



U.S. COMMODITY FUTURES TRADING COMMISSION

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Office of General Counsel

CFTC letter No. 07-07
May 24, 2007
No-Action
Office of General Counsel

Ms. Adeline Ee
Vice President
Members & Institutions Business, Markets Group
Singapore Exchange, Ltd.
2 Shenton Way, #19-00, SGX Centre 1
Singapore 068804

Re: Request for No-action Relief to Offer and Sell in the United States Singapore Exchange Derivatives Trading Limited's U.S. Dollar Denominated Nikkei 225 Index Futures Contract

Dear Ms. Ee:

This is in response to your letter dated December 20, 2006, requesting on behalf of Singapore Exchange Derivatives Trading Limited ("SGX-DT") that the Office of General Counsel ("Office") of the U.S. Commodity Futures Trading Commission ("CFTC" or "Commission") issue a no-action letter concerning the offer and sale in the United States ("U.S.") of SGX-DT's U.S. dollar denominated futures contract based on the Nikkei 225 Index ("Nikkei 225" or "Index").

We understand that on November 24, 2006, SGX-DT added to its current suite of Nikkei contracts a cash settled U.S. dollar denominated version of the Nikkei 225 futures contract. The U.S. dollar denominated version is targeted at investors who prefer a U.S. dollar exposure to the Japanese market. A similar U.S. dollar denominated futures contract is listed and traded on the Chicago Mercantile Exchange ("CME"). SGX-DT intends to make its U.S. dollar denominated contract available on the Mutual Offset Facility with the CME.

In 1986, this Office issued no-action relief to permit the offer and sale in the U.S. of SGX-DT's Japanese yen denominated futures contract based on the Nikkei 225.¹ The terms and conditions of the U.S. dollar denominated version that is the subject of this request are substantially identical to the Japanese yen denominated version that received no-action relief, except that the subject contract is denominated in U.S. dollars. Specifically, the contract

¹ See CFTC Staff Letter No. 86-6, [1986-1987 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 23,395 (Dec. 5, 1986).

multiplier of the subject contract is U.S. \$5.00 as opposed to 500 Japanese yen for the yen-denominated contract.²

The Nikkei 225 is a broad-based, price-weighted composite security index made up of 225 highly capitalized and actively traded stocks in the first section of the Tokyo Stock Exchange. The Index is a widely observed index of stock market activity in Japan. Last year, this Office examined the Nikkei 225 and concluded that the Nikkei 225 was not a narrow-based security index, as defined in Section 1a(25)(A) of the Commodity Exchange Act (“Act”).³ This Office also concluded in applying the criteria set forth in Section 2(a)(1)(C)(ii) of the Act, that the Index was not readily susceptible to manipulation, nor to being used to manipulate any underlying security.⁴ Moreover, in the 1986 no-action letter, this Office determined that SGX-DT’s Japanese yen denominated futures contract on the Nikkei 225 is not readily susceptible to manipulation. We do not believe that the contract multiplier in U.S. dollars included in the contract specifications for SGX-DT’s U.S. dollar denominated Nikkei 225 futures contract would render the contract or the Index readily susceptible to manipulation within the meaning of the Act.⁵

In light of the foregoing, this Office will not recommend enforcement action to the Commission based on Sections 2(a)(1)(C)(iv), 4(a), or 12(e) of the Act, as amended, if SGX-DT’s U.S. dollar denominated Nikkei 225 futures contract is offered or sold in the U.S. Because this position is based upon facts and representations contained in your letter, it should be noted that any different, omitted or changed facts or conditions might require a different conclusion. This position also is contingent on the continued compliance by SGX-DT with all regulatory requirements imposed by SGX-DT’s regulator, the Monetary Authority of Singapore, and the applicable laws and regulations of Singapore. In addition, this position may be affected by any rules that the Commission may adopt regarding futures contracts based on non-narrow-based security indices.

² See letter from Adeline Ee, Vice President, SGX-DT, to Patrick J. McCarty, General Counsel, CFTC, dated December 20, 2006, at 2.

³ See CFTC Staff Letter No. 06-14, [Current Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 30,267 (July 10, 2006).

⁴ *Id.*

⁵ SGX-DT represents that it will cooperate with the Commission in any inquiry, investigation and/or enforcement proceeding relating to the offer and sale of SGX-DT’s U.S. dollar denominated Nikkei 225 futures contract in the U.S. See letter from Ms. Ee to Mr. McCarty, at 2.

The offer and sale in the U.S. of SGX-DT's U.S. dollar denominated futures contract on the Nikkei 225 is, of course, subject to Part 30 of the Commission's regulations, which governs the offer and sale of foreign futures and foreign option contracts in the U.S.⁶

Sincerely,

Terry S. Arbit
Acting General Counsel

⁶ See 17 C.F.R. Part 30.