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VIA AIR COURIER

Ms. Jean A. Webb
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Global Clearing Link – Segregated Funds and Secured Amount Requirements

Dear Ms. Webb:

We are writing on behalf of our client, The Clearing Corporation ("CCorp"), in response to the May 14, 2004 letter from the Board of Trade of the City of Chicago (the "CBOT") in opposition to CCorp's request that it and registered futures commission merchants ("FCMs") be permitted to establish and maintain combined original margin and variation settlement accounts for U.S. Dollar- and Euro-denominated products in connection with the implementation of the planned "Euro Link" between CCorp and Eurex Clearing Frankfurt, AG ("Eurex Clearing").

The CBOT letter makes five key assertions: *first*, that the Euro Link is without precedent; *second*, that it is somehow inappropriate to allow U.S. customers who trade on foreign markets to benefit from the regulatory protections that apply when they trade on contract markets in the United States; *third*, that the Commission cannot allow customers' funds to be held in a single account without violating its own bankruptcy rules; *fourth*, that Eurex Clearing is required to be registered as a derivatives clearing organization ("DCO"); and *fifth*, that the materials that have been made available to the public are incomplete and do not provide a meaningful opportunity for public comment. We have addressed each of these points below.

1. The Euro Link is Entirely Consistent with Commission Precedent. The Euro Link envisions the trading of contracts on a foreign exchange (in this case, Eurex Frankfurt, AG ("Eurex")) and the clearing of those contracts by a clearing organization in the United States (in this case, The Clearing Corporation). The CBOT, therefore, devotes a substantial portion of its comment letter to a detailed description of the various clearing links that previously have been approved by the Commission, to a discussion of the various ways in which those links ostensibly differ from the planned Euro Link, and to arguing that those prior Commission approvals should be given little or no weight in an evaluation of the Euro Link.

At the outset, we would note that many of the CBOT's points are simply wrong or entirely irrelevant. For example, the CBOT would have the Commission believe that the existence of a segregation regime in Singapore was critical to the Commission's approval of the request by the Chicago Mercantile Exchange ("CME") that customer funds associated with trades made on the then-Singapore International Monetary Exchange ("SIMEX") but cleared by the CME should be treated as segregated funds. That assertion is simply not supported by the record, however. To the contrary, the CME asked the Commission to confirm, Commission staff recommended, and the Commission agreed that the amount required to be segregated on behalf of customers "includes funds pertaining to mutual offset trades … carried on the CME after inter-exchange transfer but would not apply to trades carried on SIMEX."[1] As the foregoing makes clear, the presence or absence of a system of segregation in Singapore was entirely irrelevant to the Commission's decision. The Commission concluded, however, on facts remarkably close to those of the Euro Link, that funds associated with trades made on a foreign exchange but cleared by a clearinghouse in the United States "for a customer of a domestic FCM should generally be classified as transactions on or subject to the rules of a contract market for purposes of requiring segregation of customer funds."[2]

The CBOT next takes note of the 1986 linkage between the Commodity Exchange, Inc. ("Comex") and the Sydney Futures Exchange ("SFE"): "Under this link, trades executed on SFE were cleared on Comex, with all funds to margin, guarantee or secure those trades for commodity customers held in segregation in the U.S. by FCMs and Comex Clearing Association, Inc. ('CCA') and subject to the rules of CCA and Comex." The CBOT would have the Commission believe that the factual basis for the granted relief was "very different" than the terms of the Euro Link.

Far from being "very different," the factual underpinnings of the two links are virtually identical. In fact, the only factual differences of which we are aware relate to the processing of mark-to-market payments. The Comex-SFE link called for linked contracts to be cleared exclusively through CCA; as a result, all mark-to-market payments were made in U.S. Dollars. The Euro Link, by contrast, offers market users a choice of clearing houses (*i.e.*, CCorp or Eurex Clearing) and, because the contracts to be cleared through the Euro Link will be traded on Eurex and denominated in Euros, Euro variation margin payments made to and by clearing members will be made through banks in Germany (including Deutsche Bundesbank, the German central

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[1] "Description of the Mutual Offset System," Memorandum to the Commission from the Division of Trading and Markets and the Division of Economic Analysis (August 28, 1984), at 50 (emphasis added).

