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ISDA

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September 23, 1998

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COMMODITY FUTURES
TRADING COMMISSION
RECEIVED FOR
PUBLIC RECORD

Ms. Jean A. Webb
Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Petition of LCH

Dear Ms. Webb:

The International Swaps and Derivatives Association, Inc. ("ISDA") is pleased to submit this letter to the Commodity Futures Trading Commission (the "Commission") in response to the petition of The London Clearing House Limited ("LCH") for an exemption from the provisions of the Commodity Exchange Act (the "CEA") for its SwapClear swap clearing facility.

ISDA is an international organization whose membership comprises over 360 of the world's largest commercial, merchant and investment banks and other corporations and institutions that conduct significant activities in swaps and other privately negotiated derivatives transactions (collectively, "swaps"). A list of ISDA's current members is attached to this letter as Annex A. Additional information about ISDA can be obtained from our web site, www.isda.org.

ISDA believes that the petition of the LCH is unnecessary because an exemption is not required for a facility that is established for the purpose of clearing swaps, whether or not those swaps are entitled to the Part 35 swap exemption. Swaps are not subject to regulation under the CEA because they are not futures contracts. The mere clearing of privately-negotiated swaps does not convert them into futures contracts subject to the CEA. Accordingly, ISDA believes that to the extent the LCH petition provides merely for the clearing of swaps, the Commission has no jurisdiction and, therefore, there is no need for the petition.

The LCH petition describes the Commission's view that the clearing of swaps is not permitted under the Part 35 swap exemption. ISDA believes that the effect of the conditions in the Part 35 swap exemption as they relate to clearing are limited to establishing that cleared swaps cannot rely on the non-exclusive Part 35 safe harbor. ISDA is concerned by any suggestion that clearing of swaps *per se* is not permitted unless the clearing facility has been exempted from the provisions of the CEA. The Part 35 exemption provides greater legal certainty for swaps that satisfy its conditions, but neither Congress nor the Commission intended that this greater legal certainty would be achieved by placing swaps that do not satisfy those conditions, including cleared swaps, within the ambit of the CEA.

ISDA believes that the Commission can take one of two actions with respect to the LCH petition. First, it could state that there is no need for an exemption, thereby providing clear guidance to the users of swaps and potential users of clearing facilities that the clearing of privately-negotiated swaps does not subject the cleared swaps to regulation under the CEA. Alternatively, the Commission could grant an exemption under Section 4(c) of the CEA while specifying that granting the exemption does not imply that the exempted transactions or activities are futures under the CEA. We understand that the Commission has indicated to the LCH that it is able to grant an exemption on this basis, as it did when it adopted the Part 35 exemption. One of the difficulties of this approach, however, is that such an exemption might contain conditions that could create greater legal uncertainty for cleared swaps and swaps generally. Any conditions that imply that swaps are futures could raise concerns among swap participants and other regulators about the regulatory status of swaps. Furthermore, establishing conditions without notice and an adequate opportunity to comment on their terms would constitute imposition of regulatory limits without appropriate administrative procedures.

We appreciate the opportunity to share our views on the LCH's petition. If you should have any questions or comments, please feel free to contact one of the undersigned.

