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March 14, 2005

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Re: Global Clearing Link Between CCorp and Eurex Clearing – Phase II

Dear Messrs. Carley and Shilts:

On October 21, 2004, the Commodity Futures Trading Commission (the “Commission”) approved the application of The Clearing Corporation (“CCorp”), a registered derivatives clearing organization (“DCO”), to implement Phase I of a Global Clearing Link with Eurex Clearing AG (“Eurex Clearing”). CCorp respectfully requests that the Commission now take those regulatory actions described below necessary to permit CCorp to implement Phase II of the Global Clearing Link (the “GCL” or “Clearing Link”). As part of its submission, CCorp also requests that the Commission make clear that the Commission’s Order of October 21, 2004 permitting CCorp, its clearing participants and futures commission merchants (“FCMs”) to commingle segregated and secured amount funds also applies to contracts carried via Phase II of the Clearing Link.¹

¹ U.S. Futures Exchange, LLC (“USFE”) is, under separate cover, submitting to the Commission a letter that requests the Commission’s permission to utilize the Clearing Link.

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The Global Clearing Link.

As described more fully in CCorp's letter of April 26, 2004, a copy of which is attached hereto, the clearing link between CCorp and Eurex Clearing consists of several basic components.² In Phase I of the Clearing Link, referred to as the Euro Link, CCorp participants are able to carry Euro-denominated futures contracts and options on futures contracts executed on Eurex Deutschland and Eurex Zürich AG ("Eurex"). Phase II of the GCL will permit a trader executing transactions on USFE – all of which are cleared by CCorp as the DCO to USFE – to have its positions carried by a member of Eurex Clearing rather than by a CCorp clearing participant. Thus, under Phase II of the GCL, members executing contracts on USFE for themselves or their customers will be able to have their positions carried either by clearing participants of CCorp, the DCO for USFE, or by members of Eurex Clearing, the linked clearinghouse.

Certain Euro-denominated products that are currently listed for trading by Eurex will also be listed for trading by USFE. USFE will recognize the fungibility of its cross-listed contracts with the same products that are traded on Eurex.

In order to implement the Clearing Link, Eurex Clearing has become a "special clearing member" of CCorp and has established an omnibus account at CCorp to hold trades and effect daily margin settlements and deliveries. To maintain an overall balanced position in its accounts, CCorp similarly has become a special clearing member of, and established a mirror omnibus account, with Eurex Clearing. These steps were taken to implement the Euro Link, and would not be affected by the approval of Phase II of the Clearing Link.

Phase II of the Global Clearing Link.

Functional Description. Under Phase II of the GCL, market participants will be able to trade on USFE, have those trades cleared by USFE's DCO, CCorp, and then have the resulting position carried either by CCorp clearing participants or by members of Eurex Clearing. Certain of these contracts (such as U.S. Treasury Bonds and Notes and the Russell 2000 Stock Price Index) will be traded exclusively on USFE and will not be listed for trading on Eurex. Certain Euro-denominated contracts that will be traded on USFE (such as the Bund, Bobl and Schatz) are already traded on Eurex and will be cross-listed. Finally, there will be contracts that are traded solely on Eurex (such as Euribor) but which will be capable of being carried either at Eurex Clearing or at CCorp.³

Central Counterparty. CCorp acts as the central counterparty to each and every trade made on USFE, either directly with its clearing participants or, in the case where the position is

² The April 26, 2004 letter to the Commission requesting approval of Phase I provides background information about CCorp and Eurex Clearing and also describes the Global Clearing Link generally.

³ Consistent with the Order issued by the Commission in connection with Phase I of the Clearing Link, contracts traded on Eurex will continue to be cleared through Eurex Clearing, but may, if approved for clearing through the GCL, be carried by CCorp clearing participants in their CCorp accounts.

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carried by a member of Eurex Clearing, with Eurex Clearing as a special clearing member of CCorp. In a transaction on USFE involving a member of Eurex Clearing, CCorp steps in as central counterparty to its participants and to Eurex Clearing in its capacity as special clearing member; Eurex Clearing, in turn, becomes counterparty to its clearing member simultaneously and in parallel to CCorp. As special clearing member, Eurex Clearing is responsible to CCorp for the obligations of the members of Eurex Clearing, irrespective of whether those clearing members perform. CCorp, in turn, is responsible for all obligations owed to its participants, regardless of whether Eurex Clearing performs.

Eurex Clearing is responsible for all obligations to its members. CCorp, as central counterparty, is obligated to Eurex Clearing, as its special clearing member, for contracts carried by Eurex Clearing as special clearing member on behalf of its (Eurex Clearing) members. Eurex Clearing's obligations as special clearing member to CCorp are collateralized by credit support as set forth in the Link Clearing Agreement.⁴

CCorp also is a special clearing member of Eurex Clearing. That relationship, which enables CCorp participants to carry positions cleared through Eurex Clearing as the clearinghouse for Eurex, was discussed in detail in the submission for Commission approval of Phase I of the GCL. CCorp's obligations as a special clearing member of Eurex Clearing are collateralized as set forth in the Link Clearing Agreement.

Omnibus Accounts and "Technical Clearing IDs". CCorp will establish an omnibus account for Eurex Clearing, as special clearing member of CCorp, to hold positions for members of Eurex Clearing. Under this omnibus account relationship, Eurex Clearing will be liable for the obligations of its clearing members, and members of Eurex Clearing will not have any legal rights against CCorp with respect to USFE transactions.

More specifically, the omnibus account represents the sum of the individual sub-accounts which CCorp will set up for each Eurex Clearing Member. These sub-accounts are denominated as "Technical Clearing ID Accounts." The Technical Clearing ID Accounts will be used by CCorp in its role as a service provider to Eurex Clearing as discussed in greater detail below.

CCorp as Service Provider and as Service Purchaser. Phase II of the Clearing Link is designed to enable CCorp clearing participants to carry contracts executed on Eurex without having to become members of Eurex Clearing and, similarly, to permit members of Eurex Clearing members to carry contracts executed on USFE without having to become clearing participants at CCorp.⁵ Consistent therewith, CCorp assists Eurex Clearing – the linked

⁴ The full legal relationship between CCorp and Eurex Clearing is governed by the Link Clearing Agreement, the Clearing Link Services Agreement, and the Rules of CCorp and Eurex Clearing. The Link Clearing Agreement and the Clearing Link Services Agreement were provided to the Commission as part of the Phase I submission. CCorp's proposed Rules are being submitted herewith in the form in which they are proposed to be amended. CCorp intends to make those Rules effective once the Commission has granted it permission to implement Phase II of the Clearing Link.