[2] *Id*. The CBOT letter goes on to contrast the segregation regime in Singapore with that in Germany, concluding with a quotation from an earlier submission by Eurex to the effect that German financial institutions are "not required to segregate amounts required to pay claims of customers with respect to futures and options positions." Quite apart from the fact that this has no bearing whatsoever on the requested relief, the quoted text, while technically accurate, tells only half the story. As the CBOT is well aware from its efforts to launch Bund, Bobl and Schatz contracts, German law flatly prohibits the use of securities that are deposited by a customer for any purpose other than to margin, guarantee or secure that customer's trades and positions. As a consequence (and unlike the situation in the United States), customer securities are held in segregation by clearing brokers and are not passed through to Eurex Clearing.

bank). Commission Regulation 1.49 expressly contemplates the deposit of segregated funds in non-U.S. locations. Thus, the fact that a portion of the customer funds segregated for Euro Link transactions may be held in Germany cannot form the basis for withholding approval of the relief that is being requested by CCorp.

The CBOT's extended discussion of the various ways in which the Euro Link is ostensibly different than the links that have gone before it is striking in its omission of any discussion of the relief granted by the Commission to the CBOT and CCorp in connection with its linkage with the London International Financial Futures Exchange ("LIFFE"). The LIFFE Link, which enjoyed only limited commercial success before it was abandoned in early 1998, contemplated the trading of Treasury futures contracts on LIFFE and their clearing by the London Clearing House ("LCH") before the transfer of those contracts to The Clearing Corporation. The Commission agreed in that context to permit CCorp and FCMs to hold segregated customer funds overseas and to use those funds to margin, guarantee or secure not only trades made through the LIFFE Link, but also trades in other contracts (such as corn or soybean futures) traded on the CBOT.

The CBOT makes much of the fact that CCorp noted the similarities between the relief that it is requesting and the relief granted by the Commission in 2001 to the CME in connection with its linkage with MEFF Sociedad Rectrora de Producutos Financieros Derivados de Renta Variable ("MEFF"). Putting to one side the fact that the CME-MEFF letter was the most recent in a string of similar grants of relief, the facts underlying the CME-MEFF arrangement are remarkably similar to those contemplated by the Euro Link. The CBOT would have the Commission disregard that altogether because CCorp and Eurex Clearing concluded, based on their analyses of each other's systems and resources, that it was inappropriate and unnecessary to require margin and guaranty fund deposits from each other.[3]

The CBOT also seeks in this context to call into question CCorp's ability to respond meaningfully to a default by Eurex Clearing: "CC [CCorp] will have to rely on EC [Eurex Clearing] to transfer the monies and deliverable items in its possession to CC." The fact of the matter is that CCorp will collect and hold all original margin from its clearing participants, that deliveries will be made directly between CCorp clearing participants and members of Eurex Clearing, that the only "monies [or] deliverable items" that Eurex Clearing could ever owe to CCorp in the context of the Euro Link is the net amount (if any) of a given day's variation

[3] We will not repeat the points made in our April 26, 2004 request for relief. We nonetheless wish to direct the Commission's attention to page A-3, footnote 4 of that letter, where we noted that shareholder equity in Deutsche Borse (Eurex Clearing's parent company and the guarantor of 80% of any loss occasioned by the failure of a member of Eurex Clearing) is approximately 100 times the book value of MEFF. Further, and as discussed in detail in the April 26, 2004 letter from Dennis A. Dutterer to James L. Carley and J. Michael Gorham, CCorp and Eurex Clearing intend to put into place third-party credit support. It therefore should be obvious to even the most casual observer that there is little, if any, reason for Eurex Clearing to deposit margin with CCorp.

margin payments to CCorp clearing participants, and that this latter amount will be secured by the third-party credit support that will be obtained by Eurex Clearing for CCorp's benefit.[4]

The CBOT letter notes that while the CME had the ability to reject trades made on MEFF if they were outside a prescribed trading range, "CC will be obligated to accept every Euro Link trade" made by one of its clearing participants. We agree that the planned Euro Link differs to that extent from the CME-MEFF arrangement, but fail to understand what possible objection there could be to a clearing house (in this case, CCorp) receiving locked-in, matched trades and thereby eliminating altogether the risk of "busted" trades, out-trades and other errors that can expose the clearing house and its members to unanticipated risks.

