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January 2, 2013

Sauntia Warfield
Assistant Secretary
Commodity Futures Trading Commission
1155 21st Street, N.W.
Washington DC 20581

Re: ***Capital Requirements of Swap Dealers and Major Swap Participants*****, 76 Fed. Reg. 27802 (May 12, 2011); RIN 3038-AD54**

Dear Ms. Warfield:

INTL FCStone, Inc. and its affiliates (collectively, "**INTL FCStone**" or the "**Company**") thank the Commodity Futures Trading Commission (the "**Commission**" or "**CFTC**") for the opportunity to comment on the proposed rule regarding Capital Requirements of Swap Dealers and Major Swap Participants (the "**Proposed Capital Rule**").[1] The CFTC issued the Proposed Capital Rule on May 12, 2011 under Section 4s(e) of the Commodity Exchange Act ("**CEA**"), as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank Act**").[2] We understand from CFTC Staff (the "**Staff**") that comment letters continue to be accepted and will be considered in connection with this rulemaking, even though the official comment period closed on July 11, 2012.

INTL FCStone is a financial services company that provides its 20,000 plus customers across the globe with execution and advisory services in commodities, capital markets, currencies, and asset management. The Company is publicly held, with a market capitalization of approximately $330.0 million and adjusted operating revenues of approximately $464.5 million for the twelve months ended September 30, 2012. INTL Hanley, LLC ("**INTL Hanley**") is a wholly-owned subsidiary of INTL FCStone that intends to register with the National Futures Association (the "**NFA**") as a swap dealer.

Through its international network of more than 1,000 employees, INTL FCStone's core business is helping mid-sized commodity producers, processors, merchants and end-users understand and mitigate their commodity price risk. Unlike many of the big banks and other financial institutions that are likely to register as swap dealers, INTL Hanley's counterparties are

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1 *Capital Requirements of Swap Dealers and Major Swap Participants*, 76 Fed. Reg. 27802 (May 12, 2011) (the "**Proposed Capital Rule**").

2 Pub. Law No. 111-203, 124 Stat. 1376 (2010) (the "**Dodd-Frank Act**").

largely farmers, elevators, processors and merchants of agricultural commodities. Mitigation of commodity price risk is critical to the success of these market participants. For a number of reasons, including the relatively smaller size of their commercial operations and related hedging transaction needs, and their dispersed geographic locations, these mid-market commercial clients typically do not have access to the risk management services of swap dealers that are affiliated with Bank Holding Companies ("**BHCs**"). Nevertheless, this mid-sized commercial customer base in aggregate produces, processes, merchandises and/or uses a significant portion of U.S. domestic agricultural production.

Due to the nature of INTL Hanley's client base, a substantial proportion of its swaps portfolio is comprised of commodity swaps. In these comments, we refer to INTL Hanley and other similarly situated swap dealers that are not affiliated with BHCs as "**Commodity Swap Dealers**." As part of its normal business operations, INTL Hanley maintains an essentially "flat book," using futures and over-the-counter ("OTC") products to hedge its commodity swap market risk resulting from its trades with its commercial customer base. In a result that the Commission presumably did not intend, under the Proposed Capital Rule, INTL Hanley's hedge positions will increase, rather than decrease, the amount of capital that it will be required to hold. In addition, because INTL Hanley is not affiliated with a BHC, it will be required to calculate its minimum regulatory capital using the "standardized approach," rather than based upon an internal model (which other dealers, such as those affiliated with BHCs, can employ). Based on our conversations with Staff about how it expects certain components of the standardized approach to operate, INTL Hanley will incur regulatory capital costs that are potentially hundreds of times greater than those that would be incurred by a BHC-affiliated swap dealer with the same portfolio of positions.

For the reasons explained in greater detail below, INTL Hanley respectfully requests that the Commission make the following specific revisions to, or clarifications of, the Proposed Capital Rule:

- Ensure that the capital requirements applicable to Commodity Swap Dealers are comparable to those applicable to BHC-affiliated swap dealers.

- Revise the "standardized approach" in the Proposed Capital Rule to make clear that it allows full netting of offsetting commodity swap positions within the same commodity and expiry. Alternatively, permit a "maturity ladder" approach to netting, as described in the Basel Committee's Amendment to the Capital Accord to Incorporate Market Risks (the "**Market Risk Amendment**"), in order to facilitate the netting of commodity swap positions.[3]

[3] Basel Committee on Banking Supervision Amendment to the Capital Accord to Incorporate Market Risks at 27-29 (Nov. 2005) (the "**Market Risk Amendment**").

