

May 15, 2006

Ms. Nancy M. Morris,
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

**Re: File Numbers SR-FICC-2006-03 and SR-NSCC-2006-03
Request for Comment in Release No. 34-53671**

Dear Ms. Morris:

Man Securities Inc. ("MSI") is submitting this comment letter to the Securities and Exchange Commission (the "SEC" or "Commission") in response to the request for comment in Release No 34-53671 referenced above regarding proposed rule changes (the "Proposal") submitted by the Fixed Income Clearing Corporation (the "FICC") and the National Securities Clearing Corporation (the "NSCC") to institute a Clearing Fund Premium (the "CFP") based upon a Member's Clearing Fund Requirement to Excess Regulatory Capital Ratio.

Man Securities Inc. is a member of the DTC and FICC, a registered broker dealer, and a participant in the U.S. Treasury market.

The FICC and the NSCC are proposing to amend the current proven collateral margin requirement by adding a multiplier to the premium above the net excess capital of a member firm. The premium would exponentially increase as the margin requirement increased with no defined limit.

We applaud the initiative taken by the FICC and the NSCC to develop a method by which to further mitigate risks evolving in the Fixed Income marketplace. In reviewing the proposal we believe further analysis needs to be undertaken to develop a procedure which does not pose significant systemic risk to the marketplace and is consistent with the prudent risk mitigation programs which have evolved over the years.

We respectfully request your consideration of the following comments:

- The amount of the Clearing Fund Premium required by the proposed rule change would be excessive and punitive. Under existing standards the premium is 25% of the excess of a Member's Clearing Fund Requirement over their Excess Net Capital. The proposed rule would at the very least increase the premium by a factor of 4 to 100% of the excess of a Member's Clearing Fund Requirement over their Excess Net Capital whereas actual market events since inception of GSCC netting in 1989 have not indicated this increase is warranted.

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- In an attempt to address legitimate concerns that the proposed Clearing Fund Premium methodology could result in excessive premium requirements, the FICC and NSCC propose to reserve the right to “apply a lesser collateral premium (including no premium) based on specific circumstances (such as a Member being subject to an unexpected haircut or capital charge that does not fundamentally change its risk profile)”. It is our opinion that the criteria for granting exceptions to the proposed premium requirement are unacceptable and potentially violate a standard of equality and fairness. The criteria are too subjective and specific guidelines must be clearly set forth in the proposed rule including but not limited to 1) individuals or committees with the authority to grant exceptions, 2) criteria for determining whether a Member’s risk profile has fundamentally changed, 3) specific circumstances under which exceptions could be considered, and 4) procedures for Member’s to request exceptions. It is paramount that all rules and regulations are clearly defined and applicable to all members. We understand the need in certain limited and exceptional situations that a board of selected peers must have the ability to alter the existing rules and regulations. We believe that a fundamental requirement of any margin process must be that all participants subject to the margin requirements must know what rules will be applied to all other participants at all times in order to create and maintain confidence in the margin process. The ability to grant exceptions based on subjective judgments in undefined circumstances, however well intentioned, will undermine that confidence and therefore the stability of the system.
- The proposal does not address the possibility of excessive premium requirements resulting from increases in a Member’s Clearing Fund Requirement due to uncomparated trades or other processing problems beyond the Member’s control. These circumstances are not currently afforded any relief in the calculation of the Clearing Fund Requirement, and there is no indication in the Proposal as to whether or not these might be included in the “specific circumstances” eligible for consideration for granting exceptions to the premium requirement. In addition, the Proposal does not address how the current “historical look-back” or average margin provisions might be affected by the proposal or by any exceptions granted to the proposed requirements.
- We believe that the proposed Clearing Fund Premium methodology could create systemic risk in the marketplace because of the possibility that unexpected changes in a Member’s Excess Net Capital or Clearing Fund Requirement that do not necessarily reflect a change in the underlying stability or creditworthiness of a Member could force a sudden reduction or liquidation of positions.
- Based on history the existing minimum net worth requirement of \$50,000,000 and the minimum net excess capital requirement of \$10,000,000 have provided adequate protection to the FICC as related to counterparty risk. Any amendment to the Clearing Fund Requirement should be related to the liquidity and value of the underlying collateral being cleared. The proposed approach has no correlation to the underlying collateral. It appears to be a simple deterrent to clearing in the FICC.
- Because the Proposal subjects Members to potentially significant and undefinable increases in margin premium requirements, business managers may be forced in the future to further reserve capital in assessing the operational risk related to the undefinable margin requirement. This reserve capital requirement may evolve as a result of further definition of the forthcoming Basel II requirements.

- We believe that a disproportionate share of the burden of this Proposal and the risk of potentially catastrophic premium requirements fall on the lower capitalized Members and as a result the proposal is anti-competitive.

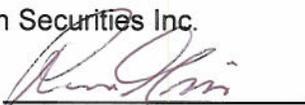
In closing, we recommend that you further review the proposal since the impact may be much broader than originally contemplated. The punitive nature of this undefinable risk premium may force business managers to reconsider their participation in the market and could drastically reduce the liquidity provided to the United States Treasury.

Man Securities Inc. appreciates the opportunity to provide this response to the Commission in connection with this significant Proposal. We are available to meet with the Commission to discuss our concerns regarding this Proposal or to respond to any questions you may have regarding the points raised in this letter. Please direct any questions or comments you may have to me at (212) 935-3011, email rgill@manfinancial.com or Donald Galante at (212) 935-3699, email dgalante@manfinancial.com.

Very truly yours,

Man Securities Inc.

By:



Richard Gill
Senior Vice President



Donald Galante
Senior Vice President

CC: Mr. Thomas Costa, the Depository Trust Company