R.J.O'Brien
ESTABLISHED IN 1914

August 27th, 2012

Mr. David Stawick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Re: Clearing Requirement Determination Under Section 2(h) of the CEA; RIN 3038-AD86

Dear Mr. Stawick

R.J. O'Brien appreciates the opportunity to comment on the recent proposal of the regulations to establish which classes of credit default swaps and interest rate swaps will be required to be cleared by certain market participants who trade various contracts cleared by a derivatives clearing organization registered with the commission.

R.J. O'Brien is the largest independently owned futures clearing merchant and has been a part of the futures industry since the early 1900s. Over this span of time, our firm has witnessed and persevered through a number of financial catastrophes. While R.J. O'Brien has always been diligent with its own risk management practices, we believe the components of centralized clearing and price discovery in which the futures markets operate have been key elements to our long term existence. Furthermore, we feel these attributes are key components to minimizing systemic financial risk. It is evident to us the Dodd/Frank Act is trying to implement some these elements the futures industry has employed for years.

We strongly support the implementation of a centralized clearing requirement which has already proven effective in today's futures markets. Perhaps the best argument would be to convey our own experience during the financial crisis of 2008. As the credit markets began to deteriorate in late 2007, R.J. O'Brien's fixed Income division had a large number of their accounts file for bankruptcy. These accounts had billions of dollars of interest rate futures contracts on our books. Because of real time pricing, posting of margin, and the liquidity the futures market provided, our firm did not lose a dollar from these closed businesses and the futures positions were covered in an orderly fashion.

Centralized clearing and centralized price discovery provide the transparency and liquidity that all financial market participants deserve. In addition this, it levels the barriers to entry thus increasing competition which is a positive outcome for the end user. We urge the commission to implement the clearing mandate as soon as possible. It will improve the financial industry's credibility and show the rest of the world we are serious about improving the financial safety of our markets.

The mandate covering OTC products that are currently being cleared is a logical and pragmatic approach in migrating bilateral markets to central clearing.   The interest rate swaps products and credit index products included in the clearing requirement all have high liquidity and large outstanding notionals (LCH has $300 trillion of rates contracts registered).   Moving this large and currently unregulated market to central clearing allows for increased competition from many new market entrants and will reduce the systemic risk that is inherent in privately negotiated opaque markets.

Regards,

Jeff Bauman-Managing Director
Fixed Income Group
R.J. O'Brien & Associates