The CBOT similarly directs the Commission's attention to the fact that Eurex Clearing collects variation margin only once a day (unlike CCorp and the CME, which do so twice daily). This statement, while literally correct, fails to address several salient facts. Among other things, CCorp will receive notice of its clearing participants' Euro Link transactions on a continuous basis throughout the European trading day and CCorp will have the ability to make special margin calls – in Frankfurt or Chicago – whenever it deems it appropriate to do so. (In fact, CCorp and Eurex Clearing are in the process of developing systems that will allow Eurex Clearing to issue special margin calls on CCorp's behalf even when U.S. banks are closed.) The CBOT also fails to note that unlike its clearing house (the CME), both Eurex Clearing and CCorp collect all variation margin that is owed to them before authorizing payment of variation margin to clearing members whose trades and positions are on the "winning" side of the market. Finally, we find it ironic indeed that the CBOT would call attention to purported delays in Eurex's arrangements for the collection and payment of variation margin when its own Bund, Bobl and Schatz contracts are <u>not</u> subject to intra-day margining and are not even marked to market until <u>two days</u> after the trade is made.[5]

The CBOT would also have the Commission ascribe significance to the fact that, unlike the case with the CME and MEFF (where the CME acted as the sole clearing house for specified MEFF contracts), CCorp will not know the identity of the "opposite broker" if the other half of a trade is cleared at Eurex Clearing. The CBOT suggests that this could "impair" CCorp's risk management processes. This overlooks the fact that CCorp's counterparty will in such circumstances be Eurex Clearing and that the "opposite broker" will, from CCorp's perspective, be the effective equivalent of a non-clearing member.

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[4] The CBOT letter further notes that any such transfer of "monies and deliverable items" will be "governed by German law." We are utterly at a loss as to what to make of such a statement. Surely, the CBOT is not suggesting that payments of Euros by a German financial institution (which, incidentally, are routed through the German central bank) should be governed by the laws of the State of Illinois. We would further note in any event that the obligations of the two clearing houses under the Link Clearing Agreement are governed by the laws of the State of New York.

[5] *See* CME Clearing House Advisory Notice 04-62 (April 15, 2004).

This portion of the CBOT letter concludes with the extraordinary statement that "since the requested relief would not extend to" Eurex Clearing or its members, "part of clearing would be in segregated funds and part would not," a "circumstance [that] did not exist with respect to any of the prior Commission actions relied on" by CCorp. This assertion is, at best, only literally correct; it is in any event substantively misleading. It is factually correct only if one is prepared to accept that customer funds deposited and held in Singapore for trades made on the CME but cleared in Singapore (as permitted by the CME-SIMEX mutual offset system) are "segregated funds" in the sense used throughout the CBOT letter. It is in any event misleading in that it is deliberately limited to "the prior Commission actions relied on" by CCorp and conveniently omits any reference to the CBOT-LIFFE Link, where funds held by LCH were not subject to the Commission's segregation requirements.[6]

In conclusion, there simply is no material difference between the relief that has been requested by CCorp and the relief that has been granted previously by the Commission in the context of other international links.

2. U.S. Customers Should Be Given the Greatest Protection Possible. The Clearing Corporation has requested, for itself and all registered FCMs, Commission authorization to hold in a combined account ("commingle") customer funds that are deposited to margin trades made on U.S. exchanges with funds that have been deposited to margin trades made on Eurex but cleared at CCorp. The CBOT strenuously argues against granting any such permission. It maintains (falsely) that the relief requested by CCorp "would be unprecedented" and, if granted, "would open the door so wide that it will be difficult to justify requiring FCMs or derivatives clearing organizations to maintain separate segregated and [foreign futures] secured amounts in any other circumstances."

Reduced to its essentials, the CBOT's argument in opposition boils down to the following: Customers' margin deposits for trades made on a U.S. contract market are held in segregation. Customers' margin deposits for trades made on a foreign futures market are held in a secured amount account. The secured amount requirements are less strict than the segregation requirements. Customer funds that are held by FCMs and DCOs for U.S. customers trading on foreign markets should not be permitted to be commingled with segregated funds, *even if the combined margin pool is held in strict compliance with the more rigorous standards that apply to segregated funds*.