⁵ Phase I of the Clearing Link permitted CCorp's clearing participants to carry Eurex transactions without becoming members of Eurex Clearing.

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clearinghouse – by providing technical support for various administrative and data processing functions. CCorp, in turn, has contracted with Eurex Clearing to obtain comparable services to assist CCorp in its processing of USFE transactions in Euro-denominated contracts.

Service Provider. CCorp provides to Eurex Clearing services relating to trade and position management for all contracts traded on USFE other than the cross-listed products. Eurex Clearing, as a special clearing member of CCorp, will be legally responsible for the trades and positions of Eurex Clearing members as described above, but has contracted to use CCorp's infrastructure to implement and effect various position and trade management functions in products denominated in currencies other than the Euro. Under the Link Clearing and Clearing Link Services Agreements, CCorp – acting on behalf of (and for the account and risk of) Eurex Clearing – will use the Technical Clearing ID Accounts to provide Eurex Clearing members with notifications and allocations of deliveries, exercises of and assignments for options, and variation margin calculations, collection and payment.⁶

Service Purchaser. As the DCO for USFE, CCorp acts as central counterparty to all transactions effected on USFE. As DCO, one of CCorp's duties is to arrange or provide for the settlement of obligations arising out of transactions effected on USFE. Under the Clearing Link Services Agreement, CCorp requires Eurex Clearing to act as CCorp's agent with respect to various functions arising out of CCorp's clearance of USFE transactions in Euro-denominated contracts.⁷ These include processing assistance related to the notification and allocation process for physically settled Euro-denominated futures contracts, the exercise and assignment process for options, and the variation margin calculation and collection process. These services are the same or highly similar to those services provided by Eurex Clearing to CCorp that support CCorp's operation as a special clearing member of Eurex Clearing as approved under the Commission's Phase I Order. In this regard, the Rules of CCorp relating to its clearing of Euro-denominated contracts traded on USFE are attached hereto. CCorp intends to make those Rules effective once the Commission has granted it permission to implement Phase II of the Clearing Link.⁸

⁶ Eurex Clearing — the linked clearinghouse – has conformed its Rules to those of CCorp with respect to those functions that it has outsourced to CCorp. In this way, the responsibilities and obligations owed to Eurex Clearing by its members are consistent with the responsibilities and obligations owed by Eurex Clearing to CCorp as a special clearing member of CCorp. These Rules relate to processing, position transfers, deliveries, system access, trade data reporting, holiday calendars and processing schedules.

⁷ The terms and conditions of the Euro-denominated products to be listed for trading on USFE and cleared at CCorp will be self-certified to the Commission by USFE before they are listed for trading. These Euro-denominated contracts will be traded on USFE under a licensing agreement from Eurex and will have the same substantive terms and conditions as the contracts traded on Eurex. USFE will recognize such Eurex contracts as fungible with its own. Amendments to the USFE Rules relating to the arrangements of its DCO — CCorp — to participate in Phase II of the Clearing Link are being submitted to the Commission by USFE under separate cover.

⁸ CCorp has conformed its Rules with the Rules of Eurex Clearing in those areas where Eurex Clearing is acting as a service provider to CCorp. By contrast, CCorp does not anticipate that it will amend its Rules in other areas, such as participant admission criteria or the collection, custody and use of original margin.

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Trade Execution and Confirmation. Trades on USFE will be captured by USFE and transmitted directly to CCorp and its linked clearinghouse (Eurex Clearing). USFE's trade execution platform will generate trade confirmations. CCorp's system will be used for post-trade management (such as give-ups and take-ups) for the contracts that are traded exclusively on USFE, which will be confirmed to Eurex Clearing as applicable. CCorp will use Eurex Clearing's platform (Eurex Clearing, acting in its role as service provider to CCorp) for post-trade management, such as give-ups and take-ups, for cross-listed (Euro-denominated) transactions made on USFE.⁹

Data Exchange and Reconciliation. CCorp and Eurex Clearing, as a consequence of the Clearing Link and their service arrangements, will exchange data with each other during the hours when they are both fully operational, as well as at the end of their respective business days. The data to be reconciled will be both static (product, market, and participant or Clearing Member) and dynamic (risk management and trade- and position-related). CCorp and Eurex Clearing have agreed to reconcile with each other on at least a daily basis and have further agreed to reconcile the following information: transactions and positions; cash balances; variation margin; credit support coverage; delivery obligations and fulfillment; and master reference files. Any differences identified during the reconciliation process will be resolved immediately.

Holidays. CCorp will be available to clear transactions on USFE even if certain operational functions (such as the collection of original margin on days when banks in Chicago or New York are closed) may be delayed until the next business day. This is consistent with current operations today. USFE will coordinate its holiday schedule with the trading schedule of the underlying cash markets for the relevant product.

Eurex Clearing as special clearing member of CCorp will accept the positions to be carried by Eurex Clearing's members, and as service provider will provide services to CCorp whenever USFE is open for trading, even if Eurex Clearing is otherwise closed for a holiday. Certain operational functions of Eurex Clearing as a special clearing member of CCorp, such as the collection of original margin from its (Eurex Clearing's) members on days the European banks are closed, may be delayed until the next business day or be replaced by other risk management processes to ensure that the clearinghouses are adequately protected. CCorp and Eurex Clearing under their existing agreements could also choose to outsource the collection of original margin during a holiday.

Original Margin. CCorp will collect and hold original margin collateral from all Clearing Corporation participants (other than Eurex Clearing, its special clearing member) for contracts executed on USFE. (As a special clearing member, Eurex Clearing will secure its obligation to CCorp with the credit support required by the Link Clearing Agreement.) Eurex Clearing, in

⁹ The Eurex platform is so used already with respect to Phase I of the GCL to support Eurex positions that are carried by participants of CCorp.

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turn, will collect original margin from its members under its own Rules and use its own risk-based methodology in respect of their obligations to it.¹⁰

Eurex Clearing as a service provider to CCorp with respect to transactions in Euro-denominated products executed on USFE will provide CCorp with the necessary open position information to enable CCorp to perform original margin calculations and other risk management functions. CCorp Rules specifying the acceptable forms of original margin collateral and the methodology for calculating original margin will apply.¹¹

Variation Margin. Variation margin for USFE contracts will be paid and collected in the currency in which the contract is denominated. As the DCO for USFE, CCorp pays variation margin to and collects variation margin from its participants and the special clearing member (Eurex Clearing). In addition, CCorp – acting as a service provider to and agent of Eurex Clearing – will calculate the variation margin for USFE transactions that are carried by members of Eurex Clearing under the Clearing Link.¹² CCorp will then pay variation margin to or collect variation margin from members of Eurex Clearing (the Technical Clearing IDs) for all contracts that are traded exclusively on USFE.

