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December 16, 2011

By E-Mail (submissions@cftc.gov)

Office of the Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
Washington, D.C. 20581

Re: New York Portfolio Clearing, LLC
Rule Certification – NYPC Rule 506

Ladies and Gentlemen:

New York Portfolio Clearing, LLC ("NYPC") hereby submits amendments to NYPC Rule 506 pursuant to the self-certification provisions of Commodity Futures Trading Commission ("Commission") Regulation 40.6.

NYPC Rule 506 (Close-Out Netting) is being amended as follows: (i) the language in NYPC Rule 506(a) is being amended to expand the set of insolvency events captured by the term "Bankruptcy Event" to coincide with the set of events captured by the analogous section of FICC Rule 22B; (ii) an explicit outside time limitation of 30 days is being added to NYPC Rule 506(c) for netting of all obligations of a clearing member to the clearinghouse and *vice versa* in the event the clearing member's positions are closed pursuant to NYPC Rule 506(a) (a clearinghouse insolvency) or NYPC 506(b) (a clearinghouse default); (iii) the 30-day time limitation from NYPC Rule 506(d) is being removed to confirm that valuations of a clearing member's positions should occur as soon as such positions are closed; (iv) certain changes are being made to NYPC Rule 506(c) to clarify that in the event of a clearinghouse insolvency or default, a clearing member's obligations with respect to its proprietary positions and the NYPC Guaranty Fund will be netted separately from its obligations with respect to customer positions, and that any amounts due upon such netting shall be promptly paid to the clearing member or the clearinghouse, as the case may be; and (iii) certain other conforming changes are being made.

NYPC hereby certifies that the amended Rule complies with the Commodity Exchange Act and Commission Regulations thereunder. There were no substantive opposing views expressed by any member of the Board of Directors of NYPC, any Committee of the Board, any clearing member or market participant in respect of the proposed Rule amendment. The amended Rule will become effective January 4, 2012.

NYPC hereby certifies that a notice of pending certification with the Commission of the proposed Rule amendment and a copy of this submission have been posted on NYPC's website at <http://www.nypclear.com/rule-amendments>.



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The text of the proposed Rule amendment, marked to show all deletions and additions, is enclosed, together with the submission cover sheet required by Commission Regulation 40.6(b)(7)(i).

Any questions should be directed to the attention of the undersigned at 212-855-5230 or laura.klimpel@nypclear.com.

Very truly yours,

Laura C. Klimpel

Chief Compliance Officer & Counsel

Encl.

Rule 506. Close-Out Netting

(a) Insolvency of the Clearinghouse

If at any time the Clearinghouse: (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger), (ii) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or presents or has presented against it a petition is presented for its winding up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for the Clearinghouse's winding-up or liquidation, or (iii) that remains unstayed for a period of at least 90 days from the issue thereof, (iii) approves resolutions authorizing any proceeding or petition described in clause (i) above (collectively) above or (iv) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all of its assets, which, if not sought by the Clearinghouse, remains unstayed for a period of at least 90 days from the issue thereof (any such event, a "Bankruptcy Event"), all open positions in the Clearinghouse shall be closed promptly.

(b) Default of the Clearinghouse

If at any time the Clearinghouse fails to comply with an undisputed obligation to pay money or deliver property to a Clearing Member that is due and owing in connection with a transaction on the Clearinghouse or cleared by the Clearinghouse, for a period of ~~thirty~~ 30 days from the date that the Clearinghouse receives notice from the Clearing Member of the past due obligation, the Clearing Member's open proprietary and Customer positions at the Clearinghouse shall, at the election of that Clearing Member, be closed promptly.