The CBOT's position is simply illogical. The relief requested by The Clearing Corporation, which is predicated upon the special credit protections and other safeguards that have been put in place by CCorp and Eurex Clearing, would result in enhanced protection for customers. More importantly, the relief requested by CCorp is expressly premised upon the

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[6] As the preceding discussion makes clear, that precedent is equally applicable. It was omitted from CCorp's earlier submission simply because we believed it to be unnecessary to catalogue all of the actions taken by the Commission in these and similar circumstances and because the complex operational mechanics of the CBOT-LIFFE and CCorp-LCH arrangements would have made it difficult to describe that Link concisely.

assumption – indeed, the requirement – that customer funds deposited for Euro Link trading will receive the *same protection* that they would receive if they were deposited to margin, guarantee or secure trades made on a contract market.

3. The Clearing Corporation's Proposal Is Compatible With Bankruptcy Law Requirements and Results In Equitable Treatment For All Customers. The Bankruptcy Code establishes special rules for "commodity brokers," a term defined by the Bankruptcy Code generally to include DCOs, such as The Clearing Corporation, and FCMs. In addition to conferring special powers on a commodity broker (such as the ability to liquidate the trades and positions of a defaulting customer, notwithstanding the "automatic stay" normally imposed by the Bankruptcy Code), the Bankruptcy Code includes special provisions to protect the interests of customers.

In particular, the Bankruptcy Code provides for the *pro rata* distribution of the "customer property" that is held by a bankrupt commodity broker based upon the amount owing to each customer and establishes a priority for claims made by those customers to ensure that customer funds are not used to satisfy the claims of creditors.[7] Recognizing the potential complexity of a commodity broker bankruptcy, Congress amended the Commodity Exchange Act (the "Act") in 1978 and 1982 specifically to authorize the Commission to adopt regulations to implement those provisions. Among other things, Section 20 of the Act authorizes the Commission to adopt regulations that provide how the "net equity" of the customers of a bankrupt commodity broker is to be determined.

Commission Regulations accordingly require that in the unlikely event of a commodity broker bankruptcy, customer property is to be allocated into different "account classes," with claims to be made by customers only against the property in the appropriate account class.[8] Thus, for example, a customer trading on a U.S. exchange ordinarily would have a claim against property held for the "futures account class," while a customer trading on a foreign exchange ordinarily would have a claim against property held in the "foreign futures account class."[9]

The Commission has made clear, however, that it was making these distinctions only because it could not be certain that funds deposited for foreign futures trading would receive the same level of protection as funds deposited for trading on a contract market.[10] The relief that has been requested by The Clearing Corporation is predicated upon the *same protections for all customer funds*. In other words, customer funds deposited for trades cleared at CCorp will receive the highest level of protection, regardless of whether those trades are made on Eurex or in the U.S.

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7 11 U.S.C. § 766(h).

8 *See* Commission Regulation 190.08(c)(1).

9 *See* Commission Regulation 190.01(a).

10 66 Fed. Reg. 57535, 57536 (November 24, 1981).

It would in such circumstances be utterly illogical to treat a customer differently, depending on whether his trade was executed in the U.S. or overseas, if all of his funds are required to be held under the Commission's rules for segregated funds. The CBOT does not dispute this fundamental premise. Rather, it seeks to forestall this outcome by making a series of hypertechnical, and largely irrelevant, arguments about the precise terms of the Bankruptcy Code.

For example, the CBOT would have the Commission accept the premise that Eurex is not a "board of trade" within the meaning of the Bankruptcy Code. This ignores the provisions of Section 761(8) of the Bankruptcy Code, which declares that the term "board of trade" has the meaning assigned to that term under the Act, and of Section 1a(2) of the Act, which defines "board of trade" to mean an "organized exchange" or a "trading facility," both of which are defined in Section 1a in terms that unambiguously include both U.S. and foreign markets. The CBOT seeks to further cloud the issue by arguing, in essence, that since the Bankruptcy Code and Commission Regulations recognize a separate foreign futures account class, not assigning all Eurex transactions to that account class "would result in foreign futures [transactions] being included in both the foreign futures and futures account classes." The CBOT's assertion, however, simply overlooks relevant provisions of the Bankruptcy Code and Commission Regulations[11] and mischaracterizes the relief requested by CCorp.

The CBOT's fallback argument is that the Commission should require CCorp to disclose to its clearing participants that "it is not clear" that customers would have the same priority in bankruptcy for domestic and Euro Link transactions. To the contrary, it is abundantly clear that, if the relief requested by CCorp is granted by the Commission, a customer's Euro Link transactions would, by virtue of being cleared by a DCO (CCorp), have the same status under the Bankruptcy Code and the Commission's Part 190 Regulations as any other trade that is cleared for that customer by CCorp or any other DCO.

