

July 23, 1999

VIA FACSIMILE and U.S. MAIL

Arthur W. Hahn, Esq.

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525 West Monroe Street

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Chicago, IL 60661-3693

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

Dear Mr. Hahn:

This is in response to your letter dated April 30, 1999 to the Division of Trading and Markets ("Division") of the Commodity Futures Trading Commission ("CFTC" or "Commission"). By this correspondence, you request, on behalf of LIFFE Administration and Management ("LIFFE"), which operates the market known as The London International Financial Futures and Options Exchange ("LIFFE Market" or the "Exchange"), and the members of LIFFE,¹ that the Division grant no-action relief to permit LIFFE to make its electronic trading and order matching system, known as LIFFE CONNECTTM, available to its members in the United States² ("No-Action Request"). Specifically, LIFFE wishes to make LIFFE CONNECTTM available to: (i) LIFFE members who wish to trade for their proprietary accounts³ through LIFFE CONNECTTM, and (ii) LIFFE members who are registered with the CFTC as futures commission merchants ("FCMs") or are exempt from such registration pursuant to Rule 30.10 ("Rule 30.10 Firms")⁴ and who wish to submit the orders of United States customers⁵ to LIFFE CONNECTTM and/or to accept orders from United States customers through automated order routing systems ("AORs")⁶ for submission to LIFFE CONNECTTM. You request that the Division confirm that it will not recommend enforcement action to the Commission against LIFFE or its members if LIFFE does not seek designation as a contract market pursuant to Sections 5 and 5a of the Commodity Exchange Act ("CEA or "Act")⁷ or comply with those Commission regulations that specifically relate to contract markets in connection with the installation and use in the United States of LIFFE CONNECTTM and/or AORs that are used to submit orders to LIFFE CONNECTTM.

As you know, on March 24, 1999, the Commission published proposed rules that would have governed the circumstances under which foreign futures exchanges could be accessed from electronic trading devices in the United States.⁸ On June 2, 1999, the Commission issued an order that withdrew those rules and directed the Commission staff to begin considering requests from foreign exchanges for interim no-action relief to allow them to place trading systems in the United States on a temporary basis until the Commission itself promulgates rules or guidelines in this area ("June 2 Order").⁹ In accordance with this instruction, the Division has reviewed

LIFFE's No-Action Request and the materials submitted in support thereof. Among other things, LIFFE forwarded the following information to the Division:

- General information regarding LIFFE (*e.g.*, a description of its location and organization);
- LIFFE's Member Handbook (which includes an explanation of LIFFE's corporate structure, the Memorandum and Articles of Association of LIFFE (Holdings) plc, specifications for futures and options contracts traded on the LIFFE Market, and LIFFE's Rules and Trading Procedures);
- A summary of the futures and options contracts traded on LIFFE;¹⁰
- A description of LIFFE CONNECTTM, its Application Program Interface ("API") Manual, its API licensing and API users agreements, and a directory of LIFFE CONNECTTM software suppliers;
- A description of the settlement and clearing systems applicable to LIFFE CONNECTTM;
- A description of the regulatory regime in the United Kingdom applicable to the operation of LIFFE, the LIFFE Market, LIFFE CONNECTTM, transactions executed on the LIFFE Market and LIFFE CONNECTTM, and LIFFE Market and LIFFE CONNECTTM participants;
- Selected provisions of the Financial Services Act 1986, Part VII of the Companies Act 1989, and the Financial Services and Markets Bill¹¹ relating to Recognized Investment Exchanges; and
- A description of information-sharing arrangements between LIFFE and other regulatory bodies.

Representations made by LIFFE regarding the activities conducted from LIFFE's representative office in the United States, LIFFE's membership criteria, the LIFFE CONNECTTM system, the relevant regulatory regime in the United Kingdom, and the information-sharing arrangements applicable to LIFFE CONNECTTM are summarized in Sections I - V below. For purposes of its response to the No-Action Request, the Division has relied upon LIFFE's representations and has not conducted an

independent review to confirm their accuracy.¹²

I. GENERAL INFORMATION REGARDING LIFFE

LIFFE is the principal subsidiary of LIFFE (Holdings) plc, a "for profit" public limited company.¹³ Its principal business office is located in London. LIFFE has operated and managed the LIFFE Market since its establishment in 1982.

The LIFFE Market is one of the leading futures and options exchanges in Europe. Trading is conducted in several financial futures and options products, including contracts based upon six different short-term interest rates (deutschmark, sterling, lira, euro, Swiss franc, and yen) and four different government bond markets (German, United Kingdom, Italian, and Japanese). The Exchange also trades a number of equity-related derivative products, including United Kingdom stock index futures, and tangible commodities. LIFFE traditionally has been a floor-based market, with trading occurring through an "open outcry" auction process. However, LIFFE currently supplements its open outcry market through the operation of three automated trading systems: (i) Automated Pit Trading ("APT");¹⁴ (ii) FAST;¹⁵ and (iii) LIFFE CONNECTTM.¹⁶

LIFFE has a single representative office in the United States. The office is located in New York, New York and is staffed by three full-time employees and one part-time secretary. The purpose of this office is to meet the information needs of member firm representatives and institutional end-users that are located in the United States. The staff generally achieves this objective through educational, marketing, and user-support programs designed to, among other things, assist such persons in satisfying the prerequisites for the installation and use of the LIFFE CONNECTTM system and communicate developments concerning the LIFFE CONNECTTM system and LIFFE's products. LIFFE represents that the New York office staff does not provide investment advice nor solicit, receive, or direct orders with respect to the products traded on the LIFFE Market. LIFFE further represents that no trade processing or clearing functions are performed by LIFFE in the United States.

II. MEMBERSHIP

A person may not trade directly on the LIFFE Market, including through LIFFE CONNECTTM, unless the person becomes a member of LIFFE. Membership is open to natural persons, partnerships, and corporate entities. In practice, most members are corporate in nature. There are no membership restrictions on nationality or type of business. Before admitting an applicant to membership, LIFFE's Board must determine that the person: (i) is fit and proper; (ii) enjoys the financial and business standing suitable for admission to membership; (iii) where relevant, is authorized, or otherwise licensed or

permitted by the appropriate regulatory body to conduct business on the market; (iv) maintains a staff that is also fit and proper and that possesses suitable qualifications and experience to implement and to maintain adequate internal procedures and controls in relation to the person's intended business on the LIFFE Market; and (v) satisfies such other membership criteria (*e.g.*, financial resource requirements)¹⁷ that the Board may prescribe.¹⁸ In addition, clearing members are required to hold a minimum number of shares in LIFFE (Holdings) plc.¹⁹ LIFFE members must comply with the membership criteria throughout the duration of their membership.

LIFFE does not allow anyone other than a market professional to become a member. Members of LIFFE are categorized by clearing status and by trading capacity. Clearing members who wish to clear only their own business²⁰ and that of their customers are known as "Individual Clearing Members." Clearing members who wish to clear the business of other members as well are known as "General Clearing Members." All members who wish to trade other than as a customer of another member are required to enter into a clearing arrangement, in Exchange-prescribed standard terms, with a General Clearing Member.²¹ With respect to trading capacity, the Exchange makes a distinction between those members who are authorized, by the appropriate regulator, to deal on behalf of customers and those who are not. The former group are known as "Public Order Members," while the latter are known as "Non-Public Order Members." A final membership category is that of "Trade Members." Trade members generally are those members that applied for Exchange membership following the merger of LIFFE and the London Commodity Exchange in 1996, although applicants remain free to apply to become Trade Members. A Trade Member's participation in LIFFE's commodity derivatives markets is ancillary to its main business of producing or processing the physical commodities that are related to or underlie the commodity derivatives contracts traded on the Exchange.

III. OVERVIEW OF LIFFE CONNECTTM²²

A. Introduction

LIFFE CONNECTTM was introduced on November 30, 1998 to replace LIFFE's floor-based market for individual equity option contracts.²³ The Exchange subsequently enhanced the system to enable it to support trading in financial futures and equity index futures that are trading on the market floor or on APT. Trading on the Long Gilt and 5 Year Gilt futures contracts on LIFFE CONNECTTM was implemented in April 1999. FTSE 100 Index, FTSE 250 Index, German Government Bond (Bund), Italian Government Bond (BTP), EuriborFinancedBond, Japanese Government Bond (JGB), Three Month Euroyen (TIBOR) Interest Rate, and Three Month Euroyen (LIBOR) Interest Rate futures contracts became available for trading on LIFFE CONNECTTM in

May 1999. Trading on the Three Month Euro (EURIBOR) Interest Rate, Three Month Euro (LIBOR) Interest Rate, Three Month Sterling Interest Rate, and three month EURO Swiss Franc Interest Rate futures contracts is scheduled to commence on LIFFE CONNECTTM in August 1999. Finally, FTSE Eurotop 100 Index, FTSE Eurobloc 100 Index, FTSE Eurotop 300 Index, FTSE Eurotop 300 ex-UK Index, MSCI Pan-Euro Index, and MSCI Euro Index futures contracts will be available for trading to persons located in the United States at some future date.²⁴ Some of these products trade or will trade side-by-side on LIFFE CONNECTTM and the market floor.

