

COMMODITY FUTURES TRADING COMMISSION

FORM FBOT

FOREIGN BOARD OF TRADE APPLICATION FOR REGISTRATION (IN ORDER TO PERMIT DIRECT ACCESS TO MEMBERS AND OTHER PARTICIPANTS)

London Stock Exchange plc.
Name of applicant as specified in organizational documents

10 Paternoster Square London, EC4M 7LS
Address of principal executive office

- If this Form FBOT is a new application for registration, complete in full and check here.
- If this Form FBOT is an amendment to a pending application or to a final application that resulted in the issuance of an Order of Registration, list and/or describe all items that are amended or otherwise updated and check here.
When appropriate, please attach additional page(s) containing a list and explanatory statement of amendment(s) or update(s).

GENERAL INFORMATION

1. Name under which the business of the foreign board of trade will be conducted, if different than name specified above:

London Stock Exchange Derivatives ("LSE Derivatives")

2. List of principal office(s) where foreign board of trade activities are/will be conducted (please use multiple entries, when applicable):

Office (name and/or location): London Stock Exchange plc.
Address: 10 Paternoster Square
London, EC4M 7LS
United Kingdom

Phone Number: + 44 (0) 207 797 1000

Website Address: www.lseg.com

3. Contact Information.

3a. Primary Contact for Form FBOT (i.e., the person authorized to receive Commission correspondence in connection with this Form FBOT and to whom questions regarding the submission should be directed):

Name: Nikhil Rathi
Title: Chief Executive Officer, London Stock Exchange plc.

Email Address: 

Mailing Address: 10 Paternoster Square
London, EC4M 7LS
United Kingdom

Phone Number: [REDACTED]

3b. If different than above, primary contact at the foreign board of trade that is authorized to receive all forms of Commission correspondence:

Name: Michael Philipp
Title: Attorney
Email Address: mphilipp@morganlewis.com
Mailing Address: 77 West Wacker Drive
Chicago, IL
60601, USA
Phone Number: +1 312 324 1905
Fax Number: +1 312 324 1001

BUSINESS ORGANIZATION

Describe organizational history, including date and, if applicable, location of filing of original organizational documentation, and describe all substantial amendments or changes thereto. For example:

Response:

London Stock Exchange plc. (also referred to herein as “LSE”) is a public limited company registered in England and Wales with registration number 02075721. London Stock Exchange plc. was incorporated on 19 November 1986 as The International Stock Exchange of the United Kingdom and The Republic of Ireland Limited, a private limited company, and changed its name to London Stock Exchange Limited on 9 December 1995. On 8 June 2000, London Stock Exchange Limited re-registered as a public limited company under the Companies Act 1985 to become London Stock Exchange plc. On 30 September 2013, LSE acquired the derivatives business and assets (the “Derivatives Business”) of Turquoise Global Holdings Limited (“TGHL”) (a 51.36% owned subsidiary of London Stock Exchange Group or “LSEG”) and merged the Derivatives Business into the existing business of LSE to create London Stock Exchange Derivatives (“LSE Derivatives”). LSE Derivatives is therefore a division of LSE.

SIGNATURES

By signing and submitting this Form FBOT, the applicant agrees to and consents that the notice of any proceeding before the Commission in connection with the foreign board of trade's application for registration or registration with the Commission may be given by sending such notice by certified mail or similar secured correspondence to the persons specified in sections 3a and 3b above.

London Stock Exchange plc. has duly caused this Form FBOT to be signed on its behalf by the undersigned, hereunto duly authorized, this 2 day of February, 2016. London Stock Exchange plc. and the undersigned represent that all information and representations contained herein are true, current, and complete. It is understood that all information, documentation, and exhibits are considered integral parts of this Form FBOT. The submission of any amendment to Form FBOT represents that all items and exhibits not so amended remain true, current, and complete as previously filed.

Nikhil Kothi

Signature of Chief Executive Officer (or functional equivalent), on behalf of the Foreign Board of Trade

Chief Executive Officer, London Stock Exchange plc.

Title

London Stock Exchange Derivatives ("LSE Derivatives")

Name of Foreign Board of Trade

INSTRUCTIONS FOR EXHIBITS TO FORM FBOT

1. The following exhibits must be filed with the Commission by any foreign board of trade (1) seeking registration for purposes of granting direct access to its members and other participants or (2) amending a previously submitted application, pursuant to CEA section 4(b) and part 48 of the Commission's regulations. The information and documentation requested relates to the activities of the foreign board of trade, unless otherwise stated.
2. The exhibits should be filed in accordance with the General Instructions to this Form FBOT and labeled as specified herein. If any exhibit is not applicable, please specify the exhibit letter and number and indicate by marking "none" or "N/A". If any exhibit may be satisfied by documentation or information submitted in a different exhibit, the documentation or information need not be submitted more than once – please use internal cross-references where appropriate.

GENERAL REQUIREMENTS

A foreign board of trade applying for registration must submit sufficient information and documentation to successfully demonstrate to Commission staff that the foreign board of trade and its clearing organization satisfy all of the requirements of Commission regulation 48.7. With respect to its review of the foreign board of trade, the Commission anticipates that such information and documentation would necessarily include, but not be limited to, the following:

EXHIBIT A – GENERAL INFORMATION AND DOCUMENTATION

Attach as **Exhibit A-1**, a description of the following for the foreign board of trade:

Location, history, size, ownership and corporate structure, governance and committee structure, current or anticipated presence of offices or staff in the United States, and anticipated volume of business emanating from members and other participants that will be provided direct access to the foreign board of trade's trading system.

Response:

1. Location: LSE is located at 10 Paternoster Square, London, EC4M 7LS, United Kingdom.
2. History/Ownership/Corporate Structure: LSE's sole shareholder is London Stock Exchange Group plc. ("LSEG"). LSEG was incorporated and registered in England and Wales on 18 February 2005 under the Companies Act 1985 as a private company limited by shares with registered number 05369106 and with the name Milescreen Limited. On 16 November 2005, it changed its name to London Stock Exchange Group Limited. On 7 December 2005, it re-registered as a public limited company pursuant to section 43 of the Companies Act 1985 and changed its name to London Stock Exchange Group plc. LSEG's registered and head office is 10 Paternoster Square, London, EC4M 7LS, United Kingdom.

3. LSE was incorporated on 19 November 1986 as The International Stock Exchange of the United Kingdom and The Republic of Ireland Limited, a private limited company, and changed its name to London Stock Exchange Limited on 9 December 1995. On 8 June 2000, London Stock Exchange Limited re-registered as a public limited company under the Companies Act 1985 to become London Stock Exchange plc. On 15 May 2006, LSEG became the holding company of LSE pursuant to a scheme of arrangement made under section 425 of the Companies Act 1986 and replaced LSE as the listed entity.
4. LSE is registered as a Recognised Investment Exchange and is regulated by the UK Financial Conduct Authority (the “FCA”). On 30 September 2013, LSE acquired the derivatives business and assets (the “Derivatives Business”) of TGHL (a 51.36% owned subsidiary of LSEG) and merged the Derivatives Business into LSE to create LSE Derivatives, a division of LSE.
5. LCH.Clearnet Ltd (“LCH”) is the central counterparty for the clearing of contracts transacted on LSE Derivatives. LCH is a 57.8% majority owned subsidiary of London Stock Exchange (C) Limited, which is in turn a wholly owned subsidiary of London Stock Exchange Group plc. LCH is registered with the Bank of England as a Recognised Clearing House and is registered with the Commission as a derivatives clearing organization (“DCO”).
6. Governance and Committee Structure:
The Board of Directors of LSE currently consists of eight directors, five of whom, including the chairman, are non-executive. Five LSE directors are also directors of LSEG. The LSEG Audit Committee and Risk Committee consider all of the significant audit and risk matters arising within the Group, including in relation to LSE. As a major subsidiary of LSEG, LSE matters are given appropriate focus by each committee.

Attach, as **Exhibit A-2**, the following:

Articles of association, constitution, or other similar organizational documents.

Response:

10. Attached as **Exhibit A-2-I** are the Articles of Association of LSE.

Attach, as **Exhibit A-3**, the following:

- (1) Membership and trading participant agreement.
- (2) Clearing agreements.

Response:

11. Attached as **Exhibit A-3-I** is the LSE Membership Application Form. Furthermore, attached as **Exhibit A-3-II** is the current form of the LSE Trading Services Agreement for members accessing LSE Derivatives from the United States.
12. LSE Derivatives does not require a separate clearing agreement. As described in **Exhibit B**, LSE Derivatives members must be a clearing member of LCH or clear its business through a general clearing member of LCH. The clearing arrangements of a new participant are specified in the LSE Membership Application Form.

Attach, as **Exhibit A-4**, the following:

Terms and Conditions of Futures contracts to be available through direct access (as specified in **Exhibit E**).

Response:

13. Attached as **Exhibit A-4** are the contract specifications for the FTSE 100 UK Index Futures contract, the FTSE UK Large Cap Super Liquid Index Future contract, and the BIST 30 Index Futures contract.

Attach, as **Exhibit A-5**, the following:

The national statutes, laws and regulations governing the activities of the foreign board of trade and its respective participants.

Response:

14. Attached as **Exhibit A-5-I** is a copy of the Financial Services and Markets Act 2000 (“FSMA”).
15. Attached as **Exhibit A-5-II** is a copy of FSMA (Regulated Activities) Order 2001.

16. Attached as **Exhibit A-5-III-A** is a copy of the FSMA (Recognition requirements for Investment Exchanges and Clearing Houses) Regulation 2001.
17. Attached as **Exhibit A-5-III-B** is a copy of the Recognised Investment Exchanges Sourcebook (“REC”) section of the FCA Handbook. A web-based version of the entire FCA Handbook is available at: <http://fshandbook.info/FS/html/FCA>.
18. Attached as **Exhibit A-5-IV** is a copy of the Criminal Justice Act 2003.
19. Attached as **Exhibit A-5-V** is a copy of Proceeds of Crime Act 2002.

Attach, as **Exhibit A-6**, the following:

The current rules, regulations, guidelines and bylaws of the foreign board of trade.

Response:

20. Attached as **Exhibit A-6** is a copy of the LSE Derivatives Rulebook (also referred to herein as the “Rules”).

Attach, as **Exhibit A-7**, the following:

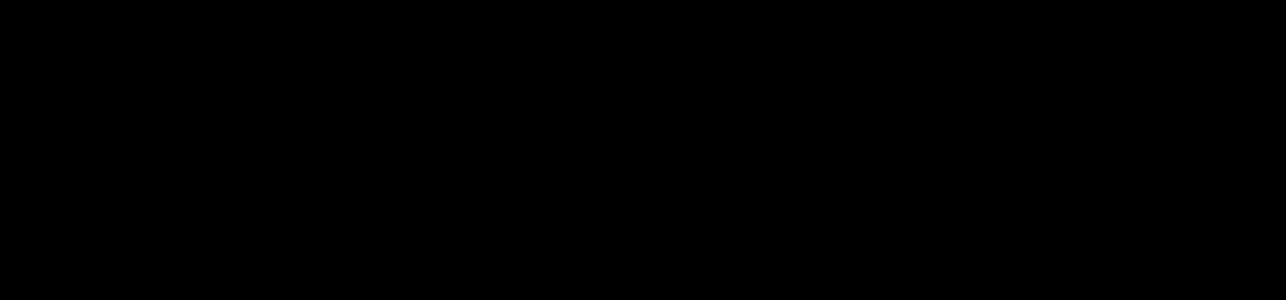
Evidence of the authorization, licensure or registration of the foreign board of trade pursuant to the regulatory regime in its home country jurisdiction and a representation by its regulator(s) that it is in good regulatory standing in the capacity in which it is authorized, licensed or registered.

Response:

21. Attached as **Exhibit A-7-I** is an excerpt of the FCA Financial Services Register which confirms LSE’s status as a Recognised Investment Exchange (“RIE”) since 22 November 2001. The Financial Services Authority (“FSA”) is the predecessor of the FCA.

Attach, as **Exhibit A-8**, the following document:

A summary of any disciplinary or enforcement actions or proceedings that have been brought against the foreign board of trade, or any of the senior officers thereof, in the past five years and the resolution of those actions or proceedings.



Attach, as **Exhibit A-9**, the following document:

An undertaking by the chief executive officer(s) (or functional equivalent[s]) of the foreign board of trade to notify Commission staff promptly if any of the representations made in connection with or related to the foreign board of trade's application for registration cease to be true or correct, or become incomplete or misleading.

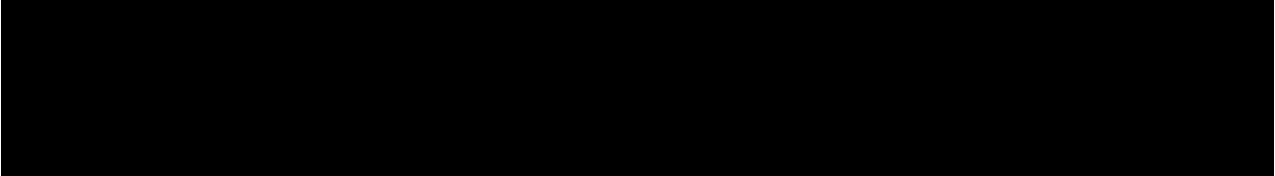


EXHIBIT B – MEMBERSHIP CRITERIA

Attach, as **Exhibit B**, the following, separately labelling each description:

(1) A description of the categories of membership and participation in the foreign board of trade and the access and trading privileges provided by the foreign board of trade. The description should include any restrictions applicable to members and other participants to which the foreign board of trade intends to grant direct access to its trading system.

