October 7th, 2019

Mr. Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: Exemption from Derivatives Clearing Organization Registration (RIN 3038-AE65)

Dear Mr. Kirkpatrick:

I. Introduction

Japan Securities Clearing Corporation ("**JSCC**") appreciates the opportunity to provide the Commodity Futures Trading Commission ("**Commission**" or "**CFTC**") with comments on its supplemental notice of proposed rulemaking ("**SNPR**") regarding exemptions from Derivatives Clearing Organization registration.[1] This letter supplements JSCC's previously submitted comments on October 5, 2018 on the Commission's 2018 proposal (the "**2018 Proposal**") that would codify the policies and procedures the Commission currently follows with respect to granting exemptions from DCO registration[2] ("**JSCC's Prior Comments**").[3] As expressed in JSCC's Prior Comments, JSCC supports the CFTC's efforts to codify the existing regulatory framework for exempting clearinghouses from the DCO registration requirements, which would greatly enhance transparency regarding the exempt DCO process.

This letter addresses the supplemental proposals reflected in the SNPR. JSCC strongly supports the Commission's proposal to permit exempt DCOs to clear swaps for U.S. customers. As discussed in greater detailed below, permitting exempt DCOs that do not pose a substantial risk to the U.S.

[1] Exemption From Derivatives Clearing Organization Registration, 84 Fed. Reg. 35456 (Jul. 23, 2019).

[2] Exemption From Derivatives Clearing Organization Registration, 83 Fed. Reg. 39923 (Aug. 13, 2018).

[3] JSCC's Prior Comments are available here: https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=61826&SearchText.

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financial system to provide clearing services to U.S. customers, through clearinghouse members that are not registered futures commission merchants ("**FCMs**"), will expand the clearinghouse options available to U.S. swap customers while affording customers the protections under rules and regulations that are consistent with the Principles for Financial Market Infrastructure ("**PFMIs**").

II. The SNPR expands the ability of U.S. swap customers to access non-U.S. swap markets

As the CFTC is aware, the swaps market is global in nature, with cross-border trading constituting a significant portion of market activity. U.S. customers that trade cross-border need access to a wider range of clearinghouses in order to clear swaps in jurisdictions other than the U.S. Given the impending adoption of mandatory clearing requirements in non-U.S. jurisdictions, the next implementation phase of initial margin requirements for uncleared swaps, and the obvious benefits of netting, there will be a significant demand for clearing, including at non-U.S. clearinghouses.

Clearing is also attractive to swaps market participants due to the reduced capital requirements for central counterparty exposures under the Basel III framework, as evidenced in recent research[4] by the Financial Stability Board. Thus, the current prohibition on exempt DCOs clearing swaps for U.S. customers has become increasingly problematic. This situation is further exacerbated for U.S. customers that trade swaps denominated in foreign currencies and subject to the CFTC's clearing mandate.[5] For example, for IRS denominated in non-USD currencies such as Japanese Yen ("**JPY**"), U.S. customers may not be able to access the non-U.S. swap markets in the home country of the

[4] *See* "Incentives to centrally clear over-the-counter (OTC) derivatives, A post-implementation evaluation of the effects of the G20 financial regulatory reforms" (19 November 2018), Part A Executive summary:
https://www.fsb.org/wp-content/uploads/R191118-1-1.pdf.

[5] CFTC Clearing mandate includes interest rate swaps denominated in Australian Dollar, Canadian Dollar, Euro, Hong Kong Dollar, Mexican Peso, Norwegian Krone, Polish Zloty, Singapore Dollar, Swedish Krona, Swiss Franc, Sterling, U.S. Dollar, and Yen. For details, please see the following website link:
https://www.cftc.gov/sites/default/files/idc/groups/public/@otherif/documents/ifdocs/clearingrequirementcharts9-16.pdf.

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currency relevant to the swap transaction, where the highest liquidity and the best prices would be available, and where the safest clearing arrangements for that transaction may be offered.

We believe that it would be highly beneficial for U.S. customers to be able to access a wide range of non-U.S. swap markets, as this would allow U.S. customers to diversify their risks, rather than concentrating their clearing in a limited number of DCOs and FCM clearing members. This would also encourage the voluntary clearing of swaps that are not currently included in the CFTC's clearing mandate, thus supporting the G20 commitment to incentivize the clearing of swaps.

