



September 30, 2011

Via electronic submission through <http://comments.cftc.gov>

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

Re: RIN No. 3038–AD51 - Customer Clearing Documentation and Timing of
Acceptance for Clearing

Dear Mr. Stawick,

AllianceBernstein¹ strongly supports the proposed rules of the Commodity Futures Trading Commission (the “**Commission**”) on customer clearing documentation and timing of acceptance for clearing (together, the “**Proposed Rules**”) and believes that adoption of these rules in the form proposed is a critical step to promoting open access to execution and clearing by market participants.

AllianceBernstein believes that the proposed rules regarding customer clearing documentation (“**Proposed Documentation Rules**”) would increase open access to execution and clearing of customer transactions on terms that have a reasonable relationship to the best terms available. Conversely, for the following reasons, we believe that the implementation of the FIA-ISDA Cleared Derivatives Execution Agreement (the “**Agreement**”) would have the opposite effect by providing FCM’s with undue influence on a customer’s choice of counterparties. First, implementation of the Agreement would result in the application of executing dealer-specific credit limits (a “**Sub-Limit**”) that would be less than the overall limit set for the customer for all trades cleared through such FCM. Rather than having a large number of executing dealers with small Sub-Limits, customers would likely select a small number of executing dealers with higher Sub-Limits. Second, to the extent that a trade were to exceed a Sub-Limit, a FCM could potentially refuse to increase the relevant Sub-Limit but suggest that the client could execute the same trade with its affiliated trading desk to whom no Sub-Limit would apply. Third, implementation of the Agreement would increase the administrative burden associated with documentation and thus slow down the on-boarding process and encourage customers to narrow their number of executing dealers. This administrative burden would vary depending on the

¹ AllianceBernstein L.P. (“AllianceBernstein”) is a global asset management firm with approximately \$433 billion in assets under management as of August 31, 2011. AllianceBernstein provides investment management services to both institutional and individual investors through a broad line of investment products.


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nature and size of a customer and would most affect large asset managers. Without the framework created by the Proposed Documentation Rules, we are concerned that the Agreement will be forced on customers, result in the conditions described above, and thereby limit open access to execution and clearing.

By coupling the Proposed Documentation Rules with the proposed rules on timing of acceptance for clearing (“**Proposed Timing Rules**”), we believe that the Commission is establishing a market framework that will ensure clearing certainty, create an open and level competitive playing field for execution and clearing services, improve pricing, and maximize access to liquidity for all participants, large and small, including in volatile market conditions. Straight-through-processing, rather than a web of credit dependencies built upon execution documentation that requires designation notices of a customer’s Sub-Limits, is a proven solution for clearing certainty in other cleared derivatives markets, including energy swaps, futures, and listed equity options. The infrastructure necessary for clearing as quickly as technologically practicable (“**Real-Time Acceptance**”) for OTC derivatives clearing is at hand, with offerings from DCOs, FCMs, and SEFs available today or being rolled out in the coming months. On the other hand, the administration of the Agreement requires processes and infrastructure for delivering, tracking, adjusting and monitoring designation notices and Sub-Limits that do not presently exist. It would be less costly, and more efficient, to allocate such resources to finalizing the technological solutions that provide for Real-Time Acceptance. The Commission’s recently proposed phased implementation provides ample time for the market to make final preparations, and no “interim” execution documentation arrangements are necessary.

The benefits to the market of the Proposed Rules are substantial: (i) reduction of systemic risk, (ii) elimination of barriers to entry and greater competition among liquidity providers, clearing members, and execution venues, (iii) enhanced market depth and liquidity, (iv) narrower bid-ask spreads, and (v) access to best execution via the freedom to execute with any counterparty in the market unfettered by unwarranted Sub-Limits. These benefits far outweigh the costs of the Proposed Rules, which are incrementally minimal, since as noted above, the technology for Real-Time Acceptance already exists in other cleared derivatives markets and is already being rolled out for cleared OTC derivatives. In fact, in the absence of the Proposed Rules, substantial costs would be incurred and resources would be needlessly diverted to propping up legacy systems of credit intermediation at the expense of forward-looking technological solutions for clearing certainty.

We appreciate the opportunity to provide comments on the Proposed Rules. Please feel free to call me at 212 969-1348 with any questions regarding these comments.

Respectfully,


James P. Wallin
Senior Vice President

AllianceBernstein L.P.