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The London International Financial
Futures and Options Exchange

26th March 1999

Hon. Brooksley Born,
Chairperson,
Commodity Futures Trading Commission,
Three Lafayette Centre,
1155 21st Street NW,
Washington DC 20581.

COMMENT

Brooksley Born

FOREIGN FUTURES EXCHANGES: ACCESS TO THE UNITED STATES

As you know, last week at Boca I voiced my concerns, for the first time publicly, about the unfair treatment which I feel has been meted out to LIFFE on the issue of foreign exchanges' trading terminals. I did so because the predicament in which we find ourselves remains unresolved following publication of the CFTC's Proposed Rule on Access to Automated Boards of Trade. Notwithstanding this, comments have been attributed to the CFTC in the press which suggest that, contrary to our view, you think there is a possibility of our being granted access to the United States in the near future. The purpose of this letter is to inquire how you see the way forward for us.

Before doing so, allow me to recap on the difficulty faced by LIFFE. Put very simply, LIFFE's main competitors, Eurex and MATIF, continue to enjoy access to the US investment community through trading terminals in the United States while LIFFE is excluded. This is extremely damaging to our competitive position. As an example, LIFFE is unable to apply to place its main contract - the Euribor short term interest rate future - onto screens in the United States while MATIF's competitor Euribor contract is available on GLOBEX.

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There is also a particularly acute operational problem. LIFFE wants to invest significant sums of money in communications hubs in New York and Chicago. Before doing so we would need to be reasonably confident that the CFTC would allow US firms to have direct access to LIFFE's markets within a short and well-defined period of time. Similarly, US firms would need a degree of certainty before, for instance, buying or developing a front-end trading application which interfaces with LIFFE's systems. It takes at least four months to install and test the computer systems which are necessary to give firms direct access to LIFFE's markets from the US. Concerns about the Year 2000 Problem mean that, as the year progresses, less and less US firms will be willing to integrate new technology with their existing computer systems. This means that it is imperative to resolve uncertainty about the regulatory situation as a matter of extreme urgency. I drew your attention to this on January 29th 1999 in Washington and Hugh Freedberg also raised it with you on March 1st.

We have certain material concerns about the Proposed Rule as it pertains directly to exchanges but we strongly believe that good faith discussions about our concerns could resolve these issues promptly. We intend to submit a petition, on an informal basis, at the beginning of April and we will comment on the Proposed Rule. In the interests of ensuring that the timetable for granting permission is as short and as well-defined as possible, we would urge the CFTC not to extend the thirty day comment period.

As I said at the beginning of this letter, according to press reports - which I appreciate may not be entirely accurate - you feel that LIFFE's present situation could soon be rectified. While I remain to be convinced, I am very willing to hear how this could be achieved. We clearly need a better understanding of your position on the way forward and in order to achieve this I am content to make myself available for a meeting in

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Washington within the next two weeks. On April 12th, the first financial futures products will begin trading on our new electronic trading system, LIFFE CONNECT™. We would like to understand clearly your intentions before that date to enable us to plan properly the international distribution of LIFFE CONNECT™.

I am writing in similar terms to your fellow Commissioners and a copy of this letter goes to CFTC Director of Trading and Markets, Michael Greenberger.

*Yours faithfully,
B. Williamson*

Brian Williamson
Chairman

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