

**CFTC Letter No. 99-14****March 3, 1999****Division of Trading & Markets**

Re: Eurex Deutschland Futures and Options on Euribor and Euro-Libor

Dear:

This is in response to your letter to the Division of Trading and Markets ("Division") of the Commodity Futures Trading Commission ("Commission") dated October 29, 1998. In your letter, you request that the Division confirm your view that your client, Eurex Deutschland ("Eurex"),<sup>1</sup> would be operating in compliance with the Division's no-action letter to Eurex dated February 29, 1996 concerning the placement of Eurex electronic terminals in the U.S. (the "No-action Letter")<sup>2</sup> if Eurex members execute transactions in Euribor and Euro-Libor futures contracts and options on such U.S.-located terminals.

Currently, Eurex lists three Euromark deposit contracts<sup>3</sup> that are offered through Eurex computer terminals that are located in the U.S pursuant to the Division's No-action Letter. As of January 1, 1999, a process began whereby the national currencies of members of the European Monetary Union ("EMU") will be replaced by a single currency known as the "Euro." In anticipation of this currency conversion, Eurex began, in September, 1998, to list certain Euribor and Euro-Libor contracts (the "Successor Contracts")<sup>4</sup> that are intended ultimately to supersede its listed Euromark deposit contracts. You essentially request that the Division confirm your view that the Successor Contracts may be offered under the No-action Letter through existing U.S.-located Eurex terminals.

As you noted in your letter, the Division, by letter to Eurex dated June 3, 1998,<sup>5</sup> informed Eurex that, among other things, it must make a written request to the Division if Eurex wishes to trade via U.S. located computer terminals "any products beyond [those] traded on [its] terminals prior to the date of [the] letter." The Division's June 3 letter stated further that such products could not be traded on terminals in the U.S. prior to Eurex's receipt of written approval from the Division.

The Division believes that the Euribor and Euro-Libor contracts that Eurex wishes to list from its U.S.-located computer terminals are new products and that Eurex's request to offer and trade such products represents a request to extend the Division's No-action Letter that would require Division approval under the Division's June 3, 1998 letter. Euribor contracts are denominated in Euros, and are distinct, traded separately from and are not fungible with Euromark contracts which are denominated in Deutsche Marks. The products are based on two distinct underlying commodities. The Division's position is consistent with the Commission's treatment generally

with respect to designated U.S. contract markets that have listed similar contracts in the U.S. (e.g., the Euro-Yen contract). U.S. contract markets have been required to treat Euro-denominated contracts as new contracts and to submit these contracts to the Commission for approval.

As you know, the restrictions set forth in the Division's June 3 letter were intended to maintain the status quo with respect to U.S. activities engaged in by Eurex and its members under the No-action Letter. In light of the Commission's ongoing rulemaking process concerning automated trading systems, the Division does not believe that an extension of its No-action Letter is appropriate. The Division believes that, pending the Commission's adoption of rules in this area, it remains necessary to maintain the status quo in order to maintain equity among all boards of trade that wish to make their products available in the U.S. via automated systems. Accordingly, the Division declines to grant your request at this time. Of course, Eurex is free to offer and trade any products outside of the U.S. subject to any relevant foreign laws or regulations.

If you have any questions concerning this correspondence, please contact Division Chief Counsel, David Battan, Associate Chief Counsel, Lawrence Patent or Special Counsel, Lawrence Eckert at (202) 418-5450.

Sincerely,

I. Michael  
Greenberger  
Director

<sup>1</sup> Eurex formerly was named Deutsche Terminbörse ("DTB").

<sup>2</sup> CFTC Interpretative Letter No. 96-28 [1996-1997 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶26,669 (Feb. 29, 1996).

<sup>3</sup> These contracts are the One-Month Euromark Futures Contract, the Three-Month Euromark Futures Contract, and Options on the Three-Month Euromark Futures Contract.

<sup>4</sup> These contracts are the One-Month Euribor Interest Rate Futures Contract (intended to supersede the One-Month Euromark Contract), the Three-Month Euribor Interest Rate and Three-Month Euro-Libor Interest Rate Contracts (intended to supersede the Three-Month Euromark Futures Contract) and the Option on the Three-Month Euribor Futures Contract (intended to supersede the Options on the Three-Month Euromark Futures Contract).

<sup>5</sup> CFTC Interpretative Letter No. 98-42, [Current Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶27,365 (June 3, 1998).