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- **17 CFR Part 1**
- **RIN Number 3038-AC96**
- **Implementation of Conflicts of Interest Policies and Procedures by Futures Commission Merchants and Introducing Brokers**

Dear Mr. Stawick.

Thank you for giving us the opportunity to comment on your notice of proposed rulemaking: Implementation of Conflicts of Interest Policies and Procedures by Futures Commission Merchants and Introducing Brokers.

You are proposing rules to implement new statutory provisions enacted by Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). The proposed rules establish conflicts of interest requirements for futures commission merchants (FCMs) and introducing brokers (IBs) for the purpose of ensuring that such persons implement adequate policies and procedures in compliance with the Commodity Exchange Act (CEA), as amended by Dodd-Frank.

Section 732 of the Dodd-Frank Act amends section 4d of the CEA to direct each FCM and IB to implement conflicts of interest systems and procedures that establish safeguards within the firm to ensure that any persons researching or analyzing the price or market for any commodity are separated by “appropriate informational partitions” within the firm from review, pressure, or oversight of persons whose involvement in trading or clearing activities might potentially bias the judgment or supervision of the persons.

Exception from certain requirements for small firms

Small firms do not have the capacity to carry the proportionately heavier regulatory burden here compared with larger firms. Nor would this be necessary as small firms do not contribute research which would impact market prices for their relevant products. Therefore some regulatory mitigation would be helpful in this regard. For example the proposals under § 1.71(a)(9)(i) and (iv) grant exceptions to the definition of “research report”, which is a useful start.<sup>1</sup> I would suggest size thresholds based on number of staff or revenues, and build on existing definitions where appropriate.

Yours sincerely

Chris Barnard

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<sup>1</sup> This helps to address issues typically found in smaller firms where individuals in the trading unit perform their own research to advise their clients or potential clients.