

U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5000
Facsimile: (202) 418-5521



March 13, 2000

Mr. William H. O'Brien
FutureCom LTD.
P.O. Box 9618
800 S. Monroe
Amarillo, Texas 79101

Re: Application of FutureCom LTD. for Designation as a
Contract Market in Cash-Settled Live Cattle Futures
and Options Contracts

Dear Mr. O'Brien:

By submissions dated January 17, 1997 through February 2, 2000, FutureCom LTD. ("FutureCom" or "Exchange") applied to the Commission, pursuant to Sections 4c and 6 of the Commodity Exchange Act ("Act"), 7 U.S.C. §§6c and 8 and Commission Regulation 33.5, 17 C.F.R. § 33.5, for designation as contract markets in cash-settled live cattle futures and options contracts.

The Commission has reviewed the materials submitted by FutureCom and has designated FutureCom as contract markets in cash-settled live cattle futures and options contracts under Section 5 of the Act, 7 U.S.C. §7 and Part 33 of the Commission's Regulations pursuant to Orders dated March 13, 2000 (attached).

Concurrent with designation, the Commission approves, pursuant to Section 5a(a)(12)(A) of the Act, 7 U.S.C. §7a(a)(12)(A), proposed FutureCom Bylaw Sections 1.1-1.27; 2.1-2.7; 3.1-3.4; 4.1-4.16; 5.1-5.6; 6.1-6.16; 7.01-7.05, 7.1-7.2, and 8.01 - 8.04. FutureCom must submit all proposed new and amended Bylaw provisions to the Commission for review pursuant to Section 5a(a)(12)(A) of the Act.

The Commission's grant of designation and approval of Bylaws is based upon written submissions, electronic mail, and other explanations provided by the Exchange describing the manner in which the FutureCom system will operate. Any material modifications to the operation of the Exchange (e.g., changes to the trade-matching algorithm, clearing procedures, system security, etc.) must be submitted for Commission review. The Commission reserves the right to revisit certain system security, vulnerability, and operational issues related to FutureCom in the event there is either significant or rapid growth in the volume or scope of the Exchange's trading activities.

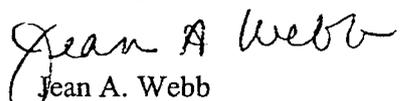
Mr. William H. O'Brien

Page 2

The Commission's grant of designation and the commencement and continuance of Exchange operations is subject to the conditions set forth in the Orders. These include such matters as maintenance of the segregated credit facility with a Commission-approved financial institution, submission of a signed agreement with the National Futures Association ("NFA") for NFA to perform the self-regulatory functions on behalf of FutureCom as set forth in that agreement, and submission and written approval of certain additional satisfactory independent test results. Commission staff will review such results in a timely fashion and provide written approval as soon as it is able to determine such results are satisfactory.

The Orders also require FutureCom to continue to develop and refine its strategies for detecting trade practice rule violations which will be examined closely at the first rule enforcement review of the Exchange conducted by Commission staff, and hire additional Compliance Department staff as open interest in contracts traded on the Exchange increases in accordance with the plan submitted to Commission staff. Lastly, FutureCom must comply with all applicable provisions of the Act and the Commission's regulations thereunder.

Sincerely,


Jean A. Webb
Secretary of the Commission

cc: Kevin M. Foley

UNITED STATES OF AMERICA

Before the

COMMODITY FUTURES TRADING COMMISSION

In the Matter of the Application of
FutureCom, LTD. for Designation
As a Contract Market in Cash-Settled
Live Cattle Futures Contracts

ORDER OF INITIAL DESIGNATION

FutureCom, LTD., (“FutureCom” or “Exchange”) having submitted, pursuant to Sections 4c and 6 of the Commodity Exchange Act (“Act”), 7 U.S.C. §§6c and 8, an application for designation as a contract market in cash-settled live cattle futures contracts and the Commodity Futures Trading Commission (“Commission”) having reviewed the application and the complete record in this matter, and for the reasons set forth in the Memoranda submitted to the Commission by the Division of Trading and Markets and the Division of Economic Analysis recommending the Commission designate FutureCom as a contract market in such futures contracts, the Commission finds that for purposes of this application FutureCom has demonstrated compliance with the requirements under the Act and Commission’s regulations thereunder applicable to it. Therefore,

IT IS ORDERED, under Sections 4c and 5 of the Act, 7 U.S.C. §§6c and 7, that the application of FutureCom for designation as a contract market in cash-settled live cattle futures contracts is granted, and

IT IS FURTHER ORDERED that this grant of designation shall be subject to compliance with all sections of the Act and regulations thereunder applicable to FutureCom as a contract market and that this grant of designation and the commencement and/or continuance of exchange operations shall be specifically subject to the following conditions:

(a) FutureCom maintain until April 5, 2001 a segregated credit facility with Bank of America in accordance with the terms, including terms of recourse, set forth in the letter from Bank of America dated December 23, 1999 (Attachment 1);

(b) FutureCom obtain, effective on or before April 5, 2001, a continuing segregated credit facility with Bank of America or other Commission-approved institution ("Credit Bank") in an amount of \$1,000,000 for each contract traded on the Exchange with open interest of up to 10,000 contracts in accordance with the terms, including terms of recourse, set forth in the letter from Bank of America dated December 23, 1999, or with terms substantially identical to those terms, as represented;

