

**U.S. COMMODITY FUTURES TRADING COMMISSION**

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December 22, 2000



Mr. Richard A. Miller  
White & Case, LLP  
1155 Avenue of the Americas  
New York, NY 10036-2787

Re: Application of onExchange Board of Trade for Designation as a Contract Market

Dear Mr. Miller:

By letters dated October 3, 2000 through December 19, 2000, onExchange Board of Trade ("ONXBOT" or "Exchange") applied to the Commodity Futures Trading Commission ("Commission"), pursuant to Section 5 of the Commodity Exchange Act ("Act"), 7 U.S.C. §8, for designation as a contract market. The Commission has reviewed the materials submitted and has determined to designate ONXBOT as a contract market, pursuant to Section 5 of the Act, 7 U.S.C. §7.

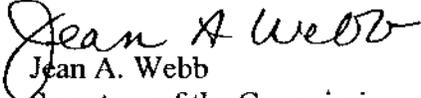
Concurrent with designation, the Commission approved, pursuant to Section 5c of the Act, 7 U.S.C. § 7c, ONXBOT Bylaw Sections 1.1, 2.1 - 2.11, 3.1 - 3.9, 4.1 - 4.8, 5.1 - 5.4, 6.1, 6.2, 7.1 - 7.11, 8.2 - 8.5, 9.1 - 9.3, and 10.1, and ONXBOT Rules 1.01 - 1.03, 2.01 - 2.07, 3.01, 3.02, 4.01 - 4.13, 5.01, 6.01, 7.01 - 7.13, 8.01, 8.02, and 9.01 - 9.03. In addition, the Commission has approved proposed onExchange Clearing Corporation ("ONXCC") Bylaw Sections 1.01, 1.02, 2.01 - 2.09, 3.01 - 3.05, 4.01 - 4.17, 5.01 - 5.14, 6.01 - 6.04, 7.01 - 7.04, 8.01 - 8.04, 9.01 - 9.05, 10.01 - 10.03, and 11.01, and ONXCC Rules 1.01 - 1.05, 1.08, 2.01 - 2.06, 3.01, 4.01, 5.01 - 5.10, 6.01, 6.02, 7.01 - 7.03, 8.02, 9.01, and 9.02. The Commission also approved the ONXBOT and ONXCC Articles of Incorporation.

The Commission's approval is based upon, among other things, written submissions, explanations, and representations provided by the Exchange describing the manner in which ONXBOT and ONXCC and their respective trading and clearing systems, onTrade and onClear, will operate. The Commission's approval is also based upon written submissions, explanations and representations provided by ONXBOT and the National Futures Association ("NFA") concerning how NFA would assist ONXBOT in performing the Exchange's self-regulatory obligations. ONXBOT should inform the Commission of any material modifications to the operation of onTrade, onClear, or ONXBOT's self-regulatory program, including those services provided by NFA. Moreover, ONXBOT should submit to the Commission details of any

determination to accept as margin any assets other than those currently listed in ONXCC Rule 5.04.

In approving ONXBOT's application, the Commission is not approving the agreement covering compliance and surveillance services between ONXBOT and NFA. In this connection, ONXBOT itself remains directly responsible to the Commission for ensuring the performance of all self-regulatory functions required of it as a designated contract market under the Act, including maintenance of an effective affirmative action program, pursuant to Commission Regulation 1.51, and enforcement of the terms of the ONXBOT Subscriber Agreement and all ONXBOT and ONXCC bylaws and rules. The Commission's action is premised on, among other things, its understanding that employees of NFA who are involved in providing services to ONXBOT would be considered "employees" for purposes of ONXBOT Bylaw Section 7.11(a).

Sincerely,

  
Jean A. Webb  
Secretary of the Commission

cc: Richard Jaycobs, ONXBOT  
Yvonne Downs, NFA

UNITED STATES OF AMERICA

Before the

COMMODITY FUTURES TRADING COMMISSION

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In the Matter of the Application of  
onExchange Board of Trade, Inc.  
For Designation As a Contract Market

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ORDER OF DESIGNATION

OnExchange Board of Trade, Inc. (“ONXBOT” or “Exchange”), a wholly-owned subsidiary of onExchange, Inc. (“onExchange”), having submitted, pursuant to Section 5 of the Commodity Exchange Act (“Act”), 7 U.S.C. § 7, an application for designation as a contract market, 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 Memorandum submitted to the Commission by the Division of Trading and Markets recommending the Commission designate ONXBOT as a contract market, the Commission finds that for purposes of this application the Exchange has demonstrated compliance with the requirements under the Act and the Commission’s regulations thereunder applicable to it. Therefore,

IT IS ORDERED, under Section 5 of the Act, 7 U.S.C. § 7, that the application of ONXBOT for designation as a contract market is granted;

