



Knight Capital Group, Inc.
545 Washington Boulevard
Jersey City, New Jersey 07310
Tel 201.222.9400
Fax 201.557.6853
Toll Free 800.544.7508
www.knight.com

April 25, 2013

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

Via Electronic Mail

Re: Request for Extensions of Time for Commission's Determination and Public Comment on the National Securities Clearing Corporation Notice of Filing of Proposed Rule Change to Institute Supplemental Liquidity Deposits to Its Clearing Fund Designed to Increase Liquidity Resources to Meet Its Liquidity Needs (Exchange Act Release No. 34-69313; File No. SR-NSCC-2013-02)

Knight Capital Group, Inc. ("Knight")¹ welcomes the opportunity to offer its comment letter to the Securities and Exchange Commission (the "Commission") in connection with the above-referenced Proposed Rule Change ("the SLD Proposal"). The Proposal was filed by the National Securities Clearing Corporation ("NSCC") on April 4, 2013, published in the Federal Register on April 10, 2013, and the comment period is currently set to expire on May 1, 2013. Knight respectfully requests that the Commission extend the time period for public comment and extend its own timeframe under which to make a final determination with respect to the SLD Proposal.

Knight acknowledges the NSCC's important goal with respect to the SLD Proposal -- specifically, ensuring that it, as a central counterparty, has sufficient liquidity and financial resources to withstand a default by one of its members. However, the SLD Proposal is highly complex and presents a number of important issues that warrant careful evaluation. Knight strongly believes that additional time is needed to adequately assess the proposal, its impact and consequences, as well as more cost-effective alternatives.

One critical issue that is presented by the proposal, as it is currently formulated, is its impact on NSCC members' ability to forecast their near term and future liquidity, funding and capital requirements. While the NSCC discussed the SLD proposal with members in late March, there

¹ Knight is the parent company of Knight Capital Americas LLC, a broker-dealer and member of NSCC. Knight, through its subsidiaries, is a major liquidity center for foreign and domestic equities, fixed income securities, and currencies. In 2013, Knight currently averages approximately three million trades per day, with volume approaching four billion shares. Knight's clients include more than 3,000 broker/dealers and institutional clients. Knight employs more than 1,300 people worldwide. For more information, please visit: www.knight.com.

was no opportunity to provide input on alternative formulations of either SLD Proposal itself or on alternatives to the SLD Proposal that could achieve the same end result in a manner that could have dramatically less financial impact on its members.

Several aspects of the Rule Proposal introduce uncertainties relating to liquidity, funding and capital planning. For example, to date, the NSCC has not provided its members with a clear indication of the amount of any initial SLD call. Instead, NSCC has provided only a broad range estimate. While the SLD Proposal ties participation by the NSCC member, or an affiliate of the member, in a committed credit facility (“the Credit Facility”) maintained by NSCC, to the manner in which a member’s SLD calls may be met, no part of the SLD proposal addresses who is eligible to participate in the Credit Facility or how it will operate.²

For those members that are able, and who decide to participate in the Credit Facility, either directly or indirectly, NSCC will provide a credit against an SLD call that is proportionate to the member’s participation in the Credit Facility. However, it appears that NSCC members must decide on whether to participate in the Credit Facility once each year. The catch-22 for those members that are able to participate is that the member may not have any ability to forecast the notional amount of potential SLD calls to which they may be subjected at the point time when they must decide on whether to participate in the Credit Facility in the first place.

For members whose participation in the Credit Facility is less than the member’s SLD calls, or for members who choose not to participate, or are unable to participate either directly or indirectly in the Credit Facility, NSCC will require that SLD calls be met with 100% cash. While the timing of the SLD calls may have some regularity (i.e., just after the annual determination of the amount of funding obtained by NSCC for the Credit facility and just before quarterly expiration periods), NSCC would also have discretion to make SLD calls whenever it determines that a projected shortfall is 20% or greater than its current sources of funding. Members could find themselves in the untenable position of being subjected to an SLD call triggered by *another* member’s activity that must be met with all cash and be posted on short notice. These are circumstances that a member cannot reasonably forecast and over which it has no control.

Importantly as well, the SEC has not yet had the opportunity to provide guidance on the appropriate net capital treatment of member’s deposits made pursuant to an SLD call. Similarly unclear, is how a commitment to the Credit Facility will be treated for net capital purposes.

Apart from the issues of liquidity, funding and capital management, the SLD Proposal also presents issues that relate to fairness. For example, it is not clear why the NSCC has determined to impose an SLD requirement on only 30 of its members rather than on the full membership (approximately, 150 firms). Consequently, the burden of this significant additional liquidity requirement unfairly falls on roughly 20% of the NSCC members, and will result in significantly disparate treatment of members.

² Knight understands that the Credit Facility is currently closed. As such, it seems that many affected members are currently unable participate in the Credit Facility during 2013.

Finally, and also critically important, are the effects that the SLD Proposal may have on systemic risk and on competition. These effects could manifest themselves in many different scenarios. For example, NSCC members could exit self-clearing which would concentrate risk across fewer larger NSCC members thus exacerbating the “too big to fail” issue. The costs of doing business will certainly increase substantially as well. These increased costs may ultimately be pushed to investors in the form of higher commissions and fees, and may also drive some market participants out of business altogether or cause them to cease engaging in a wide variety of activities from in market making to providing agency execution services.

The NSCC is essentially the equivalent of an industry utility in the equity markets. Equity market participants only have two choices, self clear or clear through an NSCC member. Both of these choices require sufficient planning and evaluation. For these reasons, and all of the reasons discussed above, it is vitally important that there be adequate time for NSCC members to fully evaluate the proposal and its effects, to comment on all aspects of the proposal and to be provided with an opportunity to suggest and explore alternatives to the current proposal.

Accordingly, Knight respectfully requests that the Commission extend the time period for public comment and the Commission’s review period to consider the SLD Proposal.

We welcome the opportunity to discuss our comments with the Commission.

Respectfully submitted,



Leonard J. Amoruso
Executive Vice-President
General Counsel
Knight Capital Group, Inc.



Matthew S. Levine
Managing Director
Co-Chief Compliance Officer
Knight Capital Americas LLC

cc SEC Chairman Mary Jo White
 SEC Commissioner Elisse B. Walter
 SEC Commissioner Luis A. Aguilar
 SEC Commissioner Troy A. Paredes
 SEC Commissioner Daniel M. Gallagher
 John Ramsay, Deputy Director, SEC Division of Trading and Markets
 James R. Burns, Deputy Director, SEC Division of Trading and Markets
 Larry E. Thompson, General Counsel, DTCC