B. Technical Aspects of LIFFE CONNECTTM

1. Introduction

LIFFE provides the central order processing facilities for LIFFE CONNECTTM, known as the "Trading Host," in London. It also provides the network and the software, known as the API, through which a member's front-end Trading Application communicates with the Trading Host.²⁵ Members are required to supply their own workstations and front-end Trading Application software. This allows members to link their workstations directly to other systems (*e.g.*, those dealing with trade capture and order management) to facilitate more efficient processing of business. In total, the LIFFE CONNECTTM trading system is comprised of five main components: (i) the Trading Host; (ii) the Trading Application; (iii) the Distribution Network; (iv) the Security System; and (v) the Settlement and Clearing Systems.

a. Trading Host

The Trading Host provides the order matching service for LIFFE CONNECTTM. LIFFE represents that the Trading Host software is validated using a process that requires, among other things, the completion of comprehensive business and technical testing before the system may be declared operational. Access to the Trading Host is limited to LIFFE members holding a relevant trading subscription.²⁶ Members who wish to trade on LIFFE CONNECTTM must do so through one or more "Responsible Persons"²⁷ registered to the member in accordance with the Exchange Rules.²⁸ Among other things, Exchange Rules require a Responsible Person to: (i) possess the authority to adjust or withdraw any order submitted under his Individual Trade Mnemonic(s) ("ITM(s)");²⁹ (ii) satisfy himself of the competence and suitability of any person conducting business under his ITM(s); (iii) ensure that all staff involved in the conduct of business are adequately trained³⁰ and properly supervised; (iv) ensure that all business conducted under his ITM(s) is conducted in accordance with Exchange Rules; (v) know, and be willing to disclose to the Exchange, the immediate source of all orders; and (vi) conduct all telephone conversations with

respect to financial futures business on audio-logged lines.³¹

While access to the Trading Host is restricted to certain LIFFE members, it is possible for a non-member to transmit orders to a member using an AORS, including an order-routing service provided by a third party (*e.g.*, a quote vendor). Any LIFFE member providing or using an AORS for purposes of submitting orders to LIFFE CONNECTTM must comply with certain order validation and recording requirements as well as LIFFE CONNECTTM's Trading Procedures.³²

Orders processed by the Trading Host may be of two price types: (i) limit orders³³ and (ii) market orders.³⁴ Order volume parameters may be specified. Complete volume orders are executed only if there is sufficient volume available for them to execute fully. Minimum volume orders are cancelled if the minimum volume cannot be executed immediately. For limit orders, cancellation parameters also may be specified. Good Until Cancelled ("GTC") orders, rather than being cancelled automatically at the end of the business day, are held until an optionally specified date (unless withdrawn by the trader) or until the contract month they relate to expires. Immediate and cancel orders are executed against any existing orders, and any unfilled portion of the order is immediately cancelled. The volume, price, or GTC cancellation date of orders in the order book may be revised, and orders may be withdrawn from the order book at any time during trading.

The Trading Host matches orders in the central order book according to algorithms specific to each futures contract. LIFFE CONNECTTM uses two algorithms, depending upon the type of contract. For bond, equity index, and Euroyen futures, the Trading Host matches orders in the central order book with strict reference to price³⁵ and time priority.³⁶ For each short-term interest rate product (apart from Euroyen), the Exchange decides prior to listing on LIFFE CONNECTTM whether orders should instead be matched in the central order book with strict reference to price and pro-rata priority.³⁷ To ensure that all orders are treated equitably, the time associated with an order is the time of arrival at the Trading Host, not the time of submission at the trader's workstation. The Trading Host calculates price parameters throughout the trading day for each futures contract month, and price limits may be updated by LIFFE market control officials. The Trading Host normally will reject attempts to enter orders for prices outside these limits. Once an order has been executed, the two sides to the trade will be notified by the Trading Host (although counterparty details will not be revealed), and trade details automatically will be input into the Trade Registration System ("TRS").

b. Trading Application

The Trading Application is the application software that runs on members' workstations.

Members may develop their own Trading Application or purchase a free-standing application from an independent software vendor ("ISV").³⁸ The Trading Application communicates with the Trading Host through API software provided by LIFFE.

c. Distribution Network

The LIFFE CONNECTTM Distribution Network connects the Trading Host in London to gateways in major financial centers in the United States (Chicago and New York) and Europe (Frankfurt and Paris) via two geographically separated circuits. Members' own networks are linked to the nearest remote hub site via gateway and firewall computers that represent the boundary of the LIFFE CONNECTTM network. The Distribution Network is designed to LIFFE's specifications, operated to strict service levels, and managed by a major international network provider. It is intended to provide members with a fully functioning network connection no less than 99.85% of the time.

d. Security System

The Security System provides the means for authentication, confidentiality, and the integrity of LIFFE CONNECTTM and uses features embedded in the API that cannot be accessed externally in conjunction with the central security server. The security server is responsible for: (i) maintaining the database of currently certified users; (ii) authenticating certified users as they log on; (iii) distributing session keys as part of the login process; and (iv) maintaining a list of currently logged-on Trading Applications.

All entities using the LIFFE CONNECTTM trading system (*i.e.*, both the Trading Host and the Trading Applications) must first log in to the security server. Once the Trading Application that initiated the request has undergone authentication with the security server, it can establish communication with the Trading Host by initiating mutual authentication and key exchange. Encryption is used for user security login and for user authentication, and ensures that the sender cannot be identified by entities outside of the system. Communication is permitted only between the Trading Host and the Trading Applications, between the security server and the Trading Host, and between the security server and the Trading Applications.

e. Settlement and Clearing Systems

The clearing process starts with entry of the details of an executed order into the TRS. By using a TRS terminal, members can check their trading activity and the status of individual trades and may complete registration by assigning trades to the correct account for margining and position-keeping, as well as adding account references and allocating or claiming trades. Although full counterparty information is passed to the TRS, this information will not be displayed on users' terminals, to ensure post-trade anonymity.³⁹

For regulatory purposes, members' compliance officers will be able to obtain counterparty information three days after the day of the trade.⁴⁰

Provided that the details input by the two counterparties are consistent, the TRS matches the two sides of the trade and the details of the matched trades are forwarded from TRS to the clearing processing system ("CPS") for registration. Trades effected on LIFFE CONNECTTM are notified to the TRS automatically. Registration occurs one hour after the TRS "end of day" trading signal. The CPS carries out end of day processing and transmits the details of matched trades to LCH for LIFFE's members.⁴¹ LCH will receive all details of instructions submitted to the TRS/CPS by LIFFE's members, details of settlement prices, margin data, members' full margin reports, clearing member reports, and open interest reports. All trades must be cleared by the end of the relevant trade date.

Registration involves the legal process of novation, whereby each contract between two clearing members is replaced by two contracts, one with LCH as buyer to one clearing member and the other with LCH as seller to the other clearing member. Following novation, therefore, a clearing member's counterparty exposure to other clearing members disappears and is replaced by an exposure to LCH. This means that where a customer has dealt through a non-clearing member, there will be a chain of linked contracts (or so-called "back-to-back" contracts): (i) between customers and non-clearing members; (ii) between non-clearing members and clearing members; and (iii) between clearing members and LCH.

LCH settles contracts, and requires margin payments in accordance with its own procedures. Members must make payment of variation margin and cover for initial margin for new positions by the next business day. A member's failure to satisfy timely the margin requirements would constitute an event of default under LCH's regulations. LCH imposes margin requirements only on clearing members with whom it has a contractual relationship. However, all LIFFE members are required to call margin daily in no less than the amount that LCH would call from a clearing member for an equivalent position. Members may choose to call higher amounts of initial margin from their customers and, where relevant, their non-clearing members, to reflect the higher risk in relation to such customers.

With respect to LIFFE CONNECTTM users located outside of the United Kingdom, clearing and settlement facilities are provided as follows: During the initial phases of LIFFE CONNECTTM, while contracts continue to be traded on the LIFFE floor, the existing arrangements whereby clearing and settlement functions are carried out by clearing members in London on behalf of members located outside of the United Kingdom will continue. In the future, LIFFE intends to develop a new Windows-based API for the TRS/CPS that will support a PC application. When this becomes available, members located outside of the United Kingdom who wish to gain direct access to

LIFFE's clearing and settlement facilities may do so via the LIFFE CONNECT™ distribution network. The new API will provide essentially the same functions as the existing TRS/CPS.

2. Audit Trail

Pursuant to Exchange Rules, members are required to immediately record and time-stamp each order received from a customer. The order must be time-stamped again on execution and also at the time of any cancellation of the order by the customer. Order slips relating to business done on LIFFE CONNECT™ for futures must contain the following information: member identification; the identity of the individual submitting the order to the Trading Host and the ITM under which it is submitted; the identity of the individual completing the order slip; customer identification; whether the order is to buy or sell; the volume, contract, and delivery month; the price or price limit, price range or strategy price; and, where relevant, the strategy type indicator.

Order details may be recorded in written or electronic form.⁴² In either case, the information must be retained by members for a period of no less than three years after the date of the transaction. All telephone conversations by Responsible Persons with respect to business done on LIFFE CONNECT™ for futures must be conducted on audio-logged lines. Recordings of audio-logged lines must be retained by members for a period of no less than three months after the date of the recording.

