

Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1090  
United States

Chris Barnard

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**-File No. S7-43-10**  
**-End-User Exception to Mandatory Clearing of Security-Based Swaps**

Dear Sir.

Thank you for giving us the opportunity to comment on your Proposed Rule “End-User Exception to Mandatory Clearing of Security-Based Swaps”.

You are proposing a new Rule 3Cg-1 under the Securities Exchange Act of 1934 (Exchange Act) governing the exception to mandatory clearing of security-based swaps available for counterparties meeting certain conditions. These relate to the “end-user exception” from mandatory clearing and centralised trading requirements of security-based swaps that applies where one party to a security-based swap is not a financial entity, is using security-based swaps to hedge or mitigate commercial risk, and notifies the SEC of how it generally meets its financial obligations associated with entering into non-cleared security-based swaps.

The term “financial entity” in this context is defined as:

- security-based swap dealers
- major security-based swap participants
- commodity pools
- private funds as defined in the Investment Advisers Act of 1940,
- employee benefit plans as defined in the Employee Retirement Income Security Act of 1974
- persons predominantly engaged in banking or financial activities, as defined in the Bank Holding Company Act of 1956.

The proposed rule considers that a security-based swap (SBS) is used to hedge or mitigate commercial risk if:

- the SBS is economically appropriate for reducing certain business risks, that are present or reasonably expected to arise in the future, including the potential change in value of assets, liabilities, or services
- the SBS is not held for a purpose that is in the nature of speculation or trading
- the SBS is not held to hedge or mitigate the risk of another SBS position, unless that other position itself is held for the purpose of hedging or mitigating commercial risk.

The decision as to whether a position is used to hedge or mitigate commercial risk should ideally be made at the time the SBS is entered into, considering the circumstance existing at that time, and taking into account management's general hedging and risk mitigation strategies.

I support the proposals, and specifically the notification requirements therein, which will help to prevent abuse of the end-user clearing exception. I also agree with the methods allowed for meeting financial obligations, including reliance on own resources and the possibility to use "other means" where appropriate.

Yours faithfully

Chris Barnard