



December 21, 2010

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

Re: File No. SR-FICC-2010-09

Dear Ms. Murphy:

Citadel LLC (“Citadel”)¹ appreciates the opportunity to submit this comment letter regarding the Fixed Income Clearing Corporation (“FICC”) proposal to offer cross-margining of certain positions cleared at its Government Securities Division and certain positions cleared at New York Portfolio Clearing, LLC (“NYPC”) once NYPC’s application to become a derivatives clearing organization (“DCO”) has been approved by the Commodity Futures Trading Commission (“CFTC”). Citadel fully supports efforts to enhance and expand centralized clearing, and greater competition among central counterparties. By enhancing opportunities for centralized clearing and competition among clearinghouses, NYPC is a significant step in the right direction. Therefore, Citadel has urged the Commodity Futures Trading Commission (“CFTC”) to approve the DCO application of NYPC as quickly as possible.² Likewise, Citadel urges the Securities and Exchange Commission (“SEC”) to approve the FICC’s cross-margining proposal without delay. The faster the NYPC can begin operation, the more quickly investors, market participants, and the market as a whole can benefit from the increased opportunities for central clearing and competition that NYPC will provide.

Citadel Supports Centralized Clearing. The advantages of centralized clearing are substantial. Centralized clearing benefits investors, market participants and the public by:

- reducing systemic, counterparty and related risks;
- increasing transparency;

¹ Founded in 1990, the Citadel group of companies includes an asset management division that principally executes alternative investment strategies across multiple asset classes, and Citadel Securities that includes investment banking, a sales and trading platform, and an industry leading market making franchise, and Omnium, a recognized administrator serving financial institutions. With more than 1,600 team members, Citadel operates in the world’s major financial centers, including Chicago, New York, London, Hong Kong, and San Francisco.

² Letter to David A. Stawick, Secretary, CFTC, from John C. Nagel, Managing Director and General Counsel, Asset Management and Trading, Citadel, re: New York Portfolio Clearing LLC’s Application for Registration as a Derivatives Clearing Organization (Dec. 2, 2010) (available at http://www.cftc.gov/stellent/groups/public/@rulesandproducts/documents/ifdocs/citadellettr_120210.pdf) (“NYPC CFTC Comment Letter”).



- deterring fraudulent and manipulative practices;
- reducing operational complexity, cost and risk;
- increasing market efficiency and competition; and
- lowering transaction costs.³

Citadel Supports Greater Competition Among Clearinghouses. Citadel believes strongly in the value of competition. It is well understood that throughout the economy, competition encourages innovation and improvements to the services and products offered, promotes greater efficiency in the provision of those products and services, and drives down costs. For all these reasons, the introduction of greater competition to the futures clearing space will significantly improve market quality.

Citadel Supports Expedient Approval of FICC's Cross-Margining Proposal. Because NYPC will enhance opportunities for both centralized clearing as well as competition among clearinghouses, Citadel fully supports the expedient approval of NYPC's DCO application.⁴ Correspondingly, Citadel believes that FICC's proposed cross-margining arrangement with NYPC is an important competitive component of NYPC's proposed clearing activities and would bring new and beneficial clearing services to the futures industry. Indeed, NYPC and FICC would bring enhanced and much-needed capital efficiency through the "single pot" margining of cash and futures positions. As a result, the SEC's approval of FICC's proposed rule change will be a substantial step forward for the markets. Going forward, Citadel encourages NYPC, other existing or new clearinghouses, and regulators to look for opportunities to facilitate portability through open clearinghouse structures.

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If you would like to discuss any of our comments in more detail, please feel free to contact me at 312-395-2100.

Sincerely,

A handwritten signature in black ink, appearing to read 'Adam C. Cooper', written over a horizontal line.

Adam C. Cooper
Senior Managing Director and Chief Legal Officer

cc: Mary L. Schapiro, Chairman
Kathleen L. Casey, Commissioner

³ See Kenneth Griffin, "We Must Overturn the Status Quo in Derivatives," Financial Times, Oct. 27, 2009, available at http://www.citadelgroup.com/news/downloads/11444_PDFonly.pdf.

⁴ See NYPC CFTC Comment Letter.



Elisse B. Walter, Commissioner
Luis A. Aguilar, Commissioner
Troy A. Paredes, Commissioner
Robert W. Cook, Director, Division of Trading and Markets
John Ramsay, Deputy Director, Division of Trading and Markets
Brian Bussey, Associate Director, Division of Trading and Markets