FEDERAL HOUSING FINANCE AGENCY
Office of the Director

December 3, 2010

Gary Gensler
Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st St. NW
Washington, DC 20581

Dear Chairman Gensler:

The Federal Housing Finance Agency (FHFA) welcomes the opportunity to comment on the Commodity Futures Trading Commission (CFTC) notice of proposed rulemaking on Investment of Customer Funds and Funds Held in an Account for Foreign Futures and Foreign Options Transactions. Our comments relate to proposed amendments to regulations 1.25 and 30.7, concerning eligible investments by futures commission merchants or derivatives clearing organizations. As the regulator of the Federal Home Loan Bank System and the regulator and conservator of Fannie Mae and Freddie Mac, who likely will increasingly be large customers of these organizations in the future, we are interested in ensuring that customer funds are treated safely and securely.

FHFA supports subjecting all institutions to appropriate market discipline. To that end FHFA supports the CFTC's effort to evaluate securities based on their inherent risks rather than speculation about the actions of third parties such as the federal government or state governments. To keep credit and liquidity risk to a minimum, the CFTC may wish to consider limiting eligible investments to securities backed by the full faith and credit of the United States government. If the CFTC chooses to expand the list of eligible investments beyond those backed by the full faith and credit of the United States government, then FHFA encourages the CFTC to consider more specific criteria for eligible investments that meet the fundamental objectives of preserving principal and maintaining liquidity. Market participants would still be expected to perform due diligence with respect to market and credit risks, and the CFTC could set further prudential limits within the group of eligible investments as necessary.

FHFA notes that the CFTC's proposed list of eligible investments may not always be consistent with rankings based on credit and liquidity risk. For example, municipal bonds and jumbo certificates of deposits are often illiquid, and bear idiosyncratic credit risks that may be difficult for investors to analyze, whereas the debt of the housing government sponsored enterprises is highly liquid. The Basel Committee on Banking Supervision's recent guidelines on eligible investments for liquidity may provide additional useful information.

1700 G Street, N.W., Washington, D.C. 20552-0003 • 202-414-3800 • 202-414-3823 (fax)

I appreciate the opportunity to bring these issues to your attention. Please do not hesitate to contact me or Pat Lawler of my staff at (202) 414-3746.

Thank you for your consideration.

Sincerely,

Edward J. DeMarco

Edward J. DeMarco
Acting Director