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January 26, 2005

Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street N.W.
Washington DC 20549-0609

Re: Portfolio Margining and Cross Margining
File Number SR-NYSE-2002-19, 69 Fed. Reg. 77287
File Number SR-CBOE-2002-03, 69 Fed. Reg. 77275

Dear Mr. Katz:

LDB Consulting, Inc. appreciates the opportunity to comment on the proposed amendments to the NYSE and CBOE customer margin rules. LDB Consulting generally supports the amendments as proposed.

Since 1994 LDB Consulting, Inc. has provided software utilizing the theoretical values produced by the OCC for computing capital charges per 15c3-1 for Broker/Dealers. The decision by the Commission to utilize this methodology, already familiar to Broker/Dealers and clearing firms, is prudent. This approach has been vetted by over ten years of use and reasonably reflects the risk of derivative positions.

If approved, the proposed amendments will benefit both customers and Broker/Dealers. Portfolio Margining will more accurately reflect the market risk inherent in a customer’s position than does the current strategy based approach. In addition, it would allow customers to capitalize on opportunities that would otherwise be cost prohibitive due to excessive capital requirements. Broker/Dealers could benefit from increased customer activity as well as having margin requirements that are more in line with their in-house risk calculations.

The same theoretical values (provided by the OCC) have been used to calculate SEC 15c3-1 capital requirements since the 1994 no action letter and the 1997 rule amendment without adverse effects on markets. In fact, Risk Based Haircuts (RBH) encompasses a wider range of securities and derivatives, including stock baskets, common stock, equity options, and single security futures, than the broad based index focus of Portfolio Margining. Portfolio Margining is a conservative start to the Risk Based Margining of customer accounts.

LDB Consulting believes that the minimum equity requirement of $5,000,000 should be reduced or eliminated. The market risk of a position does not increase when account equity falls below $5,000,000, and sophisticated investors may not hold $5,000,000 with any one Broker/Dealer. Broker/Dealers should be permitted to set minimum equity values according to their own assessments of risk.

If you have any questions, please contact me at (219) 477-9007.

Sincerely,

Charles Greiner III
LDB Consulting, Inc.