Yours sincerely,

Mark D. Harding
Chairman

Richard E. Grove
Executive Director and
Chief Executive Officer

ISDA PRIMARY MEMBERS

Abbey National Financial Products
ABN AMRO Bank N.V.
ABSA Bank Ltd.
AIG Financial Products Corp.
Allied Irish Banks, plc
Arab-Malaysian Merchant Bank Berhad
Artesia Bank N.V./S.A.
Asahi Bank, Ltd.
ASLK-CGER Bank N.V. S.A.
Australia and New Zealand Banking Group, Ltd.
Bacob Bank s.c.
Baden-Wurtembergische Bank AG
Banca Commerciale Italiana
Banca CRT- Cassa di Risparmio di Torino
Banca del Gottardo
Banca di Napoli
Banca di Roma S.p.A.
Banca Monte Dei Paschi Di Siena SpA
Banca Nazionale del Lavoro
Banco Bilbao Vizcaya, S.A.
Banco Central Hispanoamericano, S.A.
Banco de Negocios Argentaria, S.A.
Banco Espanol de Credito, S.A. (BANESTO)
Banco Espirito Santo e Comercial de Lisboa, S.A.
Banco Exterior de Espana, S.A.
Banco Portugues Do Atlantico
Banco Santander
Bank Austria AG
Bank Brussels Lambert
Bank Handlowy w Warszawie S.A.
Bank Hapoalim B.M.
Bank Labouchere N.V.
Bank of America
Bank of Boston
Bank of Ireland Group Treasury Limited
Bank of Montreal
Bank of New York
Bank of Nova Scotia
Bank of Scotland Treasury Services plc
Bank of Tokyo-Mitsubishi, Ltd.

Bankers Trust Company
Bankgesellschaft Berlin AG
Banque CPR
Banque Nationale de Paris
Barclays de Zoete Wedd Ltd.
Bayerische Hypotheken und Wechsel Bank AG
Bayerische Landesbank Girozentrale
Bayerische Vereinsbank AG
Bear, Stearns & Co. Inc.
BFG Bank, AG
BHF Bank (Berliner Handels-und Frankfurter)
BPI - Banco Portuges de Investimento S.A.
Caboto Holding SIM S.p.A.
Caisse Centrale des Banque Populaires
Caisse des Depots et Consignations
Caixa Geral de Depositos, SA.
Caja de Ahorros Y Monte de Piedad de Madrid
CARIPLO - Cassa di Risparmio delle Provincie
CEDEF Capital Services SA
CERA Bank C.V.
Ceskoslovenska Obchodni Banka, A.S.
Charterhouse Bank
Chase Manhattan Bank
Christiania Bank
CIBC World Markets
Citibank, N.A.
Cofiri SIM S.p.A.
Commerzbank AG
Commonwealth Bank of Australia
Compagnie Financiere de CIC et de L'Union
Europeene
Confederacion Espanola de Caja de Ahorros
Credit Agricole Indosuez
Credit Commercial de France
Credit Communal de Belgique
Credit Lyonnais
Credit Suisse Financial Products
Creditanstalt-Bankverein
Credito Italiano S.p.A.
Dai-Ichi Kangyo Bank, Ltd.
Daiwa Bank, Ltd.
Daiwa Europe Bank Plc
Den Danske Bank
Den Norske Bank ASA (DnB)
Deutsche Morgan Grenfell
DG Bank Deutsche Genossenschaftsbank

Die Erste Osterreichische Spar-Casse Bank AG
DKB Financial Products, Inc.
Donaldson Lufkin & Jenrette
Dresdner Bank AG
Elf Trading S.A.
Enron Corporation
First National Bank of Chicago
First Union National Bank
Fuji Bank Ltd.
Fuji Capital Markets Corp.
General Re Financial Products Corp.
Generale Bank
GiroCredit Bank AG der Sparkassen
Goldman Sachs & Co.
Halifax plc
Hambros Bank Ltd.
Hamburgische Landesbank Girozentrale
HSBC Midland
IBJ International Limited
IKB Deutsche Industriebank AG
IMI SIGECO Societe Intermed. Mobiliare S.p.A.
INA SIM S.p.A.
Industrial Bank of Japan, Limited
ING Bank
ING Baring Financial Products
Intercapital Brokers Ltd.
Investec Bank Limited
Istituto Bancario San Paolo di Torino
J. Henry Schroder & Co. Limited
J.P. Morgan Securities Ltd.
Joyo Bank, Ltd.
Keybank National Association
Kredietbank N.V.
Landesbank Hessen - Thueringen Girozentrale
Landesbank Rheinland-Pfalz Girozentrale
Landesbank Sachsen Girozentrale
Landesbank Schleswig-Holstein Girozentrale
Landesgirokasse offentliche Bank und
Landessparkasse
Lehman Brothers
Lloyds Bank Plc
Long-Term Credit Bank of Japan
Maple Partners Bankhaus GmbH
MeesPierson, N.V.
Mellon Bank, N.A.
Merita Bank Ltd