LIFFE has full access to this audit trail information in order to satisfy itself that appropriate procedures and controls are in place with respect to business conducted on the LIFFE Market, including on LIFFE CONNECT™. To date, LIFFE has exercised this function through a program of visits to member firms to ensure compliance with Exchange Rules. LIFFE also undertakes computer-based investigations into members' trading to ensure that it conforms to Exchange Rules. Specifically, its Market Supervision Department ("MSD") identifies suspicious trades or patterns of trades by analyzing data held on the TRS and a sub-system of LIFFE CONNECT™ (both available to Exchange staff on a T+1 basis) and investigates suspected misconduct reported to it by other departments of the Exchange or by members or customers. LIFFE may, at any time, require its members to provide the Exchange with information relevant to their trading on the LIFFE Market, including trading on LIFFE CONNECT™.

3. Data Dissemination

Individual traders may not view information about a particular LIFFE CONNECT™ contract or market unless the member for whom the trader is trading has subscribed to the specific market via his Trading Application. If the member has subscribed to the particular market, the trader may then view the latest market information, including the full depth of

the market, throughout the trading day. The Trading Host continuously updates market price information to the existing LIFFE market feed. During the transition period, when some LIFFE CONNECTTM products may be related to other products traded on LIFFE's open outcry market, the Trading Host will also update the floor support system so that floor traders have access to LIFFE CONNECTTM market information.

4. System & Network Response Times

LIFFE represents that the LIFFE CONNECTTM Trading Host and network have been designed and sized to deliver sub-one second response times for ninety-nine percent (99%) of the trading day, with the capacity to sustain loads of up to four times normal peak trading. The system sizing is projected from analyses of per-second data from LIFFE CONNECTTM, which is currently running equity options and certain futures contracts, and LIFFE's open outcry and APT markets. It includes contingencies for substantial growth in both product range and trading volumes.

LIFFE also represents that LIFFE CONNECTTM is designed to ensure equality of response time across borders. LIFFE CONNECTTM uses Internet Protocol ("IP") Multicast technology for all outbound communications, including market updates. IP Multicast allows for the broadcasting of one message to all entities (thereby allowing those messages to be received simultaneously). LIFFE further represents the LIFFE CONNECTTM network has been constructed to ensure that, as far as is physically possible, no one network connection is disadvantaged over another. This is achieved by ensuring that there are an equivalent number of router hops between the Trading Host and each network end point. LIFFE CONNECTTM can detect instances where the message throughput of a particular gateway is falling behind certain predefined values. In such instances, all gateways are updated with a slower throttle setting commensurate with the slower gateway to ensure that the performance of each gateway remains consistent irrespective of its location. LIFFE also monitors the performance of the network on a quarter-hourly basis by sending messages to each network end-point and measuring the response time. If any anomalies are noticed for particular end-points, the problem is investigated immediately.

5. Market Control Centre

The LIFFE Market Control Centre is responsible for the day-to-day control and ongoing monitoring of trading on LIFFE CONNECTTM. LIFFE market control officials can communicate to individual traders and can "lock out" any trader whose behavior is considered contrary to LIFFE's Rules. In extreme circumstances, Exchange Rules permit market control officials to suspend trading in any futures or option contract by broadcasting a message to all participants in that market.⁴³

6. Reliability & Failure Recovery

LIFFE represents that LIFFE CONNECTTM incorporates mechanisms for detecting system failures as well as procedures that ensure recovery from system failures and that access to the market will be re-established in an orderly fashion. Specifically, LIFFE represents that LIFFE CONNECTTM provides availability by duplicating all key components of the system.⁴⁴ If an individual Trading Application or its link to the Trading Host fails, the Trading Host attempts to transfer all of the trader's orders to a nominated replacement. If that cannot be done, the trader's orders (except GTC orders) are withdrawn from the central order book. The withdrawn orders are held until they can be returned to the trader (or replacement) or until the end of the trading day, whichever is earlier. If the trader's system failure prevents confirmation of any pre-existing trades, this is handled by fax or telephone. If re-connection occurs during the same trading day, the trader (or replacement) can obtain details of any orders withdrawn from the order book at the point of failure. These returned orders may either be deleted or re-submitted as new orders, at the trader's discretion.

Traders are alerted to a major failure of the Trading Host by means of a "system error" message shown by all Trading Applications. All non-GTC orders in the central order book are cancelled. Depending on when the system is re-started, the market will be re-opened on the same or the next day following the same procedures as are followed at the start of a normal trading day.

C. LIFFE's Year 2000 Program

LIFFE initiated its Year 2000 ("Y2K") Program in June 1997.⁴⁵ The Y2K Program is charged with ensuring that LIFFE enters the new millennium without suffering a disruption to its business. The Y2K Program reports monthly to the FSA, the LIFFE Board, and the Exchange's Executive Committee. LIFFE represents that LIFFE CONNECTTM was built to be Y2K compliant and that it does not anticipate any Y2K problems.

Between September and November 1998, LIFFE participated in a Y2K industry test sponsored by the Futures and Options Association that included a comprehensive simulation using the new millennium dates. LIFFE represents that business-critical trade registration, clearing, and administration systems for both floor and automated trading of LIFFE Market contracts (including those systems upon which LIFFE CONNECTTM depends) operated successfully during the test. In addition, major middle- and back-office system vendors demonstrated that their solutions integrated successfully with Exchange systems.

LIFFE further represents that LIFFE CONNECTTM for equity options, the product upon

which all other LIFFE CONNECT™ development is based, has successfully undergone internal member and ISV testing using the new millennium dates and already lists 2000-dated contracts in live operation. Internal Y2K testing of LIFFE CONNECT™ for futures contracts is scheduled to be completed by August 1999. Member and ISV Trading Application testing is scheduled for September 1999. LIFFE also possesses the contractual right to audit those aspects of its international network provider's system that affect LIFFE in order to satisfy itself that Y2K compliance problems will not affect service over the network.

D. Adherence to IOSCO Principles

LIFFE represents that it employed the expertise of industry specialists during the design, building, and implementation of LIFFE CONNECT™ to ensure that the resulting system infrastructure would follow best industry practice and quality standards. It also represents that, in developing and operating LIFFE CONNECT™, LIFFE has adhered to, and will continue to adhere to, the Principles for the Oversight of Screen-Based Trading Systems for Derivative Products developed by the Technical Committee of the International Organization of Securities Commissions ("IOSCO Principles").⁴⁶ The IOSCO Principles, as adopted by the Commission, are as follows:

1. The system sponsor should be able to demonstrate to the relevant regulatory authorities that the system meets and continues to meet applicable legal standards, regulatory policies, and/or market custom or practice where relevant.
2. The system should be designed to ensure the equitable availability of accurate and timely trade and quotation information to all system participants and the system sponsor should be able to describe to the relevant regulatory authorities the processing, prioritization, and display of quotations within the system.
3. The system sponsor should be able to describe to the relevant regulatory authorities the order execution algorithm used by the system (*i.e.*, the set of rules governing the processing, including prioritization, and execution of orders).
4. From a technical perspective, the system should be designed to operate in a manner which is equitable to all market participants and any differences in treatment among classes of participants should be identified.

5. Before implementation, and on a periodic basis thereafter, the system and system interfaces should be subject to an objective risk assessment to identify vulnerabilities (*e.g.*, the risk of unauthorized access, internal failures, human errors, attacks, and natural catastrophes) which may exist to the system design, development, or implementation.
6. Procedures should be established to ensure the competence, integrity, and authority of system users, to ensure that system users are adequately supervised, and that access to the system is not arbitrarily or discriminatorily denied.
7. The relevant regulatory authorities and the system sponsor should consider any additional risk management exposures pertinent to the system, including those arising from interaction with related financial systems.
8. Mechanisms should be in place to ensure that the information necessary to conduct adequate surveillance of the system for supervisory and enforcement purposes is available to the system sponsor and the relevant regulatory authorities on a timely basis.
9. The relevant regulatory authorities and/or the system sponsor should ensure that system users and system customers are adequately informed of the significant risks particular to trading through the system. The liability of the system sponsor, and/or the system providers to system users and system customers should be described, especially any agreements that seek to vary the allocation of losses that otherwise would result by operation of law.
10. Procedures should be developed to ensure that the system sponsor, system providers, and system users are aware of and will be responsive to the directives and concerns of relevant regulatory authorities.

The Securities and Investments Board ("SIB"), the predecessor to the FSA, endorsed the IOSCO Principles in April 1991.⁴⁷ In connection with the FSA's exercise of its oversight of LIFFE as a Recognized Investment Exchange ("RIE"), LIFFE has satisfied the FSA that the arrangements for the LIFFE CONNECT™ trading system and its use of the technology employed by that system are satisfactory.

E. Demarcation of Responsibilities and Liability

LIFFE is responsible for ensuring the performance and availability of the LIFFE CONNECTTM service to the point where the distribution network enters the customer's Local Area Network ("LAN"). LIFFE's responsibilities include accountability for the installation of the LIFFE network and the reliable operation of the API.

LIFFE's members are responsible for the operation of any equipment and software that they supply in order to operate LIFFE CONNECTTM. This typically includes the member's actual workstation and LAN communications, as well as the operating software and the Trading Application developed by the member (or on behalf of the member by an ISV). LIFFE members must have sufficient Responsible Persons registered with the Exchange for the nature and the volume of business being conducted. LIFFE Members and their Responsible Persons are required to ensure that: (i) the arrangements for conducting LIFFE CONNECTTM business are consistent with Exchange Rules; and (ii) all business conducted by way of such arrangements is consistent with Exchange Rules. The member itself is also responsible for ensuring that all members of its staff understand enough about the way that LIFFE CONNECTTM operates to perform their assigned roles effectively.

