

May 8, 2012

The Honorable Mary L. Schapiro
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

The Honorable Gary Gensler
Chairman
U.S. Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581

Dear Chairmen Schapiro and Gensler:

The undersigned firms (the Clearing Coalition) represent a broad cross-section of market participants who have joined to support the central clearing of standardized swaps (the Clearing Mandate), as set forth in Title VII of the Dodd-Frank Act. The Clearing Coalition comprises banks, swap dealers, FCMs, traditional asset managers, hedge funds, principal trading firms, and execution venues that all support the timely implementation of the Clearing Mandate in 2012.

The Dodd-Frank Act's goals of reducing systemic risk, promoting transparency and competition, and restoring the safety and soundness of our financial markets will only be achieved once the Clearing Mandate is implemented. Now is the time to move forward.

Your Commissions' hard work, transparent rulemaking process, and engagement with a wide range of stakeholders through roundtables, meetings, and comment letters has been unparalleled, and has provided the Commissions with the feedback needed to finalize clearing-related rules. It has been nearly two years since the Dodd-Frank Act was signed into law, and industry preparations for the core reform of central clearing are at an advanced stage.

We ask you to prioritize the finalization of clearing rules to continue this momentum. We appreciate the challenges your Commissions face in completing all the rules required under the Dodd-Frank Act, however, there is relatively little left on the rulemaking front to launch clearing, as described in the attached roadmap. We therefore urge you to work together over the next weeks to finalize the few remaining rules to implement central clearing in 4Q 2012, and to make public a firm implementation timetable.

Despite broad industry acknowledgement that clearing is coming, the uncertainty of when the Clearing Mandate will be effective negatively impacts our discussions with clients and service providers, our internal business planning, and final industry negotiations on clearing infrastructure. Announcing a definitive timeline for the implementation of the Clearing Mandate will remove significant uncertainty from the market and allow market participants to prioritize final investments. Further, it will incentivize existing market participants to bring competitive offerings to the market, and assure new entrants that an open, competitive market is near at hand.

We are confident that by working together and making the remaining rules necessary to implement the Clearing Mandate a priority, your Commissions can make central clearing a

reality in 4Q 2012. Anything less will leave financial markets vulnerable, damage American competitiveness, and weaken our long-term prospects for sound economic growth. We support your efforts and commend your continued commitment to implement central clearing.

Sincerely,

The Clearing Coalition

AllianceBernstein L.P.	DRW Trading Group	Javelin Capital Markets, LLC
Arbor Research & Trading Inc.	Eris Exchange, LLC	Jefferies & Company, Inc.
BNY Mellon Clearing, LLC	GETCO	Nico Trading
Citadel LLC	Imperial Capital	
The D. E. Shaw group	Infinium Capital Management	

cc: Commissioner Jill E. Sommers, CFTC
Commissioner Bart Chilton, CFTC
Commissioner Scott D. O'Malia, CFTC
Commissioner Mark P. Wetjen, CFTC
Commissioner Elisse B. Walter, SEC
Commissioner Luis A. Aguilar, SEC
Commissioner Troy A. Paredes, SEC
Commissioner Daniel M. Gallagher, SEC
Ananda Radhakrishnan, CFTC

Roadmap to Launch Central Clearing

Rulemaking	1Q2012			2Q2012			3Q2012			4Q2012			1Q2013			2Q2013		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun

Implementation Timing

Process for Review of Swaps for Mandatory Clearing <i>(Final)</i>			Review first set ¹ of swaps for mandatory clearing (includes 30 day comment period)	Aug 10: <u>At the latest</u> , issue first mandatory clearing determination				
Clearing Implementation Schedule ²			Announce final implementation schedule	• Aug 10 <u>at the latest</u> (T) Voluntary clearing (mandatory access ³)	• Nov 8 (T+90) Mandate applies to Category 1 entities	• Feb 6 (T+180) Mandate applies to Category 2 entities	• May 7 (T+270) Mandate in full effect*	
Prerequisite Rule Timing							* Including 3rd party accounts	
STP, Docs, FCM Risk ⁴ <i>(Final)</i>		Final Mar 20		Effective Oct 1				
Entity Definitions <i>(Final)</i>		Final Apr 18		Effective Jul 10				
End-User Exception		Final May 24		Effective Aug 6				
Product Definitions ⁵ <i>(Joint w/ SEC)</i>		Final in June		Effective in August				
Implementation Schedule: Clearing		Final in June		Effective in August				
		Effective Jan 7: Scope, Definitions, Registration, Procedures for implementing rules, Submission of swaps for clearing determination, Enforceability, Fraud, Compliance (ex CCO), Treatment of funds, Default rules, Enforcement, Public information, Information sharing, Antitrust, Legal risk						
DCO Core Principles, Risk Management <i>(Final)</i>		Effective May 6: Financial resources, Participant and product eligibility, Risk management (except gross margin), Settlement procedures						
						Effective Nov 8: CCO, Gross margin, System safeguards, Reporting, Recordkeeping		
Margin Segregation <i>(Final)</i>		Final Feb 7		Effective Nov 8 ⁶				

- Notes:**
- 1 Based on DCO submissions of what they clear today, not just pre-enactment swaps
 - 2 The first clearing mandate (for Category 1 entities) falls on Nov 8 in any scenario, concurrent with the effective date of LSOC. In accordance with the CFTC's proposed implementation timetable, the subsequent clearing mandates phase-in 90 days (for Category 2 entities) and 180 days later (for all others, including 3rd party managed accounts). T marks the start of the voluntary clearing period.
 - 3 Mandatory access = Clearing is voluntary, but if a client desires to clear a transaction subject to the first mandatory clearing determination, its counterparty must comply
 - 4 Package of 3 related rules: Timing of Acceptance for Clearing, Clearing Member Risk Management, and Customer Clearing Documentation
 - 5 The swaps that DCOs clear today fall squarely within the DFA's statutory definition of swap, and therefore, the rulemaking to "further define" swap need not be a prerequisite to issuing the first mandatory clearing determination
 - 6 DCOs may implement LSOC earlier than Nov 8 to support voluntary clearing