- Permit all swap dealers, including Commodity Swap Dealers, to request approval of, and rely upon, internal models to measure market risk. To the extent that the CFTC currently lacks the resources to review and approve such internal models, it should permit swap dealers to certify to the CFTC or the NFA that their models produce reasonable measures of risk, subject to verification by the CFTC when its resources enable it to do so.

I. The CFTC's Capital Rules Must Be "Comparable" To Those Of The Banking Regulators

Section 4s(e)(3)(D)(ii) of the CEA requires the CFTC, banking regulators, and the SEC to establish and maintain *comparable* minimum capital requirements for swap dealers.[4] Contrary to this statutory mandate, the Proposed Capital Rule is not "comparable" to the minimum capital requirement applicable to swap dealers that are affiliated with a BHC because the standardized approach does not produce comparable capital requirements for Commodity Swap Dealers. In addition, the Proposed Capital Rule will allow most BHC-affiliated swap dealers to rely immediately upon internal models to calculate market risk, but will not provide that same opportunity to Commodity Swap Dealers.

Internal models generally provide for more sophisticated netting of commodity positions to determine applicable market risk capital charges. In contrast, Commodity Swap Dealers must implement the Proposed Capital Rule's "standardized approach," which only provides for limited netting of commodity swap positions to calculate market risk.[5] If netting is limited under the Proposed Capital Rule, a Commodity Swap Dealer would be required to hold market risk capital against economically offsetting commodity swap positions, resulting in a higher capital requirement as compared to the capital requirement that would be applicable to a BHC-affiliated swap dealer using an internal model. Because the Proposed Capital Rule limits netting of commodity swap positions, it is not "comparable" to the capital rules of the banking regulators. Accordingly, the CFTC, pursuant to its statutory mandate, should revise the standardized approach to allow netting, which will create a capital requirements framework that is more similar to the one set by the banking regulators.

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[4] *See* Dodd-Frank Act Section 731.

[5] Generally, a swap dealer that is also a futures commission merchant ("**FCM**") must meet existing FCM capital requirements, and under the proposed rules must maintain at least $20 million of adjusted net capital, plus additional amounts for market risk and over-the-counter derivatives credit risk. Proposed Capital Rule, at 27807. If not an FCM, a swap dealer that is a nonbank subsidiary of a U.S. bank holding company must meet the same capital requirements that U.S. banking regulations apply to the bank holding company. Proposed Capital Rule at 27805-06.

II. The Proposed Capital Rule's Standardized Approach Should Allow for Risk-Adjustment of Offsetting Commodity Positions

A. A Reasonable And Prudent Implementation Of The Proposed Capital Rule Can Accomplish The CFTC's Statutory Mandate and Regulatory Objectives

INTL Hanley supports the *concept* of a simplified approach to calculating capital requirements as outlined in the Proposed Capital Rule because it:

- Provides greater transparency;
- Is relatively simple to implement;
- Utilizes calculations that can be replicated and validated; and
- Reduces the long-term overhead associated with maintenance, justification and review of an internal models approach.

For these reasons, the simplified approach benefits both the CFTC and the swap dealer.

As the leading international regulator with oversight specific to commodity derivatives, the CFTC should bring its depth of knowledge in this area to bear on implementation of the Basel Accord in a manner that is reasonable, prudent and fair. To accomplish these objectives, the CFTC should revise the netting rules for commodity position market risk to reduce the capital cost disadvantage faced by swap dealers that rely upon the "standardized approach."

The "standardized approach" for calculating the market risk component of regulatory capital for Commodity Swap Dealers is based largely on the "Standardized Measurement Method" in the Market Risk Amendment.[6] Conceptually, the Standardized Measurement Method applies a market risk charge to an entity's net position in a financial instrument.[7] Building upon this point, in the Proposed Capital Rule, offsetting of equity positions is allowed for positions "in exactly the same instrument," and for single-name credit positions offsetting is allowed for "identical" positions.[8] Similarly, market risk calculations that apply to non-commodity asset classes under the Standardized Measurement Method (*i.e.*, interest rate, equity, and foreign exchange) permit offsetting of "matched" positions.[9]

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6 *See* Proposed Capital Rule at 27809.

7 *See* Market Risk Amendment at 7.

8 *See* Proposed Capital Rule at 27810.

9 *See* Market Risk Amendment at 15, 19, and 23.

