



**KANSAS CITY
BOARD OF TRADE**

CLEARING CORPORATION

February 14, 2011

SENT VIA AGENCY WEBSITE

Mr. David Stawick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Information Management Requirements for Derivatives Clearing
Organizations RIN 3038-AC98

Dear Mr. Stawick:

In response to your request for public comments on Information Management Requirements for Derivatives Clearing Organizations, the Kansas City Board of Trade Clearing Corporation ("KCC") offers the following:

Overall, we question the necessity of the level of detail and volume of reports required to be submitted to the Commission as proposed in this rulemaking. The role of the DCO is a front-line self-regulatory registrant focused on the efficient processing and management of information and associated risk. Our perception of the role of the Commission is an oversight role to insure adherence to logical and practical procedures for accomplishing such front-line regulatory goals. The prescriptive nature of the proposed regulations appear to shift the role of the Commission to that of a front-line regulator. This is troublesome to us in that many of the prescriptive deadlines are based on arbitrary triggers and timeframes that have the effect of creating unnecessary work and burdens for DCOs as opposed to core requirements that serve to efficiently address any concerns that may arise at a DCO.

In our comments below, we will attempt to provide more specificity to our above assertions:

Proposed Regulation 39.19 Reporting Requirements by DCO on a daily basis. KCC currently submits to the Commission trading activity and positions by each clearing member by origin on a daily basis in file formats prescribed by

the Commission. KCC also participates in the Shared Market Information System (SHAMIS) where variation margin data (including options premium payments) can be interpreted over participating Exchanges. The Commission has previously required KCC to report margin requirements by Clearing Members, by origin on an end of month cycle. All of the Daily proposed reporting requirements of 39.19(c) are to varying degrees already made available to the Commission. KCC is concerned about the increasing level of detailed information proposed to be collected by the Commission in specified formats and we question the necessity of this increasing level of detail in conducting an oversight role. Further, the timeframes for compliance with specific Commission data formats are always a challenge in terms of the redeployment of technology resources. We therefore request that the Commission reconsider the amount and detail of information necessary for its oversight role, mindful of the DCOs procedures for accomplishing much of the Commission's intended use of the information.

Proposed Regulation 39.19 Reporting Requirements by DCO on a Quarterly Basis. The Commission recently proposed Regulation 39.11(f) under which at the end of each fiscal quarter, DCOs would be required to report financial resources to the Commission plus sufficient documentation in determining methodology and valuation of financial resources. Proposed Regulation 39.19(c)(4)(i) would require the reports necessary for 39.11(f) as well as significant decreases in financial resources. The Commission is proposing 10 percent as the target percentage drop in total financial resources currently used by the DCO both in comparison with the last reported fiscal quarter and comparison to the previous day. The Commission is proposing a detailed explanation and reevaluation of financial resources no later than one business day following the proposed 10 percent decrease. This arbitrary and burdensome percentage trigger does not take into consideration many non-problematic factors in the ordinary course of business that can have an effect on the level of financial resources. Specifically, changes in the level of excess permanent margin deposited by clearing members, changes in a DCOs minimum margin requirements on contracts, changes in the level of the guarantee pool required of clearing members, and changes in the level of assessments that can be levied against clearing members in the event of a default. Proposed Regulation 39.19(c)(4)(xiv) would require DCOs to notify the Commission of certain events and situations that may affect the financial integrity of the DCO. This requirement in combination with Regulation 39.11(f) seems to not only provide the Commission with sufficient information regarding financial resources, but also requires notification to the Commission of any significant reduction in such that might affect the financial integrity of the DCO. Accordingly for the reasons detailed above, we find the proposed 10% reporting trigger potentially burdensome and duplicative.

Proposed Regulation 39.19(c)(4)(v): Requires DCOs to report to the Commission in the event of an intraday margin call. Currently KCC makes the

Commission aware that a call has been made and when all funds have been collected. The Commission will ask that the report be submitted in a timely fashion but also in a format not yet identified. Here again we question the necessity for a specific format of detailed information to confirm the initiation and collection of funds transferred in the ordinary course of business. As the front-line regulator, KCC historically has notified Commission staff of such. We question the necessity of an oversight agency's duplication of detailed intra-day information which is merely an advance of some or all of the end-of-day settlements.

Proposed Regulation 39.19(c)(4)(vii) – (ix): Requires DCOs to report situations where a clearing member's position must be reduced, transferred or liquidated, or where the clearing member defaults. KCC believes these situations already fall under the requirements of Regulation 39.19(c)(4)(xiv), and as such are duplicative.

Proposed Regulation 39.21(c): Requires public disclosure of any information relevant to participant in the clearing and settlement activities of the DCO. While KCC already makes much of the proposed required information available on the KCBT website, we take issue with the requirement of disclosing the composition and value of financial resources. KCC's default procedures rules are already made public. However, as a private and wholly-owned subsidiary corporation, KCC's proprietary financial and capital information is not publicly available. Further, due to the daily changes in certain parts of the financial resources package, it is impractical to make public or submit to the Commission the information required by these proposed Regulations.

Proposed Regulation 39.19(c)(4)(xi): Requires DCOs to report to the Commission the departure or addition of persons who are key personnel no later than two business days following such change. While we concur with the Commission's interest in knowing about this type of event, we question the necessity of a specific time deadline. Perhaps the phrase, "DCOs should notify the Commission within a reasonable period of time of any changes in key personnel." Failure to report changes in personnel should not be considered a breach of core principles.

Proposed Regulation 39.19(c)(4)(xii): Requires DCOs to notify the Commission of changes in the credit funding facility if one is in place. As stated before, we believe this situation (in the case of significant reductions) already falls under the requirements of Regulation 39.19(c)(4)(xiv), and as such is duplicative.

Proposed Regulation 39.19(c)(4)(xiv): Requires DCOs to notify the Commission of certain events and situations that may affect the financial integrity of the DCO. KCC agrees with the proposed rule, affording DCOs the discretion

in determining which detrimental events or circumstances are sufficiently material to warrant reporting to the Commission.

Effective Date

The Commission's requirements proposed in this notice would become effective 180 days after the date of the final rules published in the Federal Register. Should the Commission make final the prescriptive requirements contained in this proposal, along with required reporting formats, the 180 day implementation timeframe may not provide adequate time to comply with these data formats. Given the unknown nature at this time of any such proposed formats, we are not able to offer a suggested alternative implementation timeframe.

Closing

KCC is hopeful that the Commission will reconsider many of the requirements of this proposal that duplicate the efforts of the front-line self-regulatory DCOs and appreciates the opportunity to comment on the proposed Information Management Requirements for Derivatives Clearing Organizations. If you have any questions please feel free to contact me at 816-931-8964 or csavage@kcbt.com.

Sincerely,

A handwritten signature in cursive script that reads "Charles Savage".

Charles M. Savage
Assistant Vice President and Manager