



**U.S. COMMODITY FUTURES TRADING COMMISSION**

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**Division of Clearing and  
Risk**

**Ananda Radhakrishnan  
Director**

November 1, 2012

**ELECTRONIC MAIL**

Mr. James Brown  
Executive Vice President and General Counsel  
The Options Clearing Corporation

Mr. Thomas Hammond  
President and Chief Operating Officer  
ICE Clear U.S., Inc.

Mr. Tim Doar  
Managing Director, Risk Department, and  
Chief Risk Officer  
CME Clearing

Ms. Laura Klimpel  
General Counsel  
New York Portfolio Clearing, LLC

Mr. Jim Facente  
Director, Market Operations, Clearing and IT  
MGEX, Inc.

Mr. Charles Savage  
Assistant Vice President and Manager  
Kansas City Board of Trade Clearing  
Corporation

Mr. Mike Gibson  
Chief Operating Officer  
ICE Clear Europe Limited

Re: Extension for Compliance with Commission Regulation 39.13(g)(8)(i)

Dear Messrs. Brown, Doar, Facente, Gibson, Hammond, and Savage, and Ms. Klimpel:

By correspondence of October 30, 2012, you requested that the Division of Clearing and Risk (Division) grant an extension for full compliance with Commission Regulation 39.13(g)(8)(i) (requiring customer gross margining)<sup>1</sup> from November 8, 2012, until the close

<sup>1</sup> Regulation 39.13(g)(8)(i) provides as follows:

(8) *Customer margin.* (i) *Gross margin.* (A) A derivatives clearing organization shall collect initial margin on a gross basis for each clearing member's customer account(s) equal to the sum of the initial margin amounts that would be required by the derivatives clearing organization for each individual customer within that account if each individual customer were a clearing member.

(B) For purposes of calculating the gross initial margin requirement for each clearing member's customer account(s), to the extent not inconsistent with other Commission regulations, a derivatives clearing organization may require its clearing members to report the gross positions of each individual customer to the derivatives clearing organization, or it may permit each clearing member to report the sum of the gross positions of its customers to the derivatives clearing organization.

(C) For purposes of this paragraph (g)(8), a derivatives clearing organization may rely, and

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of business on January 14, 2013, for customer positions held in a 4d(a) customer segregated account.

In your request you have represented that, while the industry has been engaged in implementing and testing the necessary programs in order to properly calculate customer gross margins on an aggregate level at each derivatives clearing organization (DCO), more time is needed given the complexity of the technology issues. You have further explained that the requested extension would allow the industry to better test programs around a variety of conditions such as omnibus account reporting, expirations, and contract rolls, to ensure that changes are implemented correctly.

In addition, you have stated that the DCOs and the Futures Industry Association (FIA) have set up a weekly status conference call to discuss operational readiness and escalate any issues that arise. You have also stated your intention to provide the Commission with frequent updates on the progress of the industry in achieving compliance with the customer gross margining rule.

The Division herein grants an extension to The Options Clearing Corporation, CME Clearing, MGEX, Inc., ICE Clear Europe Limited, ICE Clear U.S., Inc., New York Portfolio Clearing LLC, and Kansas City Board of Trade Clearing Corporation, thereby requiring full compliance with Regulation 39.13(g)(8)(i) no later than January 15, 2013, unless you are notified otherwise. This extension is granted by the Division in reliance on the representations contained in your request and, in this regard, the Division requires that you or your representative provide at least weekly updates on your progress towards achieving compliance with the customer gross margining rule. Please provide these updates to Tom Koprowski, Associate Director ([tkoprowski@cftc.gov](mailto:tkoprowski@cftc.gov), 312-596-0593), and Kenji Takaki, Associate Director ([ktakaki@cftc.gov](mailto:ktakaki@cftc.gov), 312-596-0522).

Any different, changed, or omitted material facts or circumstances may require termination of the extension and immediate action by your DCO and its clearing members or other FCMs, to facilitate compliance. The Division retains the authority to condition further, modify, suspend, or otherwise restrict the extension granted herein.

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may permit its clearing members to rely, upon the sum of the gross positions reported to the clearing members by each domestic or foreign omnibus account that they carry, without obtaining information identifying the positions of each individual customer underlying such omnibus accounts.

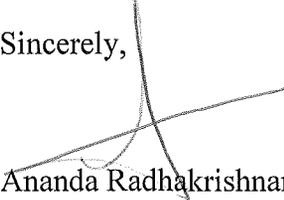
(D) A derivatives clearing organization may not, and may not permit its clearing members to, net positions of different customers against one another.

(E) A derivatives clearing organization may collect initial margin for its clearing members' house accounts on a net basis.

Messrs. Brown, Doar, Facente, Gibson, Hammond,  
and Savage, and Ms. Klimpel  
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Should you have questions regarding this matter, please contact Phyllis Dietz, Deputy Director (pdietz@cftc.gov, 202-418-5449) or Heidi Rauh, Special Counsel (hrauh@cftc.gov, 312-596-0644).

Sincerely,



Ananda Radhakrishnan  
Director

cc: Phyllis Dietz  
Heidi Rauh  
Julie Mohr  
Tom Koprowski  
Kenji Takaki