With respect to cross-listed (Euro-denominated) contracts, Eurex Clearing has contracted with CCorp to act as service provider and agent for CCorp in calculating and in exchanging variation margin pays and collects among CCorp clearing participants. Eurex Clearing will do so operationally through the Technical Clearing IDs (which are sub-accounts of CCorp's special clearing member omnibus account at Eurex Clearing).¹³

¹⁰ As previously noted in connection with the Phase I application, CCorp calculates original margin requirements for its participants using SPAN®. (SPAN® is a registered trademark of Chicago Mercantile Exchange Inc. and is used by CCorp and USFE under license. Chicago Mercantile Exchange Inc. assumes no liability in connection with the use of SPAN® by any person or entity.) Eurex Clearing uses a risk-based original margin calculation method based on the TIMS™ (or Theoretical Intermarket Margining System) methodology developed by The Options Clearing Corporation. CCorp and Eurex Clearing have agreed to coordinate the relevant input parameters to ensure that their respective margin systems yield comparable results for the same positions and portfolios.

¹¹ USFE has advised both CCorp (and Eurex Clearing) that USFE similarly intends to permit its members to use the same inter-market offsets used by CCorp when calculating the amount of initial margin required to be collected from customers by USFE member FCMs.

¹² Eurex Clearing will require its members to open an account with one or more U.S. commercial banks acceptable to CCorp or a correspondent bank that holds an account at such a U.S. commercial bank. Although the variation margin obligations of Eurex Clearing as a special clearing member to CCorp will ordinarily be fulfilled by members of Eurex Clearing through this settlement arrangement, Eurex Clearing as the special clearing member of CCorp continues to be the contractual counterparty to CCorp and, therefore, is liable to CCorp for any portion of the variation margin that is not provided by one or more of Eurex Clearing's members.

¹³ In order to make and receive variation payments in Euro, CCorp generally will require its participants to open an account with Deutsche Bundesbank (if eligible) or a correspondent bank that holds an account at Deutsche Bundesbank and grant Eurex Clearing a power of attorney enabling Eurex Clearing directly to debit and credit on CCorp's behalf variation margin from and to each such participant's variation margin settlement account. CCorp's Master European Settlement Account ("MESA") system, established in connection with Phase I of the Clearing Link, allows CCorp to perform this function on behalf of its participants, thereby making it unnecessary for those

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Segregation. All U.S. customers who trade on USFE will have their contracts executed by, and their positions carried through, a registered FCM. Customer property deposited with an FCM will be segregated from the FCM's own proprietary funds, as required by Section 4d of the Commodity Exchange Act (the "Act") and Commission Rules. An FCM may deposit customer segregated funds with non-U.S. depositories, however, provided that they meet the criteria specified in Commission Rule 1.49. Among other things, Rule 1.49 requires that any non-U.S. depository of customer segregated funds be located in a money center country or in the country of origin of the currency and be a bank or trust company having in excess of \$1 billion in regulatory capital or whose commercial paper or long-term debt (or that of its holding company) receives one of the two highest ratings by a national statistically recognized rating organization. Thus, to carry a position with a member of Eurex Clearing, an FCM holding positions executed on USFE for U.S. customers is likely to deposit customer segregated funds with a bank that is a member of Eurex Clearing and that qualifies under Commission Rule 1.49 as a permissible non-U.S. depository.¹⁴

The Commission in its order of October 21, 2004 permitted "CCorp, its participants and other FCMs to commingle money, securities and other property (customer funds) used to margin, secure or guarantee Euro Link Transactions [*i.e.*, transactions executed at Eurex and carried by CCorp participants] with other customer funds used to margin, secure or guarantee trades on a contract market designated under section 5a of the Act..." In order to implement Phase II of the Clearing Link, CCorp is by separate letter requesting that the Commission amend the Phase I Order to include within its scope all GCL transactions. The effect of this modification would be to reconfirm that FCMs are permitted to combine their customer's segregated and secured amount accounts with respect to customers trading on both USFE and Eurex and clarify that this relief applies not only to CCorp, its participants and FCMs but also to their depositories, including members of Eurex Clearing, that are permitted by Commission Rule 1.49 to hold customer funds.¹⁵

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CCorp participants that do elect to utilize the MESA system to establish the necessary banking relationships themselves.

¹⁴ Section 1.1.1(3) of the Eurex Clearing Conditions effectively authorizes the issuance of "clearing licenses" only to banking institutions that are domiciled in a country of the European Union or in Switzerland. Switzerland is not a "money center country" for purposes of Rule 1.49. Thus, unless the customer has deposited Swiss Francs or consented specifically to the deposit of its funds in Switzerland, any deposits of U.S. customer funds with a Swiss bank will be required to be made with a branch of such a bank that is located in a money center country.

¹⁵ Eurex Clearing's Clearing Conditions prohibit its clearing members from depositing customer funds as margin with Eurex Clearing. Thus, unlike CCorp and other U.S. clearinghouses, Eurex Clearing requires that its members margin their obligations to the clearinghouse with the member's own funds. Eurex Clearing, therefore, will hold no U.S. customer segregated funds or secured amount deposits. An FCM executing transactions on USFE that wants to carry those positions on an omnibus basis with a member of Eurex Clearing via the Clearing Link therefore will need to take steps to ensure that its customer funds are properly protected by (i) depositing those segregated funds with a member of Eurex Clearing (or that clearing member's bank) that qualifies as a permissible non-U.S. depository under Rule 1.49, and (ii) obtaining an acknowledgment, as required by Commission Rules 1.20, 1.26 and 1.49, that the depository will maintain those funds in segregated accounts.

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Settlement Prices. Settlement prices are used for calculating variation margin and realized and unrealized profit and loss. These calculations are made by measuring positions against the previously calculated settlement price and the current settlement price. (The variation margin requirement for new positions is similarly measured by calculating the difference between the trade price and the settlement price.) CCorp will calculate settlement prices twice each day: for Treasury products, at 1:00 p.m. Central time (for the mid-day pay/collect) and again at 2:00 p.m. Central time (for the final settlement that is effected by 6:40 a.m. Central time on the next business day) and for U.S. equity index products, at 1:00 p.m. Central time (for the mid-day pay/collect) and again at 3:15 p.m. (for the final settlement that is effected by 6:40 a.m. Central time). These times will be adjusted as necessary for operational and risk purposes.

