Commission offers no guidance, however, on what membership standards will meet this requirement. More troublingly, the proposed rules for DCOs do not even contain such a prohibition, but simply empower the Risk Management Committee to determine standards and requirements for clearing membership eligibility and to approve or deny applications.⁵

Our concerns are not academic. It is well known that two U.S. clearing organizations have already established over-the-counter clearing platforms with membership requirements so onerous—largely in the form of grossly excessive capital requirements—that only the largest dealers have qualified and that highly experienced clearing firms such as MF Global have been excluded. These examples highlight the risk that membership criteria may be established that exclude qualified market participants.

³ Dodd-Frank Section 725(c) (amending Section 5b(c)(2)(C)(iii) of the Commodity Exchange Act)

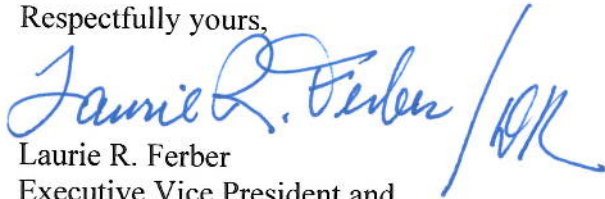
⁴ Proposal, 75 Fed. Reg. at 63748, 63749. We note that proposed Section 38.851(c)(2)(ii) cites a “registered swap execution facility,” but we assume the Commission intended that provision to address a “registered designated contract market.”

⁵ Proposal, 75 Fed. Reg. at 63750.

We respectfully request, therefore, that the Commission articulate standards that would form the basis of a fair membership or participation regime with truly open access. We also request that the Commission have the ability to assure - through review or otherwise - that the eligibility requirements instituted by each registered entity satisfy this key statutory mandate.

MF Global appreciates the opportunity to comment on the Proposal and would be pleased to discuss any questions the Commission may have with respect to this letter. You may contact me at 212- 589-6235.

Respectfully yours,

A handwritten signature in blue ink that reads "Laurie R. Ferber" followed by a stylized flourish or set of initials.

Laurie R. Ferber
Executive Vice President and
General Counsel
MF Global Holdings Limited

cc: Honorable Gary Gensler, Chairman
Honorable Michael Dunn, Commissioner
Honorable Jill E. Sommers, Commissioner
Honorable Bart Chilton, Commissioner
Honorable Scott O'Malia, Commissioner