08-9

COMMENT

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To whom it may concern,

I have been involved in Cocoa in many guises including a Futures broker, cocoa merchant and a cocoa processor for some 30 years. For over 15 years I have served on Business Conduct Committee of the now ICE. I have survived and thrived in the constant change of commodities. I will say that the proposed change to Regulation 1.38 strikes at the core foundation of the Futures markets and I would suggest subject to regulatory abuse.

As the commission is aware over the past 5 years the US Commodity Exchanges have moved from member held not for profit organizations to public companies that are responsible to shareholders and not market participants. My experience is limited only to ICE who has a Board that has limited commodity experience and a management team that has even less. To entrust ICE or other Exchanges to interpret "trading should take place on centralized market unless there is a compelling reason to allow certain transactions to take place off the centralized market" is absurd as their motivation is clearly to increase volumes and revenues. It is true that not all Exchanges are equal and unfortunately, my only direct and primary experience is only ICE. With this said all US Commodity Exchanges to some degree have increased volumes, market hours, days of trading and the extension of trading months. Trading over bank holidays I believe subjects FCMs and the Clearing House to unnecessary risks. In smaller markets one already experiences a lack of liquidity and increase of volatility brought about by extended trading hours and days. I can only see block trading worsen the situation further.

There are several reasons put forward for allowing block trading of which market disruption brought about by large orders tops the list. All market participants wish to have an orderly market abut the temporary disruption caused by large orders is insignificant to a market that moves sharply on little or no volume. Given the extraordinary times we have lived through this past year there is no such thing as a large order any more. Any removal of volume from the market participants given the time the markets are open is detrimental to the markets. I clearly see no reason to allow block trading.

One has seen clearly in the Equity and Banking sectors today what has been allowed to happen where profit was the only incentive. The Exchanges only interests in the markets are any vehicle that increases volume and thereby profits. The Exchanges are not exposed to risks as the FCMs assume it via the Clearing Houses. I am NOT in favor of block trades but to allow the Exchanges to determine when it is allowed is putting the Fox in the chicken coup. If the Commission believes in block trading it should define the use of block trading in terms of regulation rather than as a guideline. In this areas I would suggest the Commission seeks advice from Exchange product committees or trade organizations directly rather than the Exchanges. These committees and organization have market participants who use and need the market place to be healthy rather than looking for profits through higher volumes. I am available for any comments, questions etc. at jlelliott@admis.com.

Thank you. Jeff Lelliott