CCorp has contracted with Eurex Clearing to provide a calculation of the settlement prices for Bund, Bobl and Schatz contracts traded on USFE at approximately 7:00 p.m. Frankfurt time and at approximately 8:00 p.m. Frankfurt time for the DAX and Euro Stoxx contracts. CCorp has contracted to receive this calculation, which it will use to calculate variation margin settlement requirements for those CCorp participants that look to CCorp's MESA system to effect daily settlements at Eurex Clearing for GCL products and additionally as an element in determining the proper levels of original margin to be deposited with CCorp by its clearing participants. CCorp retains the authority to set its own settlement prices for the purpose of recalculating the obligations of its clearing participants with respect to the collection of original margin, and CCorp is amending its Rules to make that point explicit. In addition, in the event of an emergency, CCorp can direct Eurex Clearing, as CCorp's agent, to collect additional margin intra-day through a manual pay/collect process.

Delivery. The Technical Clearing IDs that each clearinghouse maintains within its omnibus special clearing member account will be used to assist in the discharge of the outsourcing agreements included within the Clearing Link, including enabling CCorp participants and Eurex Clearing members to make and take delivery of physical instruments without being required to establish an entirely new infrastructure to do so.

CCorp accordingly provides services to Eurex Clearing Members with respect to deliveries of U.S. Bonds and Notes traded on USFE. Specifically, Eurex Clearing has authorized

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With respect to non-U.S. customers trading through a foreign broker whose positions are carried by a member of Eurex Clearing, the Rules and clearing conditions of Eurex Clearing and the national laws of the countries in which members of Eurex Clearing are resident impose requirements that, in general, are substantively equivalent to those required of FCMs under the Act and Commission Rules. As noted above, the Eurex Clearing Conditions authorize the issuance of a clearing license (membership) only to institutions domiciled within the European Union or Switzerland that are licensed for conduct of safe custody business, lending operations and the receipt of collateral in the form of cash or securities. It is our understanding that such institutions are required under the national laws of their country of origin to segregate a customer's securities from the assets of other customers held with that bank and from the bank's own assets. Cash deposits held in "fiduciary" accounts are also precluded from being combined with the firm's own assets. Accordingly, non-U.S. customers trading on USFE through foreign brokers are provided protections that are similar to those afforded to U.S. customers.

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CCorp to administer the delivery process for members of Eurex Clearing (and for Eurex Clearing itself as a special clearing member of CCorp, in the event of a failure to deliver or pay or other default by a member of Eurex Clearing).¹⁶ The processing of option exercises and assignments is similarly outsourced.

In addition, CCorp has outsourced to Eurex Clearing certain functions related to the delivery of Euro-denominated bonds and notes traded on USFE. In this regard, Eurex Clearing, as agent for CCorp, will administer the delivery process with respect to CCorp's clearing participants (and, upon a failure to deliver or pay or other default by a clearing participant, with respect to CCorp itself). As a consequence, CCorp has required those of its participants that are trading through the Clearing Link either (i) to establish and maintain settlement accounts at Clearstream Banking Frankfurt AG ("Clearstream"), or at a custodian bank that has an account at Clearstream, and grant a power of attorney authorizing Eurex Clearing to directly debit or credit that settlement account, or (ii) authorize CCorp to make or take delivery for their account under arrangements similar to the MESA program for variation margin settlements.

The Cross-Listed Products. As discussed above, CCorp and USFE are seeking permission of the Commission to implement the GCL with respect to interest rate products and equity indices that are denominated in Euro and cross-listed on USFE and Eurex. The initial contracts to be listed on USFE are the Bund, Bobl and Schatz interest rate futures and options on futures contracts and futures on the DAX and Euro Stoxx 50 equity indices.¹⁷ These contracts are among the most deep and liquid contracts in the world.¹⁸ Indeed, they are respectively the benchmark interest rate futures and futures option contracts on Euro-zone interest rates and are indicative of equity values on European markets.

Moreover, the cash markets underlying these contracts are also deep and liquid, with very large deliverable supplies in the physically settled interest rate contracts. The stock index

¹⁶ Although Eurex Clearing is ultimately responsible for deliveries with respect to positions held in its omnibus account at CCorp, Technical Clearing IDs will be required to submit delivery notices directly to CCorp in its capacity as the service provider to Eurex Clearing for any contract that is traded exclusively on USFE (*i.e.*, all contracts cleared through the Clearing Link other than cross-listed Euro-denominated products). CCorp will inform Eurex Clearing and each of its clearing members of the rights or obligations of each such clearing member to receive or make a particular delivery. Members of Eurex Clearing (and CCorp clearing participants) will effectuate deliveries through appropriate settlement accounts. The impact of this arrangement is to expose those market users whose positions are carried at Eurex Clearing to the entire available deliverable supply for such instruments in their normal cash marketing channels, consistent with the standard set for designated contract markets by Commission Guideline No. 1 (17 C.F.R. Part 40, Appendix A(a)(3)). CCorp Rules with respect to Euro-denominated contracts operate in the same manner, except that in this case CCorp has outsourced to Eurex Clearing certain operational processes, including the assignment of delivery notices. The impact of these arrangements is to expose market participants who carry their positions in Euro-denominated contracts through a CCorp clearing participant to the entire available deliverable supply for such instruments in their normal cash marketing channels.

¹⁷ USFE intends initially to list only certain of the contracts that are eligible for cross-listing. All Euro-denominated contracts covered by the Commission's Phase I Order would be eligible for cross-listing, however.

¹⁸ In November 2004, the open interest for the different futures products was as follows: Bund - 1,372,628, Bobl - 895,095, Schatz - 843,291, DAX - 224,353 and Euro Stoxx 50 - 1,666,397 (Source: Futures Industry Association, International Open Interest Report, November 2004, International Open Interest on Last Trading Day).

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contracts are cash-settled and the underlying cash markets from which the settlement price is derived are themselves very deep and liquid. The Commission has long recognized that the difficulty of manipulating such markets relative to those for tangible commodities should be considered in tailoring the necessary regulatory requirements to the market.¹⁹ Congress embraced this approach when it adopted the Commodity Futures Modernization Act of 2000, making important distinctions between “excluded,” “exempt” and “agricultural” commodities in creating the framework for market regulation.²⁰ That only “excluded commodities” are proposed for inclusion in the Cross-Listed Link should be an important factor in the Commission’s consideration.