Pursuant to Exchange Rules, LIFFE generally may not be held liable to any of its members or to any customer for losses caused by the inability of a member or customer to enter into contracts as a result of, among other things, a communications failure or the failure of an automated trading system. Accordingly, the LIFFE CONNECTTM user agreement between the Exchange and its members specifies that LIFFE's liability is limited to the maintenance of electronic equipment; indemnifying members against claims concerning breach of patent, trade secret, or copyright which relate to LIFFE CONNECTTM; and to death, personal injury, and direct physical damage to the tangible property of the member as a result of negligence. LIFFE members are required to notify their customers of the Exchange's exclusion of liability provisions.

IV. OVERVIEW OF THE REGULATORY STRUCTURE IN THE UNITED KINGDOM

A. Introduction

LIFFE is subject to a comprehensive regulatory regime in the United Kingdom. This regulatory structure includes, among other things: financial and other fitness criteria for industry participants; reporting and recordkeeping requirements; procedures governing the treatment of customer funds and property; sales practice and other conduct of business standards; provisions designed to protect the integrity of the markets; and statutory prohibitions on fraud, abuse, and market manipulation. Responsibility for financial

services legislation and broad policy in the United Kingdom lies with Her Majesty's Treasury, which is answerable to Parliament. Responsibility for regulating the conduct of investment business and for providing investor protection in the United Kingdom rests with the FSA. Additional authority to prevent and prohibit market manipulation rests with the United Kingdom's Department of Trade and Industry and the Serious Fraud Office.

The principal legal provisions for investor protection in the United Kingdom's financial services sector are contained in, or derived from, the Financial Services Act 1986 ("FS Act") and the FSA fulfills its regulatory responsibilities within the framework established by that Act and related legislation.⁴⁸ The FSA also has established Statements of Principle ("FSA Principles"), that set forth universal standards of practice, including standards relating to internal organization; the financial resources, integrity, skill, care, and diligence of market participants; customer assets; conflicts of interest; market practice; information about customers; information for customers; and relationships with regulators.

The Division notes that the Commission previously reviewed the regulatory regime administered and enforced by the FSA applicable to transactions on United Kingdom exchanges in connection with the relief it granted to the FSA's predecessors in 1989. On May 19, 1989, the Commission issued orders pursuant to Rule 30.10 that granted exemptive relief to the members of the Association of Futures Brokers and Dealers ("AFBD"), The Securities Association ("TSA"),⁴⁹ the Investment Management Regulatory Organization (IMRO), and the SIB to permit such members to solicit and accept orders from United States customers for otherwise permitted transactions on non-United States exchanges that are "Designated Investment Exchanges."⁵⁰ In each of these orders, the Commission noted that the standards for relief set forth in Rule 30.10⁵¹ generally had been satisfied by each of the petitioning regulatory authorities, and compliance by the Rule 30.10 Firms with applicable United Kingdom law and the rules of the respective petitioning authority could be substituted for compliance with certain provisions of the CEA and the Commission's rules set forth in the Commission's orders.⁵²

B. Regulation of LIFFE as an RIE

Under the FS Act, LIFFE is an RIE and, as such, is exempt from the requirement that it be "authorized" to conduct "investment business"⁵³ in the United Kingdom with respect to the operation of its markets.⁵⁴ However, to acquire recognition status, LIFFE was required to satisfy several statutorily-prescribed recognition requirements.⁵⁵ LIFFE must continue to fulfill these obligations in order to maintain its recognition status. Among other things, LIFFE is required to: retain specified financial resources; operate its markets with due heed to the protection of investors; ensure that trading is conducted in an orderly and fair manner; maintain suitable arrangements for trade reporting; maintain suitable

arrangements for the clearing and settlement of contracts;⁵⁶ monitor compliance with its rules; enforce its rules; investigate complaints with respect to its business; maintain rules to deal with the default of its members; cooperate with other regulatory bodies through the sharing of information or otherwise;⁵⁷ maintain high standards of integrity and fair dealing; and prevent abuse. The FSA has produced a formal interpretation of the statutory recognition requirements that sets forth the meaning of those obligations in practical terms.

The FSA is the authority charged with ensuring that RIEs, such as LIFFE, continue to comply with the recognition criteria and is authorized to de-recognize any RIE that fails to meet the statutory recognition requirements. Accordingly, LIFFE is subject to the oversight of the FSA. The FSA exercises its supervisory responsibility by conducting an ongoing assessment of whether LIFFE's rules, procedures, and practices are adequate for the protection of investors and for the maintenance of an orderly market. For this purpose, the FS Act requires LIFFE to report changes in its rules and procedures to the FSA within seven days of such amendments becoming effective. In practice, LIFFE notifies the FSA of significant changes to its rules or procedures before such changes become effective. LIFFE is also required to produce an annual regulatory plan detailing its intended regulatory activities over the succeeding twelve months. LIFFE has never been declared to be in breach of its regulatory responsibilities.

C. Regulation of LIFFE members

Because trading on the LIFFE Market, including trading through LIFFE CONNECTTM, constitutes the carrying on of investment business in the United Kingdom, most United Kingdom-based members of LIFFE that trade through LIFFE CONNECTTM⁵⁸ will be required to be authorized under the FS Act. To obtain authorization, an applicant must satisfy the FSA that it is "a fit and proper person" to carry on investment business and to provide the financial services in which it intends to engage. In addition, most LIFFE members that trade through

LIFFE CONNECTTM are subject to the rules of an SRO.⁵⁹ The majority of LIFFE members are subject to rules imposed by the SFA.⁶⁰ By virtue of the SFA's recognition status, SFA membership confers the status of authorization for purposes of the FS Act. The SFA evaluates applications for membership to ensure that applicants are "fit and proper persons" to carry out investment business. In evaluating an applicant's fitness, the SFA may consider a variety of factors, including the applicant's integrity, honesty, competence, and financial soundness. The SFA has also promulgated other fitness criteria, financial resource requirements (which are designed to reflect, among other things, the firm's position risk and its exposure to counterparties), sales practice rules, and rules designed to ensure the integrity of the market (*e.g.*, rules regarding best execution, customer order priority, and customer order allocation; restricting the offer of illiquid or

off-market investments; prohibiting members from trading ahead of customers; and prohibiting the churning of accounts and switching of contracts). SFA further requires adherence to recordkeeping and audit trail requirements. Violations of the SFA's requirements may result in disciplinary action or fines imposed by the FSA.

D. Exchange Rules

In addition to the regulatory requirements set forth above, LIFFE members, including those that choose to trade through LIFFE CONNECTTM, are required to comply with comprehensive regulations promulgated by the Exchange itself. Exchange Rules are applicable without regard to jurisdictional boundaries because the obligations thereunder arise by virtue of the contractual relationship between LIFFE and its members. The Exchange Rules are designed to enable LIFFE to fulfill its recognition obligations, including the requirement that LIFFE ensure that its market is fair and orderly and is operated with due regard to the protection of investors. The Exchange Rules are also intended to impose the FSA Principles and other regulatory guidance issued by the FSA that is relevant to LIFFE's business. Members and each of their respective traders and other registered staff are subject to disciplinary action for failure to comply with Exchange Rules. Disciplinary action may result in fines, suspension, or expulsion. Firms that cease to be members of LIFFE and individuals who are de-registered remain subject to the disciplinary jurisdiction of LIFFE for one year afterwards or for as long as disciplinary proceedings continue.

The Exchange Rules contain both substantive provisions relating to membership requirements and trading and procedural provisions relating to discipline, arbitration, and the default of members. Among other things, Exchange Rules require LIFFE members to: (i) satisfy minimum financial resource requirements;⁶¹ (ii) observe high standards of integrity, fair dealing, and market conduct; (iii) act with due skill, care, and diligence; (iv) avoid or manage conflicts of interest; (v) provide written notice in a form prescribed by LIFFE that contains risk disclosure and other statements regarding the relationship between the member and its customer, when the member is acting for a non-member customer;⁶² (vi) calculate the margin liability for each customer with respect to open positions on its books each day; (vii) promptly collect the margin liability of its customers, in cash or in prudently-valued collateral;⁶³ (viii) record all details of customer orders, execute customer orders promptly (except where otherwise permitted by Exchange Rules), and submit details of customer trades to the Exchange for registration and clearing; (ix) maintain proper accounting and other records sufficient to create an audit trail with respect to LIFFE business; (x) submit financial statements on a regular basis; (xi) take such steps when a customer defaults as are open to the member to reduce the customer's liability; and (xii) ensure that the appropriate procedures and controls are in place with respect to the business the member conducts. Exchange Rules also generally prohibit any member from committing any act or engaging in any conduct likely to bring the Exchange into disrepute.

United Kingdom law requires that RIEs, such as LIFFE, and RCHs, such as LCH, maintain rules that allow the RIE or RCH to declare a member to be a defaulter and to close out all open positions on the market. Market authorities are not required to wait for the commencement of formal insolvency proceedings to declare a default if they possess a good faith belief that the member will be unable to meet its future obligations under market contracts.⁶⁴ Accordingly, the Exchange has promulgated rules that delineate the procedures to be followed by LIFFE in the event of default. However, LCH's default rules take precedence over LIFFE's default rules with respect to contracts to which LCH is party. If, therefore, a clearing member were to default, LCH would apply its default rules to the registered contracts, while LIFFE would deal with the back-to-back contracts between the defaulting clearing member and its customer and the non-clearing members for which it clears. Were a non-clearing member to default, only LIFFE's rules would apply. The default rules of both LCH and LIFFE set forth, among other things, the circumstances under which the respective authority may declare a member to be in default, the actions that the authority may take in the event of default, the type of resources that may be used to satisfy the defaulting member's obligations, and the sequence in which such resources may be used.