In order to provide U.S. customers with access to the widest range of DCOs, the SNPR wisely did not require the U.S. customer to access the exempt DCO via an FCM. As we raised in JSCC's Prior Comments, we are not aware of any FCMs that are clearing members of an exempt DCO, including JSCC, as there are various legal and regulatory conflicts, in addition to the cost associated with FCM registration for non-U.S. clearing members in exempt DCOs. And where an FCM already has non-U.S. affiliated members in an exempt DCO, the cost of onboarding an additional FCM affiliate, solely to provide swap clearing services to U.S. customers, would be prohibitively expensive.[6] Indeed, to encourage client portability in the event of a clearing member's default, multiple FCM clearing members would need to be supported, which is very challenging for *any* exempt DCO. Unless multiple FCM clearing members are available, in the event of the default of an FCM clearing member, an exempt DCO would be forced to liquidate the collateral and positions of the defaulting FCM's customers, which may exacerbate the situation in a time of market stress. If not properly addressed, this concentration may lead to increased systemic risk. As a result, we strongly support the SNPR's proposal to permit exempt DCOs to clear swaps for U.S. customers without the intermediation of an FCM.

III. U.S. swap customers would be well protected under the regulations and supervision in the Japanese swap market

As the CFTC is well aware, significant progress has been made in addressing systemic risk issues through the broad adoption by global regulators of internationally recognized standards, such as

[6] *See* Statement of Commissioner Dawn D. Stump, Registration with Alternative Compliance for Non-U.S. Derivatives Clearing Organizations, 84 Fed. Reg. 34819, 34836 (Jul. 19, 2019).

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the PFMIs. It is imperative that supervisory authorities, both in the U.S. and in other jurisdictions, recognize the broad comparability of standards and provide approaches to regulation that avoid unnecessary cost and duplication, while ensuring protections to customers and the wider financial system. The SNPR correctly recognizes this point and would ensure that U.S. swap customers are well protected without imposing unnecessary cost or duplication on exempt DCOs and their clearing members. Exporting U.S. regulatory models to non-U.S. clearinghouses is unnecessary, particularly in instances where non-U.S. jurisdictions have developed substantially equivalent regimes for customer protection.

The SNPR would only permit exempt DCOs to clear swaps on behalf of U.S. customers that are ECPs. ECPs are sophisticated market participants that are familiar with the swaps markets and can appropriately assess the risks of being subject to non-U.S. laws. Additionally, under the SNPR, any U.S. customer that wishes to clear swaps through an exempt DCO would be provided with clear disclosures that the protections of the U.S. Bankruptcy Code do not apply to the U.S. customer's funds and would compare the protections available to the U.S. customer under U.S. law with those available to the customer under the exempt DCO's home country regulatory regime. Compared to the existing Part 30 regime, where the CFTC permits retail customers to clear foreign futures with a foreign clearinghouse and to opt out of the U.S. bankruptcy law protections, the SNPR is much more conservative and measured.

Specifically, in addition to the disclosures discussed above, the SNPR provides important protections for U.S. swap customers, including that:

- The non-U.S. jurisdiction of an exempt DCO must have rules and regulations that are consistent with the PFMIs;
- The exempt DCO does not pose a substantial risk to the U.S. financial system;
- An MOU between exempt DCO's home-country regulators and the CFTC is in effect;
- The exempt DCO provides the CFTC with an annual certification of observance of the PFMIs; and
- The home country regulator certifies that the exempt DCO is in good regulatory standing.

It would be natural for market participants to seek to execute a given transaction in the venue with the highest liquidity and the best available prices, and where the safest clearing

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arrangements for that transaction are offered. In most cases, that would be the home country of the currency relevant to the swap transaction – i.e., Japan for the trading and clearing of JPY-denominated derivative transactions. Indeed, JSCC has been providing JPY-denominated IRS clearing services for a wide range of cross-border transactions,[7] with the exception of those executed by U.S. customers.