In contrast, the CFTC's "standardized approach," as described in discussions with CFTC Staff, does not provide comparable guidelines for identifying the extent to which commodity positions are offsetting. INTL FCStone recommends that the CFTC modify the Proposed Capital Rule to permit position offsetting for "matched positions," either on a per commodity/per expiry basis, or by using the "maturity ladder" approach as part of the "standardized approach" to calculating the market risk associated with commodity swap positions. This approach would be consistent with the guidance provided in the Market Risk Amendment.[10]

B. Swap Dealers That Maintain Flat Books Should Have Lower Capital Requirements

The central purpose of capital requirements is to reduce the risk to a swap dealer's counterparties (and the market generally) that the swap dealer may default.[11] Default risk is reduced when an entity maintains a relatively flat book. Swap dealers have an incentive to run relatively flat portfolios because, in general, their earnings depend primarily on spreads between transactions. For the most part, swap dealers are not in business to profit from speculating on directional changes in prices. Therefore, in the ordinary course of their operations, swap dealers are incentivized to run flat books, which in turn reduces risk in the market.

Based upon our conversations with the Staff, it is our understanding that the Commission does not intend, under the Proposed Capital Rule, to allow swap dealers to recognize commodity position offsets as to maturity and delivery location. If this is true, it seems counterproductive. A capital rule that adequately risk-adjusts offsetting positions would properly incentivize swap dealers to run flatter portfolios because the swap dealer would be able to lower its capital requirement by entering into offsetting positions.

To properly align the incentives of swap dealers with capital requirements, and further the Commission's objective to reduce systemic risk, INTL FCStone recommends that the Proposed Capital Rule be revised to recognize netting for economically offsetting commodity swap positions (whether through the maturity ladder approach, or otherwise). Such an amendment would result in a relatively lower capital requirement for a swap dealer that maintains a flatter commodity portfolio and, therefore, reduce counterparty and systemic risk.

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[10] *See* Market Risk Amendment at 29, para. 13. If netting were not allowed, why assign positions to maturities as required through the application of paragraph 11.

[11] CEA Section 4s(e)(3)(A)(i) (stating that to offset the greater risk to the swap dealer and the financial system, the implementation of capital requirements shall "help ensure the safety and soundness of the swap dealer").

C. The Market Risk Calculation Under The Standardized Approach Should Be Revised More Accurately To Reflect Risk

The CFTC's standardized market risk calculation for commodity positions includes the following components:

- A **15%** charge against the **net notional position** in each commodity;
- A **3% supplemental charge** on the gross position in each commodity to cover basis, interest rate and forward gap risk;
- A **delta risk** charge;
- The total **gamma risk** charge; and
- The total **vega risk** charge.

While some of these components can be applied in relatively straightforward manner, other seemingly simple components are vaguely defined in the Basel Accord and, depending upon how they are interpreted and applied, can have a significant and unreasonable impact on capital requirement calculations. Furthermore, as discussed above and illustrated in the table below, the sizable difference between the capital requirements generated by the standardized approach in its current form and an internal models approach will place Commodity Swap Dealers at a material competitive disadvantage against BHC-affiliated swap dealers. In order to reduce the disparate results generated by the two approaches and help to maintain a competitive balance, the CFTC should revise the three percent supplemental charge and delta risk charge components of the market risk calculation as recommended herein. INTL FCStone's proposed revisions will not only foster more competition, but will also more accurately tie capital requirements to the market risk of a given portfolio.

1. The Three Percent Supplemental Charge

INTL FCStone believes that the three percent (3%) supplemental charge for gross positions in each commodity should allow for offsetting within the same commodity and expiry. For purposes of the gross position calculation, long and short positions within the same expiry should be netted because they represent offsetting risk exposures. Net exposures per expiry then should be summed on a gross basis (long plus short) to derive the gross exposure. This approach maintains the intention to capture forward gap and interest rate risk exposure.

2. The Delta Risk Charge

In discussions with CFTC Staff regarding the actual calculations, a question was raised as to the appropriateness of using the option delta in the calculation of notional value of positions.

To provide clarity for this approach, the Market Risk Amendment describes the application of the Delta-plus method.[12] Banks that write commodity options will be allowed to include the delta-equivalent position of each option as part of the "Standardized Measurement Method."[13] The delta-equivalent amount would be subject to general market risk charges. Such options should be reported as a position equal to the market value of the underlying multiplied by the delta.