LIFFE's MSD focuses on ensuring that LIFFE fulfills its statutory objective of maintaining a fair and orderly market. The MSD's monitoring approach encompasses routine maintenance functions, event-specific actions, and discipline. Among other things, MSD staff: monitor members' compliance with financial resource requirements and liaise with the authority that is the lead regulator of the specific member to ensure that a complete financial picture of the member's financial status is obtained; conduct detailed review visits to member firms to evaluate the controls and procedures employed by them in the administration of their business; undertake computer-based investigations into trading by members to ensure that the member conforms to Exchange Rules; work with LCH in setting margin levels, in reviewing price movements, and in setting settlement prices; help to coordinate appropriate responses to corporate events with respect to equity-related products; review trading, on by-contract and by-member bases, with a view to preventing market abuse; and react to intraday volatility, reviewing with LCH the adequacy of margin levels and the necessity of intraday margin calls. As part of its regular monitoring of members' trading activity, LIFFE may require a member to provide, on a regular or periodic basis, information regarding its market contracts or open trading positions. Exchange Rules also permit Exchange officials, in their discretion, to take any action necessary to maintain a proper and orderly market.

MSD is also the department of the Exchange most closely involved with the disciplinary process. MSD both investigates suspected misconduct reported to it and identifies suspicious trades or patterns of trades by analyzing data held on the Exchange's computer systems. In order to facilitate its investigations, it will analyze, among other sources, data held on the Exchange's computer systems and members' trade paperwork. Where there is

sufficient evidence of possible violations of Exchange Rules, MSD will pass a report to the Chief Executive, who will appoint a disciplinary panel to formally investigate the allegations. If the allegations of non-compliance with Exchange Rules are upheld, the disciplinary panel will set and impose sanctions.

V. INFORMATION-SHARING

As set forth more fully below, pursuant to the terms and conditions of the no-action relief provided herein, the Division will be entitled to receive certain specified information regarding LIFFE CONNECTTM directly from the Exchange. Additional information relevant to LIFFE CONNECTTM and LIFFE CONNECTTM participants will be available to the Commission and its staff through certain information-sharing arrangements to which both the CFTC and the FSA (or the SIB, its predecessor in interest) are parties. These include, without limitation, the *Memorandum of Understanding on Mutual Assistance and the Exchange of Information between the United States SEC and CFTC, and the United Kingdom Department of Trade and Industry and the SIB dated September 25, 1991* and the *Declaration on Cooperation and Supervision of International Futures Exchanges and Clearing Organizations, as amended, March 1998* (commonly known as the "Boca Declaration").

VI. CONCLUSION

Consistent with the Commission's June 2 Order,⁶⁵ the Division has reviewed and considered LIFFE's No-Action Request and the information and documentation forwarded to the Division in support thereof. Among other things, the materials furnished by LIFFE indicate that LIFFE has a single, representative office in the United States, but the staff of that office does not provide investment advice nor solicit, receive, or direct trading orders from that office; LIFFE does not maintain order matching, execution, or clearing facilities in the United States; LIFFE is an RIE under the laws of the United Kingdom; LIFFE, LIFFE CONNECTTM, and LIFFE and LIFFE CONNECTTM market participants are subject to oversight in the United Kingdom by a legitimate regulatory authority that is responsible for ensuring their compliance with an extensive regulatory regime; LIFFE CONNECTTM adheres to the IOSCO Principles; and the CFTC and the FSA are parties to various information-sharing arrangements applicable to the activities of LIFFE CONNECTTM.⁶⁶

Based specifically upon these and other representations made by LIFFE in support of its No-Action Request, the Division has determined that granting 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, subject to compliance with the terms and conditions stated herein, the Division will not recommend that the

Commission institute enforcement action against LIFFE or its members solely based upon LIFFE's failure to obtain contract market designation pursuant to Sections 5 and 5a of the CEA, 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 FCMs or who are Rule 30.10 Firms submit orders from United States customers for transmission to LIFFE CONNECTTM; and/or (iii) LIFFE members who are registered with the Commission as FCMs or who are Rule 30.10 Firms accept orders through AORSs from United States customers for submission to LIFFE CONNECTTM.

The Division's no-action position is only applicable to the contracts described below, and shall become effective with respect to such contracts as follows:

(i) The relief is effective immediately with respect to the following contracts:

- Long Gilt futures,
- 5 Year Gilt futures,
- FTSE 100 Index futures,
- FTSE 250 Index futures,
- German Government Bond (Bund) futures,
- Italian Government Bond (BTP) futures,
- EuriborFinancedBond futures,
- Japanese Government Bond (JGB) futures,
- Three Month Euroyen (TIBOR) Interest Rate futures, and
- Three Month Euroyen (LIBOR) Interest Rate futures contracts.

(ii) The relief will become effective with respect to the following contracts immediately upon such contracts becoming eligible for trading on LIFFE CONNECTTM:

- Three Month Euro (EURIBOR) Interest Rate futures,

- Three Month Euro (LIBOR) Interest Rate futures,
- Three Month Sterling Interest Rate futures, and
- Three Month Euro Swiss Franc Interest Rate futures contracts.

(iii) The relief will become effective with respect to the following contracts when LIFFE receives a no-action position from Commission staff that would permit the offer and sale of futures contracts on such foreign stock indices in the United States:

- FTSE Eurotop 100 Index futures,
- FTSE Eurobloc 100 Index futures,
- FTSE Eurotop 300 Index futures,
- FTSE Eurotop 300 ex-UK Index futures,
- MSCI Pan-Euro Index futures, and
- MSCI Euro Index futures contracts.

In the event that additional contracts or products become available for trading through LIFFE CONNECTTM and LIFFE wishes to make such contracts or products available in the United States through the system, LIFFE must request in writing and receive supplementary no-action relief prior to offering such contracts or products. In the event that a supplemental request for relief is made by LIFFE, LIFFE will not be required to submit materials already received by the Division in connection with the No-Action Request addressed herein, unless there has been a material change in the structure, operation, or regulation of LIFFE or LIFFE CONNECTTM such that the information that already has been provided to the Division no longer remains accurate. Any supplemental request for expanded no-action relief to cover different LIFFE products need only be accompanied by a certification to the effect that material information previously submitted to the Division remains accurate and by a description of the contracts or products available for trading on LIFFE CONNECTTM to which LIFFE wishes to extend the Division's no-action relief.

The scope of the Division's no-action position is restricted to providing relief from the requirement that LIFFE obtain contract market designation pursuant to Sections 5 and 5a of the CEA and regulatory requirements that flow specifically from the contract market designation requirement in the event that the above-referenced contracts are made

available in the United States through LIFFE CONNECTTM, in the manner set forth herein. The Division's no-action position does not extend to any other provision of the CEA, any other Commission regulations, nor to any NFA rules and does not excuse LIFFE or its members from compliance with any applicable requirements thereunder. Nor does the no-action position alter, restrict, or expand the coverage of existing Commission exemptions for particular products.

The Division specifically notes that its no-action position does not alter the requirement that a firm operating pursuant to the no-action relief provided herein must be a registered FCM or be operating pursuant to Rule 30.10 relief to engage in the offer or sale of a foreign futures contract or foreign options transaction for or on behalf of a United States foreign futures or foreign options customer.⁶⁷ Moreover, the Division's no-action position does not amend, revise, or negate the obligations of FCMs and Rule 30.10 Firms under the Act, Commission regulations, or Rule 30.10 orders,⁶⁸ nor does it affect the Commission's ability to bring appropriate action for fraud or manipulation. The Division specifically notes that the use of AORSs to transmit orders to LIFFE CONNECTTM shall be subject to all existing Commission rules and regulations and to any future rules or guidance propounded by the Commission or the Division. Finally, this letter does not address issues that might arise under the Securities Act of 1933, the Securities Exchange Act of 1934, and other applicable federal securities laws or rules promulgated thereunder.

The Division's no-action position is subject to compliance with the following conditions:

- LIFFE will continue to satisfy the criteria for designation as an RIE under the applicable laws of the United Kingdom with respect to transactions effected through LIFFE CONNECTTM.
- The laws, systems, rules, and compliance mechanisms of the United Kingdom applicable to LIFFE will continue to require LIFFE to maintain fair and orderly markets; prohibit fraud, abuse, and market manipulation; and provide that such requirements are subject to the oversight of the FSA.
- LIFFE and LIFFE CONNECTTM will continue to adhere to the IOSCO Principles as updated, revised, or otherwise amended.
- Only members of LIFFE will have direct access (*i.e.*, not through an AORS) to LIFFE CONNECTTM and LIFFE will not provide, and will take reasonable steps to prevent, third parties from providing such access to LIFFE to persons other than LIFFE members.⁶⁹
- All orders that are transmitted through LIFFE CONNECTTM by a member of LIFFE that is operating pursuant to the no-action relief provided herein and that is not registered

with the Commission as an FCM or that is not a Rule 30.10 Firm will be solely for "proprietary accounts," as defined herein, of such LIFFE member.