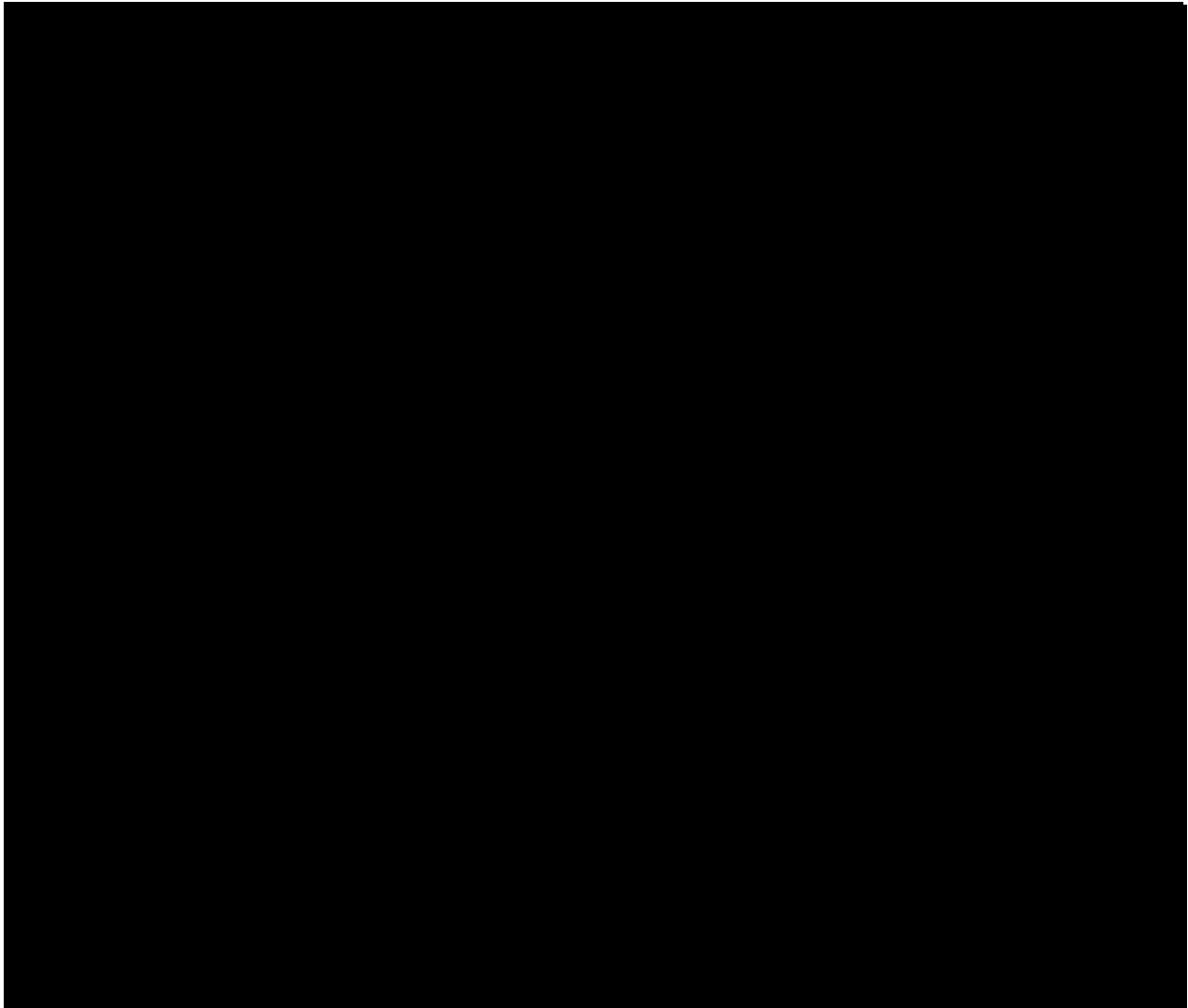
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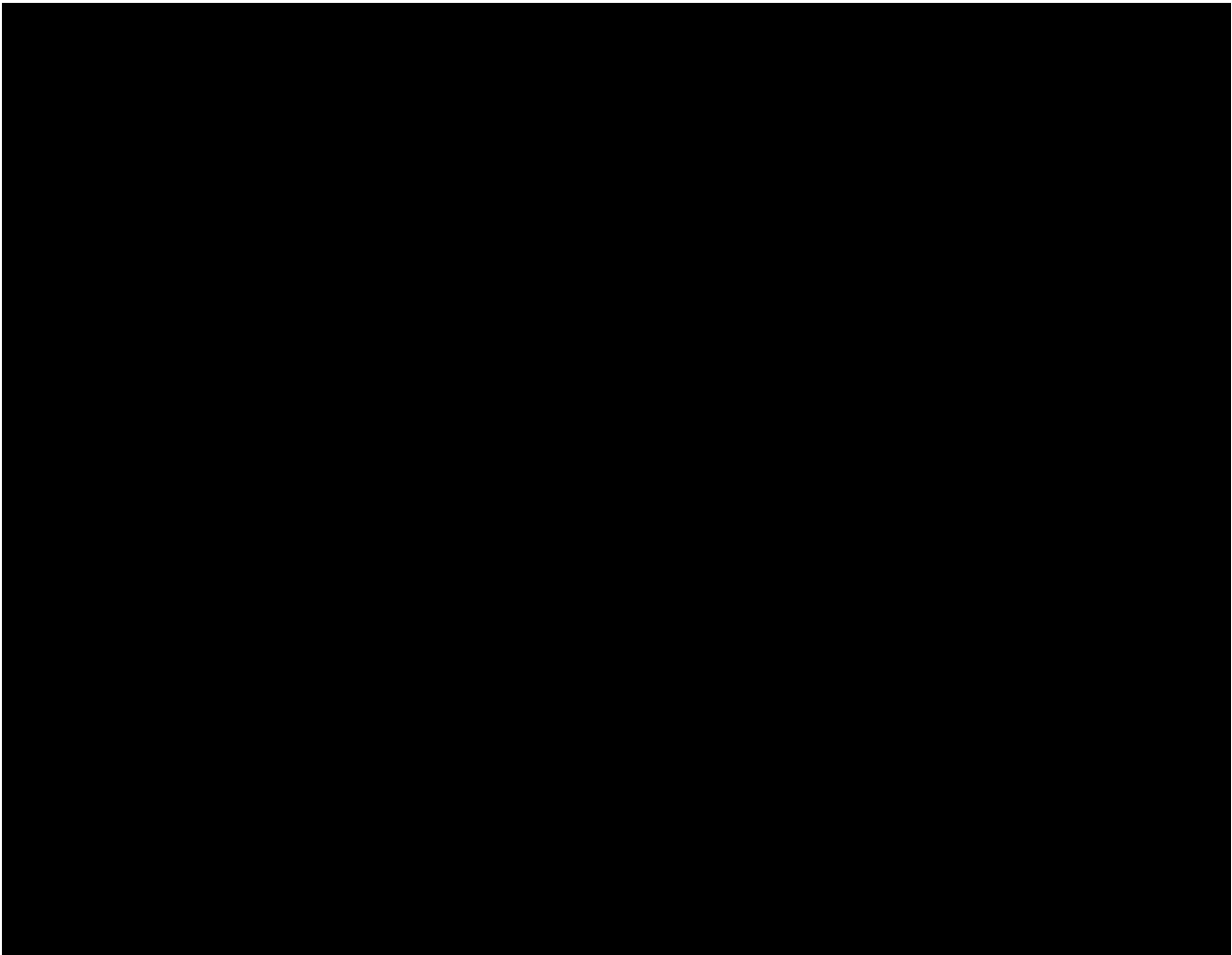
26. The LSE Derivatives business allows 4 different categories of market participants to become members and trade on the platform, these being:
- Brokers for agency business;
 - Market Makers;
 - Proprietary traders; and
 - Reporting Brokers.
27. Only LSE member firms that have been approved to access LSE Derivatives can access the trading platform. Members are permitted to provide their customers with access to the trading system via the member's systems ("Direct Market Access" or "DMA") using the member's trading codes as long as they have adequate controls in place as per the LSE Derivatives Rules. LSE intends to offer Sponsored Access to members at some point in the future. If and when available, Sponsored Access will allow non-member firms to trade on the system under the "sponsorship" of a member firm and subject to platform level controls.
28. With the sole exception of Reporting Brokers (see paragraph 29 below), a LSE Derivatives member can participate under one of the following arrangements:
- General Clearing Member (also referred to as "GCM") – A GCM is a member of LSE Derivatives and has a direct membership with LCH with respect to LSE Derivatives and is also approved to act in a clearing capacity on behalf of Non-Clearing Participant;
 - Individual Clearing Member (also referred to as "ICM") – An ICM is a member of LSE Derivatives and has a direct membership with LCH with respect to LSE Derivatives. Unlike a GCM, an ICM may only clear its own business; and
 - Non-Clearing Participant (also referred to as "NCP") – A NCP is a member of LSE Derivatives, but has no direct membership with LCH with respect to LSE Derivatives. NCPs must have a relationship with a GCM to clear their business.
29. Members must at all times maintain clearing arrangements with LCH, either directly or through a GCM (see Rule 1.2.2 of the Rules). Members acting in a Reporting Broker capacity only are not required to have clearing arrangements in place (see Rule 1.2.1 of the Rules). This is because Members acting in such capacity are never party to any trade as they can only arrange a trade between two Members and initiate trade reporting on such Members' behalf.

30. Potential members must complete an LSE Membership Application Form, a copy of which is attached as **Exhibit A-3-I** and a LSE Trading Services Agreement, a copy of which is attached as **Exhibit A-3-II**. Within the Membership Application Form, a potential member identifies the accounts in which they would like to trade. Members establish a “Proprietary” account, if they trade for their own account, or an “Agency” account, if they act on behalf of their customers.

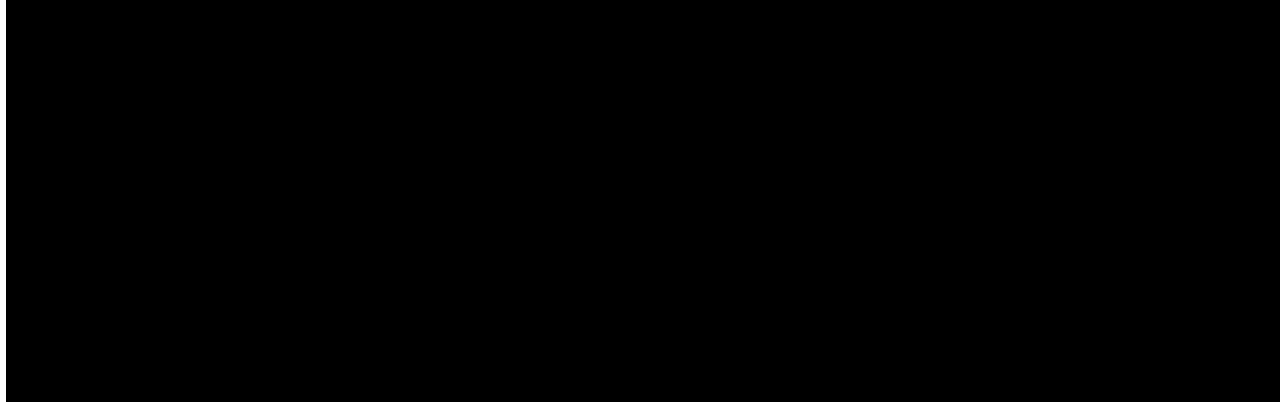
(2) A description of all requirements for each category of membership and participation on the trading system and the manner in which members and other participants are required to demonstrate their compliance with these requirements. The description should include, but not be limited to, the following:

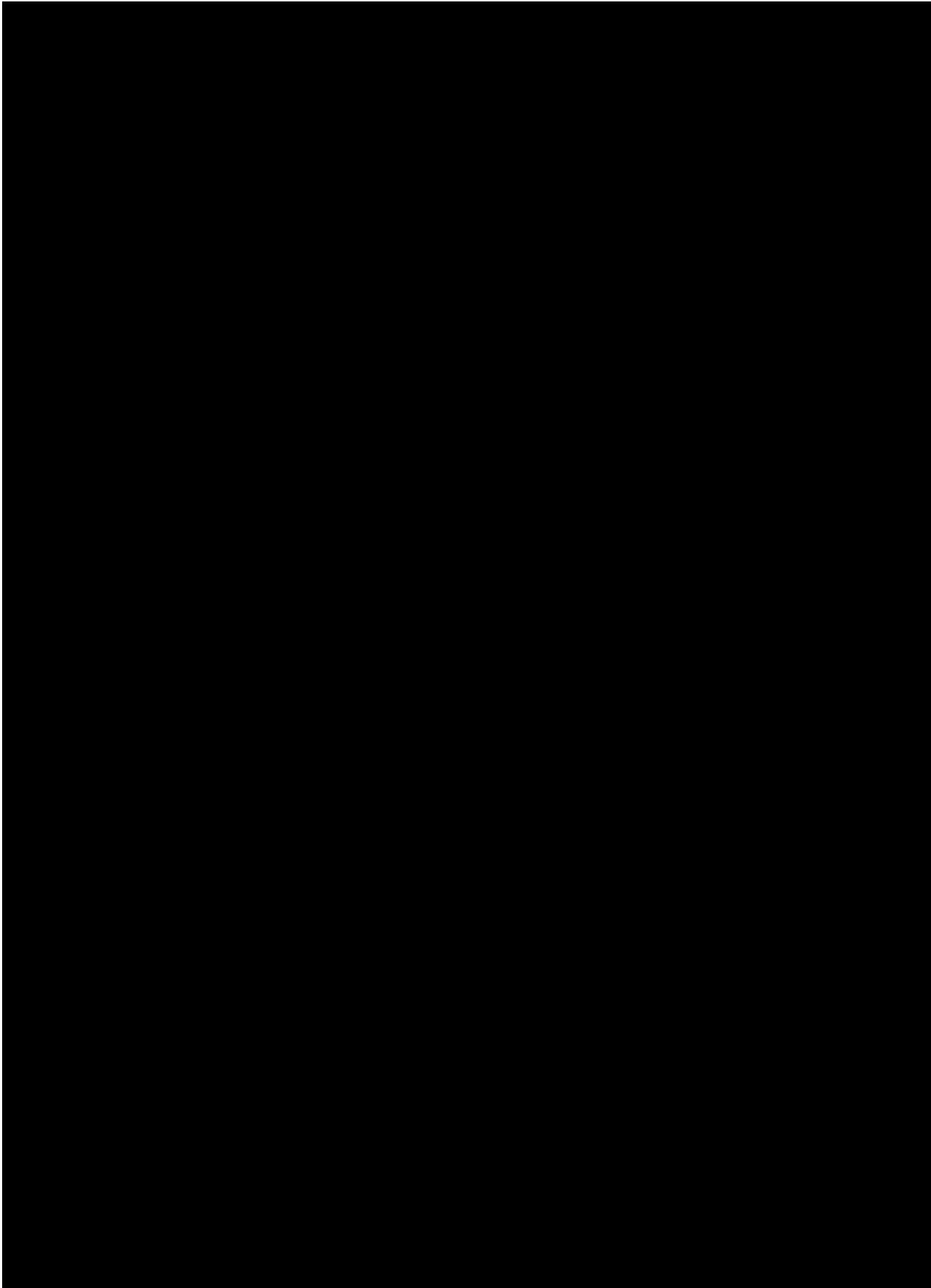
(i) Professional Qualification. A description of the specific professional requirements, qualifications, and/or competencies required of members or other participants and/or their staff and a description of the process by which the foreign board of trade confirms compliance with such requirements.





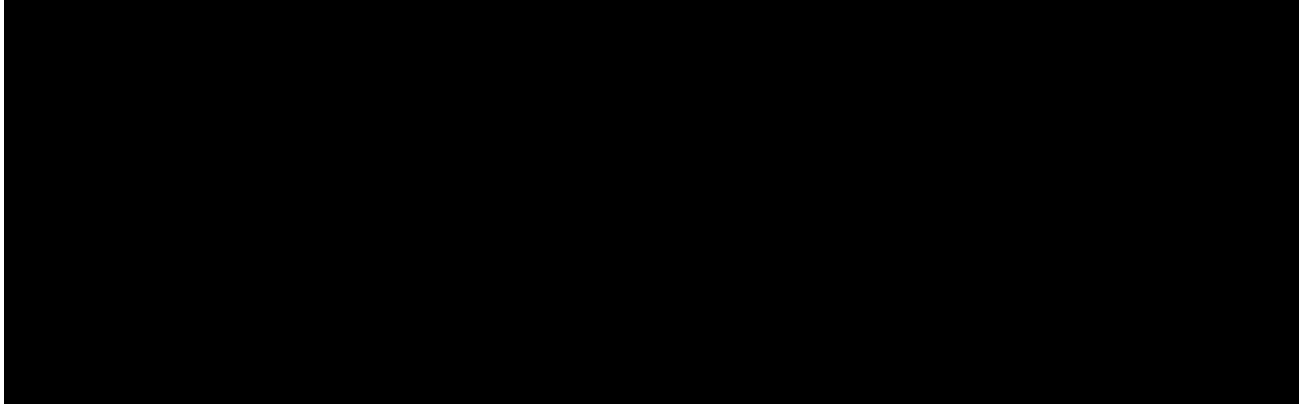
(ii) Authorization, Licensure and Registration. A description of any regulatory and self-regulatory authorization, licensure or registration requirements that the foreign board of trade imposes upon, or enforces against, its members and other participants including, but not limited to any authorization, licensure or registration requirements imposed by the regulatory regime/authority in the home country jurisdiction(s) of the foreign board of trade. Please also include a description of the process by which the foreign board of trade confirms compliance with such requirements.





