

**APRIL 23, 2012**

**Via Electronic Submission:**

<http://comments.cftc.gov>

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

**Via Electronic Submission:**

<http://www.sec.gov/rules/sro.shtml>

Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: New York Portfolio Clearing, LLC Request to Commodity Futures Trading Commission for Order Permitting Commingling of Customer Funds (CFTC File No. IF 12-005); and

Fixed Income Clearing Corporation Proposed Rule Change to Expand the One-Pot Cross-Margining Program with New York Portfolio Clearing, LLC to Certain “Market Professionals” (SEC File No. SR-FICC-2012-03)

Dear Mr. Stawick and Ms. Murphy:

Citadel LLC<sup>1</sup> (“Citadel”) appreciates this opportunity to voice its support for (i) the request of New York Portfolio Clearing, LLC (“NYPC”) to the Commodity Futures Trading Commission (“CFTC”) for an order permitting commingling of customer funds<sup>2</sup> and (ii) the proposed rule change by Fixed Income Clearing Corporation (“FICC”), currently pending before the Securities and Exchange Commission (“SEC”), to expand its existing cross-margining program with NYPC<sup>3</sup> (together the “NYPC/FICC Proposal”).

Citadel supports cross-margining, and specifically supports the NYPC/FICC Proposal, which would expand the existing cross-margining agreement between NYPC and FICC to non-proprietary accounts carried by participating FICC clearing members on behalf of “market professionals.” The NYPC/FICC Proposal describes a “market professional” as an entity that (i) actively trades for its own account (x) U.S. dollar denominated interest rate and fixed income futures contracts and options on futures contracts cleared by NYPC and (y) U.S. government and agency securities, financing products and certain mortgage-backed securities cleared by FICC (“Eligible Products”), and (ii) is a member of a designated contract market that lists Eligible Products.

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<sup>1</sup> Established in 1990, Citadel is a leading global financial institution that provides asset management and capital markets services. With over 1,100 employees globally, Citadel serves a diversified client base through its offices in the world’s major financial centers including Chicago, New York, London, Hong Kong, San Francisco and Boston. An affiliate of Citadel LLC is also a minority investor in NYSE Liffe U.S., a subsidiary of NYSE Euronext.

<sup>2</sup> <http://www.cftc.gov/stellent/groups/public/@requestsandactions/documents/ifdocs/nypc4drequest3-20-12.pdf>

<sup>3</sup> <http://www.sec.gov/rules/sro/ficc/2012/34-66679.pdf>

The implementation of the NYPC/FICC Proposal would allow market professionals to more effectively manage risk by recognizing the value of economically offsetting positions in interest rate and fixed income futures (cleared by NYPC), and related government securities, financing products and mortgage backed securities (cleared by FICC).

The NYPC/FICC Proposal will also allow market professionals to align their risk with the deployment of collateral posted as margin at their clearing member (and posted by their clearing member at NYPC). For example, if a market professional purchased a US government bond and offsets the related interest rate risk with an interest rate future, it only would be required to post margin related to the combined risk of both transactions, rather than the risk of each leg of the transaction. This not only allows market professionals to use their capital more efficiently, but also reduces systemic risk by removing excess interconnectedness from the marketplace and optimizing collateral balances such that excess amounts are not needlessly held at the clearinghouse or clearing member level.

The NYPC/FICC Proposal will further encourage competition in the US futures markets. The expansion of the existing NYPC/FICC cross-margining program to “market professionals” puts them on a level economic playing field with the proprietary accounts of NYPC/FICC clearing members that are permitted to cross-margin under the existing program.

Finally, Citadel believes that the NYPC/FICC Proposal supports customer protection. Since “market professionals” would fall within the definition of “customer” under the CEA, the positions and margin posted under the cross-margining program will be maintained in a customer account, segregated from that of their clearing member and other proprietary accounts at NYPC. Further, in the event of bankruptcy of a clearing member, all of the market professional’s eligible NYPC and FICC positions and related property will be treated in accordance with the CFTC’s Part 190 rules, which will reduce the possibility of conflicting schemes of distribution.

Citadel notes that the CFTC and SEC have previously approved participation in cross-margining proposals for other clearing organizations, and encourage the CFTC and SEC to approve the NYPC/FICC Proposal.

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We appreciate the opportunity to provide comments on the NYPC Proposal. Please feel free to call the undersigned at (312) 395-3100 with any questions regarding these comments.

Respectfully,

/s/ Adam C. Cooper

Adam C. Cooper  
Senior Managing Director and Chief Legal Officer