- All orders for United States customers accepted through an AORS and/or transmitted by LIFFE members through LIFFE CONNECTTM will be intermediated by a LIFFE member that is either registered with the Commission as an FCM or is a Rule 30.10 Firm.
- Prior to their operating pursuant to the no-action relief provided herein, LIFFE will require its members to file with LIFFE a written representation, executed by a person with the authority to bind the member, stating that as long as the LIFFE member operates pursuant to the no-action relief provided herein, the member agrees to and submits to the jurisdiction of the Commission with respect to activities conducted pursuant to the no-action relief. LIFFE also will require prospective members to execute the foregoing representation and file the representation with LIFFE prior to allowing the member to operate pursuant to the no-action relief provided herein. LIFFE will maintain the foregoing representations as long as the relevant member is operating pursuant to the no-action relief and shall make such representations available to the Commission upon the request of a Commission representative.
- Prior to their operating pursuant to the no-action relief provided herein, LIFFE will require its members to file with LIFFE a valid and binding appointment of a United States agent for service of process in the United States pursuant to which the agent is authorized to accept delivery and service of "communications"⁷⁰ that are issued by or on behalf of the Commission. LIFFE also will require prospective members to execute the foregoing appointment of a United States agent for service of process and file the appointment with LIFFE prior to allowing the member to operate pursuant to the no-action relief provided herein. LIFFE will maintain the foregoing appointments as long as the relevant member is operating pursuant to the no-action relief and shall make such appointments available to the Commission upon the request of a Commission representative.
- Prior to operating pursuant to the no-action relief provided herein, LIFFE will file with the Division, and maintain thereafter as long as LIFFE, the LIFFE Market, or LIFFE CONNECTTM operate pursuant to the no-action relief, a valid and binding appointment of a United States agent for service of process in the United States, pursuant to which the agent is authorized to accept delivery and service of "communications," as defined above, that are issued by or on behalf of the Commission.
- LIFFE members operating pursuant to the no-action relief provided herein will provide, upon the request of the Commission, the United States Department of Justice, and, if appropriate, the NFA, prompt access to original books and records maintained at their United States offices as well as to the premises where LIFFE CONNECTTM is installed or used in the United States.

- LIFFE will maintain the following updated information and submit such information to the Division on at least a quarterly basis, and at any time promptly upon the request of a Commission representative:
 - For each contract available to be traded through LIFFE CONNECTTM, the total trade volume originating from LIFFE CONNECTTM APIs assigned to each of LIFFE's members in the United States⁷¹ compared with total trade worldwide volume for such products traded through LIFFE CONNECTTM and the total worldwide trade volume for such products traded on the LIFFE Market generally.
 - A listing of the names, NFA ID numbers (if applicable) and main business addresses in the United States of all LIFFE members that have access to LIFFE CONNECTTM in the United States.
- LIFFE will promptly provide the Division with written notice of the following:
 - Any material change in the information provided in its No-Action Request, including any information contained in the documents submitted in support thereof.⁷²
 - Any material change in LIFFE's Rules or the laws, rules, and regulations in the United Kingdom relevant to futures and options.
 - Any matter known to LIFFE or its representatives that, in LIFFE's judgment, may affect the financial or operational viability of LIFFE, including, but not limited to, any significant system failure or interruption.
 - Any default, insolvency, or bankruptcy of any LIFFE member known to LIFFE or its representatives that may have a material, adverse impact upon the condition of LIFFE, the LIFFE clearing system, or upon any United States customer or firm.
 - Any known violation by LIFFE or any LIFFE member of the terms or conditions of the no-action relief provided herein.
 - Any disciplinary action taken by LIFFE against any member of LIFFE operating pursuant to the no-action relief provided herein that involves any market manipulation, fraud, deceit, conversion or that results in suspension or expulsion and that involves the use of LIFFE CONNECTTM or an AORS to submit orders to LIFFE CONNECTTM.
- Satisfactory information-sharing arrangements between the Commission and the FSA will remain in effect.

- The Commission will be able to obtain sufficient information regarding LIFFE, the LIFFE Market, and the members of LIFFE operating pursuant to the no-action relief provided herein necessary to evaluate the continued eligibility of LIFFE or its members for the relief, to enforce compliance with the terms and conditions of that relief, or to enable the Commission to carry out its duties under the CEA and Commission regulations.
- LIFFE will provide directly to the Commission information necessary to evaluate the continued eligibility of LIFFE or its members for the relief, to enforce compliance with the terms and conditions of that relief, or to enable the Commission to carry out its duties under the CEA and Commission regulations.
- LIFFE employs reasonable procedures, to be determined by LIFFE, for monitoring and enforcing compliance with the terms and conditions of the no-action relief provided herein.

The no-action position taken herein 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 information and representations contained in LIFFE's No-Action Request and the materials submitted in support thereof. Any materially different, changed, or omitted facts or circumstances may render this letter void. The Division specifically notes that it will examine the trade volume information submitted as a condition to the no-action relief provided herein 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 automated order routing systems 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; David Battan, Chief Counsel; or Jocelyn Barone, an attorney on my staff, at (202) 418-5450.

Sincerely,

I. Michael Greenberger

Director

JBB/jb

cc: Daniel A. Driscoll, Vice-President-Compliance

National Futures Association

Henry J. Matecki, T&M, Chicago

¹ For purposes of your No-Action Request and the relief provided herein, references to the members of LIFFE shall include "affiliates" of such members to the extent that such affiliates are granted access by the member to LIFFE CONNECTTM. An "affiliate" of a LIFFE member shall mean any person that: (i) owns 50% or more of the member; (ii) is owned 50% or more by the member; or (iii) is owned 50% or more by a third person that also owns 50% or more of the member. LIFFE represents that, to the extent a LIFFE member permits an affiliate to use LIFFE CONNECTTM, such affiliate will be required to comply with all of LIFFE's rules that relate to trading on LIFFE CONNECTTM and the member shall remain responsible to LIFFE for ensuring its affiliate's compliance with such rules.

² For purposes of the relief provided herein, the term "United States" shall include the United States, its territories and possessions.

³ For purposes of the No-Action Request and the relief provided herein, the term "proprietary account" shall have the meaning set forth in Rule 1.3(y). 17 C.F.R. § 1.3(y) (1999).

⁴ Rule 30.10 permits a person affected by any of the requirements contained in Part 30 of the Commission's rules to petition the Commission for an exemption from such requirements. 17 C.F.R. § 30.10 (1999). Appendix A to the Part 30 rules provides an interpretative statement that clarifies that a foreign regulator or self-regulatory organization ("SRO") can petition the Commission under Rule 30.10 for an order to permit firms that are members of the SRO and subject to regulation by the foreign regulator to conduct business from locations outside of the United States for United States persons on non-United States boards of trade without registering under the Commodity Exchange Act, based upon the person's substituted compliance with a foreign regulatory structure found comparable to that administered by the Commission under the Act. *Interpretative Statement with Respect to the Commission's Exemptive Authority Under § 30.10 of its Rules*, 17 C.F.R. pt. 30, Appendix A (1999).

⁵ For purposes of the No-Action Request and the relief provided herein, the term "United States customers" shall have the same meaning as the term "foreign futures or foreign options customers" as it is defined in Rule 30.1(c). 17 C.F.R. § 30.1(c) (1999).

⁶ In its No-Action Request, LIFFE defines the term "AORS" to mean "any system of computers, software or other devices that allows entry of orders through another party for transmission to a board of trade's computer or other automated device where, without substantial human intervention, trade matching or execution takes place."

⁷ 7 U.S.C. §§ 1 *et seq.* (1994).

⁸ *Access to Automated Boards of Trade*, 64 Fed. Reg. 14159 (proposed March 24, 1999), *withdrawn*, June 2, 1999.

⁹ *Order of the CFTC Withdrawing Proposed Rules Regarding Access to Automated Boards of Trade*, Release No. 4274-99 (June 2, 1999).

¹⁰ In addition to the contract specifications contained in volume two of LIFFE's Member Handbook, LIFFE provided the Commission with a pamphlet summarizing the terms of the futures and options contracts that are currently available for trading on the LIFFE Market.

¹¹ References to the Financial Services and Markets Bill in this letter refer to the draft Financial Services and Markets Bill that was published by Her Majesty's Treasury for public comment on July 30, 1998 and submitted to Parliament on June 17, 1999. The Financial Services and Markets Bill will give effect to the proposals to reform the financial services regulatory structure in the United Kingdom that were announced in May 1997.

¹² As stated below, the no-action relief provided herein is contingent upon the accuracy of the representations made by LIFFE in support of its No-Action Request. Any materially different, changed, or omitted facts or circumstances may render the no-action relief void or cause the Division, in its discretion, to condition further, modify, suspend, terminate, or otherwise restrict the relief.

¹³ LIFFE and LIFFE (Holdings) plc are managed by a single Board of Directors ("Board"). The Executive Chairman, who presides over the Board, and the Board itself are responsible for developing Exchange policy and strategy, although the Board has delegated certain powers to several market practitioner-based committees. These committees consider specific issues relevant to the operation and regulation of the LIFFE

Market. LIFFE's Chief Executive, who is an ex officio member of the Board, is responsible for the day-to-day operation of the Exchange.

Currently, the vast majority of shares of LIFFE (Holdings) plc are held by the members of LIFFE; an insignificant number of shares are held by certain LIFFE staff members. There are no "outsider" shareholders, at present.