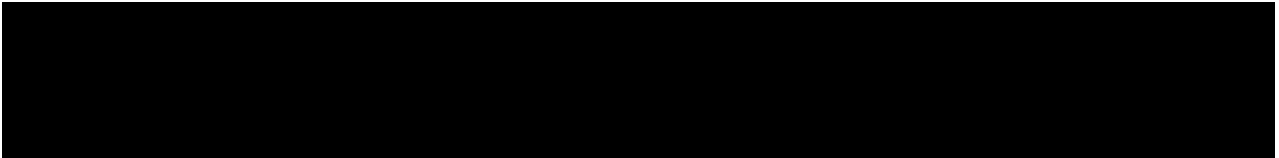
(iii) Financial Integrity. A description of the following:

- (A) The financial resource requirements, standards, guides or thresholds required of members and other participants.



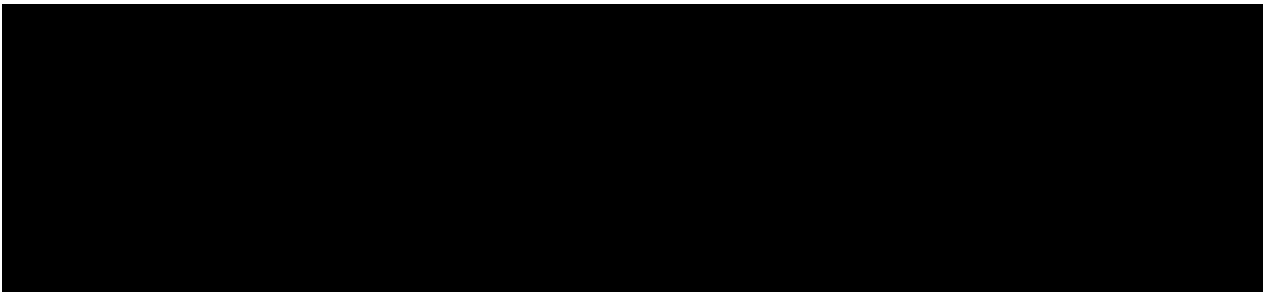
- (B) The manner in which the foreign board of trade evaluates the financial resources/holdings of its members or participants.

Response:

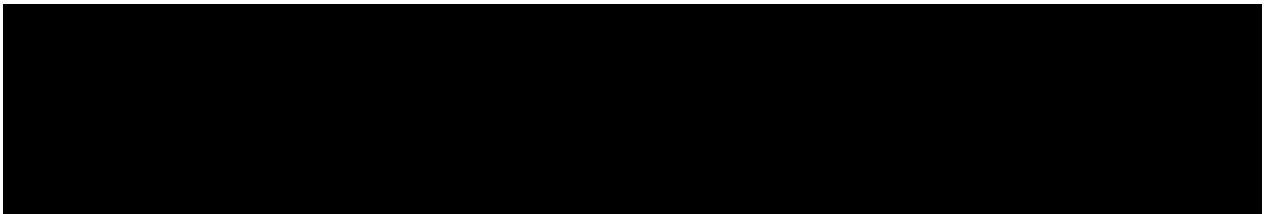


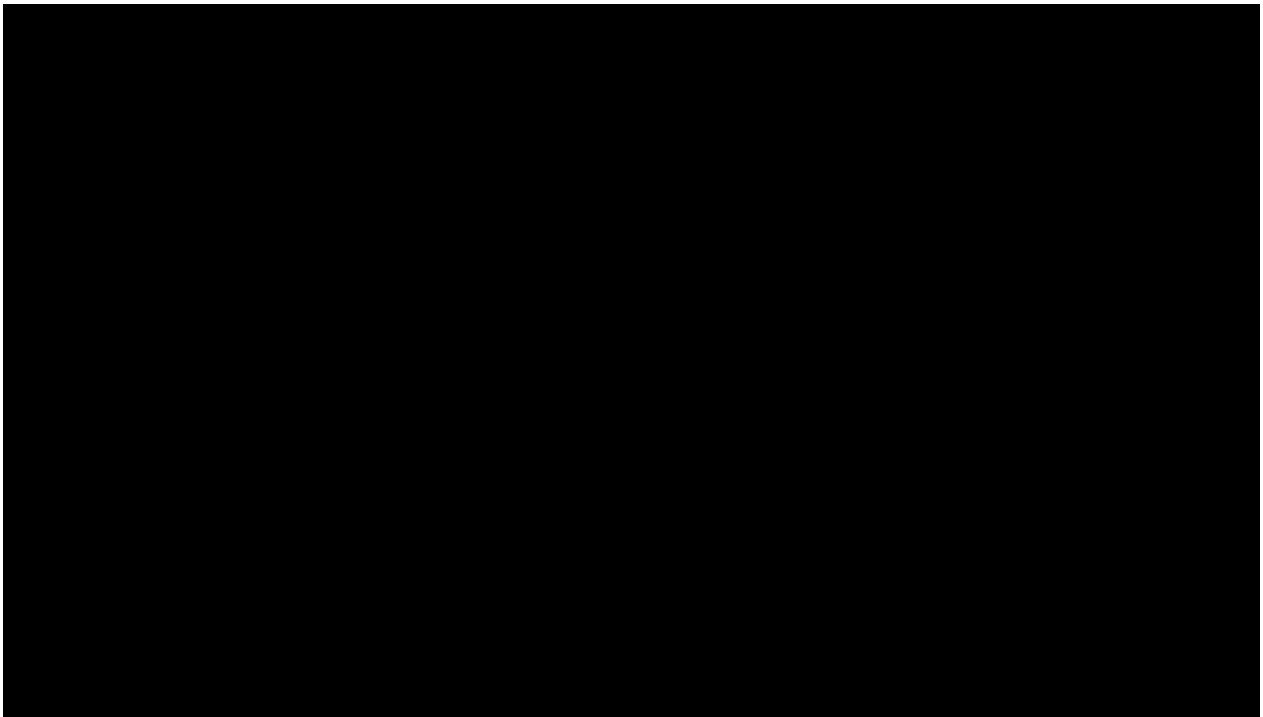
- (C) The process by which applicants demonstrate compliance with financial requirements for membership or participation including, as applicable:

- (i) Working capital and collateral requirements, and

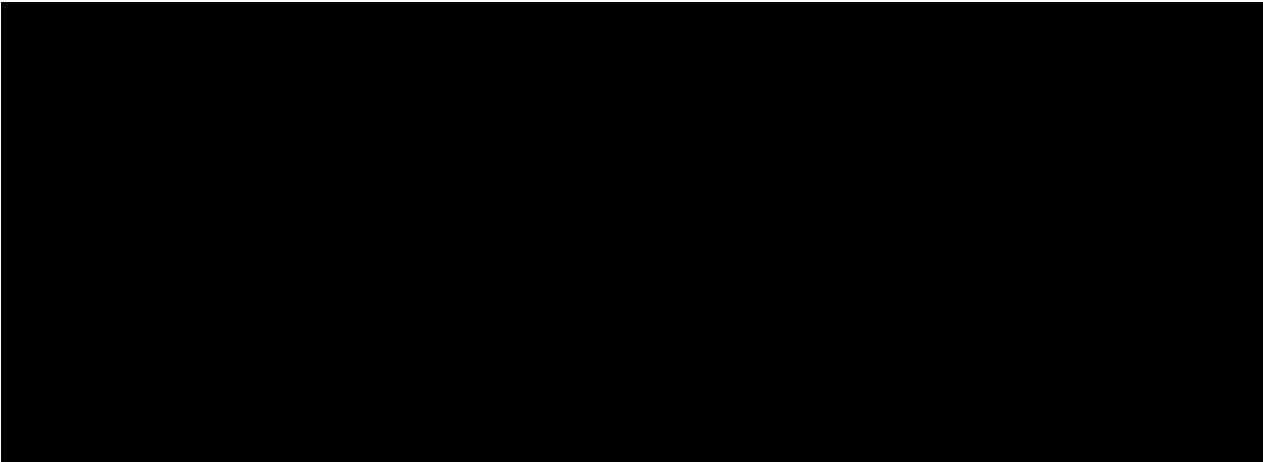


- (ii) Risk management mechanisms for members allowing customers to place orders.





49. LSE Derivatives monitors positions and may also impose position limits in accordance with Rule 4.8.1. From a clearing standpoint, LCH will request margin on all positions and it is each member's responsibility to meet their margin requirements.



(iv) Fit and Proper Standards. A description of how the foreign board of trade ensures that potential members/other participants meet fit and proper standards.

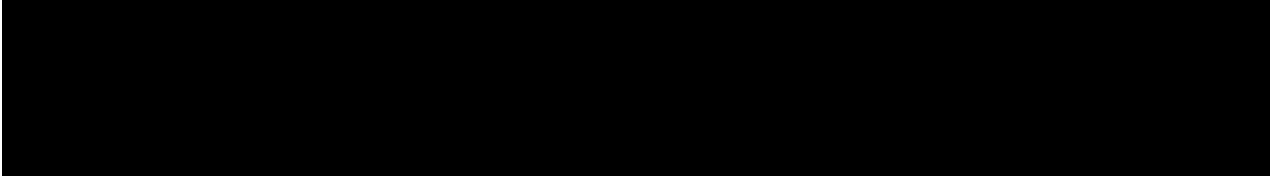


EXHIBIT C – BOARD AND/OR COMMITTEE MEMBERSHIP

Attach, as **Exhibit C**, the following:

(1) A description of the requirements applicable to membership on the governing board and significant committees of the foreign board of trade.

Response:

53. In assessing whether the LSE is a fit and proper person to operate a RIE, the FCA takes account of various factors, including those listed in the Suitability¹ and Systems and Controls² sections of REC and the requirements below relating to membership on the governing board and significant committees:

- The integrity and competence of the governing body and Key Individuals;
- Connections that the RIE, its governing body or Key Individuals have with other entities;
- Breaches of any law, regulation or code of practice by the RIE or its Key Individuals;
- Its arrangements for ensuring that it employs individuals who are honest and demonstrate high standards of integrity; and
- The effectiveness of its arrangements to control conflicts of interest in particular securing the independence of the regulatory department from its commercial and marketing departments.

54. The definition of a Key Individual includes persons who, under the operational or managerial arrangements of the UK recognised body, are appointed to manage the departments responsible for carrying out its relevant functions, whether or not they are members of its governing body. A person appointed to carry out specific tasks, such as to conduct a particular investigation into a specific set of facts, would not usually be a Key Individual³. According to the definition provided by the FCA, a Key Individual⁴ (in relation to a UK recognised body) is:

- Its chairman or president;
- Its chief executive;
- A member of its governing body;
- A person who, alone or jointly with one or more others, is responsible under the immediate authority of a person in (a), (b) or (c) or a committee of the governing body for the conduct of any relevant function.

¹ FCA Handbook, REC 2.4.

² FCA Handbook, REC 2.5.

³ FCA Handbook, REC 3.4.3.

⁴ FCA Handbook, Glossary.

55. REC 2.4 - Suitability requires that “the persons who effectively direct the business and operations of the UK RIE are of sufficiently good repute and sufficiently experienced to ensure the sound and prudent management and operation of the financial markets operated by it” and also that “the persons who are in a position to exercise significant influence over the management of the UK RIE whether directly or indirectly must be suitable”.

(2) A description of the process by which the foreign board of trade ensures that potential governing board and committee members/other participants meet these standards.

Response:

56. LSE has a number of notification requirements to the FCA to enable it to monitor changes in the arrangements of LSE for the carrying out of its relevant functions or for overseeing the work of Key Individuals or departments responsible for its relevant functions. This includes a requirement to notify the FCA of the appointment or election of a Key Individual or alternatively the resignation or removal of a Key Individual⁵ or major changes to a Key Individual’s responsibilities⁶. In addition, the FCA must be notified where a Key Individual is the subject of disciplinary action, resigns as a result of an investigation into alleged misconduct or is dismissed for misconduct, or is served with a petition for bankruptcy or enters into a voluntary arrangement with creditors⁷.

57. In assessing a Key Individual the FCA will consider the requirements described in (1) above.

58. In considering the appointment of a member of the governing board, committee member or senior management LSE undertakes its own checks, selection process and including where appropriate the involvement of a nomination committee.

(3) A description of the provisions to minimize and resolve conflicts of interest with respect to membership on the governing board and significant committees of the foreign board of trade.

Response:

59. The Companies Act 2006 sets out the duties of a director of a UK incorporated company including in relation to conflicts of interest. The Board of LSE maintains a Conflicts of Interest policy which reflects these requirements.

60. The relevant provisions of the Companies Act 2006 are summarised below:

⁵ FCA Handbook, REC 3.4.2.

⁶ FCA Handbook, REC 3.4.3 (4).

⁷ FCA Handbook, REC 3.5.

- A director of a company must avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company. The board of the company is able to authorise such situational conflicts, provided that: i) any quorum requirement is met without counting the interested director; and (ii) the matter is agreed without counting any vote cast by the interested director. Under the terms of the board of LSE's Conflicts of Interest Policy, the Board may attach terms to any authorised conflict, for example to exclude a director from a meeting or to withhold Board papers; and
- Duty to declare any direct or indirect interest in a proposed transaction or arrangement with the company and a separate duty to disclose any interest in an existing transaction or arrangement.

61. As described in **Exhibit C-1** above, the FCA also considers the effectiveness of LSE arrangements to control conflicts of interest.

(4) A description of the rules with respect to the disclosure of material non-public information obtained as a result of a member's or other participant's performance on the governing board or significant committee.