Not only are the eligible cross-listed products limited to those on “excluded commodities,” the non-U.S. linked market (*i.e.*, Eurex) is subject to comprehensive oversight by its national regulatory authorities that is comparable to that which is provided by the Commission.²¹ Moreover, the products eligible for cross-listing and their underlying commodities are the subject of the particular national interest of those regulatory authorities. In this regard, because the sovereign debt instruments of the Federal Republic of Germany underlie the interest rate contracts that are proposed to be cross-listed, the German regulatory authorities have a national interest in ensuring the integrity of prices of the underlying and derivative markets in these instruments. The German regulatory authorities similarly have a vital interest in ensuring the integrity of prices on that nation’s equities markets.

Information Sharing; Regulatory Reporting. CCorp and Eurex Clearing have put into place arrangements for the sharing of information relating to financial risk. In addition to the information-sharing arrangements envisioned by the Link Clearing Agreement, CCorp and Eurex are both signatories to international agreements for the sharing of financial information relating to their participants and members. The Commission and the German Federal Financial Supervisory Authority (“BaFin”) also have arrangements in place for the sharing of information and cooperation.²² CCorp, Eurex Clearing, USFE and Eurex also will be exchanging real-time

¹⁹ Thus, for example, the Commission differentiates between futures contracts on financial commodities from those on tangible commodities in assessing the need for speculative position limits. *See* Commission Rule 150.5.

²⁰ *See, e.g.*, Section 2(d) of the Act (substantially excluding specified agreements, contracts and transactions in excluded commodities); Section 2(g) of the Act (substantially excluding specified agreements, contracts and transactions in any commodity “other than an agricultural commodity”).

²¹ A detailed discussion of the regulatory framework under which Eurex operates and of the various Federal and state agencies mandated under German law to oversee the operation of derivatives markets and their members is provided in a letter dated August 10, 1999 from the CFTC Division of Trading and Markets to Edward J. Rosen, counsel to Eurex, http://www.cftc.gov/tmk/letters/tmeurex_no-action.htm.

The Commission has in other contexts recognized the comparability of the German regulatory framework with regard to the authorization of firms to do customer business, their adherence to minimum financial requirements and protection of customer funds, the existence of recordkeeping and reporting requirements, minimum sales practice standards, and a program for ensuring compliance with the foregoing requirements. *See* 67 Fed. Reg. 30785 (May 8, 2002).

²² These include an October 17, 1997 Memorandum of Understanding between the Commission and Bundesaufsichtsamt für den Wertpapierhandel (“BAWe”), the predecessor to BaFin; the March 15, 1996 Declaration on Cooperation and Supervision of International Futures Exchanges and Clearing Organizations (the “Boca Declaration”), to which BAWe and the Commission are parties; and a Memorandum of Understanding

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trade and position data to facilitate trade processing, clearing, market supervision and surveillance.

With regard to regulatory reporting for non-Euro denominated products that are traded on USFE, all CCorp clearing participants, FCMs and foreign brokers will be required to provide reports to the Commission regarding large positions. The volume and open interest reports required of designated contract markets will be provided by USFE, or by CCorp acting on its behalf. *See* 17 C.F.R. Parts 17 and 16, respectively.

For Euro Link transactions, the Phase I Order was conditioned on CCorp providing to the Commission the information described in Part 16 of the Commission's Rules, with clearing participants and other FCMs providing to the Commission the information described in Part 17 of the Commission's Rules. The requirement that CCorp's clearing participants and other FCMs report to the Commission large positions in Euro Link products traded on Eurex will continue to apply with the introduction of the trading of cross-listed, fungible, Euro-denominated products on USFE.²³ Following the same logic, information regarding open positions carried by members of Eurex Clearing also will not differentiate the market on which contract execution took place. Accordingly, CCorp, its clearing participants and FCMs that trade through the Clearing Link will be required to report information about positions that they carry in those fungible products to the Commission and NFA, while Eurex Clearing and its clearing members that trade through the Clearing Link will be required to provide information about the open positions that they carry in those fungible products to the Trading Surveillance Office of Eurex ("TSO")²⁴ and the German regulatory authorities, respectively.²⁵

The available information concerning open positions carried by members of Eurex Clearing is similar, but not identical, to that available with respect to positions carried by CCorp participants. In general, information regarding proprietary trading and market-making by members of Eurex and the aggregate of a member's customer accounts will be available on a daily basis. TSO, an independent office of Eurex, develops information regarding the beneficial owners of positions carried in a clearing member's customer account when the aggregate customer position exceeds position limits. TSO and NFA have expressed their intent to share

(... cont'd)

Concerning Consultation, Cooperation and the Exchange of Information of the International Organization of Securities Commissions dated October 16, 2003.

²³ For transactions effected on USFE, this information will additionally be reported to the National Futures Association ("NFA") in its capacity as regulatory services contractor to USFE.

²⁴ The TSO, an independent office of Eurex operating as such under Section 4 of the German Exchange Act (the "Exchange Act"), requires brokers to provide information regarding the beneficial owners of positions carried in a clearing member's customer account when the aggregate position in that account exceeds position limits.

²⁵ *See* Memorandum of the Divisions of Trading and Markets and of Economic Analysis Relating to the Establishment of a Proposed Mutual Offset System with the Singapore International Monetary Exchange, Ltd., dated August 22, 1984 ("CME/SIMEX Memorandum") at 63 (special call provisions apply to positions held on a contract market "regardless of where the execution of those positions occurred.")

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market surveillance information with each other.²⁶ Each, therefore, will be able to assemble a composite of information relating to potential violations of law or exchange rules.

In addition to the information discussed above relating to open positions in fungible Euro-denominated products, CCorp understands that information necessary for USFE to carry out enforcement of its trade practice rules would be available to NFA upon request to TSO (and *vice versa*) and that this understanding will be formalized by way of an information-sharing protocol. Trading in fungible products on USFE and Eurex will not overlap during the trading day. Thus, it would appear that the potential for inter-market trade practice violations should be diminished. TSO and NFA (on behalf of USFE) nevertheless will exchange relevant information concerning trading on the other market when an inter-exchange violation is suspected.

Finally, USFE's Rules require its members or those carrying USFE positions via the Clearing Link to respond to special requests for information. *See* USFE Rules 307(g), 505(a)(v) and 505(b). This broad direct special call authority acts as a backstop for any situation not covered by the anticipated information-sharing arrangements.

