LCH.CLEARNET

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

26th November 2010

Dear Ms. Murphy,

Re: RIN 3235-AK74, "Ownership Limitations and Governance Requirements for Security-Based Swap Clearing Agencies, Security-Based Swap Execution Facilities, and National Securities Exchanges With Respect to Security-Based Swaps Under Regulation MC"

The LCH.Clearnet Group ("LCH.Clearnet") is pleased to add further comment to its letter of November 5, 2010, in response to the request for comment by the Securities Exchange Commission (the "SEC" or "Commission") on RIN 3235-AK74, "Ownership Limitations and Governance Requirements for Security-Based Swap Clearing Agencies, Security-Based Swap Execution Facilities, and National Securities Exchanges With Respect to Security-Based Swaps Under Regulation MC".

As mentioned in our earlier submission, the Group appreciates the careful thought and consideration that the Commission has given to the rulemaking process and the open way in which it has consulted with market participants and other interested parties. LCH.Clearnet strongly supports the policy goals underpinned both by the Proposing Release and the statutory provisions contained in Section 765 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act").

Section 765 of the Dodd-Frank Act specifically empowers the Commission to adopt rules mitigating conflicts of interest with respect to any Clearing Agency that clears Security-Based Swaps. These rules may include numerical limits on the control of, or the voting rights with respect to, such a Clearing Agency by one of several specified market participants. These participants include a Security-Based Swap dealer, a Major Security-Based Swap participant, and a large bank holding company or non-bank financial company regulated by the Federal Reserve.

In its proposed rules published under RIN 3235-AK74, the Commission has set out specific composition requirements for representation on Clearing Agency Boards, Nominating Committees and any other committees of the Board.

LCH.Clearnet is fully supportive of the Commission's endeavor in this regard and agrees with the Commission's proposal that Clearing Agency Boards should include Independent Directors. The Group is a strong advocate of Independent Director representation within Clearing Agencies, and believes that appropriately gauged Board and committee composition rules can help ensure that conflicts are properly managed. The LCH.Clearnet Board currently has four independent members (representing approximately 25 percent of the Board) and, additionally, the Risk Committees of its clearinghouses are each chaired by an independent director.

The Group would, however, urge the Commission to consider whether its proposed definition of an Independent Director might not preclude Clearing Agencies and their customers from enjoying the broad and balanced mix of Board representation that they do today.

The LCH.Clearnet Board is comprised of a well-balanced mix of independents, exchange representatives and financial intermediaries. This wide spectrum of representation ensures that the Board is well-positioned to serve the interests of LCH.Clearnet's entire shareholder and user community and able to operate its clearinghouses accordingly.

LCH.Clearnet believes that it is of key importance to ensure that Clearing Agency Boards be furnished with a sufficiency of the necessary risk and market expertise to ensure that their operations be managed in accordance with the responsibilities and in support of the objectives laid out under the Dodd-Frank Act.

Such expertise can best be brought to bear through a wide spectrum of representation from across the industry, including not only Clearing Agency participants, but also representatives from Security-Based Exchanges ("SB exchanges"). In the future, it might also be appropriate to ensure that Security-Based Swap Execution Facilities ("SB SEFs") be represented on Clearing Agency Boards.

It is imperative that Clearing Agency Boards and their Committees do not become unwieldy. At the same time we believe that it is important to ensure that Clearing Agencies are not constrained from offering board seats to representatives from SB exchanges and SB SEFs.

The Group would therefore strongly encourage the Commission to review its definition of Independent Director so as to provide that a Director would not be deemed to have a "material relationship" with a Clearing Agency solely because the Director is an officer or employee of an SB exchange, SB SEF or other market for which the Clearing Agency provides clearing services, or solely because the Director is an officer or employee of a participant in the Clearing Agency, unless:

a) (i) the SB exchange, SB SEF or other market owns more than 10 percent of the voting securities of the Clearing Agency, or (ii) the clearing fees paid by the SB exchange, SB SEF or other market over the immediately preceding three calendar years do not exceed an annualized average of 15 percent of all the Clearing Agency's clearing fees during such three-year period; or

b) (i) the participant clears only products other than swaps or security-based swaps, and (ii) average annualized clearing fees paid by such participant over the immediately preceding three calendar years does not exceed 5 percent of the average annualized clearing fees paid to the security-based swap clearing agency during such three-year period.

To this end, attached to this letter is suggested text to add a new subparagraph (3) to SEC regulation 242.700(j).

LCH.Clearnet looks forward to extending its clearing services in the US marketplace, thereby introducing the safeguards of its proven structures deeper into the US customer base.

We recognize the hard work undertaken by the Commission in order to develop these proposed rules and value its open and thoughtful approach in this task. LCH.Clearnet appreciates the opportunity to comment on these important issues and would be pleased to enter into a further dialogue with the Commission and its staff. Please contact Simon Wheatley at +44 (0) 207 426 7622 regarding any questions raised by this letter or to discuss these comments in greater detail.

Yours sincerely,

Roger Liddell

Chief Executive

SEC Regulation 242.700(j)(3). A director of a security-based swap clearing agency shall not be deemed to have a material relationship with such security-based swap clearing agency solely because the director:

(i) is an officer or employee of a national securities exchange, security-based swap execution facility or other market for which the security-based swap clearing agency provides clearing services, *provided*, that (A) the national securities exchange, security-based swap execution facility or other market does not own more than 10 percent of the voting equity of such security-based swap clearing agency, or (B) average annualized clearing fees paid by such national securities exchange, security-based swap execution facility or other market over the immediately preceding three calendar years does not exceed 15 percent of the average annualized clearing fees paid to the security-based swap clearing agency during such three-year period; or

(ii) is an officer or employee of a participant or an affiliate of a participant in the security-based swap clearing agency, *provided*, that (A) the participant clears only products other than swaps or security-based swaps, and (B) average annualized clearing fees paid by such participant over the immediately preceding three calendar years does not exceed 5 percent of the average annualized clearing fees paid to the security-based swap clearing agency during such three-year period.