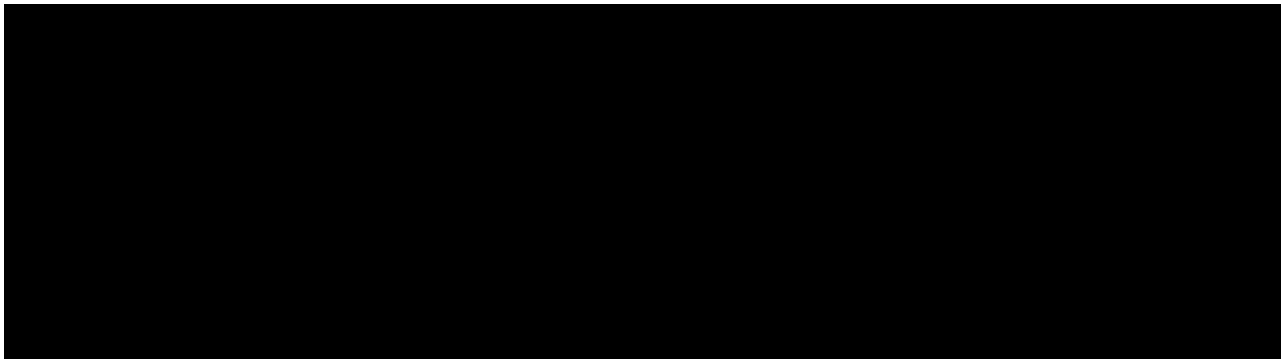
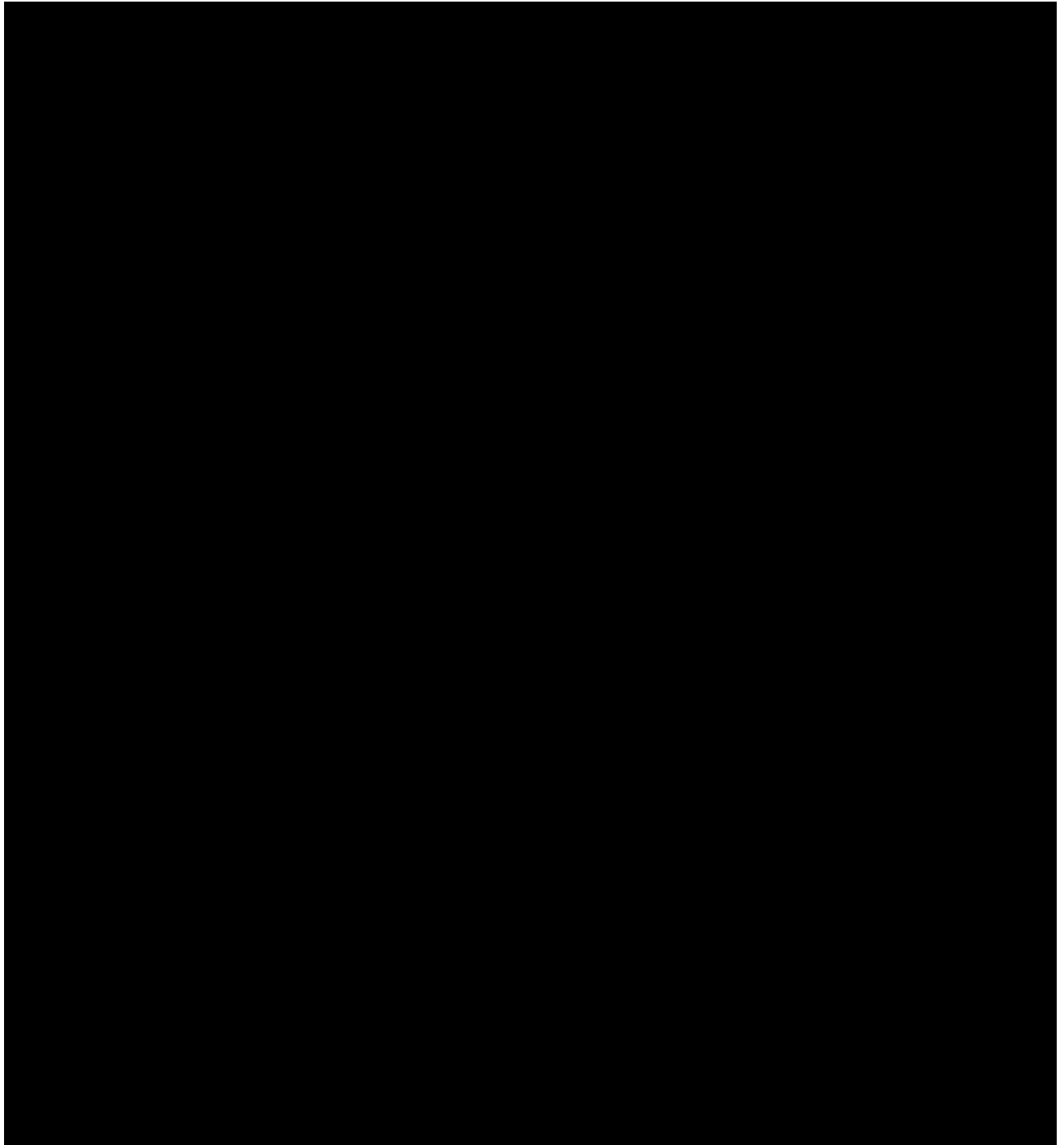
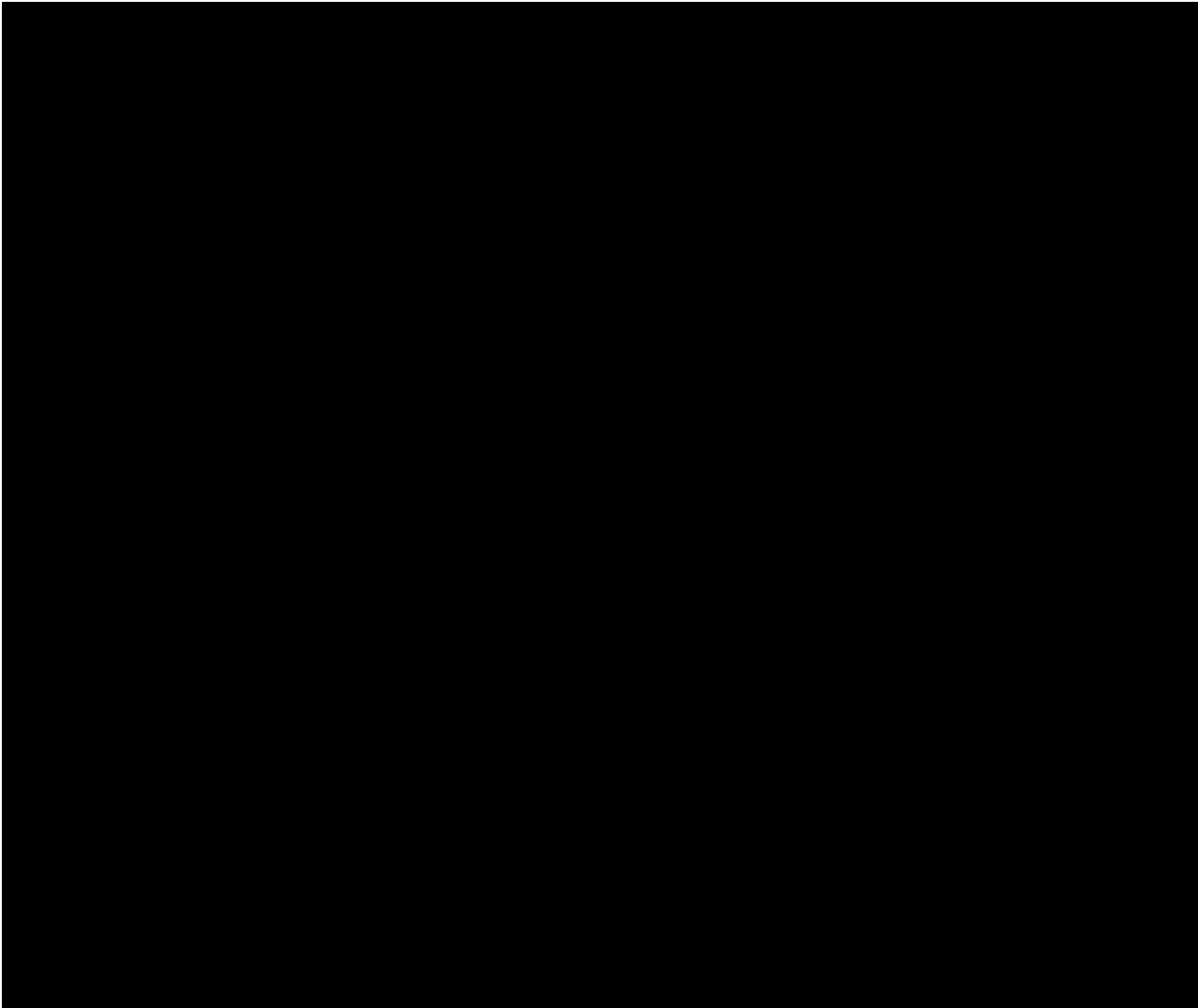


EXHIBIT D – THE AUTOMATED TRADING SYSTEM

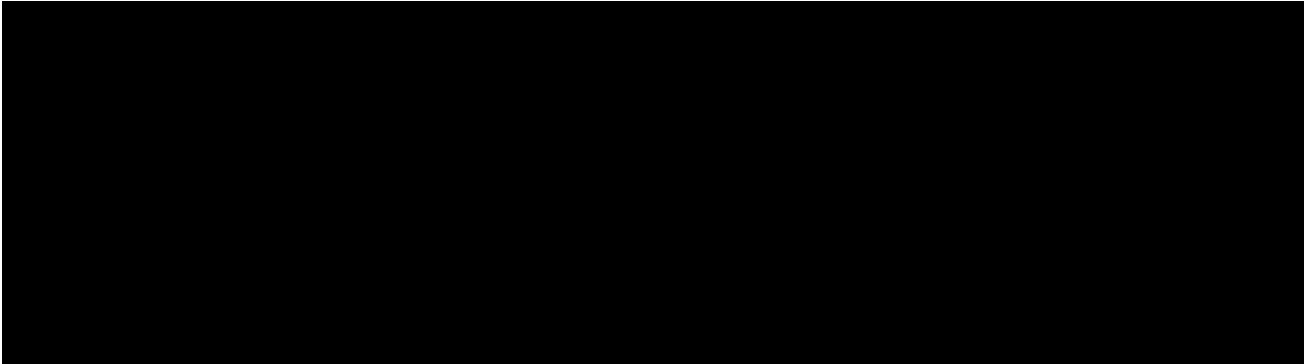
Attach, as **Exhibit D-1**, a description of (or where appropriate, documentation addressing) the following, separately labelling each description:

- (1) The order matching/trade execution system, including a complete description of all permitted ways in which trading participants connect to the trade matching/execution system and the related requirements (for example, authorization agreements).