¹⁴ APT is designed to replicate electronically the pit trading mechanism for futures contracts. It was originally used to extend the trading day for major futures contracts, but presently is being used to provide a temporary daytime trading environment for government bond futures contracts until LIFFE CONNECTTM is fully operational with respect to such contracts.

¹⁵ FAST provides a Windows-based trading environment for non-financial commodity futures and non-financial commodity options contracts. It is currently used for trading the White Sugar contract.

¹⁶ An overview of the LIFFE CONNECTTM system is set forth in Section III.

¹⁷ The financial resource requirements applicable to individual LIFFE members vary in accordance with the member's clearing and trading status. Generally, the financial resource requirements are as follows: Trade Members, £ 50,000,000; General Clearing Members and Commodity Clearing Members, £ 2,000,000; Individual Clearing Public Order Members, £ 1,000,000; Individual Clearing Non-Public Order Members, £ 500,000; Non-Clearing Public Order Members, £ 250,000; and Non-Clearing, Non-Public Order Members, £ 25,000. The member's capital must equal or exceed the stipulated financial requirement and its permanent capital must equal or exceed fifty percent (50%) of the requirement. Members must submit financial returns to LIFFE to demonstrate ongoing compliance with their financial obligations.

¹⁸ LIFFE's Board and its Membership and Rules Committees retain the absolute discretion to reject an applicant for membership on the grounds that the applicant is not "fit and proper," regardless of whether the applicant is authorized or licensed by the applicable regulatory body or fulfills LIFFE's financial resource or other membership requirements.

¹⁹ The minimum number of shares that must be held by a clearing member varies with the clearing status of the particular member and the types of contracts that the member clears.

²⁰ All clearing members who wish to clear for themselves are required to become members of the London Clearing House Limited ("LCH").

²¹ LIFFE requires that all trades made by LIFFE members through its trading facilities be cleared. Accordingly, all members must have a guaranteed route to clearing. A non-clearing member generally may be party to only one clearing arrangement. However, an exception is made with respect to physical commodity products because of the unique nature of the settlement arrangements for such products. A non-clearing member is permitted to enter into one clearing agreement with respect to non-financial commodity products and one clearing agreement for all other Exchange contracts.

²² As stated above, the description of the LIFFE CONNECTTM system included herein is based upon representations made by LIFFE or its representatives. The Division has not conducted an independent examination of the LIFFE CONNECTTM system to determine the truthfulness of such statements nor has it performed an independent assessment of the security or soundness of the system.

²³ With respect to LIFFE or its members offering equity or equity options securities products in the United States, LIFFE represents as follows: (i) LIFFE and its members are permitted to offer securities products in the United States only pursuant to the terms and conditions specified in a letter from the Securities and Exchange Commission ("SEC") dated May 1, 1992 ("SEC Letter") (1992 WL 99135 (S.E.C.)), as amended by the SEC on March 6, 1996; (ii) consistent with the terms of the SEC Letter, LIFFE does not intend to make securities product information, including price quotes, available through LIFFE CONNECTTM in the United States; and (iii) LIFFE will consult with the SEC or the appropriate regulatory authorities with jurisdiction before making securities products or information available through LIFFE CONNECTTM in the United States.

²⁴ Receipt of a no-action position from Commission staff is a necessary prerequisite to the offer and sale of foreign futures contracts on foreign stock indices to persons located in the United States. The sale of the above-referenced contracts on foreign stock indices in the United States is currently pending receipt of a no-action position. However, such contracts may be offered and sold to persons located outside of the United States absent a no-action position and, in fact, some of the above-referenced contracts are currently available on the LIFFE Market to persons located outside of the United States.

²⁵ The API effectively intermediates between the Trading Host and the LIFFE member's proprietary front-end Trading Application software, which serves as a "home page" (*i.e.*, it presents the menu of trading options and trade data that the user sees).

²⁶ Where approval for any particular futures contract has not been obtained from a specific jurisdiction, the LIFFE CONNECTTM trading subscription for LIFFE members in that jurisdiction determines which contracts the member's traders may trade. When an individual trader logs onto the Trading Host, the member/contract mapping stored in the LIFFE database system operates to prevent the trader from accessing contract data and

entering orders for impermissible contracts. Thus, LIFFE CONNECTTM will not allow customers to gain access to products that are not authorized for trading in their jurisdiction.

²⁷ Responsible Persons are not obliged to trade individually and, in some instances, act in a purely supervisory capacity.

²⁸ For purposes of this letter and the no-action relief provided herein, "Exchange Rules" is defined to include, collectively, LIFFE's rules and other documents issued in accordance therewith, including: (i) LIFFE's Trading Procedures; (ii) the Market Conduct Code; (iii) prescribed agreements entered into by members for certain purposes (*e.g.*, agreements relating to clearing, market making, or automated trading); (iv) the terms of the contracts traded on LIFFE and the associated administrative procedures; and (v) other instructions from the Exchange (*e.g.*, General Notices and Circulars).

²⁹ Responsible Persons must have an understanding of the Exchange Rules and the operation of LIFFE CONNECTTM and the member's front-end Trading Application.

³⁰ Individual traders are registered in the LIFFE CONNECTTM system by means of their ITMs, and a valid ITM and password are required to log on.

³¹ Pursuant to Exchange Rules, disputes between Responsible Persons and their customers are initially forwarded to arbitration. However, the LIFFE Board commonly refers such disputes to the Financial Services Authority ("FSA"), LIFFE's primary regulator in the United Kingdom, or to the National Futures Association ("NFA") if the dispute involves a United States customer.

³² For example, LIFFE members are required to maintain control over order-routed business, to ensure that all orders are appropriately vetted, and to ensure that adequate checks are performed before orders are submitted to the Trading Host. Order-routed orders may be checked or controlled via electronic risk management systems, the scrutiny of a Responsible Person, or a combination of these methods.

³³ Limit orders trade at the price stated or better. Unless otherwise specified, any residual volume is retained in the central order book until it is withdrawn, traded, or automatically cancelled at the end of day.

³⁴ Market orders trade at the best price(s) available. Any residual volume is immediately cancelled.

³⁵ With respect to price, the highest bid/lowest offer has priority over orders in the same series or strategy.

³⁶ With respect to time, the first order at a price has priority over all other orders at the same price, which, in turn, trade according to the time they were accepted at the Trading Host.

³⁷ Pro-rata priority means that all orders at a price have the same priority; orders are filled in proportion to their volume.

³⁸ LIFFE does not provide a default Trading Application for futures contracts that are traded on LIFFE CONNECTTM.

³⁹ Members will have access to all of their trade data, except the identity of the opposite firm to each trade, in real-time.

⁴⁰ Counterparty information is made available to LIFFE members for compliance purposes (*i.e.*, to allow the compliance departments of the respective members to monitor for, among for other things, impermissible prearranged trading).

⁴¹ While all contracts executed on LIFFE CONNECTTM will be matched automatically and entered into the TRS as matched trades, LIFFE members must assign specific trades to a house or customer account for position-keeping purposes or allocate the trade to another member. Trades that have not been assigned or allocated are automatically allocated to the member's default accounts during the overnight clearing processing and may be resolved on the next trading day. When such trades are resolved, the CPS position-keeping accounts are automatically updated to reflect the corrections.

⁴² Members need not maintain a physical original of the order details. Members that employ an electronic order management system, however, must ensure that the electronic system is capable of capturing and time-stamping the required information and maintaining and displaying the data to the satisfaction of LIFFE.

⁴³ When the market is suspended, a message is sent to all participants and all non-GTC orders are cancelled. GTC orders remain in the Trading Host until the resumption of trading, at which point they become available for trading once more. When trading is resumed, it begins with a pre-opening period, when participants can resubmit their orders. GTC orders are resubmitted automatically. Exchange Rules require LIFFE members to notify their customers of the Exchange's power to suspend access to trading as well as other Exchange powers that may impact on the ability of a member to submit an order.

⁴⁴ LIFFE represents that the LIFFE CONNECTTM Distribution Network is operated to achieve at least 99.85% availability. In the event of circuit failure, the mean time to recover should not exceed fifteen seconds.

⁴⁵ LIFFE has adopted the British Standard Institute PD2000-1 Y2K conformance policy for all current and future systems, including LIFFE CONNECT™.

⁴⁶ The United Kingdom was one of eight jurisdictions that participated in Working Party 7 of IOSCO ("Working Party") whose mandate included, among other things, the identification of issues related to screen-based trading systems for derivative products. In considering the special concerns for screen-based trading systems, the Working Party identified and addressed the following issues: transparency, order execution algorithms, operational issues, security and system vulnerability, access, financial integrity, disclosure, and the role of system providers. The Working Party considered these issues and articulated for each a broad principle to assist regulatory authorities in overseeing screen-based trading systems. The IOSCO Principles were adopted by IOSCO on November 15, 1990 and set out in broad terms the international consensus as to the regulatory considerations to be addressed in reviewing mechanisms for cross-border screen-based trading. The Commission adopted the IOSCO Principles as a statement of regulatory policy for the oversight of screen-based trading systems for derivative products on November 21, 1990. *Policy Statement Concerning the Oversight of Screen-Based Trading Systems*, 55 Fed. Reg. 48670 (Nov. 21, 1990).

⁴⁷ *SIB Endorsement of IOSCO's Principles for the Oversight of Screen-Based Trading Systems for Derivative Products*, Guidance Release 2/91 (April 1991).

⁴⁸ Violations of the FS Act are criminal offenses.

