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secretary

From: Daniel Schaffer [ds_4986@yahoo.com]
Sent: Tuesday, November 04, 2008 4:46 PM
To: secretary
Subject: "Proposed Rules for Trading Off the Centralized Market"

COMMENT

To Whom It May Concern,

Hello, my name is Daniel Schaffer and I am an options market maker in cocoa, orange juice, cotton, and coffee for Prime International Trading, Ltd. I would like to take just a few minutes of your time to discuss block trading. During the previous two years I have done most of my trades in the cocoa market. I noticed that once the block trading began the liquidity in that market got significantly worse. The blocks became increasingly prevalent, this only exacerbated the problems. A couple of months ago, I believe in September, blocks accounted for 28% of options volume for that month. This led ICE to increase the minimum block size from 100 to 200 lots. This has not seemed to make much difference.

Over the last six months there have been several traders who have exited this market. I also know that myself as well as several others will be leaving after the next expiration. The way that I personally see what happened is a few players are giving the ability to make some trades that others aren't. Now, instead of 15 to 20 traders competing with each other you have 3 or 4. With this diminishing amount of competition comes the increase in liquidity issues (futures and options). These issues have become so severe I no longer wish to participate in that market. And so the vicious cycle continues.

The prevailing logic appears to be the larger the market the larger the minimum block size. However, what this does not account for is that the smaller markets already have liquidity issues, which are only exacerbated by small block sizes.

Thank you for your time and consideration. Have a good day.

Daniel Schaffer