If JSCC were permitted to clear for U.S. customers as contemplated by the SNPR, U.S. swap customers would be well protected under the regulations and supervision in the Japanese swap market because JSCC rules require that clearing members identify the beneficial owner of all swap customer funds when these are deposited with JSCC as collateral for swap clearing, so that JSCC should be able to manage these funds in an individually segregated account maintained at JSCC for each customer. JSCC does not permit its clearing members to hold swap customer funds and clearing members are required to transfer swap customer funds without delay to JSCC upon receipt from the customer. All swap customer funds are then placed into a trust under Japanese law,[8] where these funds are held bankruptcy remote from the clearing member acting as a clearing broker, JSCC, and the trust bank. In the event of a clearing broker's default, swap customer funds would be returned by JSCC directly to each beneficial swap customer, after deducting outstanding obligations that arise from the customer's own swap positions. In the event of JSCC's bankruptcy, swap customer funds would be returned by the pre-assigned customer agent (an independent lawyer) directly to each beneficial swap customer, after first deducting outstanding obligations that arise from the customer's own swap positions. In both scenarios, no permission by the Japanese court is required to return the funds to each beneficial swap customer, and so U.S. customers will be able to receive their funds swiftly, which is very important for U.S. customers in times of market stress. And in any default case of a clearing member, JSCC, or the

[7] JSCC is authorized to provides its JPY IRS clearing services for clearing members as well as customers located and domiciled in the EU, Australia, Hong Kong, and Switzerland without being fully registered, as would be required of the domestic central counterparties, under those jurisdictions: https://www.jpx.co.jp/jscc/en/company/regulatory-status.html.

[8] Due to the administration of the trust and the impact of a negative interest rate on cash collateral, JSCC charges the relevant fees to each clearing member. Alternatively, clearing members and their customers may elect to use the custody of JPY cash collateral at the Bank of Japan, which is not subject to these fees.

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relevant trust bank, no deductions are permitted from customer funds for any bankruptcy administration costs.

An exempt DCO can provide sufficient protections to its customers through the use of a PFMI-compliant customer segregation framework, with full disclosures of the framework provided by its non-FCM clearing member to any U.S. customer, so that each U.S. customer would be well informed of any risks, before deciding whether to access through the non-FCM clearing member to the exempt DCO. Under our assessment of JSCC's rulebook and relevant Japanese laws, we believe that they afford substantially equivalent customer protections to those provided for under the Commodity Exchange Act ("CEA") and the U.S. Bankruptcy Code.

IV. JSCC comments on specific provisions of the SNPR

As discussed above, while we generally support the proposed regulation in the SNPR, we would like to provide the following specific comments for consideration by the CFTC.

a. Proposed test for "substantial risk to the U.S. financial system"

Under the SNPR, an exempt DCO would only be able to clear swaps of U.S. customers if the DCO does not pose "substantial risk to the U.S. financial system." Under the SNPR, a DCO organized outside of the U.S. poses a "substantial risk to the U.S. financial system" if (1) the DCO holds 20% or more of the required initial margin of U.S. clearing members for swaps across all registered and exempt DCOs; and (2) 20% or more of the initial margin requirements for swaps at the DCO is attributable to U.S. clearing members; *provided, however,* where one or both of these thresholds are close to 20%, the Commission may exercise discretion in determining whether the DCO poses substantial risk to the U.S. financial system.[9]

Due to the large global presence of non-U.S. affiliated entities of U.S. banking groups, we believe that the second threshold, or "20% or more of the initial margin requirements for swaps at the

[9] Exemption From Derivatives Clearing Organization Registration, 84 Fed. Reg. 35456, 35472 (Jul. 23, 2019).

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DCO is attributable to U.S. clearing members," may be breached even by small-sized exempt DCOs. This is due to the inclusion of non-U.S. subsidiaries whose parent company is organized in the U.S. in the definition of "U.S. clearing member" and therefore in the calculation of the initial margin exposure, for which the ultimate risks to the U.S. financial system would be negligible.

Please see the Annex for an estimate of the percentage of initial margin deposited with JSCC that is attributable to clearing members that have a U.S. parent company.

If a DCO is deemed to be a "substantial risk to the U.S. financial system" under the proposed rules, the DCO must fully register as a DCO with the CFTC and would not be able to rely on the exemption from DCO registration contemplated by the SNPR or the alternative compliance framework for the DCO registration, which was proposed separately by the CFTC. Due to conflicting legal requirements of laws and regulation between the U.S. and the exempt DCO's home country, an exempt DCO may not be able to register as a DCO, and may have to cease providing swap clearing services to any U.S. Person[10] for which the exempt DCO has been providing clearing services under the CFTC's current exemption order, potentially requiring liquidation of existing cleared swap positions of these. If the liquidation could not be implemented in an orderly manner, this would create significant systemic risks in the local swap markets, as well as being problematic for any U.S. Person currently clearing swaps in the exempt DCO. This concern could drive U.S. clearing members out of existing exempt DCOs, further fragmenting the markets to the benefit of no one.

