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From: Mike Cottee

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To: Client Money

Subject: submission

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Submissions on client monies

Risks in trading futures are meant to relate to the trading itself, not to the security of the margin deposits. This has been a recurrent theme of brokers and exchanges since I began trading in 1999 (with the failed Tricom group). I've only ever traded the Spi and never had a margin call. And for the past year I've had a complete break from trading. Yet, as a futures client of failed MF Global Australia, my margin monies are still tied up.

Reports of the MFGA administrators depict a financial fishing tangle. Open positions, counterparties, clearing houses, executing brokers, liquid and illiquid contracts, disputes with administrators in other countries, efforts to retrieve records offshore and on it goes.

This situation shows that the supposed safeguards offered by pooling margin monies are flimsy at best, and that the need to replace segregated pools of margin monies with individual client trust accounts is urgent. This is the main point of my submission.

Furthermore, orders executed by Australian brokers need to be cleared and settled within the Australian regime.

The current state of affairs diminishes Australia as a provider of world-class financial services and may well lead to the unnecessary loss of hundreds of millions of dollars of national wealth, both through migration of accounts to offshore brokers like interactivebrokers.com and through the direct loss of client monies in pools handled by failed brokers like MFGA.

Yours sincerely,

Mike Cottee