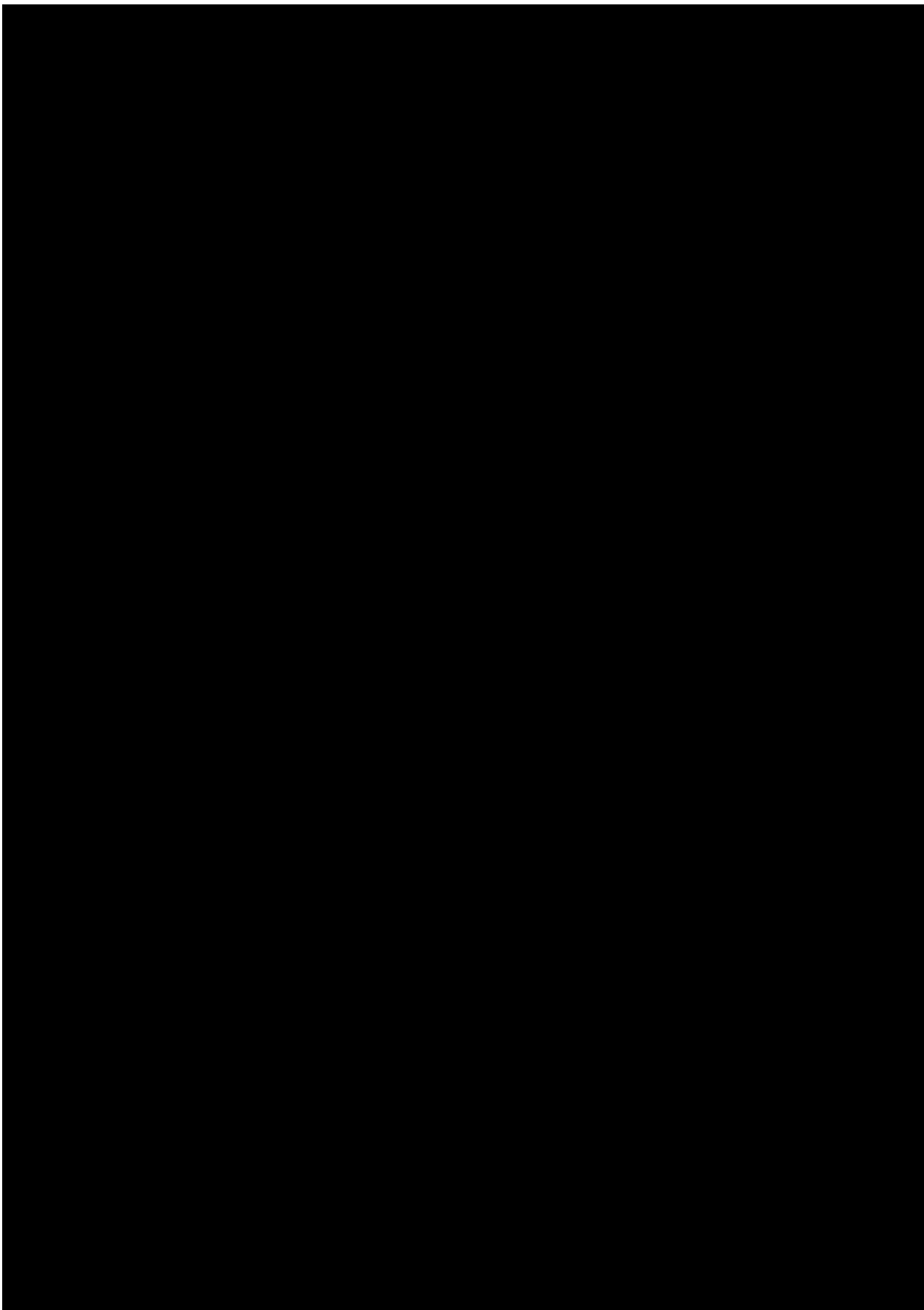


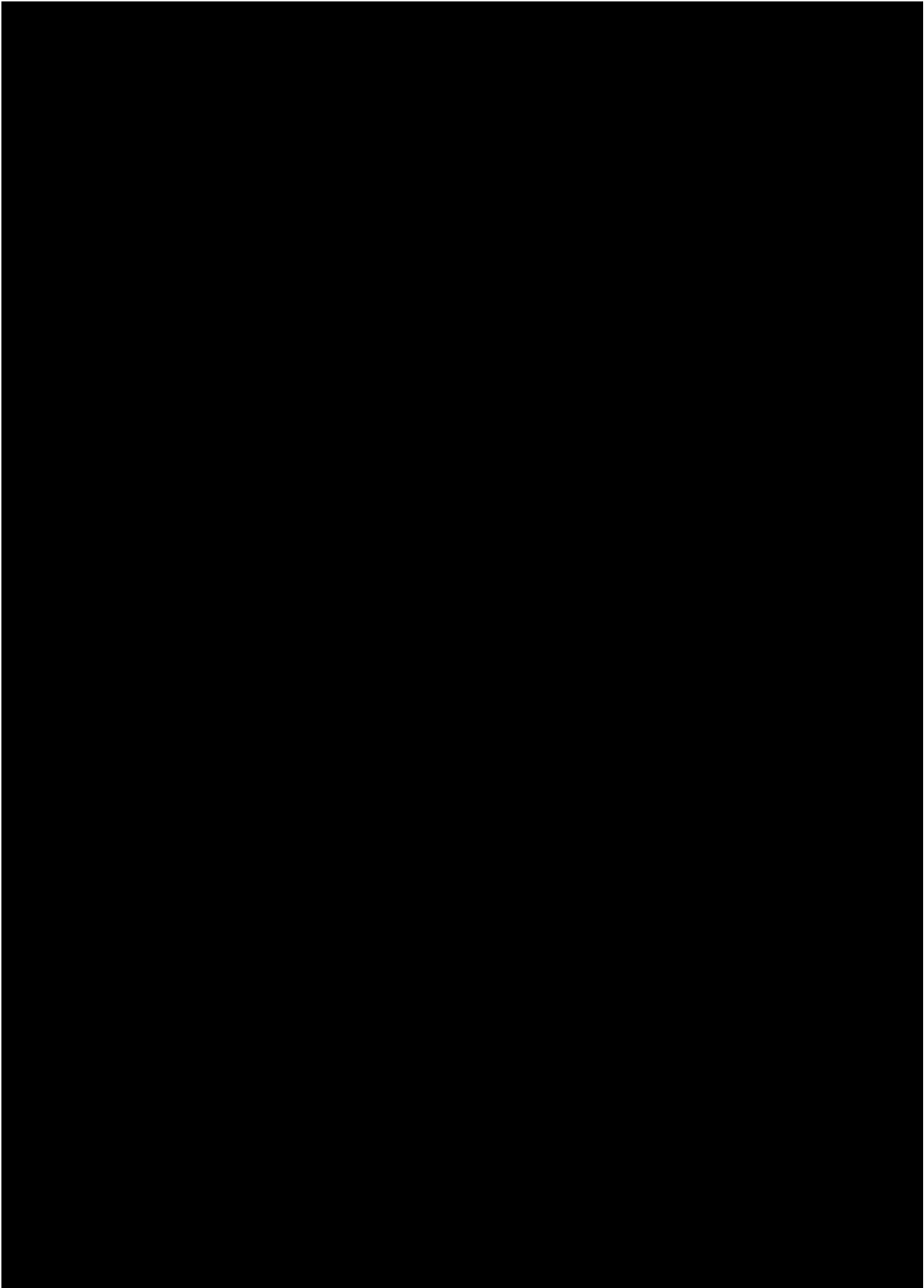
(2) The architecture of the systems, including hardware and distribution network, as well as any pre- and post-trade risk-management controls that are made available to system users.

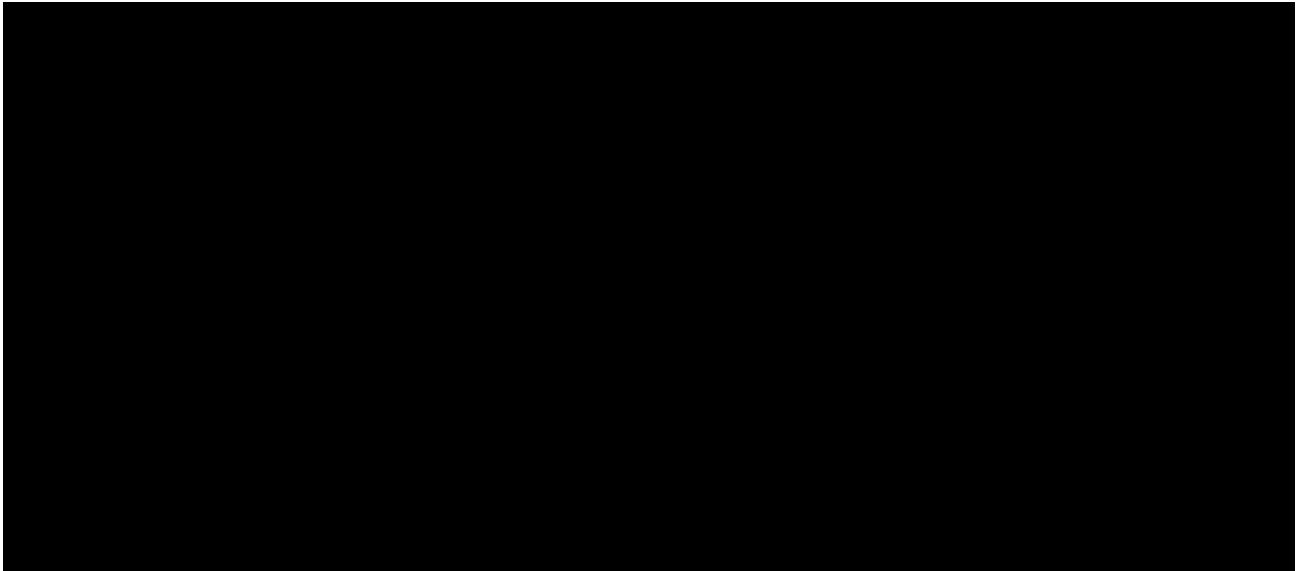


⁸ LSEDM Connectivity Guide 2.2.2.

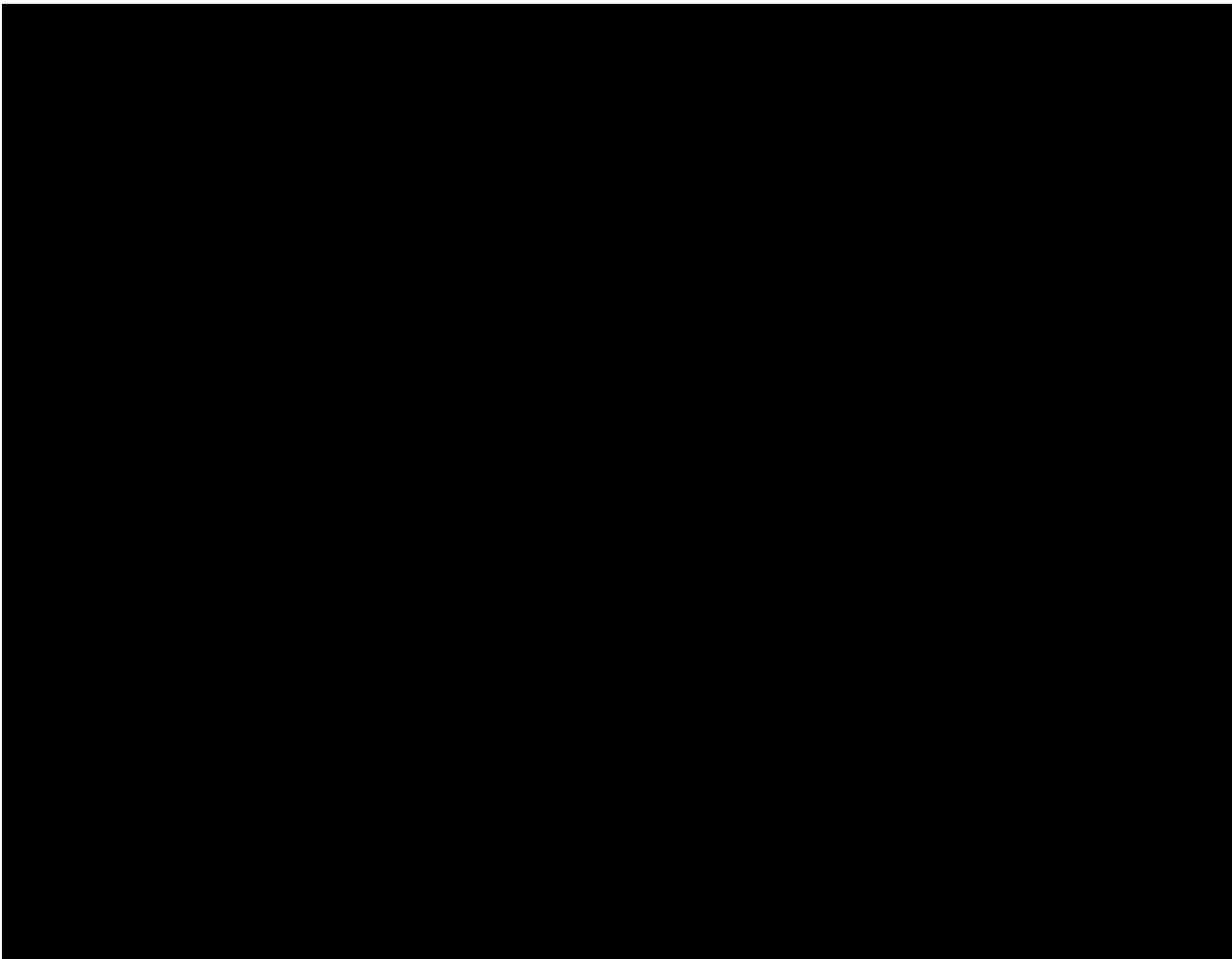
⁹ LSEDM Connectivity Guide 2.3.

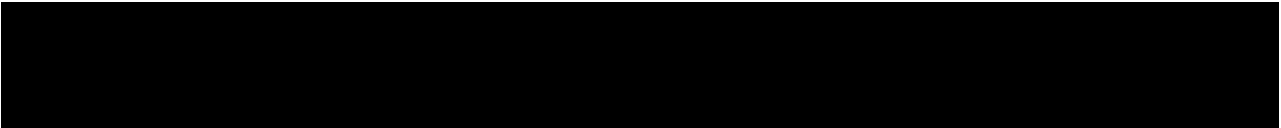




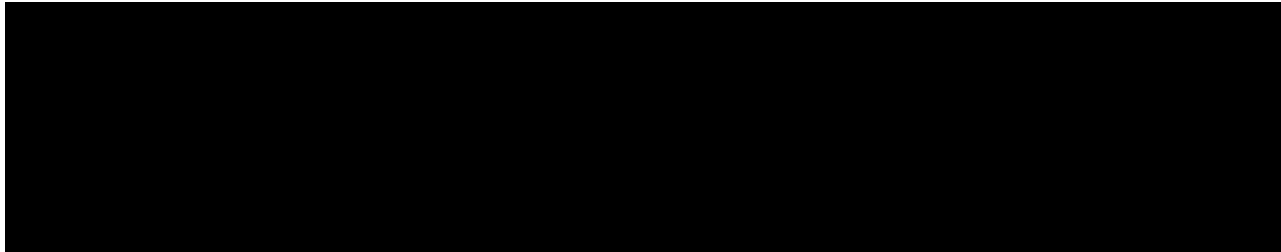


(3) The security features of the systems.

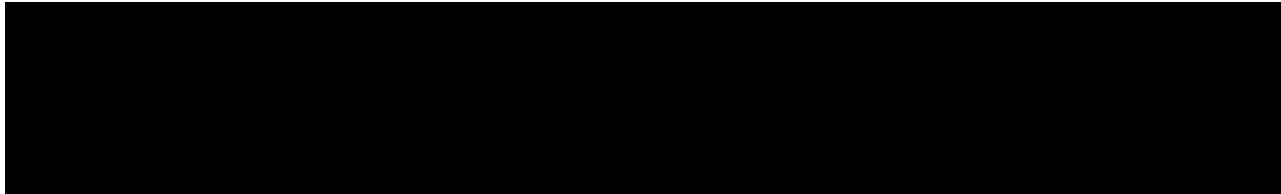




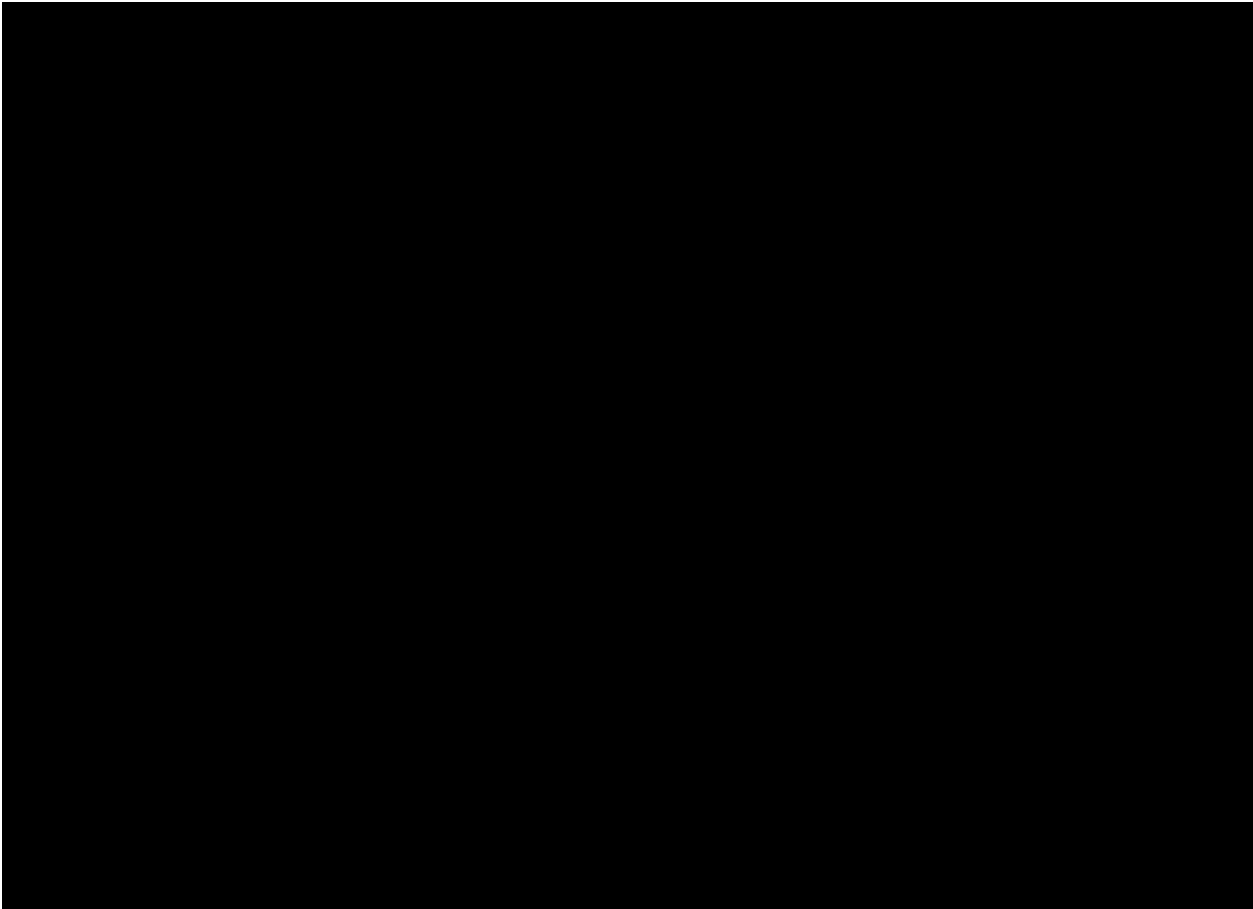
(4) The length of time such systems have been operating.



(5) Any significant system failures or interruptions.



(6) The nature of any technical review of the order matching/trade execution system performed by the foreign board of trade, the home country regulator, or a third party.



(7) Trading hours.

