

Commodity Markets Council

Newsletter to Capitol Hill

May 10, 2012



CMC Letter Submissions

CMC Volcker Rule Comment Letter to CFTC

CMC's primary concern with the Volcker Rule is that its implementation would impede commercial end users from accessing capital at reasonable interest rates. While commodities markets were not the primary focus of the Volcker Rule when Congress passed it, the impact on many of the commodity risk management services banks provide to agricultural and energy companies could result in adverse economic consequences. We are concerned commodity-based businesses will be harmed by a reduction in the liquidity currently provided by banks, which are a critical supplier of capital in the commodities markets. Moreover, we believe the restrictions imposed by the Volcker Rule on banks could result in financial activity moving to less regulated parts of the U.S. economy or overseas. Read the letter [HERE](#).

Coalition Letter to CFTC on Requirements for DCOs, DCMs, and SEFs Public Directors Definition

CMC was part of a coalition that submitted a letter to the CFTC urging the Commission to maintain the public director standards currently applicable to designated contract markets ("**DCMs**"), and apply the same standard to Swaps Executions Facilities (SEFs) and derivatives clearing organizations ("**DCOs**"), instead of expanding the disqualifying factors to include employment by or compensation from a member. The Proposed Rule seeks to materially revise the current definition of "public director" in relation to DCMs and apply the revised requirements on SEFs and DCOs. This movement away from the current standard is not mandated under the Dodd-Frank Act of 2010 ("**DFA**"). Click [HERE](#) to read the letter.

Updates on MF Global

CMC Provides Industry-Wide Recommendations at Senate Roundtable on MF Global

At a lengthy roundtable discussion, CMC provided recommendations on appropriate industry, regulatory, and legislative responses to the MF Global bankruptcy. Because of CMC's leadership around town on this issue, we were one of four participants invited to present at this event conducted by Sen. Stabenow (D – MI), Chairwoman of the Senate Agriculture Committee. Former CFTC Commissioner Mike Dunn moderated the two-hour event. To view CMC complete list of recommendations click [HERE](#).

Evaluating Your FCM

In an effort to share intelligence, CMC and partner organizations have gathered in the aftermath of MF Global to offer workshops as a service to our membership and to the industry at large. More information on these events will be available on our blog, [Compendium](#).

Trustee Giddens Proposes Insurance for Customers; Industry Opposes

According to an article in the Los Angeles Times last week, Chicago Mercantile Exchange (CME) CEO Terry Duffy, which was an overseer of MF Global, disagreed with a proposal made by MF Global Trustee James Giddens to create a customer insurance fund protecting their money from Futures risks moving forward. Mr. Duffy explained such a fund, estimated at \$158 billion, would be too costly in lost liquidity as well as overall costs to customers. Click [HERE](#) to read the full article.

Independent Prosecutor Sought for MF Global Investigation

On May 3, Reuters reported that U.S. Representative Michael Grimm (R-NY-13) circulated a letter to colleagues asking Attorney General Eric Holder to step aside, and appoint an Independent Prosecutor to lead the criminal investigation into the actions which led to MF Global's bankruptcy in fall 2011. To read the full article, please click [HERE](#).

Giddens Suing MF Global UK for \$700 million

Bloomberg News reports that MF Global Trustee James Giddens last week filed a lawsuit in the UK suing MF Global for the release of an estimated \$700 billion. Mr. Giddens has done this to gain access to money which could cover at least some of the losses customers experienced after MF Global declared bankruptcy in November 2011. To read the entire story, click [HERE](#).

Customers of MF Global

The Wall Street Journal reports that many former customers of MF Global have either received a portion of the money they placed in the segregated accounts or none of it. This includes U.S. based investments as well as foreign-based investments. Click [HERE](#) to read the article.

Commodity Markets Council

Newsletter to Capitol Hill

May 10, 2012



MF Global Useful Links

- [SIPA Liquidation of MF Global Inc.](#), Trustee Information
- [CFTC: MF Global Resources](#)
- [CME Group: MF Global Resources](#)
- [CMC Recommendations](#)
- [FIA: FAQs on Protection of Customer Funds](#)

Other News

CME Receives 90-Day Delay to Implement Margin Rules

The Commodity Futures Trading Commission (CFTC) which regulates Futures Trading granted this rules delay, which are written to assist in implementing the wide-ranging Dodd-Frank Financial Reform Law. These rules will require traders to increase the amount of money they deposit to guarantee their transactions which are regulated as futures or swaps. The rules will now be implemented August 5, 2012. To read the entire article, please click [HERE](#).

U.S. Regulators Increasing Scrutiny of “High-Frequency” Traders

Reuters reported April 30, that “high-frequency” traders, those making thousands of trades in seconds on exchanges will face increased scrutiny from regulators. This scrutiny has been increasing since the May 6, 2010 “flash crash” when high-frequency trades caused the Dow Jones to fall 800 points in only minutes. This increased scrutiny is meant to limit potentially catastrophic market events in the future. An unintended consequence, but logical step on the part of traders, is to move these “high-frequency” trades to other less regulated markets both in the United States and abroad. Click [HERE](#) to read the article.

Stocks Rose in April, Including Soft Commodities

According to analysts, the price of soft commodities increased after four quarters of declines as international grain and oilseed processing in North America increased. In particular Archer Daniels Midland (ADM) gained 5.1 percent in value over the month of April. During April the Dow Jones grew just over half-a-percent (.6 %) which is related to a better-than-expected manufacturing report. This Dow Jones increase includes soft commodities as well as energy related commodities. Click [HERE](#) to read the article.

Quick Links

Data

- CME Group [Energy Monthly Review](#): Here is a global trading summary of the energy markets.
- CME Group [Ag Monthly Review](#): This is a global trading summary of the Grain, Oilseed and Livestock Markets.
- CME Group [Metals Monthly Review](#): This is a global trading summary of the metals markets.
- CFTC: [Financial Data for FCMs](#)
- CFTC: [This Month in Futures Markets](#), April
- CFTC: [Commitment of Traders](#)

Upcoming Events

CFTC to Hold Public Meeting on Thursday, May 10

The CFTC will hold a public meeting on Thursday, May 10, 2012, at 9:30 a.m., to consider a Final Rule on Core Principles and Other Requirements for Designated Contract Markets and a Proposed Order Amending the Effective Date for Swap Regulation. For viewing and listening information, click [HERE](#).

National Press Club Luncheon: CFTC Chairman Gensler

Gary Gensler, chairman of the CFTC, will address the National Press Club at a luncheon on Tuesday May 15. For registration information, click [HERE](#).

Mark Your Calendar: CMC’s State of the Industry 2013

[Save the Date!](#) State of the Industry 2013 will be held January 27-29, 2013 at the St. Regis Bal Harbour, Miami, Florida. Mark your calendar today! CMC offers discounted rates for Hill staff and government employees.