

UNITED STATES OF AMERICA

Before the

COMMODITY FUTURES TRADING COMMISSION

In the Matter of the Application of
London Clearing House
For Registration as a Derivatives Clearing Organization

ORDER OF REGISTRATION

The London Clearing House (“LCH”) has submitted, pursuant to Section 5b of the Commodity Exchange Act (“Act”), an application for registration as a derivatives clearing organization (“DCO”) for the clearing of over-the-counter (“OTC”) derivatives contracts, agreements or transactions excluded or exempt from the Act, and the Commodity Futures Trading Commission (“Commission”) has reviewed the application and the complete record in this matter. For the reasons set forth in the Memorandum to the Commission by the Division of Trading and Markets recommending that the Commission register LCH as a DCO, the Commission finds that LCH has demonstrated that it has or will comply with the requirements under the Act and the Commission’s regulations thereunder applicable to it. Therefore,

IT IS ORDERED, under Section 5b of the Act, 7 U.S.C. § 7a-1, that the application of LCH for registration as a DCO is granted for the purpose of clearing by LCH of OTC derivatives contracts, agreements or transactions excluded or exempt under Sections 2(c), 2(d), 2(f), 2(g), 2(h) or 4(c) of the Act or that are OTC derivative instruments as defined in Section 408 of the Federal Deposit Insurance Corporation Improvement Act of 1991.

IT IS FURTHER ORDERED, that:

(1) LCH shall limit its clearing activity as a U.S. registered DCO to OTC derivatives contracts, agreements or transactions excluded or exempt under Sections 2(c), 2(d), 2(f), 2(g), 2(h) or 4(c) of the Act or that are other OTC derivative instruments as defined in Section 408 of the Federal Deposit Insurance Corporation Improvement Act of 1991;

(2) LCH shall limit its clearing activity as a U.S. registered DCO to eligible contract participants as defined in Section 1a(12) of the Act or eligible commercial entities as defined in Section 1a(11), as applicable, and acting solely on a principal-to-principal basis;

(3) LCH shall monitor and enforce the compliance by its clearing members/participants clearing OTC instruments with LCH's eligibility standards, including the maintenance of applicable minimum net capital requirements;

(4) LCH shall inform the Commission directly of any material change regarding: (a) its status as a Recognized Clearing House ("RCH") under the United Kingdom's Financial Services Act 1986 and/or the Financial Services and Markets Act of 2000 and regulations thereunder or any other superseding or otherwise applicable United Kingdom law or regulations; (b) any material changes in the United Kingdom law or regulations applicable to LCH's activities as an RCH; and (c) the submission by LCH to the Financial Services Authority ("FSA") of information of the type and nature set forth in the Commission's SwapClear Order dated September 23, 1999. LCH's obligation to provide this information directly to the Commission may, at the discretion of the Commission, be fulfilled by provision of information to the Commission pursuant to any current or future information sharing agreement or other arrangement entered into between the Commission and FSA;

(5) LCH shall remain in compliance with the core principles set forth in Section 5b of the Act and fulfill each of the various representations made in its application to the Commission

for DCO registration demonstrating compliance with each of the core principles. These representations include, but are not limited to, LCH's undertaking with respect to Core Principle B of Section 5b of the Act, to make available directly to the Commission on a periodic basis, information relative to LCH's financial resources and stability including the Default Fund, default insurance, and capital. This information shall be similar in scope and detail to the information currently provided to the CFTC by the FSA as agreed in the May 24, 1999 bilateral side-letter to the September 25, 1991 US-UK Memorandum of Understanding. LCH's obligation to provide this information directly to the Commission may, at the discretion of the Commission, be fulfilled by provision of information to the Commission pursuant to any current or future information sharing agreement or other arrangement entered into between the Commission and FSA;

(6) LCH shall immediately inform the Commission directly of: (i) any clearing member default in the OTC markets for which LCH is registered as a U.S. DCO; (ii) any default in any other LCH-cleared market by any entity that is also a clearing member in those OTC markets; and (iii) any other default affecting LCH's financial resources or its ability to clear the instruments covered by this order. LCH shall provide the Commission with information regarding the impact of the default on the adequacy of LCH's financial resources;

(7) LCH shall inform the Commission directly of information regarding any event, circumstance, or situation concerning any of LCH's operations as a clearing organization that detracts from LCH's ability to continue complying with any of the core principles set forth in Section 5b of the Act. LCH's obligation to provide this information directly to the Commission may, at the discretion of the Commission, be fulfilled by provision of information to the

Commission pursuant to any current or future information sharing agreement or other arrangement entered into between the Commission and FSA;

(8) LCH shall ensure the performance of all self-regulatory functions required of it as a DCO under the Act and Commission regulations, including enforcement of the terms of all LCH rules, regulations, and procedures; and

(9) LCH shall maintain a valid, effective, and binding agreement appointing an agent in the U.S. for purposes of communications, including acceptance on behalf of LCH of any summons, complaints, orders, subpoenas, requests for information, notice or any other written document or correspondence issued by or on behalf of the Commission, the United States Department of Justice, any self-regulatory organization, or any LCH clearing member and LCH shall inform the Commission of any change in such agent or agreement with such agent.

Issued in Washington, D.C., this 29th day of October, 2001.

By the Commission

Jean A. Webb
Secretary of the Commission