

**CFTC Letter No. 00-41****March 14, 2000****Exemption****Division of Trading & Markets****VIA FACSIMILE and U.S. MAIL**

N. P. Weinrub  
Director, Market Secretariat  
The London International Financial  
Futures and Options Exchange  
Cannon Bridge House  
1 Cousin Lane  
London EC4R 3XX

Re: Sections 5 and 5a - LIFFE Administration and  
Management; Second Request for Supplemental No-Action  
Relief From Contract Market Designation Requirement

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Dear Mr. Weinrub:

This is in response to your letter dated February 16, 2000 to the Division of Trading and Markets ("Division") of the Commodity Futures Trading Commission ("Commission"), as supplemented by telephone conversations with Division staff. By this correspondence, you request, on behalf of LIFFE Administration and Management ("LIFFE") and its members,<sup>1</sup> that the Division extend the no-action relief granted to LIFFE by its letter dated July 23, 1999 ("July 23 Letter")<sup>2</sup> to the FTSE International euStars Index ("FTSE euStars Index") futures contract.

In its July 23 Letter, the Division granted LIFFE no-action relief to permit it to make its electronic trading and order matching system, known as "LIFFE CONNECTTM," available to LIFFE's members in the United States without obtaining contract market designation pursuant to Sections 5 and 5a of the Commodity Exchange Act.<sup>3</sup> Specifically, the Division agreed not to recommend that the Commission institute enforcement action against LIFFE or its members if: (i) LIFFE members trade for their proprietary accounts through LIFFE CONNECTTM in the United States; (ii) LIFFE members who are registered with the Commission as futures commission merchants ("FCMs") or who are exempt from registration pursuant to Rule 30.10 ("Rule 30.10 Firms") submit orders from United States customers for transmission to LIFFE euCONNECTTM; and/or (iii) LIFFE members who are registered with the

Commission as FCMs or who are Rule 30.10 Firms accept orders through automated order routing systems ("AORSs") from United States customers for submission to LIFFE CONNECTTM. The relief was restricted to the contracts specifically delineated in the July 23 Letter<sup>4</sup> and is subject to the terms and conditions set forth therein, as clarified by the Division's letter to counsel for LIFFE dated September 1, 1999 ("Sept. 1 Letter")<sup>5</sup> and the Division's letter to the Financial Services Authority dated September 30, 1999 ("Sept. 30 Letter").<sup>6</sup> By a letter dated December 10, 1999 ("Dec. 10 Letter"), the Division extended the relief provided by the July 23 Letter to ten additional contracts.<sup>7</sup>

As you are aware, receipt of a no-action position from the Commission's Office of General Counsel is a necessary prerequisite to the offer and sale of any foreign futures contract on a foreign stock indices to persons located in the United States. Accordingly, LIFFE would be required to obtain a no-action position from that office as well as a no-action position from the Division prior to offering the FTSE euStars Index futures contract through LIFFE CONNECTTM in the United States. By separate letter to dated February 16, 2000, you have requested relief from the Office of General Counsel.<sup>8</sup>

In support of your request for supplemental relief, you have submitted to the Division LIFFE's certification that the material information provided in connection with the relief granted by the July 23 Letter remains accurate, except to the extent that it has been modified by subsequent, written submissions from LIFFE. You have also submitted a summary of the terms of the FTSE euStars Index futures contract.

The Division has reviewed and considered your request for supplemental relief and the representations, information, and documentation forwarded to the Division in support of this request and your requests for no-action relief dated April 30, 1999 and August 6, 1999. Based specifically upon these representations and materials, the Division has determined that granting supplemental no-action relief to LIFFE and its members, pending the adoption by the Commission of rules or guidelines regarding access to foreign boards of trade from electronic trading devices in the United States, would not be contrary to the public interest. Accordingly, the Division hereby extends the no-action relief provided to LIFFE in the July 23 Letter to the FTSE euStars Index futures contract. The relief will become effective with respect to this contract upon your receipt of a no-action position from the Commission's Office of General Counsel that permits the offer and sale of a foreign futures contract on the FTSE euStars Index in the United States. The relief is subject to compliance with the terms and conditions of the July 23 Letter, as clarified by the Sept. 1 and Sept. 30 Letters. The Division notes that this letter is intended only to extend the relief provided by the July 23 Letter to the FTSE euStars Index futures contract. It does not alter that relief in any other way.