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 ONXBOT 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) ONXBOT ensure at all times maintenance at a derivatives clearing organization, by its Subscribers, of initial original margin requirements, for any cleared contract traded on the Exchange, equal to at least the sum of three daily price limit moves for that contract;

(b) ONXBOT prohibit any third party from handling funds of an ONXBOT Subscriber in connection with entering orders at ONXBOT;

(c) ONXBOT enter into a signed agreement with NFA for the performance of surveillance and other functions as set forth in the form of the agreement heretofore submitted to the Commission titled *Regulatory Services Agreement* (Attachment I);

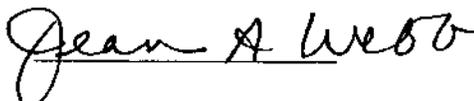
(d) ONXBOT make large trader reports to the Commission on behalf of its subscribers as specified in Part 18 of the Commission's regulations, 17 C.F.R. Part 18;

(e) ONXBOT send all required trade and timing data to the Commission in an appropriate form and manner; and

(f) final testing of ONXBOT's systems confirms that essential system functions are operating properly, the systems have demonstrated capacity to support the targeted levels of trading activity, and the data centers and communication facilities are configured as described and are fully operational.

Issued in Washington, D.C., this 22nd day of December, 2000.

By the Commission



Jean A. Webb  
Secretary of the Commission

UNITED STATES OF AMERICA

Before the

COMMODITY FUTURES TRADING COMMISSION

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In the Matter of the Application of  
onExchange Clearing Corporation, Inc.  
For Registration As a Derivatives Clearing Organization

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ORDER OF REGISTRATION

OnExchange Clearing Corporation, Inc. (“ONXCC”), having submitted, pursuant to Section 5b of the Commodity Exchange Act (“Act”), 7 U.S.C. § 7b, an application for registration as a derivatives clearing organization, and the Commodity Futures Trading Commission (“Commission”) having reviewed the application and the complete record in this matter, finds that ONXCC has demonstrated compliance with the core principles for derivatives clearing organizations specified in Section 5b of the Act. Therefore,

IT IS ORDERED, under Section 5b of the Act, 7 U.S.C. § 7b, that the application of ONXCC for registration as a derivatives clearing organization is granted;

IT IS FURTHER ORDERED, that this grant of registration shall be subject to compliance with all sections of the Act and regulations thereunder applicable to ONXCC as a derivatives clearing organization and that this grant of registration and the commencement and/or continuance of operations shall be specifically subject to the following conditions:

(a) ONXCC maintain initial original margin requirements, for any onExchange Board of Trade (“ONXBOT”) contract it clears, equal to at least the sum of three daily price limit moves for that contract;

(b) ONXCC enter into a signed custody agreement with Brown Brothers Harriman & Co., or other equally qualified banking institution, in substantially the same form as the final version of the form of an agreement heretofore submitted to the Commission (Attachment 1);

(c) ONXCC maintain a guaranty fund at all times equal to at least 1% of the aggregate original margin required of ONXBOT Subscribers at any given time;

(d) ONXCC endeavor to maintain, in accordance with its rules, at all times at least 10% of its total guaranty fund in cash or cash equivalents;

(e) ONXCC maintain any portion of its guaranty fund that is not cash or cash equivalents, but in no event less than \$9,000,000, with an irrevocable letter of credit facility with Brown Brothers Harriman & Co. or other equally qualified banking institution in accordance with terms, including terms of recourse, no less favorable to ONXCC than that set forth in the September 27, 2000 draft form of the letter from Brown Brothers Harriman & Co. for Subscribers' letters of credit heretofore submitted to the Commission (Attachment 2);

(f) ONXCC endeavor to repay, in accordance with its rules, any amounts drawn upon any irrevocable letter of credit facility maintained by ONXCC as part of its guaranty fund within thirty days of the date of the drawing; and

(g) ONXCC prohibit any third party from handling funds of an ONXBOT Subscriber in connection with entering orders at ONXBOT;

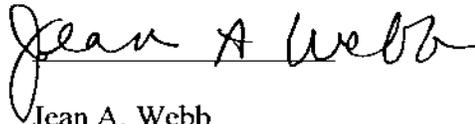
(h) ONXBOT send all required trade and timing data to the Commission in an appropriate form and manner; and

(i) final testing of ONXCC's systems confirms that essential system functions are operating properly, the systems have demonstrated capacity to support anticipated levels of

clearing activity, and the data centers and communication facilities are configured as described and are fully operational.

Issued in Washington, D.C., this 22nd day of December 2000.

By the Commission

A handwritten signature in black ink that reads "Jean A. Webb". The signature is written in a cursive style with a large initial "J" and "W".

Jean A. Webb  
Secretary of the Commission