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Mr. David A. Stawick
Secretary
Commodity Futures Trading Commission
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Comment Letter on the Application Filed by New York Portfolio Clearing for Registration as a Derivatives Clearing Organization (Filing Number: IF10-009)

Dear Mr. Secretary:

I am a Professor of Law and the Director of the Center on Financial Services Law at New York Law School. Before joining the faculty here in 2008, I was a Managing Director in the Capital Markets Prime Services Division at Lehman Brothers. I have also had the opportunity and good fortune to serve as a Member of the Board of Directors and Advisory Committees on various Derivatives Clearing Organizations ("DCO") and Designated Contract Markets ("DCMs") during my 35+ year career in the futures and derivatives industry. I am currently a Member of the Board of Directors of NYSE Liffe US.

I appreciate this opportunity to submit this letter in strong support of the application recently filed by New York Portfolio Clearing ("NYPC") to become registered as a DCO and urge the Commission to approve the application promptly.

During my career in this great industry, I have always advocated the need for more and greater competition in the futures industry for the significant benefits it brings to the various participants and, of course, to the markets as a whole. It is well understood that competition at all levels and among all registrants, whether they be a DCO, a DCM or even an FCM, encourages innovation and efficiencies, drives down costs and provides the end users with improved choices. This is especially true regarding NYPC and its proposed structure and operation.

NYPC is an equal partnership between NYSE Euronext and the Depository Trust Clearing Corporation ("DTCC"). As such, NYPC will provide "open access" clearing of interest rate futures contracts while offering a single pot margining for both interest rate futures contracts traded on NYSE Liffe US and cash government securities cleared at DTCC's Fixed Income Clearing Corporation ("FICC"). From my understanding, this unique portfolio margining methodology will provide significant efficiencies for market users while maintaining the highest risk standards required by a clearinghouse in today's marketplace. The concept of portfolio margining is a very unique and important tool that provides important benefits while preserving necessary risk-based margin analysis, the fundamental analysis now used by all clearinghouses globally.

Unlike the traditional vertical clearing model that has, for the most part, been part of the futures industry, NYPC is built as an "open access" clearinghouse modeled after the new Dodd-Frank legislation and will open its doors to all exchanges and clearinghouses that meet certain objective criteria. By allowing multiple trading platforms free and open access to a clearinghouse, competition at the trading platform level will begin to develop and flourish. This open clearing model is in stark contrast to the closed vertical model that has, to a major extent, stymied new futures trading entrants in the past.

Also, as I understand, NYPC will employ the Value at Risk ("VaR") methodology for setting margin, which is a well-regarded risk modeling technique that many FCMs currently utilize. In fact, all of the risk models currently used by the futures industry are offspring of the VaR model. When I was at Lehman Brothers, we often compared the VaR risk-based model to the exchange-traded SPAN model to ensure that the minimum initial margin requirements set by the respective DCMs were adequate to provide the necessary protection to Lehman Brothers. As we all know, margin requirements are established for the primary purpose of protecting the FCM clearing member firms and, ultimately, the DCO. While NYPC's model delivers market efficiencies, it is important to understand that it does not do so at the expense of compromising the stability and soundness of the clearinghouse.

Most importantly for regulators, NYPC will create unprecedented transparency of risks across derivatives and cash securities for U.S Treasuries, which will allow the clearinghouses and regulators to better monitor and mitigate risk concentrations and coordinate the liquidation of these hedged assets in a more price stable manner during a default. The reports that will be provided by NYPC will clearly enhance market transparency and the ability for the government to monitor such transactions.

In approving NYPC's application to become a DCO, the Commission should also consider the benefits of NYPC's delivery mechanism for U.S. Treasury futures. The NYPC/FICC "locked in" delivery model offers seamless delivery of expiring futures contracts into cash bonds held at FICC, thereby minimizing fails and squeezes, improving price convergence and reducing the overall stress on the settlement system.

As noted above, I strongly encourage the Commission to expeditiously approve the DCO application of NYPC for the benefits this new clearing solution will bring to the marketplace. Thank you once again for allowing me to submit this comment letter.

Very truly yours,

Ronald H Filler

CC: Hon. Gary Gensler, Chairman
Hon. Michael Dunn, Commissioner
Hon. Jill Sommers, Commissioner
Hon. Bart Chilton, Commissioner
Hon. Scott O'Malia, Commissioner