Response:

94. Orders may be placed and trades may be executed during the hours in which LSE Derivatives is open for trading. LSE Derivative's normal trading hours for each product is set out in the individual contract specifications in the Rules. The trading platform for FTSE 100 Index futures contract and the FTSE UK Large Cap Super Liquid Index Futures contract (for trading on the orderbook) is open from 08:00 am to 5:00pm London time each UK trading day. The trading platform for BIST 30 Index Futures contract (for trading on the orderbook) is open from 07:10 am to 3:45pm London time each UK trading day. The normal trading hours may be varied by LSE Derivatives in conjunction with public holidays or in exceptional circumstances. LSE Derivatives gives notice in writing to members of any variation in its normal trading hours.

(8) Types and duration of orders accepted.

Response:

95. LSE Derivatives supports the following order types;

- By Price type: (Limit order, Market order, Top order, Stop (loss order), If Touched order);
- By Quantity type: (Minimum quantity order, Iceberg Order); and
- By Duration type: (Day order, Good Till Day (GTD), Good Till Cancelled (GTC), Immediate order (FAK/IOC), While-Connected).

(9) Information that must be included on orders.

Response:

97. On placing, cancelling or varying an order by way of the electronic trading system, a member must provide the following information:

- The Series, Type, Class and the Listed Product in question;
- The Expiration Month;
- Whether the order is to buy or to sell;
- In the case of an Options Contract, whether it is a Call or a Put;
- The price for the Order;
- The Order's volume;
- Whether it is a Limit Order, Market Order or a Combination Order;

- The Account to which the transaction, if executed, is to be allocated; and
- If appropriate, the identification code of the client for whom the Order has been placed.

(10) Trade confirmation and error trade procedures.

100. *Error trade procedures*

Any trade cancellation requests are performed through LSE Market Operations team following a decision by the LSE Market Supervision team. In accordance with Rule 4.5.1 of the Rules, LSE Derivatives reserves the right to forcibly cancel any trade without the permission of either counterparty to the trade. Circumstances under which this can occur may include, but are not limited to:

- An error (technical or operational) on the part of LSE Derivatives or its systems;
- Material breach of any law, any Rule of LSE Derivatives or any Rule of an affiliate company of LSE Derivatives (such as LCH);
- LSE Derivatives judges that cancellation of the trade would be in the interests of the market; and
- For Dividend derivatives, where a trade occurs on the basis of material or erroneous information.

101. LSE Derivatives can be contacted by a member to request cancellation of a transaction to which they are counterparty due to an error on their part.

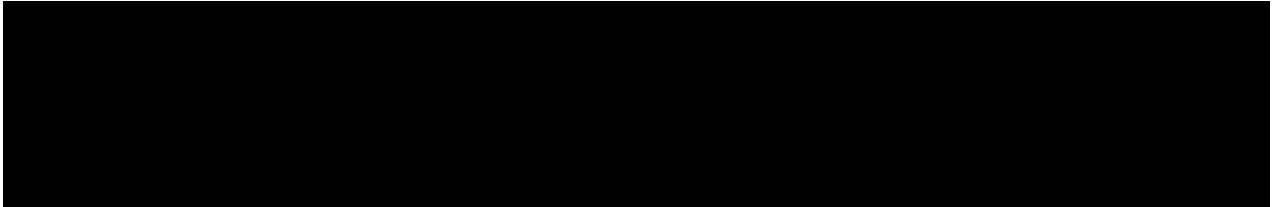
102. The cancellation of futures contracts is covered by Rule 4.6.2 of the Rules. In accordance with this rule, a request to cancel a trade must be received within 30 minutes of execution of the trade. No trade will usually be considered for cancellation or adjustment if the request is received more than 30 minutes after the trade has taken place.

103. The cancellation of trades that have been trade reported are covered by Rules 5.2.1 – 5.2.5 of the Rules. In accordance with these rules, no trade that has been trade reported will usually be considered for cancellation if the request to cancel is received by LSE Market Operations team after the close of business on the business day following the trade day. On receiving a request from a member to cancel a trade that has been trade

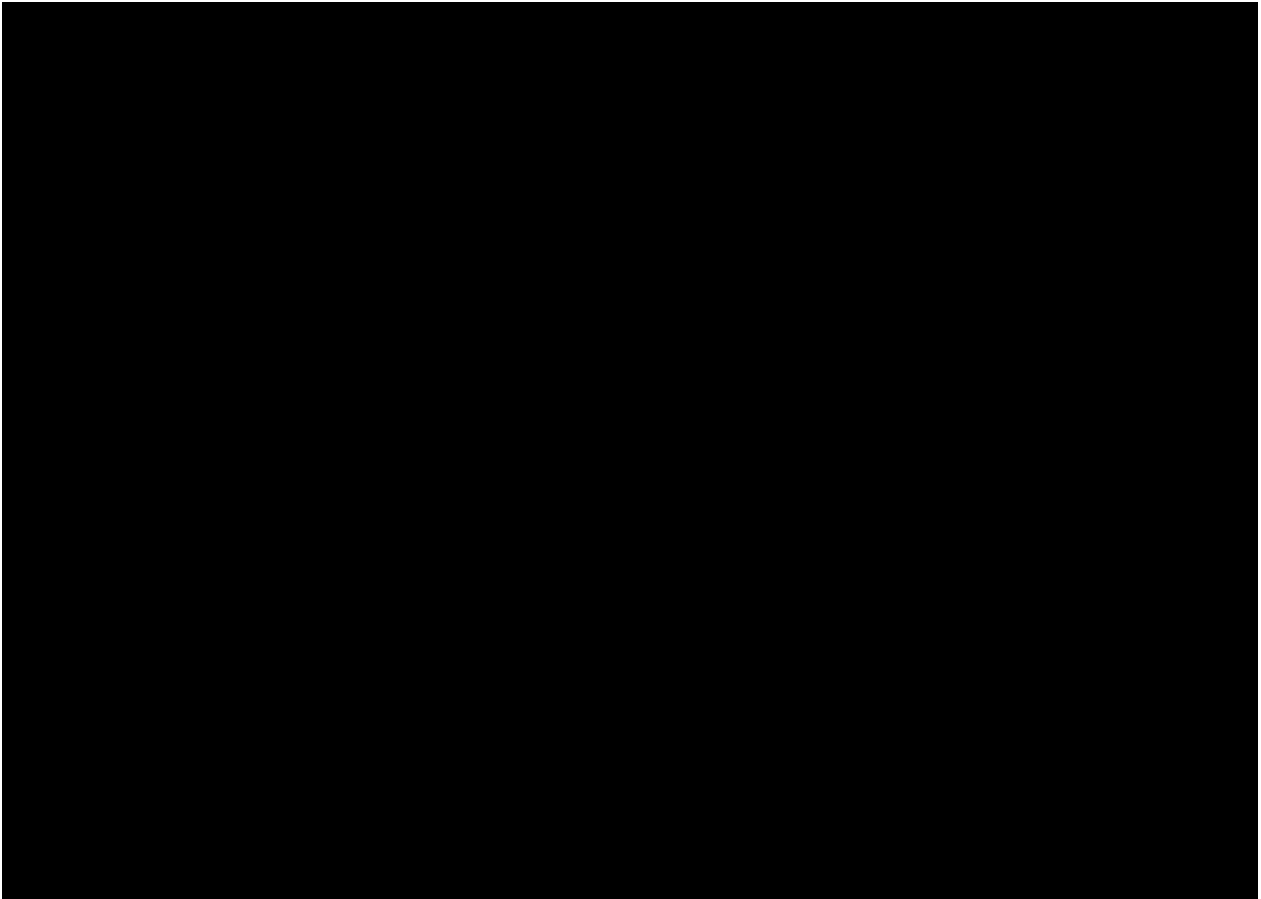
reported, LSE Derivatives will contact the other counterparty and request that the trade be cancelled. Should the counterparty not agree, the trade will not usually be cancelled.

104. For further details on the trade cancellation procedure please refer to the Cancellation of incorrect trades sections of the Rules (Rules 4.5.1 to 4.7.4).

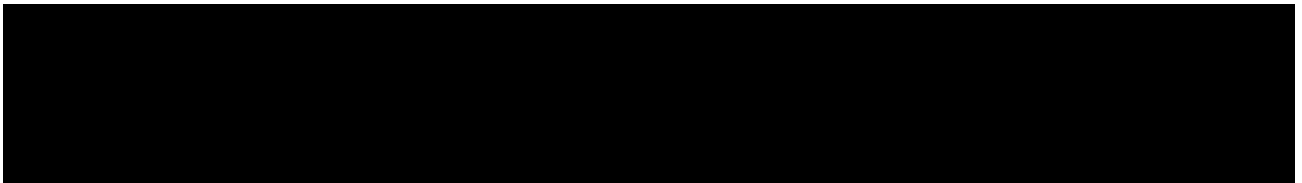
(11) Anonymity of participants.



(12) Trading system connectivity with clearing system.



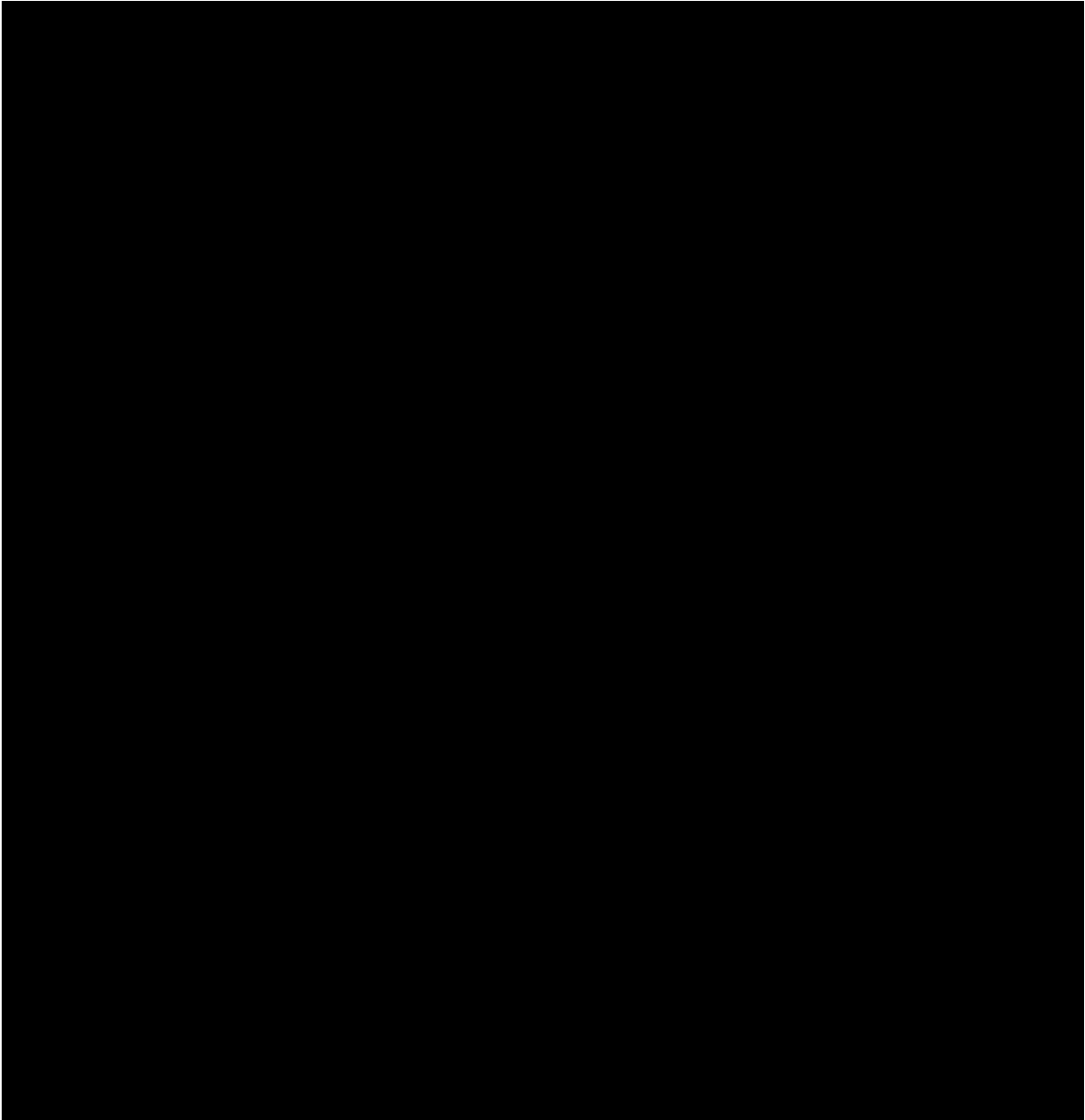
(13) Response time.

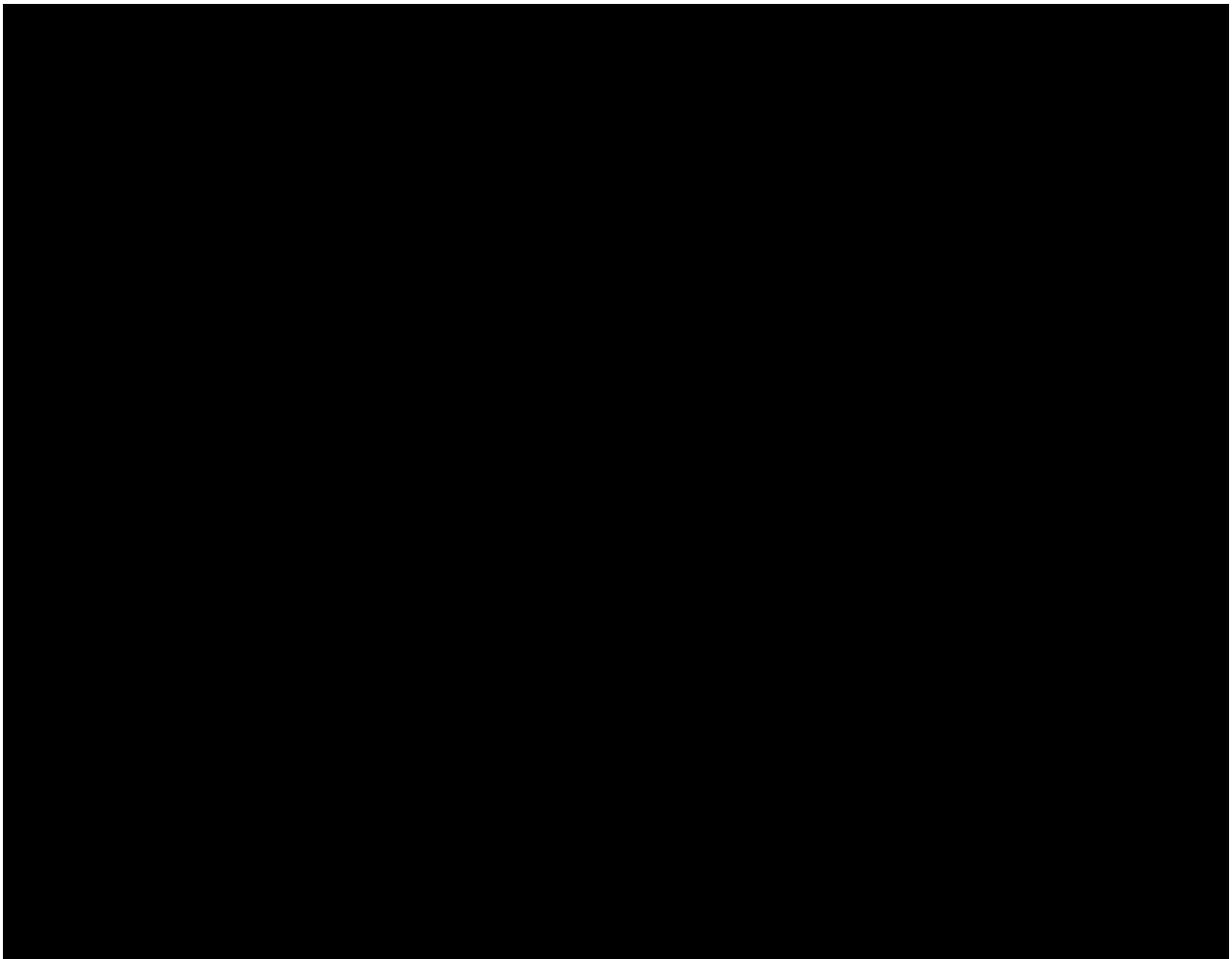


(14) Ability to determine depth of market.