Merrill Lynch & Co., Inc.
Mitsubishi Trust and Banking Corp.
Mitsui Bussan Commodities Limited
Mitsui Trust & Banking Co. Ltd.
Morgan Stanley & Co. Inc.
National Australia Bank Limited
National Bank of Canada
National Bank of Greece
Nationale Investeringsbank N.V.
NationsBank
NatWest Capital Markets Limited
Nedcor Bank Limited
New Japan Securities Co., Ltd.
Nikko Securities Co., Ltd.
Nippon Credit Bank Ltd.
Nomura Capital Services Inc.
Nordbanken
Norddeutsche Landesbank Girozentrale
Norinchukin Bank
Paribas
Polish Development Bank
Prebon Yamane USA Inc.
Prudential Global Funding Inc.
Rabobank Nederland
Raiffeisen Zentralbank Austria AG
Rand Merchant Bank Limited
Refco Securities, Inc.
Republic National Bank of New York
Robert Fleming & Co. Limited
Rossiysky Kredit Bank
Royal Bank of Canada
Royal Bank of Scotland plc
Sakura Bank Limited
Sakura Global Capital
Sal. Oppenheim jr. & Cie KGaA
Salomon Smith Barney Holdings Inc.
Sanwa Bank Limited
Sanwa Financial Products
Saudi International Bank
SBC Warburg Dillion Read
Shoko Chukin Bank
Skandinaviska Enskilda Banken
Societe Generale
Standard Chartered Bank
Standard Corporate and Merchant Bank
Sudwestdeutsche Landesbank

Suedwestdeutsche Genossenschafts-Zentralbank AG
Sumitomo Bank Capital Markets, Inc.
Sumitomo Bank Ltd.
Sumitomo Trust and Banking Co., Ltd.
Suntrust Capital Markets, Inc.
Svenska Handelsbanken (Handelsbanken Markets)
SwedBank
Swiss Re Financial Products
Tokai Bank Ltd.
Tokyo-Mitsubishi International Plc
Toronto Dominion Bank
Toyo Trust and Banking Company, Limited
Tradition-Berisford LP
Trinkaus & Burkhardt KGaA
Unibank A/S
Union Bank of Switzerland
Westdeutsche Genossenschafts-Zentralbank eG
Westdeutsche Landesbank Girozentrale
Westpac Banking Corporation
Yasuda Trust & Banking Co., Ltd.
Zurich Capital Markets

ISDA ASSOCIATE MEMBERS

Algorithmics, Inc.
Allen & Overy
Arthur Andersen & Co.
Arthur Cox Solicitors
Baker & McKenzie
Blake, Cassels/Lavery de Billy
Bloomberg Financial Markets
Brown & Wood
Buruma Maris
C-ATS Software Inc.
Cadwalader, Wickersham & Taft
Capital Market Risk Advisors, Inc.
Cedel
Chicago Mercantile Exchange
Cleary, Gottlieb, Steen & Hamilton
Clifford Chance
Coopers & Lybrand
Coudert Freres
Cravath, Swaine & Moore
Davis Polk & Wardwell
De Brauw Blackstone Westbroek
Debevoise & Plimpton
Deloitte & Touche
Denton Hall
Dewey Ballantine
Documentum
Ernst & Young LLP
Euroclear
Field Fisher Waterhouse
Finnish Bankers Association
FNX Limited
Freshfields
Fried, Frank, Harris, Shriver and Jacobson
Front Capital Systems AB
Gide Loyrette Nouel
GovPX
Hammond Suddards
Harney Westwood & Riegels
Herbert Smith
Hughes Hubbard & Reed
IBM
Imagine Software Inc.
Infinity International Financial Technology

