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March 21, 2011

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

Re: **RIN 3038-AC98 – Risk Management Requirements for Derivatives Clearing Organizations**

Dear Mr. Stawick:


The Commodity Futures Trading Commission ("CFTC") has requested public comment on proposed rules implementing risk management requirements for derivatives clearing organizations ("DCOs") under the Commodity Exchange Act as amended by Dodd-Frank. *See* Risk Management Requirements for Derivatives Clearing Organizations, 76 Fed. Reg. 3,698 (Jan. 20, 2011) (the "Proposed Rules"). MarketAxess Corporation ("MarketAxess") operates a leading electronic trading platform for investment industry professionals that promotes transparency, price discovery, and liquidity in the corporate bond and other markets, including credit default swaps.¹ MarketAxess' current operations are consistent with the CFTC's swap execution facility ("SEF") proposals for trading protocols, price transparency, audit trails, independence² and financial resources.

We are ideally suited to achieve Dodd-Frank's objectives for SEFs and intend to begin operations as a SEF as soon as possible. We therefore have an acute interest in, and appreciate the opportunity to submit public comment on, the CFTC's proposals that affect SEFs.

As amended by Dodd-Frank, the DCO Core Principles will require that a DCO set its margin requirements at a level "sufficient to cover potential exposures in normal markets" by using models and parameters that are risk-based and reviewed on a regular basis. New CEA §§ 5b(c)(2)(D)(iv) and (v). To implement these requirements with respect to initial margin, the CFTC has proposed Rule 39.13(g)(2)(ii). This rule would require a DCO to factor into its models the time that the DCO estimates it would take to liquidate a defaulting clearing member's

¹ MarketAxess Corporation is the principal operating subsidiary of MarketAxess Holdings Inc., a public company. We are regulated as a broker-dealer and as an alternative trading system operator by the U.S. Securities and Exchange Commission and the Financial Industry Regulatory Authority. Our principal offices are located in New York City, and we currently employ approximately 227 persons.

² Although initially a dealer-owned entity, MarketAxess Holdings Inc. is now a public company, with no dealer(s) owning, individually or in the aggregate, more than 20% of MarketAxess' common stock. In addition, MarketAxess' 12-person Board of Directors includes nine individuals who meet the requirements for independence under the rules of the Nasdaq Stock Market.



positions ("liquidation time" or "LT").³ A DCO would have discretion to use a LT as short as one business day for cleared swaps executed on a designated contract market ("DCM"), but would be required to use a LT of at least five business days for cleared swaps not executed on a DCM. MarketAxess appreciates the opportunity to comment on whether these proposed minimum LTs are appropriate. *See* Proposed Rules at 3704.

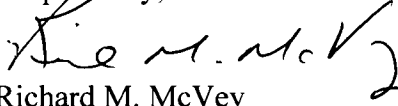
The CFTC may have intended to set the minimum LT for swaps executed on either a DCM *or on a SEF* as one business day. But the text of the rule is not clear on this point. Instead, as written, a DCO would likely require that substantially more initial margin be posted for a particular cleared swap that is executed on a SEF than if the same swap was executed on a DCM.

Consistent with congressional intent of promoting competition between swap markets and the trading of swaps on SEFs, Proposed Rule 39.13(g)(2)(ii) should be revised to set the minimum LT for cleared swaps executed on a DCM *or on a SEF* as one business day. This approach would allow the DCO to use its discretion in selecting the appropriate LT based on the unique characteristics of the particular product or portfolio.

If the CFTC intended to require a minimum LT of five business days for cleared swaps executed on a SEF, we ask that the CFTC reconsider as we see no basis for this disparate treatment, which would place SEFs at a significant competitive disadvantage relative to DCMs and would frustrate congressional intent. Closing-out a cleared swap position in a cost-effective manner should not take more time simply because that swap was executed on a SEF's Order Book or Request For Quote System and not on a DCM. *But see* Proposed Rules at 3704 (suggesting that cleared swaps not executed on a DCM may require five business days to be closed-out in a cost-effective manner whereas cleared swaps executed on a DCM may only require one business day).

We look forward to working with the CFTC to achieve the Congressional objective of promoting competition between swaps markets and swap trading on SEFs. If you have any comments or questions about our comment letter or the SEF issues generally, please contact me or our General Counsel, Chuck Hood, at (212) 813-6053.

Respectfully,



Richard M. McVey
Chairman and Chief Executive Officer
MarketAxess Holdings Inc.

³ Proposed Rule 39.13(g)(ii), in full, reads as follows: "A derivatives clearing organization shall use models that generate initial margin requirements sufficient to cover the derivatives clearing organization's potential future exposures to clearing members based on price movements in the interval between the last collection of variation margin and the time within which the derivatives clearing organization estimates that it would be able to liquidate a defaulting clearing member's positions (liquidation time); provided, however, that **a derivatives clearing organization shall use a liquidation time that is a minimum of five business days for cleared swaps that are not executed on a designated contract market**, whether the swaps are carried in a customer account subject to section 4d(a) or 4d(f) of the Act, or carried in a house account, **and a liquidation time that is a minimum of one business day for all other products that it clears**, and shall use longer liquidation times, if appropriate, based on the unique characteristics of particular products or portfolios." (*emphasis added*).