This no-action position is taken by the Division only and does not necessarily reflect the views of the Commission or any other unit or member of the Commission's staff. It is based upon the representations, information, and materials referenced above. Any materially different, changed, or omitted facts or circumstances may render this letter void. The Division specifically reiterates that it will examine the

trade volume information submitted as a condition to the no-action relief provided herein and the relief provided by the July 23 and Dec. 10 Letters as well as any changes in the nature or extent of LIFFE's activities in the United States to ascertain whether LIFFE's presence in the United States has increased to a level that might warrant reconsideration of the no-action relief.

As with all no-action letters, the Division retains the authority to condition further, modify, suspend, terminate, or otherwise restrict the terms of the no-action relief provided herein, in its discretion. Finally, the Division wishes to emphasize that the no-action position set forth herein is intended to provide immediate, interim relief to LIFFE and its members, pending any adoption of rules or guidelines by the Commission regarding the use and placement in the United States of automated trading systems or AORSs that provide access to the products of foreign boards of trade. Thus, this letter will cease to be effective in the event that the Commission or its staff adopts generally applicable rules or general guidelines regarding the issues addressed herein, and LIFFE will be subject to those rules or guidelines in that event.

If you have any questions regarding this correspondence, please contact me or Jocelyn Barone at (202) 418-5450.

Very truly  
yours,

John C. Lawton  
Acting Director

JBB/jb

cc: Arthur W. Hahn, Esq.  
Katten, Muchin & Zavis  
Daniel A. Driscoll, Vice-President-Compliance  
National Futures Association  
Henry J. Matecki, T&M, Chicago

1 For purposes of your request and the relief provided herein, references to the members of LIFFE shall include the "affiliates" of such members, to the extent that such affiliates are granted access by the member to LIFFE CONNECT™. The term "affiliates" shall have the meaning set forth in the July 23 Letter.

2 Letter from I. Michael Greenberger, Director, Division of Trading and Markets, Commodity Futures Trading Commission, to Arthur W. Hahn, Esq., Katten, Muchin & Zavis (July 23, 1999).

3 7 U.S.C. §§ 1 *et seq.* (1994).

4 Under the terms of the July 23 Letter, LIFFE may not make additional contracts or products available for trading in the United States through LIFFE CONNECTTM until LIFFE submits to the Division a written request for supplemental no-action relief and such relief has been granted by the Division.

5 The Sept. 1 Letter harmonized certain conditions imposed upon the no-action relief granted to LIFFE and its members in the Division's July 23 Letter with the conditions imposed upon similar no-action relief that the Division granted to Eurex Deutschland, Parisbourse<sup>SBF</sup>, and, collectively, the Sydney Futures Exchange Limited and the New Zealand Futures and Options Exchange Limited by letters dated August 10, 1999. Letter from I. Michael Greenberger, Director, Division of Trading and Markets, Commodity Futures Trading Commission, to Arthur W. Hahn, Esq., Katten, Muchin & Zavis (Sept. 1, 1999).

6 The Sept. 30 Letter clarified additional conditions imposed upon the no-action relief granted to LIFFE and its members in the Division's July 23 Letter. Letter from John C. Lawton, Acting Director, Division of Trading and Markets, Commodity Futures Trading Commission, to Gay Wisbey, Director, Markets and Exchanges Division, The Financial Services Authority (Sept. 30, 1999).

7 Letter from John C. Lawton, Acting Director, Division of Trading and Markets, Commodity Futures Trading Commission, to Arthur W. Hahn, Esq., Katten, Muchin & Zavis (Dec. 10, 1999).

8 Letter from N. P. Weinrub, Director, Market Secretariat, The London International Financial Futures and Options Exchange, to Harold Hardman, Assistant General Counsel, Commodity Futures Trading Commission (Feb. 16, 2000).