III. Capital Cost Of Alternative Approaches To Netting Of Commodity Swap Positions

The necessity of the revisions to the Proposed Capital Rule recommended by INTL FCStone is evident when an analysis of the various capital requirement approaches is conducted based on a hypothetical portfolio. Below we apply the "standardized approach" to a hypothetical commodity swap portfolio held by a swap dealer. This analysis illustrates how the Proposed Capital Rule's failure expressly to permit the netting of commodity positions results in significantly higher capital costs for Commodity Swap Dealers as compared to all other swap dealers.

As demonstrated above, the commodity position market risk charges under the "standardized approach" are not "comparable" to the rules of the banking regulators. This lack of comparability is inconsistent with the CFTC's statutory mandate under Section 731 of the Dodd-Frank Act. In addition, the Proposed Capital Rule's disregard for netting of commodity swap positions under the "standardized approach" is inconsistent with the fundamental goal of a capital regime, which is to incentivize prudent risk management by a swap dealer. Keeping all other factors equal, maintaining a flatter portfolio should yield lower risk capital charges.

The table below compares the impact of these alternative approaches to netting of commodity positions under existing approaches to market risk, including (i) gross calculation with absolutely no offsets, (ii) the standardized measurement method with offsetting of the exact same commodity, month, strike, and put/call, (iii) the standardized measurement method with offsetting in the same expiry, (iv) the maturity ladder approach with offsetting in the same expiry, and (v) the internal models based approach.

For purposes of illustrating the impact of these alternative approaches, we have set a hypothetical baseline of $20 Million (the minimum capital requirement) as the standardized approach with offsetting by commodity and expiry. The percentages in the illustration below are representative of the actual percentage differences seen in our portfolio in applying the different calculation methods. However, as noted, the dollar amounts are for illustration purposes only.

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12 *See* Market Risk Amendment at 30, para. 2.

13 *See* Market Risk Amendment at 7-29.

The only variable changed between Rows 1–3 is the offsetting used with the calculation of the 3% supplemental charge. Row 4 uses paragraphs 7 through 11 of the Market Risk Amendment of which paragraphs 8 through 10 prescribe application of the Maturity Ladder Approach. Row 5 represents an internal models approach using Historical Value at Risk with a 99% confidence interval, 3-year look-back and a 10-day time horizon.

Row	Market Risk Capital Calculation Approach	Total Market Risk Capital Charge	Percent as compared to the Row 3 "Standardized Approach"
1	"Standardized Approach" (Gross Calculation with absolutely no offsets)	$536,688,787.53	2683%
2	"Standardized Approach" (offsetting exact same (commodity, month, strike, put/call))	$112,939,994.78	565%
3	"Standardized Approach" (offsetting within same commodity and expiry)	$20,000,000.00	100%
4	Total for Maturity Ladder Approach with offsetting in same expiry	$17,738,970.37	89%
5	Internal Models-Based Approach (HVaR, 99% CI, 3 year Lookback, 10 day time horizon)	$3,863,209.48	19%

As depicted in the table above, the differences between the capital costs associated with the various approaches are astronomical and, unless the Proposed Capital Rule is clarified/revised, the effects on the competitive balance between Commodity Swap Dealers and all other swap dealers would be substantial. While the Internal-Based Models Approach best corresponds an entity's capital charge to its market risk, in the event that an internal model is not appropriate for a given entity, interpreting or modifying the standardized approach under the Proposed Capital Rule to permit netting by commodity and expiry or, alternatively, through application of the Maturity Ladder approach, is a much better alternative and will allow the market to maintain some semblance of competitive balance.

Additionally, the table depicts the sizeable differences between approaches permitting different types of offsets. The approaches using offsets that more accurately gauge an entity's market risk result in capital charges that are more reasonable and are closer to the capital charges that result from using a models-based approach. See Appendix A for an illustration of the differences in the calculations used above.

IV. The CFTC Should Permit All Swap Dealers To Use Internal Models

In addition to the revisions to the standardized approach suggested above, the CFTC should revise the Proposed Capital Rule to permit all swap dealers to use internal models. The

Market Risk Amendment states that "the simplified approach and the maturity ladder approach are appropriate [market risk measures] only for banks which, in relative terms, conduct only a limited amount of commodities business. *Major traders would be expected over time to adopt a models approach* subject to the safeguards set out" in the Market Risk Amendment.[14]

Approved internal models can reduce capital requirements by as much as 99% from what is required under the CFTC's "standardized approach." The CFTC appears to acknowledge to the impact that use of internal models will have in determining market risk capital, and has expressly stated that "[t]o the extent that the proposed rules would limit the potential use of models, they would potentially increase capital requirements."[15] Despite this recognized potential to generate disparate capital requirements, under the Proposed Capital Rule, only swap dealers whose models are subject to review by the Federal Reserve Board or the SEC may apply to the CFTC for approval to use proprietary internal models for their capital calculations.[16]