We strongly request that the Commission reconsider the criteria for the assessment of "substantial risk to the U.S. financial system" as defined in the proposed CFTC Regulation 39.2, such that the test should permit the Commission to exercise its discretion only if both of the two thresholds are close to 20%. This would more accurately capture the risks to the U.S. financial system.

In addition, we strongly request the Commission to redefine "U.S. clearing member" to mean a

[10] U.S. Person is an entity which falls under the definition of "U.S. person" as set forth in the Commission's Interpretive Guidance and Policy Statement Regarding Compliance With Certain Swap Regulations, 78 FR 45292, 45316–17 (July 26, 2013) (hereinafter, "**the Cross-Border Guidance**").

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clearing member that is a U.S. Person, and not to include any non-U.S. affiliate simply because its parent is organized in the U.S. Pursuant to section 2(i) of the CEA, the DCO registration requirement under section 5b(a) extends to any clearing organization whose clearing activities outside of the United States have a direct and significant connection with activities in, or effect on, commerce of the United States; except for clearing organizations exempt from DCO registration in cases where the Commission has determined that the clearing organization is subject to "comparable, comprehensive supervision and regulation'' by its home country regulator. The Commission's current DCO exemption regime is based on a definition of U.S. Person, as defined in the CFTC's Cross-Border Guidance, that does not include non-U.S. affiliates of U.S. Persons simply because such non-U.S. affiliates belong to U.S. banking groups. We believe that the current definition of U.S. Person that does not include non-U.S. affiliates of U.S. persons is the right approach in measuring "direct and significant" connection under section 2(i) of the CEA and should also be the appropriate approach in measuring substantial risk to the U.S. financial system. In other words, based on the current regime, a non-U.S. DCO should be permitted to clear a swap for a non-U.S. Person, including a non-U.S. affiliate of U.S. banking groups.

We believe that the status of each exempt DCO should be reassessed every two years. This should be sufficient from the CFTC's perspective, as it would allow a regular review of each exempt DCO. We would suggest that the reassessment of each test look at the averages over the previous 12 months, to ensure that the test results are not overly influenced by any specific event, such as quarter-end or year-end.

b. Definition of "good regulatory standing"

The SNPR requires an annual representation from the exempt DCO's home country regulator, that the exempt DCO is in good regulatory standing. The SNPR defines "good regulatory standing" to mean, with respect to a DCO organized outside of the U.S. that is licensed, registered or otherwise authorized to act as a clearing organization in its home country, that either there has been no finding by the home country regulator of material non-observance of the PFMIs or other relevant home country legal requirements, or there has been a finding by the home country regulator of material non-observance of the PFMIs or other relevant home country legal requirements but any such finding has been or is being resolved to the satisfaction of the home country regulator by

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means of corrective action taken by the DCO.[11] We believe this is the correct definition of good regulatory standing as individual regulators have taken differing approaches to how they apply the PFMI in their jurisdiction in the context of the markets they regulate and supervise and do not recommend extending the definition to all instances of non-observance of PFMIs.

c. FCMs as clearing members of exempt DCOs

Currently, a financial group that includes an FCM entity generally maintains a clearing membership at an exempt DCO via a local security and derivative broker subsidiary, or via the local branch of a banking entity, in the country where the exempt DCO is located. Therefore, it would be most economically efficient for a financial group to utilize these local entities for the clearing membership in an exempt DCO. Onboarding of an additional U.S. FCM entity as a clearing member at an exempt DCO would be costly for the financial group, in terms of membership fees, additional default fund contributions, cash calls in the case of a default of another clearing member, reducing netting benefits, in addition to the operational and onboarding costs. These additional costs may not be justifiable in relation to the relative business opportunity for the FCM clearing member to provide swap clearing services to U.S. customers in an exempt DCO.

In addition, notwithstanding the fact that an exempt DCO's non-FCM clearing members would be properly regulated, supervised, and licensed in their relevant home country to provide swap clearing services for customers, they may be unable to register as an FCM, due to various legal and regulatory conflicts. For example, an FCM is required to treat and deal with customer funds as belonging to the depositing swaps customer, obtain the written acknowledgment letter in the form prescribed by the CFTC from depositories with which the FCM holds the customer funds, and ensure that a swap customer's collateral is treated in accordance with the U.S. Bankruptcy Code, as required by the CEA and the CFTC Regulations Parts 22 and 190. We understand the title transfer scheme, which is commonly used as a customer collateral arrangement in non-U.S. swap markets, may not satisfy this requirement and thus, non-U.S. entities that would want to register as FCMs may be unable to do so while complying with the title transfer scheme in their home jurisdictions. The CFTC requires that an FCM obtain a written acknowledgment letter, in the form

[11] Exemption From Derivatives Clearing Organization Registration, 84 Fed. Reg. 35471 (Jul. 23, 2019).

