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## By Commission Website

October 5, 2011

Mr. David A. Stawick  
Secretary  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street, NW  
Washington DC 20581

Re: **RIN 3038-AD51: Clearing Member Risk Management, 76 Fed.Reg. 45724  
(August 1, 2011)**

Dear Mr. Stawick:

Jefferies & Company, Inc. (“Jefferies”) welcomes the opportunity to comment on the Commodity Futures Trading Commission’s (the “Commission”) proposed rules with regard to clearing member risk management, 76 Fed.Reg. 45724 (August 1, 2011).

Jefferies is a wholly-owned subsidiary of Jefferies Group, Inc. (“Jefferies Group”), a global securities and investment banking firm, which has served companies and investors for nearly 50 years. Jefferies Group is a publicly-traded company with a market capitalization of approximately \$3.3 billion and annual revenues of \$2.7 billion (latest twelve months ended August 31, 2011). We currently employ over 3,800 people in offices in more than 30 cities worldwide and our approximately 1,500 sales and trading professionals transact business as a principal to, and on behalf of, thousands of institutional investors in most major markets in the world today.

Jefferies has been registered with the Securities and Exchange Commission as a broker-dealer since 1969 and became registered with the Commission as a futures commission merchant (“FCM”) earlier this year. Jefferies Bache, LLC (f/k/a Prudential Bache Commodities, LLC) (“Jefferies Bache”), which Jefferies Group recently acquired, has been registered with the Commission as a FCM since 1982 and is a clearing member of all major US futures exchanges. Jefferies and/or Jefferies Bache expect to apply to become clearing members of the major derivatives clearing organizations (“DCOs”). Jefferies, Jefferies Bache and/or one or more of their affiliates also expect to act as an executing firm and a counterparty in the swaps market.

Jefferies generally supports the Commission’s proposed rule with regard to clearing member risk management. However, Jefferies shares the technology concerns raised in the comment letter submitted by the Futures Industry Association (“FIA”).


Jefferies believes that many of the DCOs are inclined to offer prudent risk management tools to their members. However, a customer may trade products which clear at multiple DCOs and any such controls work only at a particular DCO and not across the entire market. As such, while an FCM could set individual customer limits at each DCO, it would not be able to pre-screen all customer orders for compliance with the single credit limit provided by a clearing member to that customer.

Further, as the FIA letter points out, many customers execute their futures transactions away from their clearing firm, and it would currently be impossible for Jefferies or any FCM to conduct a pre-trade review of such orders. Instead Jefferies would utilize whatever controls the DCO makes available with respect to the clearing of such orders. Whether the cleared swaps market follows along the same path as futures markets with respect to executing away remains to be seen, but Jefferies supports the Commission's statement that it will offer both DCOs and FCMs the flexibility they need to develop prudent risk management procedures appropriate to their business.

If technology becomes available to allow a clearing member to pre-screen orders on an automated basis for trades executed away, Jefferies would support the use of such controls. However, any requirements to build such technology should exist at the swap execution facility or DCO level and should be applied equally across all members and participants to ensure all parties are uniformly affected in the event any latency is introduced as a result of such technology to insure a level playing field among all market participants.

Jefferies appreciates the opportunity to submit these comments on the proposed rules. If the Commission has any questions concerning the matters discussed in this letter, please contact the undersigned at (212) 707-6409.

Sincerely,



Michael Sharp  
General Counsel