(c) any proceeds advanced against the segregated credit facility be repaid by Texas Beef, as represented, pursuant to terms accepted by the Credit Bank, and the facility be renewed and increased, as represented, on a quarterly basis in accordance with the level of open interest for each contract traded on FutureCom such that the amount of the facility will increase by \$100 per each unit increase in the currently existing open interest over 10,000 for each type of futures or option contract traded on FutureCom as set forth in Section 5.6 of FutureCom's Bylaws (attached), based on a quarterly weighted assessment of current open interest with the first of

such assessments to take place immediately prior to the end of the first quarter of trading should open interest on any trading day prior to the end of the first quarter exceed 10,000, as represented;

(d) FutureCom plan to obtain and take steps toward obtaining additional support, as appropriate, commensurate with the formula set forth in Bylaw Section 5.6, in the form of additions to the segregated credit facility or in the form of a letter of credit with the Credit Bank in the event open interest in a listed contract reaches 80,000 contracts;

(e) FutureCom accrue funds to be deposited to a reserve fund held in a separate account at First National Bank of Amarillo ("Clearing Bank"), as represented, at the rate of \$1.00 per each contract cleared through the Clearing Bank on behalf of FutureCom, until such fund reaches a minimum of \$3,000,000, such amount to be re-evaluated for necessary increases on an annual basis, to be used for the purpose set forth and described in Section V of FutureCom's *Clearing Procedures* (Attachment 3);

(f) FutureCom require each FutureCom member to maintain deposits of U.S. cash or Treasury obligations with FutureCom's Clearing Bank at all times sufficient to margin its current positions in an amount at least fully commensurate with the risk, required margin, and position level of such member's membership classification, as represented, and require each FutureCom member who is not a resident of the U.S. to use FutureCom's Clearing Bank or another U.S. bank for purposes of maintaining additional funds to support the continuing process of clearing for the member's FutureCom account, as represented;

(g) FutureCom procure and/or install all final system components and configure all hardware and software in a manner consistent with all recommendations made by AuditForce as a result of its August 1999 audit review of FutureCom's system, as represented;

(h) FutureCom engage AuditForce, or another independent third party approved by the Commission, to conduct and to submit to the Commission all results of additional comprehensive system testing before commencing operations, as represented, including results of testing for system security, vulnerability, and capacity, and testing of the trading functionality of the system and FutureCom shall not commence operations until Commission staff has reviewed such independent test results and informed FutureCom in writing that such results are satisfactory;

(i) an outside independent audit firm review the clearing function of FutureCom every calendar quarter in accordance with FutureCom's representation regarding such occurrence;

(j) FutureCom, in implementing its trade practice surveillance program as described in its *Compliance Procedures* (Attachment 4), continue to develop and refine specific strategies for detecting instances of each trade practice rule violation, as represented, and add additional staff to its Compliance Department in accordance with the plan set forth in its supplemental description titled *FutureCom LTD Compliance Department* (Attachment 5);

(k) FutureCom enter into a signed agreement with NFA for NFA to perform surveillance functions as set forth in the agreement titled *Agreement For NFA to Assume DSRO Responsibilities For Clearing Firms of FutureCom* (Attachment 6);

(l) FutureCom use the information given to it by NFA in accordance with the agreement referred to in (k) above, in the manner specified and discussed in FutureCom's *Compliance Procedures*;

(m) FutureCom implement its market surveillance program as set forth and described in FutureCom's *Compliance Procedures*;

(n) an intermediary will be permitted to enter orders on behalf of FutureCom members only if the intermediary is a FutureCom member and a Commission registrant and NFA member,

or, if not a FutureCom member, is either a Commission registrant and NFA member or affirmatively agrees in writing to comply with the provisions of FutureCom's Bylaws and to submit to the jurisdiction of FutureCom with respect to its activities on behalf of the FutureCom member in accordance with FutureCom Bylaw 2.7, as represented;

(o) no intermediary handle funds of a FutureCom member in connection with entering any orders into the FutureCom system on behalf of the FutureCom member, other than to transfer funds previously held by it in connection with matters wholly unrelated to FutureCom, pursuant to the direction and instruction of the FutureCom member, to the FutureCom pooled account on behalf of the FutureCom member, as represented;

(p) none of the integrated companies known as "Texas Beef" nor any of the partners with an ownership interest in Texas Beef will become members of FutureCom or otherwise trade on FutureCom, as represented, except in accordance with procedures that have been submitted to the Commission for review;

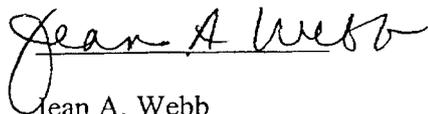
(q) FutureCom make large trader reports to the Commission on behalf of its members as specified in Part 18 of the Commission's regulations, 17 C.F.R. Part 18;

(r) FutureCom and appropriate Commission staff finalize content, format, and receipt of trade and timing data by Commission staff; and

(s) FutureCom comply with all other applicable provisions of the Act and the Commission's regulations thereunder.

Issued in Washington, D.C., this 13th day of March, 2000.

By the Commission

A handwritten signature in cursive script that reads "Jean A. Webb". The signature is written in black ink and is positioned above a horizontal line.

Jean A. Webb
Secretary of the Commission