

## To : The ``Agencies''

I would like to address the change in the motives of the Board of directors on the large commodity exchanges.

I have been a floor broker on NYBOT/ICE for over twenty years. I trade for myself and also execute customer orders. I am not a bitter floor trader who hates new ideas. A large portion of my net worth is invested in exchange stocks including ICE, CME, NYSE, and NASDAQ. I am not against them. I am rooting for their success.

However, we must acknowledge that the officials and executives of these exchanges do not automatically know what trading rules and conditions are in the best long-term interest of their market users. In particular, they often fallaciously assume that the characteristics of one big successful marketplace can be transferable over to all, even much smaller, markets, without any loss of utility.

. The problem is, today's exchanges are very different than a few years ago. With IPO's and mergers, all the major exchanges now answer to the share holder, not the marketplace. In fact, some if not all of the boards have a **fiduciary responsibility to the share holder**, not the marketplace.

In addition, some of the people making these decisions, at both the board and exchange level, are new to the commodities industry and largely make their decisions based on the requests of large influential customers (**under the ethos of the customer is always right**), in some cases, going completely against the recommendations of the experienced product committees. The recent turmoil in the banking industry shows us the result of such short-sighted and one-way thinking.

I believe the only logical answer is to ask the product committees to be actively involved in making recommendations directly to the cftc. These committees, representing a diverse range of market user, better than any other group, understand the roles played by the different trading communities. They were specifically put together to deal with issues that impact a broad range of stakeholders.

Most, if not all, participants would agree that the committee members are generally career-users of the markets who have a vested interest in promoting and retaining their liquidity and efficiency. They are usually/often not paid for their services as committee members and as such have independence from the exchanges themselves. They voluntarily offer their expertise for the collective benefit of all market-users. Proponents of particular policies have to argue their case and win collective support before recommendations are made to the BOD. As specialist professionals within their field, they need a healthy market with depth and liquidity in order to conduct their businesses. As such, they will seek solutions that benefit the marketplace as a whole and ensure its long-term

transparency and competitiveness, rather than representing powerful special interest groups. They should be able to determine if position limits or other adjustments to their markets are necessary to make the markets function as transparently as possible.

I would also like to comment on Trading off the centralized market place.

I quote, in part, Regulation 1.38 “trading should take place on the centralized market unless there is a compelling reason to allow certain transactions to take place off the centralized market.” Whoever makes the decisions to allow non-competitive trading should be required to give a compelling reason for doing so to the CFTC for review.

In the last few years communication between brokers and customers has reached a new level. With instant messaging, cell phones and texting, a broker can contact virtually all his customers at once, to make them aware of market changes as they are happening. Today’s markets should be more accessible and transparent than ever before, but somewhat ironically, by allowing non-competitive trading, we are hurting the very transparency we seek to foster. I am confident the CFTC had good reasons for implementing non-competitive trading, but are those reasons still “compelling” in the current environment?

I would like the CFTC to implement regulations on non-competitive trading, not guidelines that are easily translated to fit an agenda. The CFTC should post clear definitions about what they believe the purpose of a block trade is, and what is meant by “large order”.

Thank You  
Patrick Walls

I am available for comment.

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