In approving past links, the Commission has required that the linked markets have in place appropriate agreements or arrangements for information-sharing and regulatory cooperation. The first link approved by the Commission – which, like the GCL, involved a link between the clearinghouses of a U.S. contract market and a foreign board of trade – involved the trading of identical futures contracts on a contract market and the linked exchange. The Commission approved as part of that link an arrangement for information-sharing between the linking exchanges that provided for an exchange of data upon request or special call by the other exchange.²⁷

More recently, the Commission approved a clearing link between the Chicago Mercantile Exchange (“CME”) and MEFF Sociedad Rectora de Productos Financieros de Renta Variable, S.A. (“MEFF”). Under that link arrangement, MEFF was required only to provide to the CME, upon written request and within three business days, periodic reports listing all large positions equal to or exceeding a threshold determined jointly by CME and MEFF; and upon a special call and within 24 hours, a report that contained information required to be included in large trader reports and account identification information.²⁸

As discussed above, the Commission has already entered into a formal information-sharing agreement with BaFin and the linking exchanges (USFE and Eurex) have stated their intent to enter into a formal protocol governing such exchanges of information. Moreover, the

²⁶ Section 4 of the German Exchange Act authorizes TSO to transmit data to foreign authorities responsible for monitoring trading on a foreign exchange, and to receive data from those authorities, to the extent necessary to ensure the orderly conduct of trading and the settlement of exchange transactions provided the confidentiality obligations governing those foreign authorities are comparable to those governing TSO and the foreign authorities are prepared to reciprocate and share information with TSO. USFE intends to authorize NFA, its regulatory services provider, to exchange information with TSO.

²⁷ CME/SIMEX Memorandum at 60.

²⁸ 66 Fed. Reg. 34110, 34112 (June 27, 2001).

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Commission has undertaken additional bilateral discussions with the German regulatory authorities relating to their cooperation in overseeing the markets for which they are responsible. The arrangements for information sharing and regulatory cooperation under Phase II of the GCL clearly are equal to or surpass those which have been previously required by the Commission, are consistent with the respective Core Principles to which CCorp and USFE must adhere, recognize the interests of both national regulatory authorities in enforcement of their respective statutory schemes, and adhere to the high standards for the conduct of cross-border clearing links set by the Commission in its previous approval of clearing links between Commission-regulated entities and non-U.S. markets.

Phase II of the Global Clearing Link is Consistent with CCorp's Continued Ability to Comply with the Core Principles and Does Not Violate Any Core Principle.

Core Principle A – In General. To be registered and maintain registration as a derivatives clearing organization, an applicant shall demonstrate to the Commission that the applicant complies with the core principles specified in this paragraph. The applicant shall have reasonable discretion in establishing the manner in which it complies with the core principles.

CCorp, which was founded in 1925, was deemed to be registered as a DCO under the Act on December 21, 2000, the date of enactment of the Commodity Futures Modernization Act of 2000. CCorp subsequently formed a subsidiary, Guaranty Clearing Corporation (“GCC”), which was registered as a DCO in 2002. The Commission reviewed CCorp’s compliance with the Core Principles generally as part of GCC’s application for registration and, in connection with CCorp’s role as service provider to GCC, reviewed CCorp’s operations, risk management processes, financial resources, settlement and default procedures and systems safeguards specifically.

Moreover, the Commission reviewed CCorp’s compliance with Core Principles in connection with the Commission’s approval of the Euro Link, under which CCorp participants are able to carry positions established on Eurex. Background information on CCorp, Eurex Clearing and both Phases of the Global Clearing Link is contained in CCorp’s request for Commission approval of the Euro Link, dated April 26, 2004. Based upon the above-referenced submissions, CCorp has demonstrated recently and on more than one occasion that it remains in compliance with the Core Principles for operation as a DCO.

As outlined in the foregoing discussion of the features of the GCL and as discussed below, the operation of the GCL is not inconsistent with CCorp’s obligation to operate in compliance with the Core Principles. Both the industry and the Commission are familiar with and experienced in the operation of clearing links. As discussed in CCorp’s submission relating to Phase I of the GCL, the Link Clearing Agreement and the Clearing Link Services Agreement between CCorp and Eurex Clearing include appropriate safeguards for the operation of a clearing link. These include, most importantly, the credit support arrangements between CCorp and Eurex Clearing which were reviewed by the Commission during its consideration of Phase I of the Clearing Link. The discussion below nonetheless highlights CCorp’s continuing ability to

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comply with the Core Principles set forth in Section 5b(c)(2) of the Act and Part 39 of the Commission Regulations under the arrangements of the Clearing Link.

Core Principle B – Financial Resources. The applicant shall demonstrate that the applicant has adequate financial, operational, and managerial resources to discharge the responsibilities of a derivatives clearing organization.

CCorp has cleared and settled futures contracts and options on futures contracts for the last 80 years. In its long history of clearing and settling futures contracts, CCorp has never experienced a default by a clearing member that has resulted in CCorp or non-defaulting clearing members sustaining a loss. This record is a tribute to CCorp's rigorous admission standards; ongoing financial reporting requirements; state-of-the-art risk management practices and real-time monitoring capabilities; experienced management; and time-tested systems.

CCorp has ample financial, operational and managerial resources to handle its obligations under the Link Clearing Agreement. CCorp's outsourcing of certain functions to Eurex Clearing with respect to Euro-denominated products is a recognition of the efficiencies and cost savings that will be realized by reliance on existing, time-tested infrastructures that are already in place and operated by the leading derivatives clearinghouse for Euro-denominated products. CCorp will provide operational and processing services to Eurex Clearing for Dollar-denominated products for the same reason. Such outsourcing arrangements are common in the industry and comply with operation under the Core Principles.

In this regard, CCorp has firsthand experience with outsourcing/insourcing arrangements as a result of its operation of its GCC subsidiary and its technology-sharing arrangements with, among others, the Commodity Clearing Corporation, predecessor of the New York Clearing Corporation, the New York Mercantile Exchange and the London Clearing House, as well as its former and continuing processing arrangements with BrokerTec Clearing Company LLC, Nasdaq LIFFE LLC ("NQLX") and The Options Clearing Corporation ("OCC").²⁹

The collection of margin securing positions carried through the Clearing Link is described above and in the Phase I submission. Phase II of the GCL does not introduce any issue with respect to the collection of margin that is not previously addressed in the Phase I submission.

The steps taken to ensure the financial integrity of trades effected through the Clearing Link also have been described in the Phase I submission. In this regard, it should be noted that Eurex Clearing as a special clearing member of CCorp stands in the stead of any defaulting

²⁹ The Commission has approved some of these outsourcing arrangements (including BrokerTec Clearing Corporation's trade processing arrangements with CCorp). The Chicago Board of Trade ("CBOT"), which is a DCO in addition to operating a contract market, outsources virtually all of its clearing functions, including its clearing fund, to the Chicago Mercantile Exchange. In approving the CBOT's application to be registered as a DCO, the Commission found no incompatibility between the CBOT's outsourcing arrangements and its ability to meet the Core Principles applicable to DCO registration.