(c) Netting and Close-Out

~~At such time as a~~ As promptly as reasonably practicable, but in any event within 30 days of the time that the Clearing Member's positions are closed in accordance with paragraph (a) or (b) of this Rule, the obligations of the Clearinghouse to such Clearing Member in respect of all of its proprietary positions, accounts, collateral and deposits to the Guaranty Fund shall be netted, in accordance with the Bankruptcy Code, the CEA and the regulations adopted thereunder in each case, against the obligations of that Clearing Member in respect of both its proprietary and its Customers' positions, accounts, collateral and its obligations to the Guaranty Fund to the Clearinghouse. All obligations of the Clearinghouse to such Clearing Member in respect of its Customer positions, accounts, and collateral shall be separately netted against the positions, accounts and collateral of its Customers in accordance with the requirements of the Bankruptcy Code, the CEA and the regulations adopted thereunder in each case. Any amounts due upon such netting shall be promptly paid from the applicable Clearing Member to the Clearinghouse or from the Clearinghouse to the applicable Clearing Member, as the case may be. At the time a Bankruptcy Event takes place or the time a Clearing Member elects to have its open positions closed as described in paragraph (b) of this Rule, the authority of the Clearinghouse, pursuant to Rule 504(b), to make new assessments and/or require each Clearing Member or the applicable Clearing Member, as the case may be, to cure a deficiency in its Guaranty Fund deposit, arising after the Bankruptcy Event or election, as the case may be, shall terminate, and ~~at~~ each applicable position open immediately prior to the close-out shall be valued in accordance with the procedures of paragraph (d) of this Rule.

(d) Valuation

~~As promptly as reasonably practicable, but in any event within thirty days of: (i) the Bankruptcy Event, or (ii) if~~ Whenever a Clearing Member elects to have its open's positions are closed as described in accordance with paragraph (a) or (b) of this Rule, ~~the date of the election,~~ the Clearinghouse shall fix a U.S. dollar amount (the "Close-out Amount") to be paid to or received from the Clearinghouse with respect to each position in each account of each such Clearing Member. In fixing Close-out Amounts, the Clearinghouse shall exercise its discretion, acting in good faith and in a commercially reasonable manner, in adopting methods of valuation expected to produce reasonably accurate substitutes for the values that would have been obtained from the relevant market if it were operating normally, including but not limited to the use of pricing models to determine a value for a cleared Contract based on the market price of the underlying interest or the market prices of its components. In determining a Close-out Amount, the Clearinghouse may consider any information that it deems relevant, including, but not limited to, any of the following:

- ~~(1)~~ (1) prices for underlying interests in recent transactions, as reported by the market or markets for such interests;
- (2) quotations from leading dealers in the underlying interest, setting forth the price (which may be a dealing price or an indicative price) that the quoting dealer would charge or pay for a specified quantity of the underlying interest;
- (3) relevant historical and current market data for the relevant market, provided by reputable outside sources or generated internally; and
- (4) values derived from theoretical pricing models using available prices for the underlying interest or a related interest and other relevant data.

Amounts stated in a currency other than U.S. dollars shall be converted to U.S. dollars at the current rate of exchange, as determined by the Clearinghouse. ~~If a Clearing Member has a negative Close-out Amount, it shall promptly pay that amount to the Clearinghouse.~~ (e) Interpretation in Relation to FDICIA

The Clearinghouse intends that certain provisions of this Rule be interpreted in relation to certain terms identified by quotation marks that are defined in the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), as amended, as follows:

- (1) The Clearinghouse is a "clearing organization."
- (2) An obligation of a Clearing Member to make a payment to the Clearinghouse, or of the Clearinghouse to make a payment to a Clearing Member, subject to a netting agreement, is a "covered clearing obligation" and a "covered contractual payment obligation."
- (3) An entitlement of a Clearing Member to receive a payment from the Clearinghouse, or of the Clearinghouse to receive a payment from a Clearing Member, subject to a netting contract, is a "covered contractual payment entitlement."
- (4) The Clearinghouse is a "member," and each Clearing Member is a "member."
- (5) The amount by which the covered contractual payment entitlements of a Clearing Member or the Clearinghouse exceed the covered contractual payment obligations of such Clearing Member or the Clearinghouse after netting under a netting contract is its "net entitlement."
- (6) The amount by which the covered contractual payment obligations of a Clearing Member or the Clearinghouse exceed the covered contractual payment entitlements of such Clearing Member or the Clearinghouse after netting under a netting contract is its "net obligation."

(7) The Rules of the Clearinghouse, including this Rule 506, are a “netting contract.”
(f) Cross-Margining Agreement

If a Bankruptcy Event should occur, the Clearinghouse shall immediately seek to exercise its authority under the Cross-Margining Agreement to cause the immediate liquidation of all assets and liabilities in all cross-margining accounts of each Clearing Member subject to such Agreement and to reduce all such accounts to a single net obligation to or from such Clearing Member or its Cross-Margining Affiliate to be settled in accordance with the terms of the Cross-Margining Agreement.