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April 21, 2017

**VIA EMAIL**

Mr. Christopher Kirkpatrick  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

**Re: Nodal Clear, LLC – Request for Order of Registration Amendment**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 39.3(a)(2), Nodal Clear, LLC (“Nodal Clear”) is submitting this request for amendment to its Order of Registration as a derivatives clearing organization (“DCO”) issued on September 24, 2015 (“Existing Order”). At the time of its DCO application, Nodal Clear sought to clear financially settled electric power and natural gas futures executed on or through its affiliated designated contract market, Nodal Exchange, LLC (“Nodal Exchange”). Therefore, the Existing Order states “Nodal Clear is permitted to clear, in its capacity as a DCO, financially settled futures and options on futures” (emphasis added). Nodal Clear now wishes to have the ability to clear both financially and physically settled futures and options on futures and therefore seeks to amend the Existing Order accordingly.

**Core Principles Affected**

Pursuant to Commission Regulation 39.3(a)(2), Nodal Clear must demonstrate compliance with the core principles affected by the requested amendment. In this case, the core principle that is being affected is Core Principle E *Settlement Procedures*. Commission Regulation 39.14 was promulgated to implement Core Principle E and it provides in subpart (g) that a DCO that clears physically settled products shall:

- (1) Establish rules that clearly state each obligation that the derivatives clearing organization has assumed with respect to physical deliveries, including whether it has an obligation to make or receive delivery of a physical instrument or commodity, or whether it indemnifies clearing members for losses incurred in the delivery process; and*
- (2) Ensure that the risks of each such obligation are identified and managed.*

Nodal Clear does not believe that any additional core principles are affected by the requested amendment.

## Compliance with Core Principles Affected

Nodal Clear's original DCO application was based on clearing financially settled contracts; therefore, the requirements of Commission Regulation 39.14(g) were not applicable. Nonetheless, the Nodal Clear rules pertaining to clearinghouse liability were broadly written to include limitations on liability arising from "fault in delivery" as well as various other types of liability. Specifically, Nodal Clear Rule 7.9.1 *Limitation of Liability; No Warranties* provides that Nodal Clear and its affiliates shall not be liable for any losses arising in connection with fault in delivery in connection with the operation of the systems and the services of Nodal Clear. Accordingly, Nodal Clear disclaims, via Nodal Clear Rule 7.9.1, any indemnification for losses incurred in the delivery process.

## Conclusion

Nodal Clear believes the information provided above supports this request. Accordingly, Nodal Clear respectfully asks the Commission to amend the Existing Order to permit Nodal Clear to clear futures and options on futures, regardless of settlement type.

If you have any questions or need additional information regarding this request, please contact me at 703-962-9864 or [alvarez@nodalexchange.com](mailto:alvarez@nodalexchange.com).

Sincerely,

/s/ Cody Alvarez

Chief Compliance Officer & Corporate Counsel

cc:

Eileen Donovan, Deputy Director, Division of Clearing and Risk  
Meghan Tente, Special Counsel, Division of Clearing and Risk