

November 30, 2011

The Honorable Debbie Stabenow
Chair
Committee on Agriculture, Nutrition
and Forestry
328A Russell Senate Office Building
Washington, D.C. 20510

The Honorable Pat Roberts
Ranking Member
Committee on Agriculture, Nutrition
and Forestry
328A Russell Senate Office Building
Washington, D.C. 20510

Dear Chairman Stabenow and Ranking Member Roberts:

The undersigned organizations are writing to express our strong concern over the consequences of the MF Global bankruptcy situation. Many farmers and grain merchandisers are being deeply affected by the MF Global bankruptcy. Producers and agribusiness firms that rely on exchange-trading to facilitate risk management, as well as the lending institutions that support them, have had their confidence shaken in recent days. We have always believed that the risk to customer funds when trading on-exchange was virtually zero. Now, we see that is not the case. Respectfully, we request your attention, and that of the committee, to the following issues.

Right now, many former MF Global customers are struggling to manage impacts of the bankruptcy: having their futures accounts transferred, gaining access to funds, and understanding how and why various adjustments to account balances take place. There is a dearth of information on which customers can rely to resume normal trading and risk management activities.

Many customers have significant amounts of cash that remained in MF Global accounts tied up with the SIPA trustee. We strongly believe that these customers, who held funds in supposedly protected segregated accounts, should receive first priority in distributions of funds by the trustee. We ask for your assistance in making it clear that customers' commodity segregated funds must receive highest priority in the hierarchy of claims as the trustee distributes funds, and not be considered unsecured creditors.

In addition, we ask for the committee's review of the protections in place that were intended to protect customer funds. What were those requirements? How often were accounts audited, and who was responsible for auditing and enforcing compliance? Were these requirements administered properly and in a timely way immediately prior to the MF Global bankruptcy filing? These and other questions need to be examined.

Perhaps most importantly, changes may be needed to begin restoring confidence in future use of exchange-traded risk management tools. Weaknesses in customer protections brought to light by MF Global's failure have left customers unsure of whether segregated funds will continue to be fully available at other clearing firms. It may be that some other entity should be responsible for holding and safeguarding segregated customer funds – rather than a clearing firm, should the clearinghouse or the exchange itself or some independent third party perform that role? Should SIPC insurance be expanded to provide coverage for commodities as well as securities? Are

changes needed in the ways segregated customer funds are allowed to be invested? Should exchanges bear some legal responsibility for customer funds lost in the case of bankruptcy and/or malfeasance by a clearing member? We make no judgments or recommendations on these questions, but the issues need to be examined carefully and quickly.

Ultimately, our goals are twofold: to pursue all possible actions that will ensure that assets of MF Global customers will be returned quickly and to make sure this situation never recurs. The U.S. agricultural sector relies heavily on regulated exchanges for risk management. The ability of both commercial and producer hedgers to use futures markets to manage price risk depends on lenders agreeing to meet margin calls, which demands full confidence by all lenders in the safety of those funds. We must be confident the system works, that it properly safeguards customer funds, and that customers can have full confidence in continuing to utilize exchange-traded tools. We deeply appreciate your attention and your assistance.

Sincerely,

AgriBank, FCB
AgStar Financial Services, ACA
American Farm Bureau Federation
American Soybean Association
CoBank, ACB
Commerce Bank
Commodity Markets Council
Farm Credit Services of America
Independent Community Bankers of America
KeyBank Agribusiness
National Association of Wheat Growers
National Barley Growers Association
National Chicken Council
National Corn Growers Association
National Grain and Feed Association
National Pork Producers Council
National Sunflower Association
Pet Food Institute
US Canola Association

cc: Members of Senate Committee on Agriculture, Nutrition and Forestry