



U.S. COMMODITY FUTURES TRADING COMMISSION

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

May 11, 2004

Mr. Arthur W. Hahn
Katten Muchin Zavis Rosenman
525 West Monroe Street, Suite 1600
Chicago, IL 60661-3693

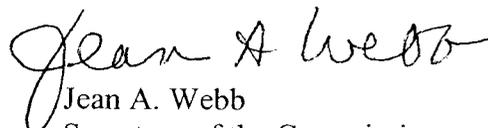
Re: Request of LCH.Clearnet Ltd for Amended Order of Registration
as a Derivatives Clearing Organization

Dear Mr. Hahn:

By a submission dated February 23, 2004, your client LCH.Clearnet Ltd (formerly The London Clearing House Limited) ("LCH") requested that the Commodity Futures Trading Commission ("Commission") issue an amended Order of registration as a derivatives clearing organization ("DCO") to permit LCH to clear financial futures contracts and options on such futures contracts traded on or subject to the rules of designated contract markets, derivatives transaction execution facilities, and/or exempt boards of trade. The Commission has reviewed the materials submitted and has determined to amend its original Order, dated October 29, 2001, registering LCH as a DCO pursuant to Section 5b of the Commodity Exchange Act ("Act").¹ On behalf of the Commission, I am advising you that LCH's registration as a DCO has been amended, subject to the terms of the accompanying Order.

The Commission's decision to issue an amended registration Order is based upon written submissions, explanations, and representations provided by LCH describing the manner in which LCH will operate. LCH should inform the Commission of any material modifications to its operation. The Commission reminds LCH that it remains directly responsible to the Commission for compliance with the Act and the Commission's regulations, notwithstanding any applicable non-United States law, regulation, or other requirement, and for ensuring the performance of all self-regulatory functions required of it as a DCO under the Act, including the enforcement of the terms of all LCH rules, regulations, and procedures.

Sincerely,


Jean A. Webb
Secretary of the Commission

cc: Andrew Lamb, LCH.Clearnet Ltd

¹ See 7 U.S.C. §7a-1 (2000).

UNITED STATES OF AMERICA

Before the

COMMODITY FUTURES TRADING COMMISSION

In the Matter of the Application of
LCH.Clearnet Ltd
For Registration as a Derivatives Clearing Organization

AMENDED ORDER OF REGISTRATION

LCH.Clearnet Ltd (formerly The London Clearing House Limited) (“LCH”) has submitted a request that the Commodity Futures Trading Commission (“Commission”) amend its Order, dated October 29, 2001 (“Order”), granting LCH registration as a derivatives clearing organization (“DCO”) for the clearing of over-the-counter derivatives contracts, agreements, or transactions excluded or exempt from the Commodity Exchange Act (“Act”). LCH requests that the Commission amend the Order to permit LCH to clear certain types of futures contracts and options on such futures contracts (collectively, “futures contracts”) traded on or subject to the rules of U.S. designated contract markets (“DCMs”), derivatives transaction execution facilities (“DTEFs”), and/or exempt boards of trade. The Commission has reviewed the request and the complete record in this matter, and 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 request of LCH for an amended DCO registration Order is granted subject to the provisions below.

IT IS FURTHER ORDERED, that:

(1) LCH shall remain in compliance, and shall demonstrate compliance as requested by the Commission, with the Core Principles set forth in Section 5b of the Act. LCH shall fulfill each of the representations regarding compliance with the Core Principles made in its original application to the Commission for DCO registration and in its request for an amended registration Order.

(2) LCH shall hold all funds held in customer segregated accounts for U.S. DCM or DTEF (“U.S. Market”) business in accordance with Section 4d of the Act and Commission regulations applicable to the segregation of customer funds, including Regulation 1.49.

(3) As a self-regulatory organization, LCH shall ensure the proper 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.

(4) LCH shall promptly inform the Commission of any event, circumstance, or situation concerning any of LCH’s operations that could materially detract from LCH’s ability to continue complying with any of the Core Principles set forth in Section 5b of the Act.

(5) LCH shall immediately inform the Commission of any clearing member default and shall provide the Commission with information regarding the impact of the default on the adequacy of LCH’s financial resources.

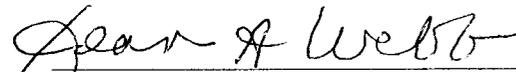
(6) LCH shall promptly inform the Commission of any material change in applicable United Kingdom (“U.K.”) law or regulations relevant to its operation as a DCO, including but not limited to any change to U.K. requirements for Recognized Clearing Houses (“RCHs”) and any change in such law or regulations affecting the conclusions contained in the memorandum prepared by its U.K. counsel entitled “LCH.Clearent Limited (‘LCH’) ‘Ring Fencing’ of U.S. Accounts” submitted as Appendix D to LCH’s instant request (“Ring Fencing Memorandum”). LCH shall inform the Commission of any change in its status as an RCH.

(7) LCH shall restrict its operations and activities with regard to U.S. Markets to those described in the Ring Fencing Memorandum; that is, (a) futures contracts cleared by LCH for any U.S. Market will be based on financial instruments (including securities), (b) no U.S. Market cleared by LCH will be a U.K. "Recognised Investment Exchange", (c) LCH will maintain a segregated U.S. Customer Account for each member for which it provides clearing services for a U.S. Market (each a "U.S. Member") in which LCH will record any U.S. Market clearing contracts concluded by that U.S. Member for its customers, (d) U.S. Member margin will comprise either cash held in a pooled customer segregated bank account in the U.S. or securities held in or via the Euroclear clearing system (or, in the case of U.S. treasury securities, Citibank NA (New York)), and (e) LCH will make appropriate amendments to its general regulations, default rules, and procedures. As part of any future request for relief from the provisions of this paragraph, LCH shall submit a reasoned memorandum prepared by U.K. counsel describing the effect of any contemplated future change in operations or activities beyond the forgoing description upon the conclusions of the Ring Fencing Memorandum.

(8) 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 U.S. Department of Justice, or any U.S. Member, and LCH shall promptly inform the Commission of any change in such agent or agreement with such agent.

Issued in Washington, D.C., this 11th day of May, 2004.

By the Commission



Jean A. Webb
Secretary of the Commission