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appended to CFTC Regulation 1.20, from each depository with which the FCM holds a customer collateral confirming, among others, that (i) the depository will provide certain CFTC staff with the technological connectivity necessary for the CFTC to access information regarding the account maintaining the customer funds, and (ii) the depository will not be subject to any right of offset in relation to the account and the obligation of the FCM, all of which would be quite difficult for any non U.S. depositories to accept.

And it is impracticable for a clearing broker incorporated in a non-U.S. jurisdiction to ensure the protection of customer collateral at all times under the U.S. Bankruptcy Code, especially in a case of a bankruptcy of such non-U.S. clearing broker as this is handled by their home country law on the bankruptcy. In this context, we would reiterate that, in terms of customer collateral deposited with an exempt DCO by a bankrupted clearing member, the applicable customer protections consistent with the PFMIs are warranted.

In addition, once a non-U.S. entity is registered as an FCM, in the absence of clear guidance or regulation from the CFTC, the entity would become subject to all of the requirements that apply to FCMs, and not just those that relate to swap clearing on behalf of U.S. customers in an exempt DCO. The broad FCM regulatory regime may be too burdensome for most non-U.S. entities given the amount of swap clearing services these entities anticipate offering to U.S. customers in an exempt DCO.

In addition to questions regarding whether U.S. FCMs could become clearing members of exempt DCOs, the SNPR asks whether, where consistent with the rules of a registered DCO, an FCM could potentially participate as a “special” member whose obligations to the exempt DCO could be guaranteed by its non-FCM affiliate acting as a “traditional” member of the exempt DCO.

We do not believe that this proposal would be workable for JSCC. The existing risk management framework for our swap clearing services, which is structured to comply with Japanese laws and regulations, requires that any clearing member be subject to Japanese laws and regulations. In order for the clearing member to be subject to Japanese laws and regulations, it must register its operational entity in Japan, whether it is a subsidiary or a branch, with the Financial Services Agency, and we are not aware of any U.S. FCM that currently has, or plans to have, a Japanese branch or subsidiary.

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d. Compliance by exempt DCOs with U.S. swap customer protections and segregation requirements

As we raised in the JSCC's Prior Comments, it would not be practicable for an exempt DCO to establish a separate customer protection and segregation system for only U.S. customers to comply with the requirements contained in Parts 1, 22, 39, and 190 of the CFTC's regulations. Specifically, were an exempt DCO to declare bankruptcy, a U.S. customer's property would be held in the exempt DCO's home country, subjecting it to the exempt DCO's domestic bankruptcy laws.

JSCC maintains robust segregation systems in its CDS and IRS clearing services, under which JSCC utilizes individually segregated accounts, to fully segregate each customer's and affiliate's positions and collateral from those of clearing members and other customers and affiliates.[12] Furthermore, after receiving customer funds from clearing members, JSCC places all customer funds in a single trust account, with all customers and affiliates as the beneficiaries of the trust. Under Japanese law, these assets are held remotely and protected from the bankruptcy of the clearing members, JSCC, and the trust bank. However, from our ongoing discussions with the CFTC staff, we understand that JSCC's existing arrangements are problematic for the CFTC because when a clearing member of JSCC, acting as agent of a customer, deposits customer collateral with JSCC, there is a period of a few hours where JSCC holds the customer collateral in its account with the Bank of Japan, a settlement bank used for the swap clearing operation, before it is transferred to the trust bank which holds the collateral in a trust that is legally segregated from the trustee's own assets and is bankruptcy remote from the clearing member acting as a clearing broker, JSCC, and the trust bank. To ensure the title of the customer collateral is transferred to JSCC, under Japanese law and JSCC's rulebook, in order to protect against the potential claim by the third party creditors of the clearing member, the customer collateral must be delivered, not directly into the trust but through a settlement account in the name of JSCC. We understand that as a result of this settlement process, which includes a few hours during which the customer's funds are not held in the trust, JSCC is deemed as not strictly complying with Section 4d(f) of the Commodity Exchange Act, which requires that customer funds must be subject to the U.S. Bankruptcy Code at all times,

[12] Under the JSCC rulebook, the same protection and segregation is applied to funds of customers and affiliates of clearing members.