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Eurex Clearing Member that may be carrying a USFE contract. Moreover, and as described in the Phase I submission in greater detail, CCorp and Eurex Clearing have entered into credit-support arrangements that further protect the financial soundness of the Clearing Link.

U.S. customers will also be protected by the segregation requirements embodied in U.S. law. Under Phase II of the Clearing Link, U.S. customer segregated funds will be deposited only in depositories that are deemed acceptable under existing law. Accordingly, Phase II of the Clearing Link does not introduce any new issues with regard to insolvency or bankruptcy that have not have been previously considered by the Commission.

Core Principle C – Participant and Product Eligibility. The applicant shall establish (i) appropriate admission and continuing eligibility standards (including appropriate minimum financial requirements) for members of and participants in the organization; and (ii) appropriate standards for determining eligibility of agreements, contracts, or transactions submitted to the applicant.

(1) Participant Eligibility

CCorp has entered into an agreement permitting Eurex Clearing to become a special clearing member. It has carefully considered the financial condition and resources of Eurex Clearing and has satisfied itself that Eurex Clearing qualifies for membership in CCorp and is clearly capable of complying with all of its obligations under the Link Clearing and Clearing Link Services Agreements.

Eurex Clearing has been in operation since 1998 under its current corporate structure. (Eurex Clearing's predecessor organization was formed in 1990 to provide clearing services to Deutsche Terminbörse, the predecessor to Eurex Deutschland.) Eurex Clearing functions as the central counterparty to all transactions on Eurex, one of the world's largest futures and options exchanges and the leading European derivatives market. Eurex Clearing has an established track record of safely handling and clearing a substantial volume of transactions. For example, Eurex Clearing cleared over two billion contracts in 2004 and managed over €17 billion in pledged collateral. Its members satisfy stringent capital requirements and are subject to safety and soundness supervision by banking regulators in the European Union and Switzerland. The Eurex Clearing guarantee fund is currently valued at over €30 million, and Eurex Clearing has access to credit lines with a combined total of approximately \$4 billion at German banks and Euroclear Bank S.A.

(2) Product Eligibility

Nothing in Phase II of the Clearing Link affects CCorp's ability to clear futures contracts and options on futures contracts traded on USFE. Indeed, the outsourcing arrangements discussed above that have been included in the Clearing Link Services Agreement provide CCorp with an effective means of ensuring the integrity of the clearing and settlement process for Euro-denominated products. By use of these outsourcing arrangements, all contracts cleared

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by CCorp will be subject to CCorp's rigorous risk management practices, including the collection of original margin from CCorp's clearing participants and timely variation settlements.

Core Principle D – Risk Management. The applicant shall have the ability to manage the risks associated with discharging the responsibilities of a derivatives clearing organization through the use of appropriate tools and procedures.

As discussed above, CCorp is responsible for the following risk management practices: (1) calculation, collection, and valuation of original margin; (2) processing of variation settlements; (3) intra-day trading loss monitoring; and (4) general position monitoring. As also explained above, CCorp has chosen to fulfill some of these functions by outsourcing to Eurex Clearing certain processes or operations relating to Euro-denominated products. The outsourcing of such processes or operations in connection with Phase II of the Clearing Link is subject to the specific standards contained in the Clearing Link Services Agreement. Under that Agreement, Eurex Clearing, acting as agent for CCorp, is obligated to perform these outsourced functions subject to the same level of care as is customary in the industry and therefore consistent with the standards that would be required of CCorp if it performed those functions directly.

Core Principle E – Settlement Procedures. The applicant shall have the ability to (i) complete settlements on a timely basis under varying circumstances; (ii) maintain an adequate record of the flow of funds associated with each transaction that the applicant clears; and (iii) comply with the terms and conditions of any permitted netting or offset arrangements with other clearing organizations.

Settlement procedures with respect to operation of Phase II of the GCL are described in detail above and in the Phase I submission. The Link Clearing Agreement between CCorp and Eurex Clearing carefully and rigorously addresses the appropriate settlement mechanisms. In this regard, CCorp in its Rules has adopted settlement procedures for Euro-denominated products that adhere to the settlement procedures appropriate to a Euro-based environment. These procedures, which make use of a European delivery infrastructure and the outsourcing of certain operations to Eurex Clearing, are detailed above. By so tailoring its Rules and procedures, CCorp is able to complete settlements on a timely basis, even in a non-Dollar environment.³⁰

Core Principle F – Treatment of Funds. The applicant shall have standards and procedures designed to protect and ensure the safety of member and participant funds.

(1) Safe Custody

All margin funds and securities received by CCorp from its participants will be held in margin and custody accounts at approved settlement and custody banks. As further detailed above, additional settlement banks and procedures are necessary for products denominated in

³⁰ The recordation of the flow of funds is not impaired by Phase II of the Clearing Link or by permitted netting arrangements. To the contrary, one of the benefits of Phase II will be the increased opportunity for margin savings due to netting and inter-exchange portfolio margin reductions.

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Euros. As discussed above, any such bank must have an account at the Bundesbank (Germany's central bank) or have a correspondent banking relationship with a bank that has such an account.

(2) Segregation

All margin and custody accounts are divided by CCorp into proprietary (house) and customer accounts; all funds identified as customer funds are held solely in customer accounts. All FCMs carrying USFE positions via the Clearing Link will keep U.S. customer funds in depositories that meet the requirements of Commission Rule 1.49. Further, all such settlement banks and depositories are required by Rule 1.49 to execute a letter acknowledging to the FCM that the bank or depository is aware of the segregation requirements under the Act and the Regulations of the Commission and that it agrees to comply with those requirements.

(3) Investment Standards

CCorp will comply with the requirements of Commission Regulation 1.25 with respect to the investment of customer funds. It is anticipated that CCorp's current practices will be unaffected by Phase II of the Clearing Link. Eurex Clearing accepts no customer funds.

Core Principle G – Default Rules and Procedures. The applicant shall have rules and procedures designed to allow for efficient, fair, and safe management of events when members or participants become insolvent or otherwise default on their obligations to the derivatives clearing organization.

