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By Electronic Mail

September 30, 2011

Mr. David A. Stawick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, D.C. 20581

Re: Customer Clearing Documentation and Timing of Acceptance for Clearing (75 Fed. Reg. 45730 (August 1, 2011)) - RIN 3038-AD51

Dear Mr. Stawick:

New York Portfolio Clearing, LLC ("NYPC") appreciates the opportunity to submit the following comments regarding the above-referenced notice of proposed rulemaking by the Commodity Futures Trading Commission (the "Commission").

NYPC is a registered derivatives clearing organization that is owned equally by NYSE Euronext and The Depository Trust & Clearing Corporation ("DTCC"). NYPC clears U.S. dollar-denominated interest rate futures contracts and cross-margins eligible positions against U.S. Treasury and other fixed income securities and repurchase agreements cleared by DTCC's subsidiary, the Fixed Income Clearing Corporation.

Proposed regulation 1.74(a) would require each futures commission merchant that is a clearing member of a derivatives clearing organization to coordinate with each derivatives clearing organization on which it clears to "establish systems that enable the futures commission merchant, or the derivatives clearing organization acting on its behalf, to accept or reject each trade submitted to the derivatives clearing organization for clearing by or for the futures commission merchant or a customer of the futures commission merchant as quickly as would be technologically practicable if fully automated systems were used."

Similarly, proposed regulation 39.12(b)(7)(i)(B) would require each derivatives clearing organization to coordinate with each clearing member that is a futures commission merchant, swap dealer or major swap participant to "establish systems that enable the clearing member, or the derivatives clearing organization acting on its behalf, to accept or reject each trade submitted to the derivatives clearing organization for clearing by or for the clearing member or



a customer of the clearing member as quickly as would be technologically practicable if fully automated systems were used.”

Consistent with standard practice in the futures industry, and subject to certain exceptions for transfer trades and exchanges of futures for physicals, contracts are deemed accepted by NYPC upon the receipt by NYPC of matched trade data from NYSE Liffe U.S, the designated contract market whose products it clears.¹ Acceptance or rejection of a particular bid or offer would occur at the clearing member level prior to the bid or offer being submitted into NYSE Liffe U.S.’s automated trade matching engine.

As such, NYPC respectfully requests that the Commission clarify in the final rules or in the accompanying Federal Register notice that in circumstances where a derivatives clearing organization automatically receives matched trade data from a designated contract market or swap execution facility on a locked-in basis, as is the case for NYPC, that no further systems development would be required in order to satisfy the above-referenced requirements of proposed regulations 1.74(a) and 39.12(b)(7)(i)(B).

* * *

¹ See NYPC Rule 401 (“Submission of Contracts”).

- (a) The submission of a Contract to the Clearinghouse by or on behalf of the buying and selling Clearing Members shall constitute a request, by such Clearing Members, for the clearing of such Contract by the Clearinghouse. Upon the acceptance thereof by the Clearinghouse, which shall be deemed to occur upon the receipt of matched trade data from the Exchange, the Contract shall be novated and the Clearinghouse shall be substituted as, and assume the position of, seller to the Clearing Member buying such Contract and buyer from the Clearing Member selling such Contract. Upon such substitution, such buying and selling Clearing Members shall be released from their obligations to each other, and the Clearinghouse shall be deemed to have succeeded to all the rights, and to have assumed all the Obligations, of the Clearing Members that were party to such Contracts, in each case as provided in the Rules.
- (b) Notwithstanding the provisions of paragraph (a), the Clearinghouse shall be substituted at the time payment of the Original Margin and Variation Margin due for transfers of Contracts made pursuant to Rule 409 and trades made pursuant to exchanges of futures for physicals, exchanges of futures for swaps or similar transactions is made by or for both Clearing Members.
- (c) Upon the written request of an Exchange, the Clearinghouse may, in its sole discretion, terminate the novation and substitution described above with respect to one or more Contracts upon notice thereof by the Clearinghouse to the relevant Clearing Members. The Clearinghouse shall have no further obligations to such Clearing Members with respect to such Contracts thereafter.
- (d) The Rules shall constitute part of the terms of each Contract submitted to the Clearinghouse.



NYPC appreciates the opportunity to submit these comments in connection with the proposed regulations. If the Commission has any questions concerning the matters discussed in this letter, please contact the undersigned (at 212-855-5210 or wlukken@nypclear.com) or Laura C. Klimpel, NYPC's Chief Compliance Officer and Counsel (at 212-855-5230 or lklimpel@nypclear.com).

Very truly yours,

A handwritten signature in blue ink that reads "Walt L. Lukken".

Walter Lukken
Chief Executive Officer

cc: Honorable Gary Gensler
Honorable Michael Dunn
Honorable Jill E. Sommers
Honorable Bart Chilton
Honorable Scott O'Malia

Division of Clearing and Intermediary Oversight
John C. Lawton, Deputy Director and Chief Counsel
Phyllis P. Dietz, Associate Director
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