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June 10, 2009

David A. Stawick, Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington DC 20581

COMMENT

Re: Concept Release - Elimination of Bona Fide Hedge Exemption for Certain Swap Dealers

Dear Mr. Stawick:

MF Global Ltd.[1] appreciates the opportunity to submit this responsive comment to the "Concept Release on Whether to Eliminate the Bona Fide Hedge Exemption for Certain Swap Dealers and Create a New Limited Risk Management Exemption from Speculative Position Limits," published in the Federal Register on March 24, 2009.

MF Global's role as a leading participant in many of the world's exchanges provides us with a unique appreciation for the value of efficiently functioning markets. We understand the economic value associated with market practices that promote price discovery in order to serve the risk management needs of the disparate groups of market participants whose trading and transactions flow through the over-the-counter and exchange-traded markets to provide necessary market balance and efficiency.

If implemented in its current form, the Commission's proposal will, for the most part, adversely affect non-hedgers, who provide much of the liquidity to the market.[2] This liquidity in turn promotes effective price discovery in the form of narrow bid-offer spreads and high volumes. In this respect, the non-hedging entities such as speculators and other financial entities function as "aggregators of liquidity" that are available to take the opposite side of hedger transactions and provide liquidity needed by commercial processors, producers or users of the underlying commodities.

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[1] MF Global Ltd. is a leading broker of exchange-listed futures and options with offices in Bermuda, New York, London, Chicago, Paris, Mumbai, Singapore, Sydney, Toronto, Tokyo, Hong Kong, Taipei and Dubai. We provide execution and clearing services for exchange-traded and over-the-counter derivative products as well as for non-derivative foreign exchange products and securities in the cash market. MF Global operates across a broad range of trading markets, including interest rates, equities, currencies, energy, metals, agricultural and other commodities. MF Global operates in 12 countries on more than 70 exchanges, providing access to the world's largest and fastest growing financial markets.

[2] Bona fide hedgers will also likely be adversely impacted if the proposal is implemented in a form that reduces or restricts the allowable positions held by either individual hedgers or swap dealers holding positions on behalf of hedgers.

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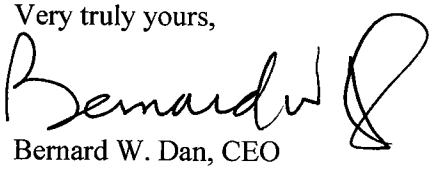
The elimination of the availability to dealers and funds and their clients of a bona fide hedge exemption will likely have a negative effect on domestic markets, leading to a decline in overall domestic transactional activity and a migration of trading activity to markets outside of U.S. regulatory ambit; in turn leaving domestic markets susceptible to decreased liquidity and increased volatility and, as a result, higher prices and wider bid/ask spreads. As a result of decreased market liquidity and the resulting wider spreads, the remaining U.S. market participants – likely to be smaller commercial users and processors unable to access international markets – will be subjected to increased hedging costs. Ultimately these increased costs will be passed on to the U.S. consumer in the form of higher energy and food costs. Further, the decreased market liquidity and resulting increase in price volatility and less predictable returns on investment will tend to deter capital investment in alternative energy sources as well as cause producers, processors and other users of commodities to forego the protection afforded by the ability to hedge on U.S. markets.

If remedial action is determined to be necessary to address or prevent market manipulation or to add transparency to the markets, it should be in the form of increased position reporting by non-hedgers and more effective and comprehensive analysis and publication of market data by the exchanges and the Commission.

Therefore, while we are appreciative of the Commission's leadership in addressing certain aspects of the current economic crisis and are supportive of any change that increases the efficiency of the markets' price discovery and liquidity mechanisms, we do not believe that the drastic step of eliminating the bona fide hedge exemption proposed in the Concept Release is the best approach to bringing greater transparency and accountability to the marketplace or that it, when balanced against its potential deleterious effects on market liquidity and the U.S. consumer, is justified under the present circumstances.[3] Accordingly, we urge the Commission to consider, as an alternative, reporting-based solutions to achieve the goals of promoting market efficiency and transparency and preventing market manipulation.

Again, MF Global Ltd., its subsidiaries and I appreciate the opportunity to comment on the Concept Release. If any member of the Commission or its staff has any questions concerning the matters discussed in this comment, please contact me or Howard Schneider, our General Counsel.

Very truly yours,



Bernard W. Dan, CEO

[3] Accordingly, we have limited the scope of this comment to the likely effects of the elimination of the bona fide hedge exemption. If the Commission nevertheless proceeds with the replacement of the bona fide hedge exemption with a limited risk management exemption, we respectfully request the opportunity to offer further comment as appropriate.