4. Eurex Clearing Is Not Required To Register As a DCO. Reduced to its essentials, the Euro Link involves nothing more than the clearing of contracts traded on a foreign exchange. Nothing in the Commodity Exchange Act requires a foreign clearing house to register with the Commission as a DCO. In fact, Section 4(b) of the Act expressly prohibits the Commission from establishing approval requirements for foreign clearing houses. The CBOT comment letter nonetheless restates the CBOT's earlier arguments that Eurex Clearing should be required to

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[11] Commission Regulation 190.01(a) sets forth the different account classes that must be recognized by a bankruptcy trustee. These include an account class for "foreign futures," a term defined in Regulation 190.01(t) by reference to Section 761(11) of the Bankruptcy Code, which in turn defines that term to mean a "contract for the purchase or sale of a commodity for future delivery on, or subject to the rules of, a board of trade outside the United States." The CBOT's assertion that a futures contract could somehow be assigned to both the "futures" and "foreign futures" account classes is, therefore, simply not credible. *See* Interpretative Letter No. 86-26, Comm. Fut. L. Rep. (CCH) ¶ 23,359, at 32,991 (November 17, 1986) (funds attributable to transactions cleared by CCA to be included in futures account class even though executed on SFE).

register as a DCO and, in so doing, either overlooks or misstates the factual and legal relationships underlying the Euro Link.

For example, the CBOT makes much of the fact that Eurex Clearing will have significant operational responsibilities in relation to Euro Link contracts and that CCorp will not "supervise or oversee" the performance of those tasks by Eurex Clearing. It is true that the Link Clearing Agreement will obligate Eurex Clearing to provide specified services in order to facilitate certain processes, such as the payment and collection of variation margin and the assignment of delivery notices, but it is The Clearing Corporation – and not Eurex Clearing – that has the legal responsibility to pay variation margin to and collect variation margin from its clearing participants and that is obligated to assure the performance of its clearing participants' delivery obligations.[12]

The CBOT next seeks to convince the Commission that Eurex Clearing must be registered as a DCO by quoting the text of Section 1a(9) of the Act and asserting without elaboration that anyone who performs any of the functions referenced therein must register as a DCO. We have previously expressed our disagreement with this broad and categorical statement and continue to believe that Congress anticipated that the Commission would exercise its expert judgment in applying the statutory language.[13]

The CBOT goes on to argue that Eurex Clearing must be a DCO because it will be involved ("play a critical part") in the novation of the contracts that are made on Eurex. This is not at all unusual (indeed, it is a feature of other clearing links) and does not make Eurex Clearing a DCO. In fact, we do not know how it could be otherwise – Eurex Clearing is the clearing house for a foreign board of trade (Eurex) and is, therefore, the universal counterparty to *its own clearing members* (including CCorp in its capacity as a special clearing member of Eurex Clearing). The fact of the matter is that both clearing houses will novate contracts – CCorp will novate trades made by its clearing participants and Eurex Clearing will novate trades made by its clearing members. Thus, if a CCorp participant makes a trade on Eurex, CCorp will step in and,

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[12] The CBOT notes that Section 5c(b) of the Act permits a contract market to comply with the relevant Core Principles through delegation to another registered entity. The CBOT therefore maintains that insofar as Section 5b of the Act does not confer similar authority on a DCO, CCorp cannot delegate its responsibilities to Eurex Clearing. The CBOT's argument is based on the flawed premise that CCorp has delegated its responsibilities to Eurex Clearing. Delegation involves the legal right to exercise self-regulatory discretion. The Clearing Corporation has not given Eurex Clearing any such authority. The Commission has in any event long recognized that the performance of certain DCO functions by a third-party contract or does not constitute an affirmative delegation of the DCO's responsibilities to that third party. (Were it otherwise, the DCOs would be prohibited from operating their systems on third parties' mainframes and from contracting with third parties for disaster recovery services.)

