



**VIA FEDERAL EXPRESS**

April 16, 2001

SECURITIES AND EXCHANGE COMMISSION  
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APR 17 2001

Mr. Michael A. Macchiaroli  
Mr. Mark M. Attar  
United States Securities and Exchange Commission  
450 5<sup>th</sup> Street, N.W.  
Washington, DC 20549

DIVISION OF MARKET REGULATION

Dear Messers. Macchiaroli and Attar:

Re: Relief from the Short Option Value Charge for Certain  
Institutional Customers Active in the Energy Markets

As we have discussed, Man Financial is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and as a futures commission merchant with the Commodity Futures Trading Commission ("CFTC"). In connection with our business, Man Financial provides institutional and private clients with a range of brokerage services, including execution and clearing of futures, options, and securities traded on Exchanges globally. A significant portion of our business is derived by executing and clearing hedging transactions in energy-related commodity futures options for certain large institutions that either directly or through affiliates, produce, purchase, transport, or sell energy products.

In accordance with subparagraph (a)(3)(x) of Appendix B to Rule 15c3-1 under the Securities Exchange Act of 1934 (the "Exchange Act"), Man Financial is required to take a short option value charge. The short option value charge requires that a broker-dealer, when calculating net capital under Rule 15c3-1, deduct from its net worth four percent (4%) of the market value of commodity options granted (sold) by option customers on or subject to the rules of a contract market.

With regard to these clients, Man Financial is often required to deduct significant percentages of its net worth pursuant to the short option value charge. However, Man Financial would not be required to take such charge if it filed exclusively as a futures commodity merchant. Such energy option contracts are traded on the New York Mercantile Exchange ("NYMEX") over which the CFTC has regulatory oversight.

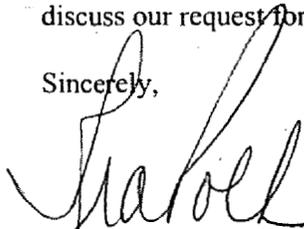
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Note that approximately 90% of Man Financial's short option charge are concentrated in less than 10 well capitalized, highly-rated institutions, or affiliates thereof, that generally sell commodity options to reduce the effects of changes in the selling prices of crude oil, natural gas and other refined products. The risks associated with short options transactions executed by these institutions is actively monitored and controlled by Man Financial on a daily basis.

In accordance with NYMEX rules, each account is margined using the SPAN methodology and both original and variation margin pays/collects are settled daily. In addition, each account is stress tested daily for market volatility.

We request exemption from the 4% short option charge for the large energy hedger. We find ourselves disadvantaged having to use significantly more capital than our FCM competitors for the same business. We appreciate your consideration, and are available at your convenience to discuss our request for relief.

Sincerely,

A handwritten signature in black ink, appearing to read "Ira Polk", written in a cursive style.

Ira Polk  
Chief Financial Officer