⁴⁹ On April 5, 1991, the Commission issued a supplemental order confirming the continued validity of such previous orders following the merger of the AFBD and the TSA into the Securities and Futures Authority ("SFA"). On March 7, 1997, the Commission issued an additional order to the SFA clarifying the procedures set forth in its prior orders regarding United Kingdom exchanges and their members.

⁵⁰ Designated Investment Exchanges ("DIEs") are those non-United States exchanges that have been identified by the SIB to the Commission in connection with the CFTC's grant of exemptive relief pursuant to Rule 30.10. As an RIE, LIFFE is included in the SIB's (now the FSA's) list of DIEs.

⁵¹ Among the issues considered by the Commission in determining whether to grant Rule 30.10 relief to a foreign regulatory authority or SRO are the authority's: (i) requirements relating to the registration, authorization, or other form of licensing, fitness review, or qualification of persons through whom customer orders are solicited and accepted; (ii) minimum financial requirements for those persons that accept customer funds; (iii) minimum sales practice standards, including risk disclosures, and the risk of transactions

undertaken outside of the United States; (iv) procedures for auditing compliance with the requirements of the regulatory program, including recordkeeping and reporting requirements; (v) standards for the protection of customer funds from misapplication; and (vi) arrangements for the sharing of information with the United States. *Interpretative Statement with Respect to the Commission's Exemptive Authority Under § 30.10 of its Rules*, 17 C.F.R. pt. 30, Appendix A (1999).

⁵² As stated below, the Division notes that nothing in the no-action relief provided herein abrogates or otherwise alters the obligations of FCMs or Rule 30.10 Firms under the CEA, Commission rules, or relevant Part 30 orders.

⁵³ The FS Act defines investment activities to include, among other things, dealing, arranging deals, managing, giving investment advice, and establishing or operating a collective investment scheme in or in relation to a range of investments, including securities, options, and futures.

⁵⁴ The FS Act prohibits individuals and entities from carrying on "investment business" in the United Kingdom unless they are either "authorized" to do so or are eligible for an exemption from the authorization requirement. The FS Act imposes criminal sanctions on persons who violate this requirement. While agreements made by or through persons who have not been authorized to conduct investment business as required may be enforced by customers, they are not enforceable on the part of the unauthorized person.

⁵⁵ These requirements are set forth in Schedule 4 to the FS Act and Part VII of the Companies Act 1989.

⁵⁶ The FS Act permits an RIE to delegate these functions to a Recognized Clearing House ("RCH"). LIFFE has delegated them to LCH.

⁵⁷ An RIE's obligation to cooperate with other regulatory bodies is not limited to cooperation with regulatory authorities in the United Kingdom. The SIB's Guidance Release entitled "Standards for regulation of RIEs" specifically provides, among other things, that an RIE should cooperate with the appropriate regulators (including overseas regulators and authorities) market authorities, and other relevant bodies.

⁵⁸ European Union ("EU") law permits investment firms, banks, and other institutions that are authorized to engage in certain types of investment business in one EU member state to conduct such business in other EU member states, pursuant to the EU's Investment Services Directive ("ISD") and the Second Banking Co-ordination Directive, which provide the regulatory foundation for cross-border activity within the EU. Accordingly, non-United Kingdom EU institutions doing business in the United Kingdom via this "European Passport" are not required to be authorized under the FS Act or to have the

benefit of an exemption from the authorization requirement in order to conduct investment business there.

Dealings by a person who does not carry on investment business from a permanent place of business in the United Kingdom ("Overseas Person") with a person who has been authorized to conduct investment business in the United Kingdom or who has been exempted from that requirement are among the "excluded activities" that are not regarded as "investment business in the United Kingdom" under the FS Act. Accordingly, an Overseas Person is able to deal with a regulated firm in the United Kingdom without being required to be licensed in the United Kingdom. LIFFE members dealing on LIFFE from outside of the United Kingdom through LIFFE CONNECTTM ("Remote Members") can take advantage of this exclusion and, therefore, do not need to be licensed under the FS Act. Before LIFFE will agree to allow a member to operate in a "remote" manner, however, it must be satisfied that: (i) the member can perform its desired roles with respect to LIFFE business without the necessity of a United Kingdom presence (*e.g.*, it trades from a foreign location, but is cleared by a member with a London presence [LIFFE clearing members generally have a London presence]); (ii) the registered staff of the member (*i.e.*, Responsible Persons and responsible traders) will be available during and after the trading session in London to assist in, among other things, resolving disputes about trades; and (iii) both LIFFE and the FSA have good working relationships, including information-sharing arrangements, with the regulator that is responsible for authorizing and supervising the member. In any event, as noted, LIFFE members transacting business with United States customers are required to be registered as FCMs or operating pursuant to Rule 30.10 orders or other applicable exemptive relief whether such members are based within the United Kingdom or outside of the United Kingdom.

⁵⁹ Market participants apply for membership in one or more SROs, depending upon the nature of the business that they undertake.

⁶⁰ The FSA is now operationally responsible for monitoring compliance with SFA rules.

⁶¹ LIFFE's minimum financial resource requirements are in addition to those that may be imposed by the member's SRO. The minimum amount prescribed varies depending upon whether the member is dealing with the public, a clearing member that clears only for its own proprietary account, or a general clearing member. Clearing members of LIFFE are further subject to the minimum financial requirements established by LCH.

⁶² LIFFE has authorized its members to use the Futures Industry Association's standard disclosure statement relating to electronic trading in satisfaction of certain Exchange disclosure requirements.

⁶³ "Prudently valued" collateral would include collateral of a type acceptable to LCH and

the basis for valuation of which would include appropriate haircuts for liquidity.

⁶⁴ All good faith actions taken by RIEs or RCHs under their respective default rules (*e.g.*, closing out positions) are protected from the normal workings of United Kingdom insolvency law. That is, while an RIE's or RCH's action in the event of a default may be challenged by a liquidator or insolvency official, the RIE or RCH generally will be granted immunity if the action was taken in good faith.

⁶⁵ *Order of the CFTC Withdrawing Proposed Rules Regarding Access to Automated Boards of Trade*, Release No. 4274-99 (June 2, 1999).

⁶⁶ The Division notes that the foregoing is not intended to be an exhaustive list of the factors relevant to its decision to grant the no-action relief requested by LIFFE nor of the factors that the Division might consider when analyzing no-action requests from other exchanges. No-action requests, by their nature, require case-by-case evaluation and the Division's conclusion regarding any particular no-action request will be based upon the facts and circumstances presented at the time of its review of that request.

⁶⁷ For example, nothing in this letter is intended to alter current Commission rules and staff interpretations that require generally that any foreign firm that clears trades on a fully-disclosed basis on behalf of United States persons (including where the United States person is a non-clearing member of a foreign board of trade trading solely for its proprietary account) be a registered FCM or a Rule 30.10 Firm unless the foreign firm solely carries accounts on behalf of United States customers that are its proprietary accounts (as defined in Rule 1.3(y)) of the foreign firm. *See* CFTC Interpretative Letter No. 88-15, *Comm. Fut. L. Rep. (CCH)* ¶24,296 (Aug. 10, 1988). If a the foreign firm is either a member of the relevant foreign board of trade or is a foreign affiliate of a registered FCM in the United States and its sole contact with a United States customer is that it carries the FCM's omnibus account, it need not register under Rule 30.4. *See* CFTC Interpretative Letter No. 87-7, *Comm. Fut. L. Rep. (CCH)* ¶23,972 (Nov. 17, 1987).

⁶⁸ For example, Rule 30.10 Firms continue to be prohibited from maintaining a presence in the United States. Thus, Rule 30.10 Firms cannot maintain electronic terminals providing direct access to LIFFE CONNECTTM in the United States (although they would be permitted to accept orders overseas from customers located in the United States that submit such orders by telephone or through an AORS located in the United States). FCMs or Rule 30.10 Firms who solicit or accept orders from United States customers for trading on LIFFE CONNECTTM remain responsible for, among other things, complying with the regulatory requirements governing risk disclosure, the handling and allocation of customer orders, and the segregation of customer funds.

⁶⁹ As stated above, "members" includes those persons identified in footnote 1 for purpose

of this no-action letter and the conditions imposed upon the relief provided herein.

⁷⁰ For purposes of these conditions, "communications" is defined to include any summons, complaint, order, subpoena, request for information, or notice or any other written or electronic documentation or correspondence issued on behalf of the Commission.

⁷¹ LIFFE represents that LIFFE CONNECTTM is capable of identifying trades that have originated from an API system located in the United States and will report such trades as "United States trades." However, orders that have been routed from a customer that is located outside of the United States through a United States-located API also will be reported as "United States trades." Conversely, all trades that originate from a LIFFE CONNECTTM API that is located outside of the United States will be reported as "non-United States trades," although such trades may actually have originated from a customer using an AORS located in the United States.

⁷² The Division notes that "material" changes in the information provided to it in support of this No-Action Request would include, without limitation, a modification of: LIFFE's membership criteria; the location of LIFFE's management, personnel, or operations (particularly changes that may suggest an increased nexus between LIFFE's activities and the United States); the basic structure, nature, or operation of the LIFFE CONNECTTM system; or the regulatory or self-regulatory structure applicable to LIFFE, the LIFFE Market, LIFFE CONNECTTM, or LIFFE CONNECTTM participants (*e.g.*, the passage of the Financial Services and Markets Bill into law and the implementation of relevant regulations, advisories, or directives promulgated thereunder).