[13] For example, the DCO definition includes anyone who "arranges or provides, on a multilateral basis, for the settlement or netting of obligations resulting from" futures or option contracts. Read literally, this would require every FCM that is a member of a net margin clearinghouse (in other words, all of the futures clearinghouses other than the New York and Chicago Mercantile Exchanges) to register as a DCO. One would therefore expect the Commission to exercise its discretion to construe the statutory language in a manner that best gives effect to the underlying policies and purposes of the Act.

acting in its capacity as the special clearing member of Eurex Clearing, assume responsibility (to the exclusion of its clearing participant) for performance of that participant's obligations. CCorp also will become a universal counterparty, *but only with respect to the trades submitted by CCorp participants* (including Eurex Clearing as a special clearing member of CCorp).

Each clearing house, therefore, will be "the buyer to every seller and the seller to every buyer," but only where those buyers and sellers are members or participants (including special clearing members) in that clearing house. Stated differently, Clearing Corporation participants will look to CCorp – and not to Eurex Clearing – for a guaranty of performance. Consistent therewith, CCorp – and not Eurex Clearing – will collect and hold original margin (performance bond) from all Clearing Corporation participants (just as Eurex Clearing will collect and hold original margin deposited by its clearing members).

The CBOT, therefore, is at best mistaken when it asserts that Eurex Clearing must register as a DCO because it will "perform a full range of clearing services necessary to mutualize risk among Euro Link participants." Euro Link risk is mutualized among CCorp participants, but is not mutualized across the clearing houses. In other words, CCorp participants are not responsible if a member of Eurex Clearing fails to perform. To the contrary, Eurex Clearing (and, if need be, the provider of its third-party credit support) will in such circumstances be directly obligated to The Clearing Corporation.

5. The Record Before the Commission is More Than Sufficient to Permit Informed Public Comment. CCorp filed, and the Commission has made available for public comment, the legal agreements between CCorp and Eurex Clearing, proposed amendments to the rules of the two clearing houses, the request for customer funds relief described above, and a 15-page letter that describes in detail the mechanics of the proposed Euro Link.

The only information of any significance that was not made available is a form power of attorney and details relating to the credit support that will be provided by the clearing houses. The credit support arrangements, which are innovative and the product of intensive evaluation and analysis, have already been found by the Commission to constitute a "trade secret" that is exempt from public disclosure under the Freedom of Information Act. If the CBOT wants to develop special credit protection arrangements like those that support the Euro Link, it should do so on its own and not seek to "free ride" on the hard work that has been done by others.

The CBOT nonetheless asserts that the unavailability of this information "precludes an informed evaluation of the Euro Link." The Commission is the expert regulatory agency that has been authorized and directed by Congress to evaluate the effectiveness of these arrangements. The Commission does not need the CBOT's assistance to do so.

Conclusion. In closing, we would like to make a point that is sometimes obscured by technical legal arguments about one or more aspects of the Euro Link. The point, quite simply, is that the Euro Link is consistent with both the letter and the spirit of the Commodity Futures Modernization Act of 2000 (the "CFMA").

The CFMA was designed to foster innovation and remove unnecessary barriers to the use of the markets. Although the CFMA most clearly contemplated that market competition would be fostered by the entry of new types of market participants, such as derivative transaction execution facilities and exempt boards of trade, into the competitive arena, it is clear that the benefits that flow from robust competition will only result, at least in the realm of clearing, from the entry into the markets of well-established and well-capitalized competitors from other countries (such as Eurex Clearing and the London Clearing House) and markets (such as The Options Clearing Corporation).

The design of the Euro Link is prudent and well-reasoned. Each clearing house is responsible to and for its own clearing participants or clearing members. Although CCorp will use the facilities and infrastructure of Eurex Clearing where appropriate to reduce operational inefficiencies and reduce risk, it will do so in a manner that is entirely consistent with the protection of The Clearing Corporation, its clearing participants and the markets it clears.

The Euro Link offers numerous advantages to market users (customers), market professionals (clearing firms), the markets and clearing systems in a safe and sound environment. Customers and their FCMs who currently trade on Eurex (one of the largest and most successful futures exchanges in the world) must clear their trades and maintain their positions with Eurex Clearing. The Euro Link is designed to do nothing more than give customers and their FCMs a choice as to whether those trades should be cleared instead by CCorp.

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We would be pleased to answer any questions that the Commission or its staff may have. Please feel free to contact the undersigned or Nancy K. Brooks, Vice President and General Counsel of The Clearing Corporation, if you have any questions or if you would like to discuss any of these matters in greater detail.

Very truly yours,

/ s /

Kenneth M. Rosenzweig