Nothing in Phase II of the Clearing Link will affect CCorp's continuing compliance with this Core Principle.³¹

Core Principle H – Rule Enforcement. The applicant shall (i) maintain adequate arrangements and resources for the effective monitoring and enforcement of compliance with rules of the applicant and for resolution of disputes; and (ii) have the authority and ability to discipline, limit, suspend, or terminate a member's or participant's activities for violations of Rules of the applicant.

CCorp monitors the following activities of its participants:

- daily monitoring of each member's intra-day pay/collect exposure, tracking unsecured exposures based on current prices and comparing that information to the previously established "net settlement trigger point" for each participant;
- routine monitoring of large positions of participants and their affiliates;

³¹ As discussed in connection with CCorp's application for approval of Phase I, CCorp would have all the rights afforded a "commodity broker" under the Bankruptcy Code in the unlikely event that Eurex Clearing were itself to become insolvent. Although Eurex Clearing is not itself a "commodity broker," that does not in any way limit CCorp's powers under the Bankruptcy Code or under its contractual agreements with Eurex Clearing.

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- review of pay/collect information for members and related entities pursuant to an information-sharing arrangement with other derivatives clearing organizations and OCC, thereby facilitating a more comprehensive understanding of member firms' total exposure across multiple markets;
- evaluation of the financial reports filed by CCorp participants, as well as any routine and special statements, reports and notices filed with or provided by regulators and self-regulatory organizations that are provided to CCorp; and
- for participants that are registered futures commission merchants, review of the annual audit of each such participant performed by the participant's designated self-regulatory organization.

These monitoring activities include positions carried by CCorp participants via the Clearing Link. Moreover, nothing in the GCL affects CCorp's authority to take disciplinary action for breach of its Rules by a CCorp clearing participant or to exercise its contractual rights in the event of a breach of the Link Clearing or Clearing Link Services Agreements. In addition, the Clearing Link Services Agreement provides to CCorp the right to monitor and evaluate on an ongoing basis the provision of outsourced services by Eurex Clearing to enforce compliance with applicable regulatory and contractual standards.

Core Principle I – System Safeguards. The applicant shall demonstrate that the applicant (i) has established and will maintain a program of oversight and risk analysis to ensure that the automated systems of the applicant function properly and have adequate capacity and security; and (ii) has established and will maintain emergency procedures and a plan for disaster recovery, and will periodically test backup facilities sufficient to ensure daily processing, clearing, and settlement of transactions.

Nothing in the Clearing Link adversely affects CCorp's continuing compliance with this Core Principle. The Clearing Link Services Agreement obligates Eurex Clearing to meet customary industry standards when acting as a service provider to CCorp, and CCorp's systems will continue to possess adequate capacity to handle its needs for the foreseeable future. CCorp's information technology systems comply with guidelines of the International Organization of Securities Commissioners to the extent those guidelines are applicable to clearing and settlement systems.

Core Principle J – Reporting. The applicant shall provide to the Commission all information necessary for the Commission to conduct the oversight function of the applicant with respect to the activities of the derivatives clearing organization.

CCorp already provides the Commission with all relevant reports required of DCOs. Nothing in Phase II would in any way affect that requirement. Additional reports and information sharing relating to Phase II transactions are described above.

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Core Principle K – Recordkeeping. The applicant shall maintain records of all activities related to the business of the applicant as a derivatives clearing organization in a form and manner acceptable to the Commission for a period of 5 years.

CCorp maintains, consistent with the requirements of Commission Rule 1.31, written or electronic financial records and reports of activities and operations, information submitted by its participants, including records of Eurex Clearing as a special clearing member, and records obtained through information-sharing arrangements with regulatory agencies or other self-regulatory organizations. CCorp retains these records for at least five years. With regard to activities performed by Eurex Clearing, CCorp's Service Provider, daily transaction, positions and activity journals are available to CCorp to ensure adequate performance by its Service Provider. Eurex Clearing is subject to a comparable recordkeeping requirement under German law.

Core Principle L – Public Information. The applicant shall make information concerning the rules and operating procedures governing the clearing and settlement systems (including default procedures) available to market participants.

Nothing in Phase II of the Clearing Link will affect CCorp's continuing compliance with this Core Principle.

Core Principle M – Information Sharing. The applicant shall (i) enter into and abide by the terms of all appropriate and applicable domestic and international information sharing agreements; and (ii) use relevant information obtained from the agreements in carrying out the clearing organization's risk management program.

CCorp's adherence to this Core Principle under the Clearing Link is addressed in detail above.

Core Principle N – Antitrust Considerations. Unless appropriate to achieve the purposes of this Act, the derivatives clearing organization shall avoid (i) adopting any Rule or taking any action that results in any unreasonable restraint of trade; or (ii) imposing any material anticompetitive burden on trading on the contract market.

Phase II of the Clearing Link should increase competitiveness by encouraging the development of new markets and products for traders in the U.S. and worldwide and by creating more efficient clearing and settlement opportunities for existing markets.

Public Interest Considerations.

The Global Clearing Link will provide market participants with significant benefits by providing market participants with easier global access to a wide range of benchmark products. For example, the GCL will result in a dramatic expansion of the hours available for trading Euro-denominated derivative products, providing U.S. and Asian traders in particular with increased global risk management opportunities. Further, the GCL supports the standardization of market participants' international operations and leverages their existing clearing and settlement

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infrastructures, thereby facilitating additional cost reductions and savings for market users and intermediaries. These cost savings and the clearing choice and flexibility offered by the Global Clearing Link are expected to encourage the use of these products by new and existing market participants. Finally, the ability to employ portfolio margining reduces unnecessary, offsetting payments and results in a more efficient use of capital and a reduction of overall risk.

Action Requested.

CCorp has previously undertaken not to establish a linked clearing arrangement with Eurex Clearing without prior Commission permission. Accordingly, CCorp requests that the Commission grant it permission to implement Phase II of the Global Clearing Link and requests further that the Commission extend its Order applicable to the Euro Link to permit the combination of segregated and secured customer funds by CCorp and FCMs for transactions effected through Phase II of the Global Clearing Link.

* * *

We appreciate the Divisions' consideration of this matter. Please feel free to call the undersigned at 312-701-8354 or Kevin McClear at 312-786-5763 if you have any questions or if you would otherwise like to discuss these matters further.

Respectfully submitted,

/s/

Kenneth M. Rosenzweig

Enclosures

cc (w/o encl.): Acting Chairman Sharon Brown-Hruska
Commissioner Walter L. Lukken
Commissioner Michael V. Dunn
Commissioner Fred Hatfield
Gregory Kuserk
Gregory G. Mocek
Patrick J. McCarty