The CFTC has limited eligibility for use of internal models for Commodity Swap Dealers on grounds that the CFTC is not adequately staffed to review and approve such models.[17] INTL FCStone does not believe that limits on the CFTC's resources are an appropriate or adequate justification for imposing capital requirements on Commodity Swap Dealers that are significantly higher than the requirement applicable to BHC-affiliated swap dealers, particularly in light of the CFTC's statutory obligation to establish capital requirements for Commodity Swap Dealers that are "comparable" to those applicable to BHC-affiliated swap dealers.

The material discrepancy in capital requirements under the Proposed Capital Rule gives BHC-affiliated swap dealers an inappropriate competitive advantage over Commodity Swap Dealers with respect to the cost of capital. A capital rule that provides a competitive advantage to a specific class of swap dealers is inconsistent with Section 15(b) of the CEA, which requires the Commission to "endeavor to take the least anticompetitive means of achieving the objectives . . , policies and purposes of [the CEA], in . . . adopting any Commission rule or regulation." Moreover, granting a specified class of swap dealers a material competitive advantage on capital costs will increase the concentration of commodity swap dealing business among fewer firms, *i.e.*, BHC-affiliated swap dealers that have, as a result of disparate regulation, a lower cost of doing business. The CFTC should eliminate this regulatory disparity in capital costs by permitting Commodity Swap Dealers to: (1) apply for approval of internal models, and (2) certify to the CFTC or NFA that their models produce reasonable measures of risk, subject to verification by the CFTC when its resources permit it to do so.

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14 *See* Market Risk Amendment at 26-27, para. 4.

15 Proposed Capital Rule at 27809, 27823.

16 Proposed Capital Rule at 27808.

17 Proposed Capital Rule at 27808.

V. Conclusion

INTL FCStone generally supports the Proposed Capital Rule, but believes that the CFTC should refine the methodology for calculating market risk for commodity swap positions to permit netting, and, in general, revise the Proposed Capital Rule to foster greater competitive equity between all swap dealers with respect to cost of capital.

Please contact the undersigned at 816-410-7120 if you have any questions.

Sincerely yours,

William Dunaway
Chief Financial Officer

Attachment

cc: Chairman Gary Gensler
Commissioner Mark Wetjen
Commissioner Jill Sommers
Commissioner Bart Chilton
Commissioner Scott O'Malia
Thomas Smith, DSIO
Jennifer Bauer, DSIO
Rafael Martinez, DSIO
Francis Kuo, DSIO
Josh Beale, DSIO
John Dunfee, OGC
David Reiffen, OCE

Appendix A

The purpose of this Appendix is to provide a detailed illustration of the netting of offsetting exposures described in the comment letter. For the sole purpose of this illustration, we have put together the below hypothetical portfolio which contains both OTC and centrally-cleared corn swaps, swaptions, futures and futures options. This is not the same portfolio used for the calculations noted in the comment letter, but rather a much smaller and single commodity portfolio.

For simplicity, this illustration only covers the market risk charges applicable to 15% directional risk on the net position and the 3% of "gross" to cover forward gap, interest rate and basis risk. The Maturity Ladder Approach (iv) and Internal Models (VaR) (v) are excluded from this illustration. The initial offsetting allowed under the Maturity Ladder Approach is the same as reflected in (iii) below although the resulting charges would be slightly less due to lower charges (1.5%) for offsetting exposures within a broader "Time Band".

Corn		
Position	**OTC**	**Delta**
A	Long 50 December 2013 swaps	250,000
B	Long 100 December 2013 5.50 puts	(164,379)
C	Long 250 December 2013 6.50 calls	518,800
Position	**Central Clearing Counterparty**	**Delta**
D	Short 150 December 2013 futures	(750,000)
E	Short 100 December 2013 5.50 puts	(164,384)
F	Short 25 March 2013 6.91 puts	59,762
G	Short 25 March 2013 6.91 calls	(65,199)
H	Short 25 July 2013 6.92 puts	57,717
I	Short 25 July 2013 6.92 calls	(65,199)

Definitions of fields used in the below illustrations:

Underlying Group – the underlying commodity upon which the position is based.

Positions Included – the positions from the above portfolio that are included in each line. This really helps to illustrate how the netting described is working.

