

J.P.Morgan

July 30, 2012

Ms. Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Re: SR-FINRA-2013-027

Ladies and Gentlemen:

J.P. Morgan Clearing Corporation (“J.P. Morgan”) welcomes the opportunity to provide comments to the Securities and Exchange Commission (the “Commission”) regarding the proposed rule change by the Financial Industry Regulatory Authority, Inc. (“FINRA”) that would amend FINRA Rule 4210 to treat OTC options cleared by The Option Clearing Corporation (“OCC”) as listed options with respect to applicable margin requirements.¹ J.P. Morgan is an OCC clearing member and has been actively working with OCC and other clearing members to prepare for the commencement of clearing OTC options. Subject to obtaining necessary internal approvals, J.P. Morgan expects to be part of a small subset of OCC clearing members that will be the initial participants in the imminent launch of the cleared OTC options product.

As an initial matter, we confirm our strong support for this important clearing initiative. Although Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”)² does not mandate clearing of options on securities and indexes of securities, we believe that the clearing of OTC options will further the objectives of Title VII, such as the reduction of counterparty risk and systemic risk.

With respect to FINRA’s proposed amendments to Rule 4210, the FINRA proposal is that the OCC-cleared OTC options will receive the same margin treatment as listed options. FINRA asserts that the reasons for applying to OCC-cleared OTC options the same treatment as listed options is that “the clearing and guaranteeing functions performed by OCC reduce the counterparty credit risk of the otherwise OTC nature of these options, likening them to the same level of risk as listed options.”³

We concur with FINRA’s assessment of the risk. In our view, the approach to any margin should be nuanced based on each market, and on specific sectors within that market. In this case, we believe that it is appropriate to apply the same margin requirements to the OCC-cleared OTC options as those applicable to listed options, for the reasons set out by FINRA.

¹ See Notice of Filing of a Proposed Rule Change Relating to Amendments to FINRA Rules 2360 and 4210 in Connection with OCC Cleared Over-the-Counter Options (the “Proposed Rule Change Notice”), available at <http://www.sec.gov/rules/sro/finra/2013/34-69913.pdf>.

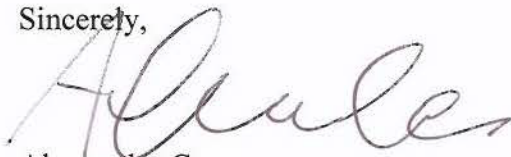
² Public Law 111-203 (July 21, 2010).

³ Proposed Rule Change Notice at 15.

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We thank the Commission for the opportunity to comment on this important clearing initiative. If you have any questions regarding this letter or the matters raised herein, please do not hesitate to contact the undersigned at [REDACTED] or at [REDACTED].

Sincerely,



Alessandro Cocco
Managing Director