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Mr. David A. Stawick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

December 3rd, 2010

Dear Mr. Stawick,

ADM Investor Services, Inc. (ADMIS) has reviewed the proposed changes to the Commodity Futures Trading Commission (CFTC) regulations 1.25 and 30.7, regarding the investment of customer segregated and secured funds. While ADMIS clearly agrees that the security of customer investments is imperative, these proposed changes would be too restrictive and do not fully consider the impact to the Futures Commission Merchant (FCM) community. Some of the restrictions and concentration limits may actually create less liquidity for the FCM. In addition, the inability to invest in a wider array of assets will have a negative impact on a firm's interest revenue. These concerns are addressed below by focusing on the proposed changes to each individual investment category.

Money Market Funds

The CFTC has proposed to limit the total investment in money market funds (MMFs) to 10% of total customer segregated funds and a maximum investment of 2% of total customer segregated funds in any individual MMF family. These limits are too restrictive considering the recent amendments to the SEC Rule 2a-7. Some of the key changes for 2a-7 funds are:

- The requirement to maintain at least 10% of the MMF's assets in securities that have one day liquidity
- The requirement to maintain at least 30% of the MMF's assets in either cash, US Gov't obligations or securities that can convert into cash within five days
- A reduction in the weighted average maturity from 90days to 60days
- Enhanced disclosures requiring the MMFs to post portfolio holdings on their website on a monthly basis

Restricting the use of MMFs may also create some liquidity issues for an FCM. Considering the fact that intraday settlements from exchange clearing organizations are not known until 12pm CST or later, it would be difficult to maintain sufficient liquid assets without the use of MMFs.

The current investment guidelines have no concentration limit on FCMs' use of MMFs. ADMIS agrees that some limit is appropriate and suggests limits based on total customer segregated funds of 20% per MMF family. Additionally, we feel that the appropriate limit for the total amount invested in MMFs should not exceed 50% of the FCM's total customer segregated funds.

Reverse Repurchase Agreements

The CFTC proposes a 5% concentration limit per counterparty for reverse repurchase agreements (repo). Currently, no concentration limits exist. ADMIS feels that a counterparty concentration limit is not warranted for this type of investment. The structure of repo agreements and the fact that they are collateralized loans gives the FCM a sufficient level of safety regarding the liquidity of the investment and the preservation of principal. The key to this transaction is the fact that the FCM is required to price their holdings on a daily basis to insure that they are sufficiently collateralized. Compliance with this function reduces the FCM's counterparty risk.

A more effective restriction would be to permit only specific assets to be used as collateral in repo transactions. Permitting only U.S. Treasuries and GSEs would insure that there is sufficient market liquidity to allow FCMs to liquidate their assets if there is an issue with a counterparty.

Foreign Secured 30.7 Investments

The CFTC proposes to change the investment guidelines for 30.7 funds to match the guidelines established for the investment of 1.25 funds. ADMIS agrees with this proposed change, except that the concentration limits that are established for each investment type should be based on the aggregate amount of funds in both the 30.7 and 1.25 categories. For example, if there is a concentration limit of 50% for MMFs and the FCM holds \$5billion in 1.25 seg funds and \$1billion in 30.7 seg funds, then the maximum MMF investment would be \$3billion.

Sovereign Debt

Another proposed change is to eliminate foreign sovereign debt investments. Eliminating this option severely restricts the options available for the investment of non-dollar deposits. The growth of the futures industry has attracted a global audience and many customers demand to hold their funds in their home currency. As these balances grow, FCMs will need more options to effectively manage the investment of these currencies. ADMIS suggests that the debt of all G-7 countries (Canada, France, Germany, Italy, Japan, U.K. and USA) should be specifically included as allowable investments of customer funds..

Certificates of Deposit

The proposed changes would effectively limit the investment in Certificates of Deposit (CDs) such that only non-negotiable CDs are allowed. Additionally, the bank issuing the CD must agree to redeem the CD within one business day and limit the penalty for early withdrawal to interest only. In other words, the principal of the investment would only be at risk in the case of a bank default.

ADMIS feels that negotiable CDs should continue to be an allowable investment. The secondary market for selling CDs is not very active because most investors buy and hold CDs to maturity. This does not mean that there is not a liquid market for these instruments. The risk of losing principal during the sale of a CD is similar to the risk of losing principal on the sale of any investment – including U.S. Treasuries.

A better means of managing the principal risk would be to restrict the allowable issuers of CDs. If NSRO ratings alone are not acceptable, then restrictions should be imposed based on the capitalization of each bank issuing CDs. Instead of eliminating this investment type, stricter guidelines would continue to give FCMs an alternative investment that remains risk averse.

Commercial Paper and Corporate Notes or Bonds

The proposed changes would restrict the investment in commercial paper (CP) and corporate notes or bonds to issues that are federally guaranteed as to principal and interest under the Temporary Liquidity Guarantee Program (TLGP). The TLGP expires in 2012 meaning that corporate debt would not be an allowable investment after that time.

ADMIS feels that the investment in CP and other corporate debt should not be tied to the TLGP restriction. Many stronger corporations did not use the TLGP and others have since ceased their participation in the program. The remaining issues that meet the TLGP criteria are becoming scarcer.

Similar to our opinion on CDs, ADMIS feels that more focus should be placed on determining guidelines for acceptability for each issuer based on a capitalization measure.

Government Sponsored Entities

Current CFTC regulations allow investments in any of the Government Sponsored Entities (GSE) that are implicitly guaranteed such as FNMA and FHLB. The proposed changes would permit investments in only those U.S. agency obligations that are fully guaranteed by the United States Government. Accordingly, aside from U.S. Treasuries, only GNMA paper is allowed.

ADMIS believes that all GSEs should continue to be an allowable investment but additional restrictions should be established. Concentration limits per issuer should be decreased from 25% to 10% with a total overall portfolio investment limit of 25%. Additionally, the issuance size of the GSEs should be at least \$1 Billion. This will insure that there is sufficient liquidity in the market for these securities.

In summary, ADMIS is very concerned that the changes proposed by the CFTC would affect our ability to effectively manage our investment of customer funds and maintain a desired level of liquidity on a daily basis. Midday variation calls from exchange clearing organizations can be sizable depending on the volatility of the markets. This can force the liquidation of investments late in the day. Trying to manage these transactions in a short time frame with limited investment options increases the risk of fails and potential overdrafts.

Additionally, many of the proposed investment restrictions are too severe and limiting. The proposed changes would certainly impact the profitability of the FCM community. Restricting the investment choices would force firms to invest primarily in US Treasuries and Repo. The use of Repo, CDs, CP, foreign sovereign debit and GSEs should remain as allowable investments, with the caveats noted above. We agree that additional controls must be put in place but eliminating these types of investments altogether is not appropriate or practical.

Sincerely,



Peter M. Michuda
Vice President and Treasurer
ADM Investor Services, Inc.

cc: Thomas R. Kadlec, President