Integral Development Corporation
Intuitive Products International Corp.
ITS Trading Systems Limited
Jones, Day, Reavis & Pogue
KMV Corporation
KPMG Peat Marwick LLP
Latham & Watkins
LeBoeuf, Lamb, Greene & MacRae
Lee & Li
Liffe (London Int'l Fin. Futures & Options)
Linklaters & Paines
Login S.A.
Lombard Risk Systems Ltd.
London Clearing House Ltd.
Longview International
Lovell White Durrant
M A T I F
Mallesons Stephen Jaques
Mayer, Brown & Platt
McMillan Binch
Milbank, Tweed, Hadley & McCloy
Mitsui, Yasuda, Wani & Maeda
Monis Software
Moody's Investors Service, Inc.
Morgan, Lewis & Bockius
Murex International Software
Nauta Dutilh
Norton Rose
Ogilvy Renault
Osler, Hoskin & Harcourt
Price Waterhouse
Principia Partners
Punder, Volhard, Weber & Axster
Renaissance Software, Inc.
Reuters
Richards & O'Neil
Rogers & Wells
Rolfe & Nolan
S.W.I.F.T. sc
Shearman & Sterling
Sidley & Austin
Simmons & Simmons
Simpson Thacher & Bartlett
Skadden, Arps, Slate, Meagher & Flom
Slaughter and May
SNS Systems Inc.

Standard & Poor's
Stikeman, Elliott
Stroock & Stroock & Lavan
Studio Legale Bisconti
Sullivan & Cromwell
Summit Systems Inc.
SunGard Capital Markets Inc.
Synamic Limited
Telerate Systems Inc./Dow Jones
Tory Tory DesLauriers & Binnington
Travers Smith Braithwaite
Watson, Farley & Williams
Weil Gotshal & Manges
White & Case
Wilde Sapte
Wilmer, Cutler & Pickering

ISDA SUBSCRIBER MEMBERS

A/S Eksportfinans
AB Svensk Exportkredit
ABB Capital B.V.
African Development Bank
Alliance - Invest Co.
American Express Company
American Honda Finance Corporation
American Re
B. Metzler seel Sohn & Co. KGaA
Banc One Funds Management Company
Bank Nederlandse Gemeenten, nv
British Petroleum Company p.l.c.
Caisse Centrale Desjardins
Caisse Centrale Du Credit Immobilier de France
Cargill Financial Services Corporation
Council of Europe Social Development Fund
DePfa Bank (Deutsche Pfandbrief-Hypothecken)
Deutsche Bau- und Bodenbank
Deutsche Girozentrale - Deutsche Kommunalbank
Dow Chemical Company
DSL Bank, Deutsche Siedlungs-und
Landesrentenbank
Eastern Power & Energy Trading Ltd.
El Paso Energy Marketing Company
Electricite de France
Eskom
EUROFIMA
European Bank for Reconstruction & Development
European Investment Bank
Export Development Corp.
Federal Home Loan Bank of Atlanta
Federal Home Loan Bank of Chicago
Federal Home Loan Bank of Dallas
Federal Home Loan Bank of Pittsburgh
Federal Home Loan Mortgage Corporation
Finnish Export Credit Ltd.
Ford Motor Credit Company
General Electric Capital Corporation
Hydro-Quebec
IBM International Treasury Services Company
Instituto de Gestao de Credito Publico
Int'l Bank for Reconstruction (World Bank)
Intel Corporation

John Nuveen & Co. Incorporated
Kingdom of Denmark
Kingdom of Sweden
Kreditanstalt Fur Wiederaufbau
Landesbank Saar Girozentrale
Landeskreditbank Baden-Wuerttemberg (L-Bank)
Landwirtschaftliche Rentenbank
McDonald's Corporation
Mobil Oil Corporation
Nationwide Insurance
New Zealand Debt Management Office
Nordic Investment Bank
Ontario Financing Authority
Ontario Hydro
Oresundskonsortiet
Province of Quebec
S.A. IPPA N.V.
Scoular Company
Siemens Aktiengesellschaft
Sigma Finance Corporation
Stichting Pensioenfonds ABP
Student Loan Marketing Association
Swedish National Housing Finance Corp.
Tachyon Partners
Tiger Management Corporation
Tokio Marine and Fire Insurance Co., Ltd.
TOTAL
Transnet Limited
Vitol S.A., Inc.