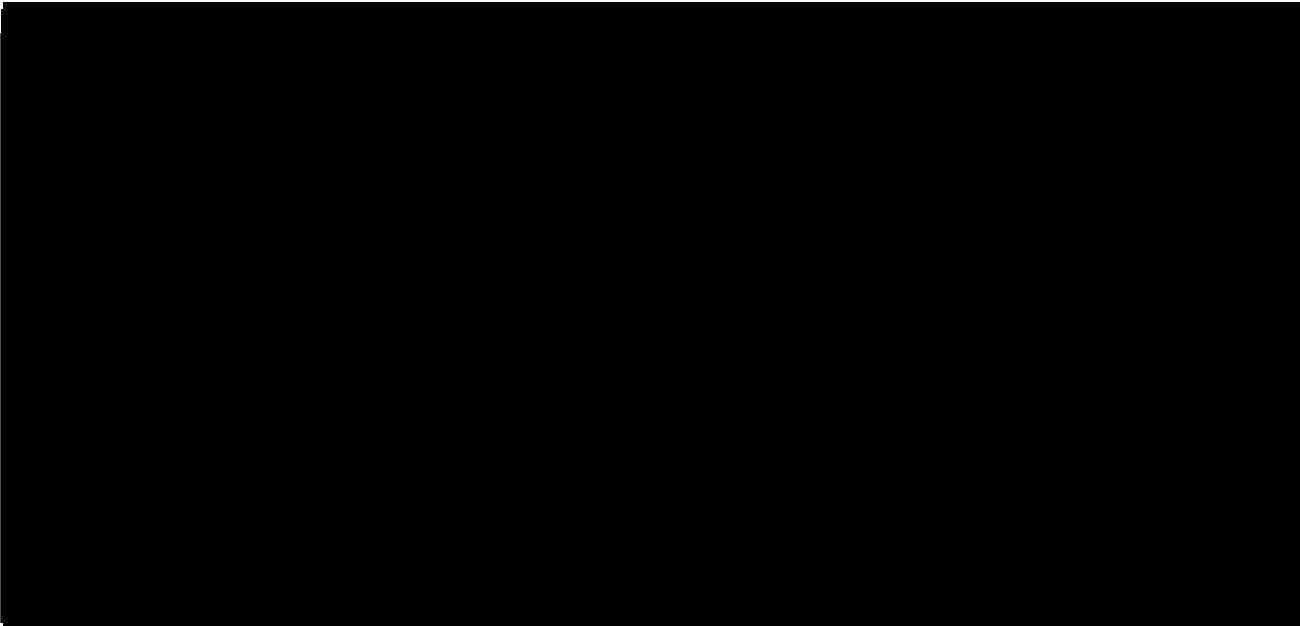


(15) Market continuity provisions.





(16) Reporting and recordkeeping requirements.

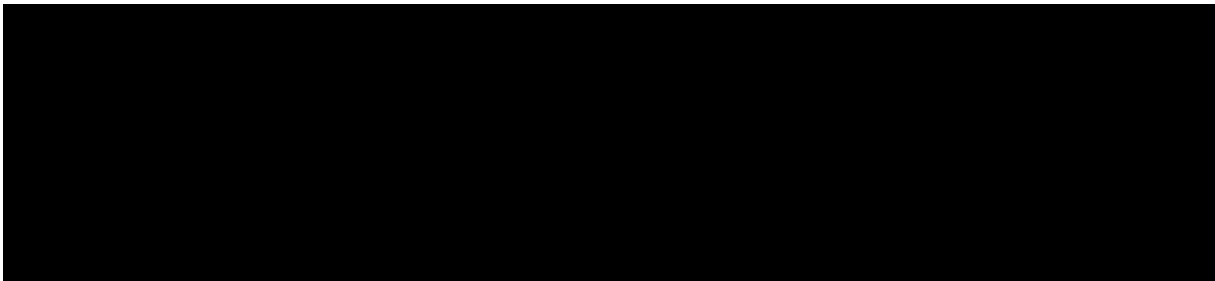


124. LSE publishes real time derivatives trading information to market participants, vendors and ISVs via its HSVF data feed. LSE also published end-of-day volume information on its website. Monthly volumes and open interest are published on the LSE Derivatives website as well.

125. LSE also has reporting obligations to the FCA in respect of suspension of services and inability to operate its facilities (including trading systems)¹¹ and in respect of the business continuity plans for its technology systems or a failure of aspects of such systems¹².

Attach, as **Exhibit D-2**, a description of the manner in which the foreign board of trade assures the following with respect to the trading system, separately labelling each description:

(1) Algorithm. The trade matching algorithm matches trades fairly and timely.



(2) IOSCO Principles. The trading system complies with 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). Provide a copy of any independent certification received or self-certification performed and identify any system deficiencies with respect to IOSCO Principles.

Response:

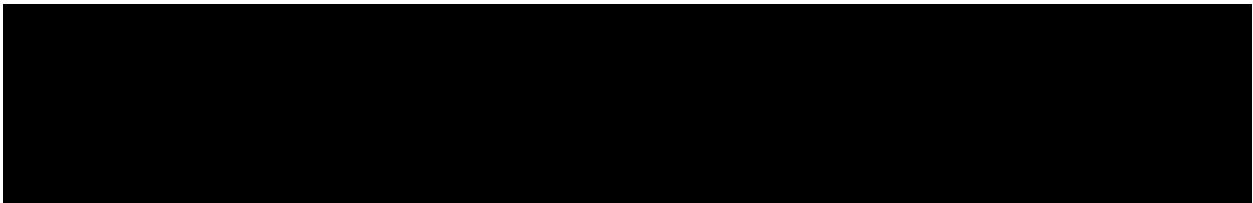
127. LSE's adherence to the IOSCO Principles demonstrated by the fact that it has developed, deployed and operated SOLA under the supervision of, and to the satisfaction of, the FCA. The FSA (predecessor to the FCA), like the CFTC, has endorsed the IOSCO Principles.

(3) Audit Trail.

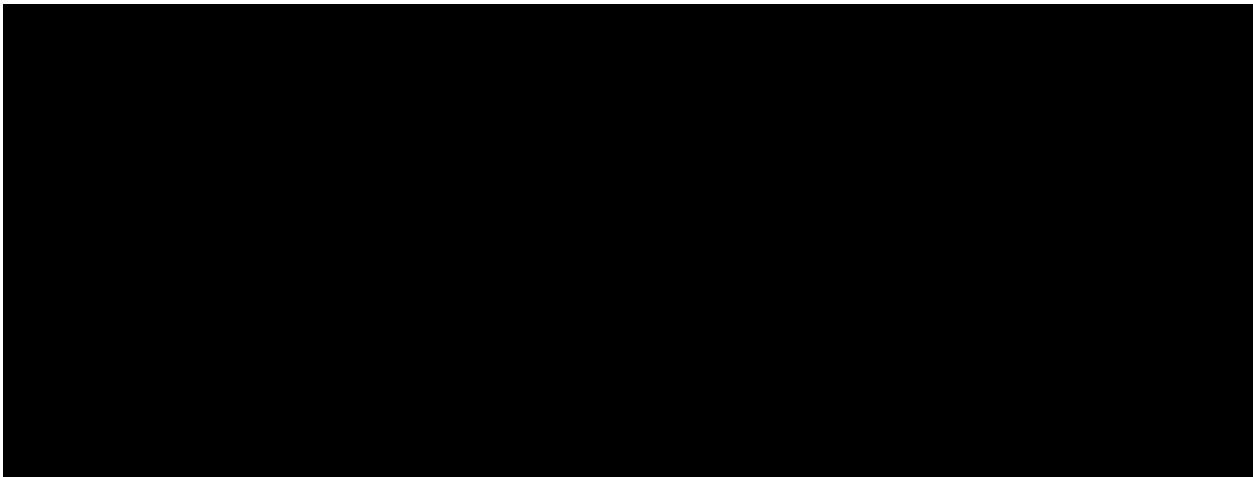
(i) The audit trail timely captures all relevant data, including changes to orders.

¹¹ FCA Handbook, REC 3.15.

¹² FCA Handbook, REC 3.16.



(ii) Audit trail data is securely maintained and available for an adequate time period.



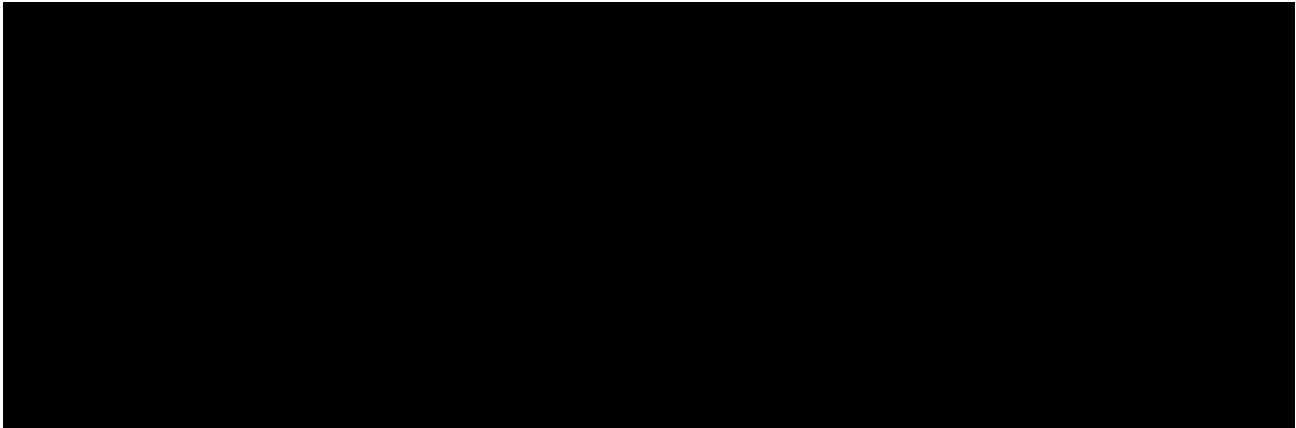
(4) Public Data. Adequate and appropriate trade data is available to users and the public.

Response:

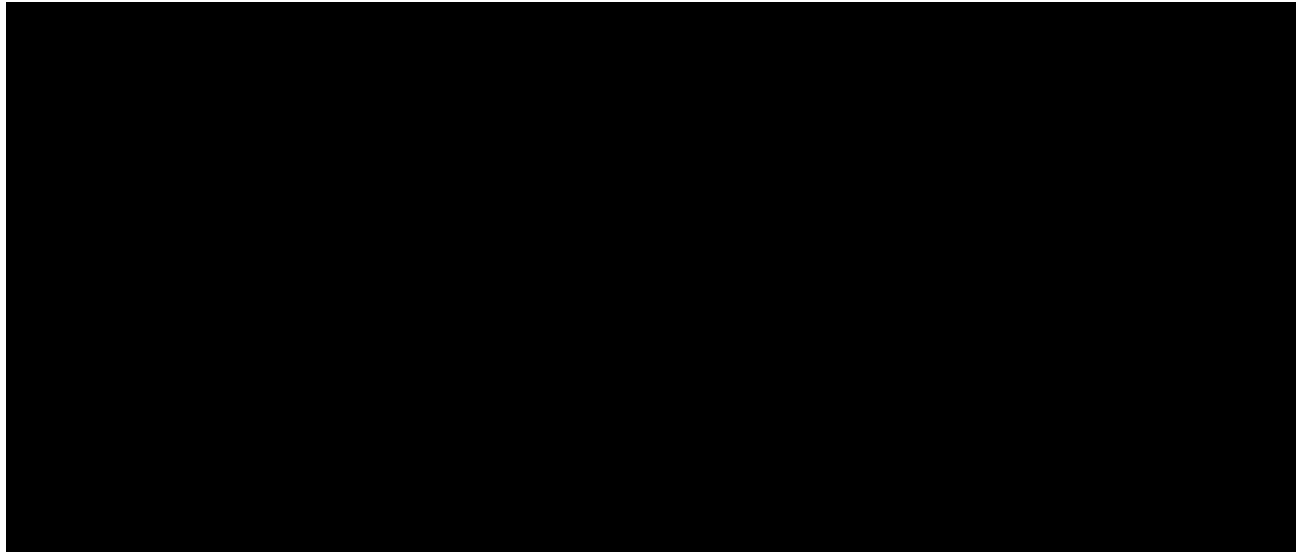
131. The LSE Derivatives system provides electronic market data information through the HSVF, which is “broadcast” to all market subscribers. Members typically will have a direct connection to the HSVF to receive market data and additionally market data vendors are connected to the HSVF and deliver data to their customers.

(5) Reliability. The trading system has demonstrated reliability.