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and would therefore be prohibited from relying on the alternative compliance regime that the CFTC separately proposed.

However, JSCC's customer protection system fully conforms with the relevant PFMI principles, and provides sufficient safety for customers in all of the jurisdictions where JSCC operates. We would also like to highlight that no other jurisdiction[13] in which JSCC holds a license to provide swap clearing requires the extraterritorial application of the foreign jurisdiction's bankruptcy code to customer funds.

Furthermore, subjecting the position transfer of a U.S. swap customer in an exempt DCO to a U.S. bankruptcy court proceeding could create significant uncertainty for the exempt DCO's default management process under its rulebook and domestic laws. For instance, the customer position transfer without approval from the U.S. bankruptcy court and return of swap customer funds by an exempt DCO to each beneficial customer, rather than to the bankruptcy trustee of a defaulted FCM, would be in violation of the CFTC Regulations 190.06 (Transfers), 190.07 (Calculation of allowed net equity), and 190.08 (Allocation of property and allowance of claims). As previously noted, under JSCC's rulebook, customer assets would be returned directly to the customer.

A further complication is that very few non-U.S. FCMs are registered with the CFTC,[14] and the overall number of FCMs has been decreasing.[15] To achieve successful customer portability in the event of an FCM clearing member's default, an exempt DCO would need to maintain multiple FCM clearing members, which is very challenging for *any* exempt DCO.

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[13] JSCC maintains a license for swap clearing services in the EU, Australia, Hong Kong, and Switzerland, in addition to the U.S. and Japan.

[14] According to the website of NFA, as of August 31, 2019 there were three non-U.S. FCMs registered with the CFTC:
https://www.nfa.futures.org/registration-membership/membership-and-directories.html.

[15] See "Incentives to centrally clear over-the-counter (OTC) derivatives, A post-implementation evaluation of the effects of the G20 financial regulatory reforms" (Nov. 19, 2018), Figure C.10 Historical count of Futures Commission Merchants (FCMs):
https://www.fsb.org/wp-content/uploads/R191118-1-1.pdf.

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Therefore, we would have serious concerns were the CFTC to require in any of its regulations or guidance that the existing requirements for registered DCOs and FCMs, relating to the treatment of U.S. customer positions and funds, be applied to exempt DCOs and their non-FCM clearing members.

e. Transfer of U.S. customer positions upon termination of exemption from DCO registration

Under the proposed rules, an exempt DCO may need to transfer the positions of U.S. customers from non-FCM clearing members to FCM clearing members, should an exempt DCO need to enhance its regulatory status to a registered DCO, whether due to business reasons or forced registration due to it being designated as a "substantial risk to the U.S. financial system."

The transfer of all U.S. customers would be a significant task involving the coordination of multiple U.S. customers, non-FCM clearing members, FCM clearing members, and the exempt DCO. Therefore, we would ask the Commission to consider a sufficient transitional timeframe that would be permitted for the transition of these entities, without causing wider market disruption.

IV. Conclusion

Finally, we are concerned that the CFTC may consider developing an entirely new regulatory framework for FCMs to directly or indirectly access an exempt DCO for U.S. swap customer clearing, which would take a significant amount of time. Therefore, we would strongly recommend that the CFTC first finalizes the current proposals as early as possible. We feel that further consideration of the customer protection in foreign jurisdictions will unnecessarily delay the opportunity to expand the accessibility to non-U.S. swap markets for U.S. customers.

We appreciate the opportunity to provide these comments and we look forward to a discussion with the Commission on our opinions. Should you have any questions about this letter, please do not hesitate to contact Mr. Tetsuo Otashiro, Head of Clearing Planning, at +81-50-3361-0928 or by email to t-otashiro@jpx.co.jp.

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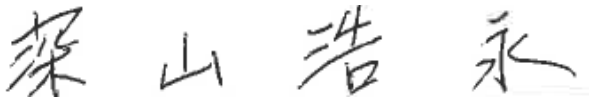
Yours sincerely,



Mr. Hironaga Miyama
President & CEO, Japan Securities Clearing Corporation

CC: The Honorable Heath Tarbert, Chairman
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