Contract Month – the delivery month of the underlying on which the position is based.

Option Type – Call, Put or, in the case of swaps and futures, N/A for the position shown.

Strike – The strike price for the position shown.

Delta – the underlying equivalent size of the position expressed here, not as futures equivalents, but notional quantity (i.e., Notional Delta). In this illustration using corn, the delta is expressed in bushels. To derive the futures contract equivalent size, simply divide the number shown by 5000.

Spot Price – in this case, the spot price of corn used in the calculations as prescribed by the proposed rules.

<u>Delta Notional</u> – derived by multiplying Delta * Spot Price. This is the notional value of the based upon the delta as prescribed to do in the *Amendment to the Capital Accord to incorporate market risks* page 31 under Delta-plus method.

<u>15% Net Charge</u> - this calculation only applies to the net remaining position and is the capital charge for directional risk. It is derived by multiplying to total net Delta Notional by 15%.

<u>3% Gross Charge</u> – this value is derived by multiplying the absolute value of Delta Notional by 3% per line item. This is the only charge which will vary between the examples below and is dependent upon what is allowed to offset/net.

(i) Standardized Approach with <u>no</u> offsetting – Same methodology used in Row 1 of the comment letter

Underlying Group	Positions included	Contract Month (MMM-YY)	Option Type	Strike	Delta	Spot Price	Delta Notional	15% Net Charge	3% Gross Charge
Corn	A	Dec-13	N/A	0	250,000.00	5.9975	$ 1,499,375.00		$ 44,831.35
	C	Dec-13	Call	6.5	518,800.17	5.9975	$ 3,111,504.00		$ 93,345.12
	B	Dec-13	Put	5.5	-164,379.00	5.9975	$ (985,863.08)		$ 29,575.89
	D	Dec-13	N/A	0	-750,000.00	5.9975	$ (4,498,125.00)		$ 134,943.75
	E	Dec-13	Put	5.5	164,383.79	5.9975	$ 985,891.79		$ 29,576.75
	F	Mar-13	Put	6.91	59,761.61	5.9975	$ 358,420.27		$ 10,752.61
	G	Mar-13	Call	6.91	-65,198.86	5.9975	$ (391,030.18)		$ 11,730.91
	I	Jul-13	Call	6.92	-67,119.50	5.9975	$ (402,549.20)		$ 12,076.48
	H	Jul-13	Put	6.92	57,716.57	5.9975	$ 346,155.12		$ 10,384.65
Corn Total				**Net Total**	3,131.62	5.9975	$ 18,781.89	$ 2,817.28	$ 377,217.50

(ii) Standardized Approach offsetting exact same Commodity, Month, Strike, Put/Call – Same methodology used in Row 2 of the comment letter

Underlying Group	Positions included	Contract Month (MMM-YY)	Option Type	Strike	Delta	Spot Price	Delta Notional	15% Net Charge	3% Gross Charge
Corn	F	Mar-13	Put	6.91	59,761.61	5.9975	$ 358,420.27		$ 10,752.61
	G		Call	6.91	-65,198.86	5.9975	$ (391,030.18)		$ 11,730.91
	H	Jul-13	Put	6.92	57,716.57	5.9975	$ 346,155.12		$ 10,384.65
	I		Call	6.92	-67,119.50	5.9975	$ (402,549.20)		$ 12,076.48
	A, D	Dec-13	N/A	0	-500,833.15	5.9975	$ (3,003,746.82)		$ 90,112.40
	B		Put	5.5	4.79	5.9975	$ 28.71		$ 0.86
	C		Call	6.5	518,800.17	5.9975	$ 3,111,504.00		$ 93,345.12
Corn Total				**Net Total**	3,131.62	5.9975	$ 18,781.89	$ 2,817.28	$ 228,403.03

(iii) Standardized Approach offsetting within same commodity and expiry – Same methodology used in Row 3 of the comment letter

Underlying Group	Positions included	Contract Month (MMM-YY)			Delta	Spot Price	Delta Notional Value	15% Net Charge	3% Gross Charge
Corn	F, G	Mar-13			-5,437.25	5.9975	$ (32,609.91)		$ 978.30
	H, I	Jul-13			-9,402.93	5.9975	$ (56,394.09)		$ 1,691.82
	A, B, C, D, E	Dec-13			17,971.80	5.9975	$ 107,785.89		$ 3,233.58
Corn Total				**Net Total**	3,131.62	5.9975	$ 18,781.89	$ 2,817.28	$ 5,903.70