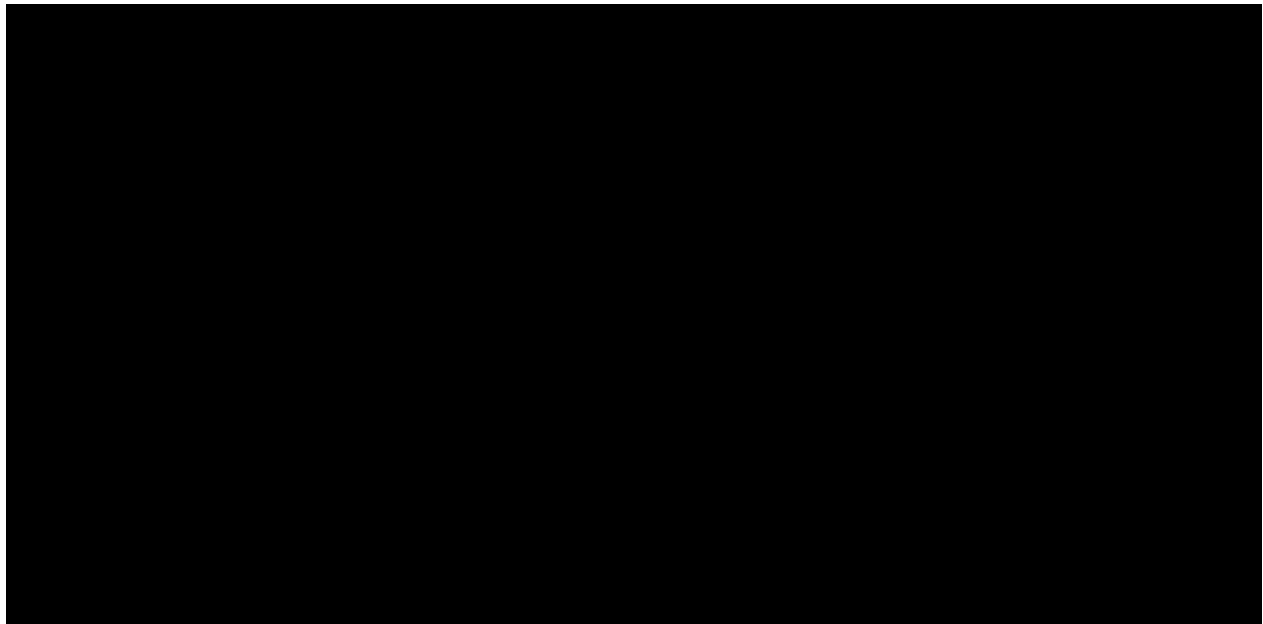


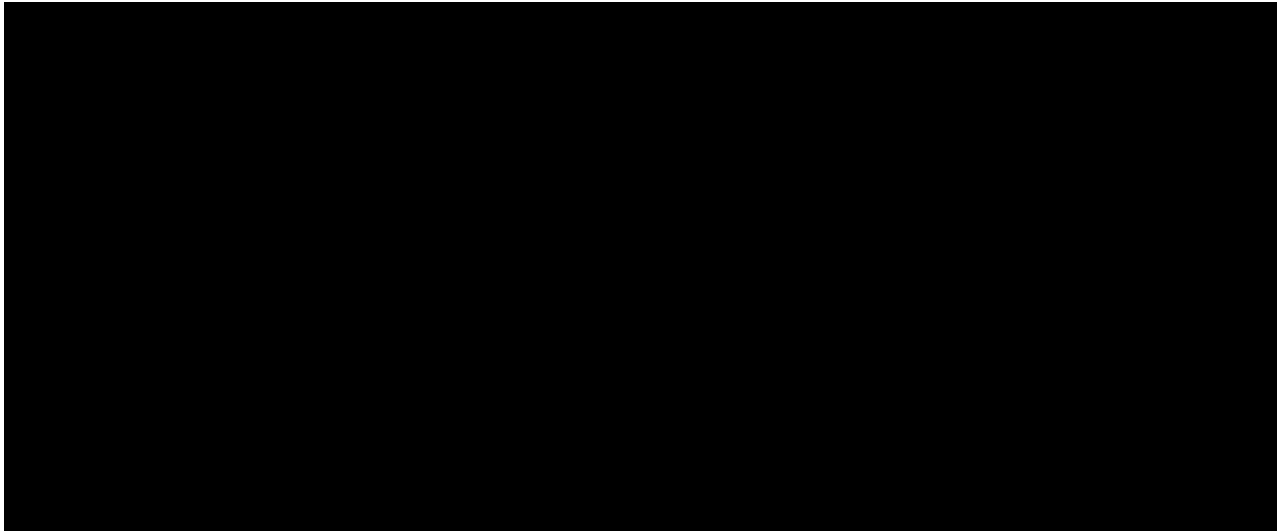


(6) Secure Access. Access to the trading system is secure and protected.

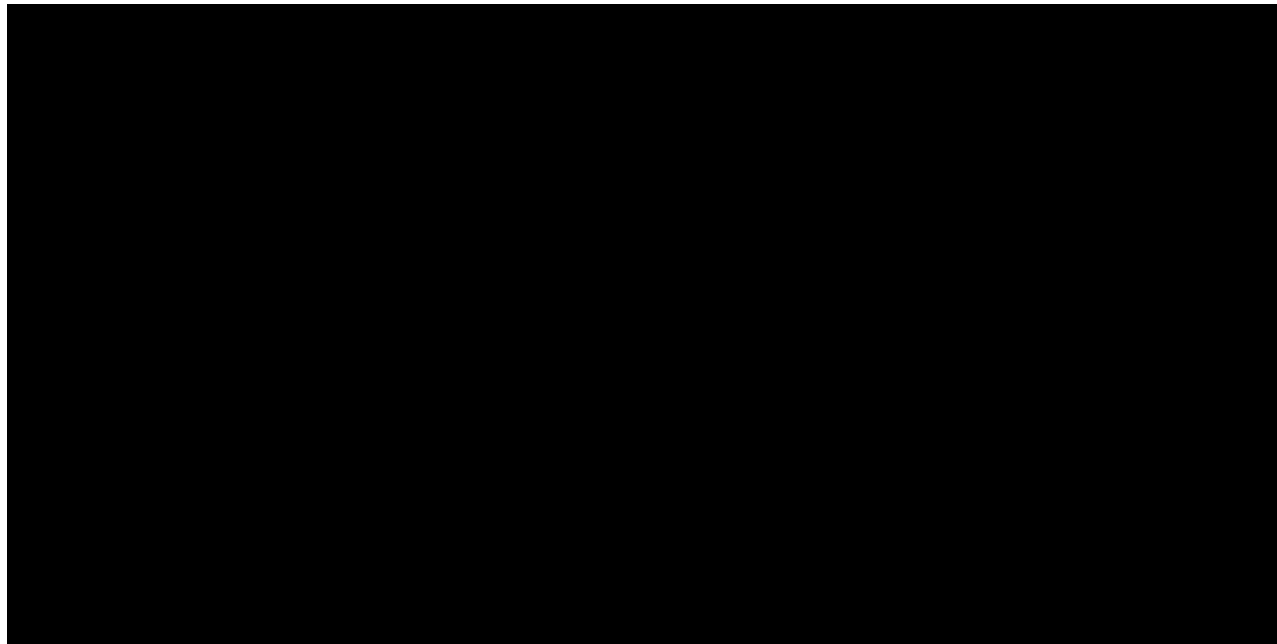


(7) Emergency Provisions. There are adequate provisions for emergency operations and disaster recovery.

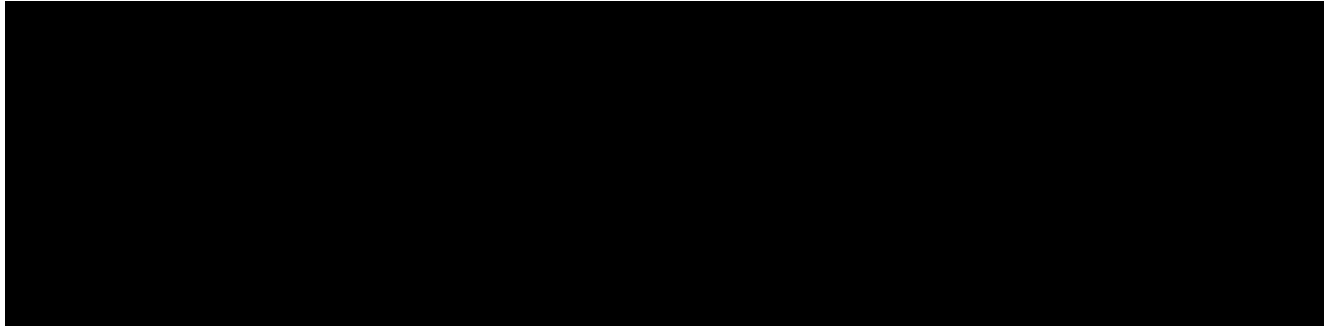




(8) Data Loss Prevention. Trading data is backed up to prevent loss of data.



(9) Contracts Available. Mechanisms are available to ensure that only those futures, option or swap contracts that have been identified to the Commission as part of the application or permitted to be made available for trading by direct access pursuant to the procedures set forth in § 48.10 are made available for trading by direct access.



(10) Predominance of the Centralized Market. Mechanisms are available that ensure a competitive, open, and efficient market and mechanism for executing transactions.

Response:

147. LSE Derivatives supports on screen matching through the SOLA Orderbook with dedicated Market Makers and qualified liquidity providers building the book and providing two-way prices.

148. LSE Derivatives supports a Trade Reporting service, where market participants can report their trades for clearing purposes. In practice, FTSE 100 UK Index Futures contracts, FTSE UK Large Cap Super Liquid Index Futures contracts, and BIST 30 Index Futures contracts are either traded on the Centralized Orderbook or through Block trades.

EXHIBIT E – THE TERMS AND CONDITIONS OF CONTRACTS PROPOSED TO BE MADE AVAILABLE IN THE UNITED STATES

Attach, as **Exhibit E-1**, a description of the terms and conditions of futures, option or swap contracts intended to be made available for direct access. With respect to each contract, indicate whether the contract is regulated or otherwise treated as a future, option or swap contract in the regulatory regime(s) of the foreign board of trade's home country.

Response:

149. LSE Derivatives initially intends to provide direct access to LSE Derivatives for the trading of futures on the FTSE 100 UK Index Futures contract, the FTSE UK Large Cap Super Liquid Index Futures contract, and the BIST 30 Index Futures contract.

150. FTSE 100 UK Index futures contracts, the FTSE UK Large Cap Super Liquid Index futures contracts, and the BIST 30 Index futures contracts have received non objection by the FCA. Attached as **Exhibit A-4** are the contract specifications for the FTSE 100 UK Index Futures contract, the FTSE UK Large Cap Super Liquid Index Futures contracts, and the BIST 30 Index Futures contracts.

As **Exhibit E-2**, demonstrate that the contracts are not prohibited from being traded by United States persons, *i.e.*, the contracts are not prohibited security futures or single stock contracts or narrow-based index contracts. For non-narrow based stock index futures contracts, demonstrate that the contracts have received Commission certification pursuant to the procedures set forth in § 30.13 and Appendix D to part 30 of this chapter.

Response:

151. On 1 June 2012, in accordance with CFTC Regulation 30.13, the Commission certified that the FTSE 100 UK Index Futures contract offered by TGHL conformed to the requirements of section 2(a)(1)(C)(ii) of the Act and, therefore, could be offered or sold to persons located within the United States in accordance with section 2(a)(1)(C)(iv) of the Commodity Exchange Act. The FTSE 100 UK Index Futures contract was offered pursuant to no-action relief (which was subsequently withdrawn upon the request of TGHL).

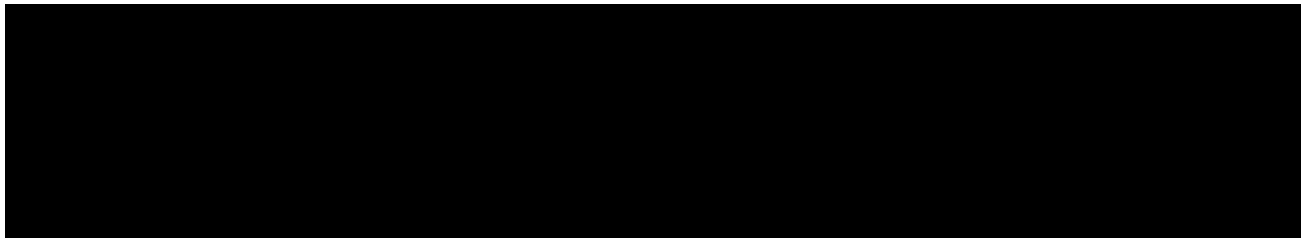
152. LSE, having subsequently acquired the Derivatives Business on 30 September 2013, received Commission certification pursuant to the procedures set forth in § 30.13 and Appendix D to part 30 of this chapter on 28 August 2014 for the FTSE 100 Futures contract and the FTSE UK Large Cap Super Liquid Index Futures contract. The CFTC letter is attached as **Exhibit E-2-I**. LSE also received Commission certification pursuant to the procedures set forth in § 30.13 and Appendix D to part 30 of this chapter on 6 October 2015 for the BIST 30 Index Futures contracts. The CFTC letter is attached as **Exhibit E-2-II**.

As **Exhibit E-3**, demonstrate that the contracts are required to be cleared.

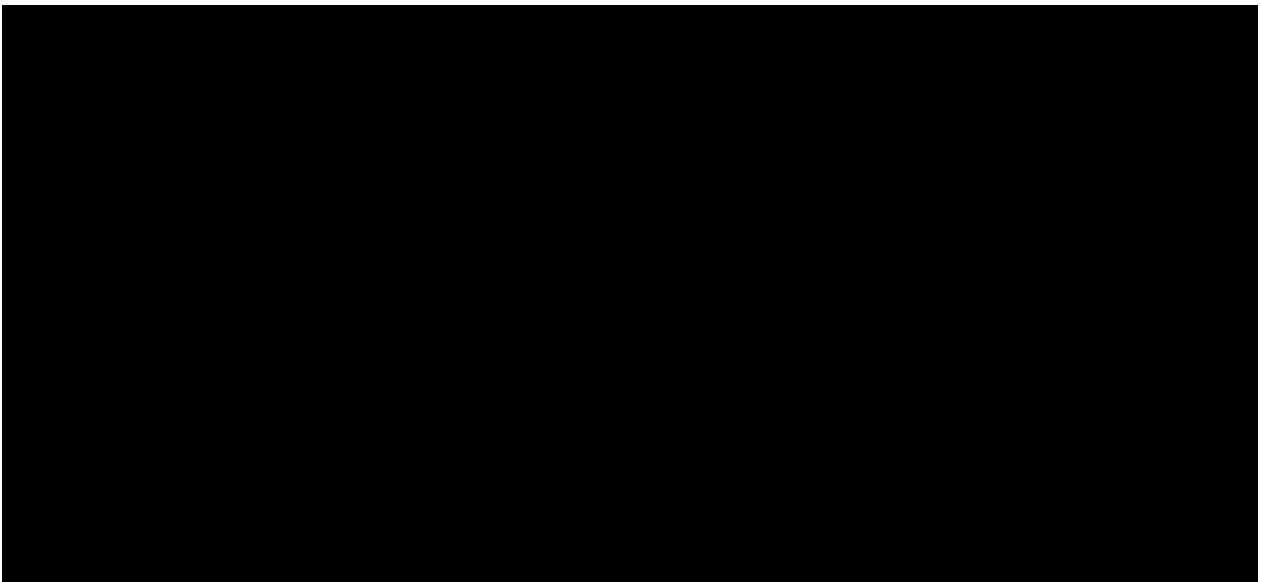
Response:

153. Rule 7.1.1 of the Rules requires that LCH act as the central counterparty for all registered contracts which result from transactions executed through the LSE Derivatives platform or otherwise reported to LSE Derivatives. All trades executed and registered on LSE Derivatives are automatically sent to LCH for clearing.

As **Exhibit E-4**, identify any contracts that are linked to a contract listed for trading on a United States-registered entity, as defined in section 1a(40) of the Act. A linked contract is a contract that settles against any price (including the daily or final settlement price) of one or more contracts listed for trading on such registered entity.



As **Exhibit E-5**, identify any contracts that have any other relationship with a contract listed for trading on a registered entity, i.e., both the foreign board of trade's and the registered entity's contract settle to the price of the same third party-constructed index.



As **Exhibit E-6**, demonstrate that the contracts are not readily susceptible to manipulation. In addition, for each contract to be listed, describe each investigation, action, proceeding or case involving manipulation and involving such contract in the three years preceding the application date, whether initiated by the foreign board of trade, a regulatory or self-regulatory authority or agency or other government or prosecutorial agency. For each such action,

proceeding or case, describe the alleged manipulative activity and the current status or resolution thereof.

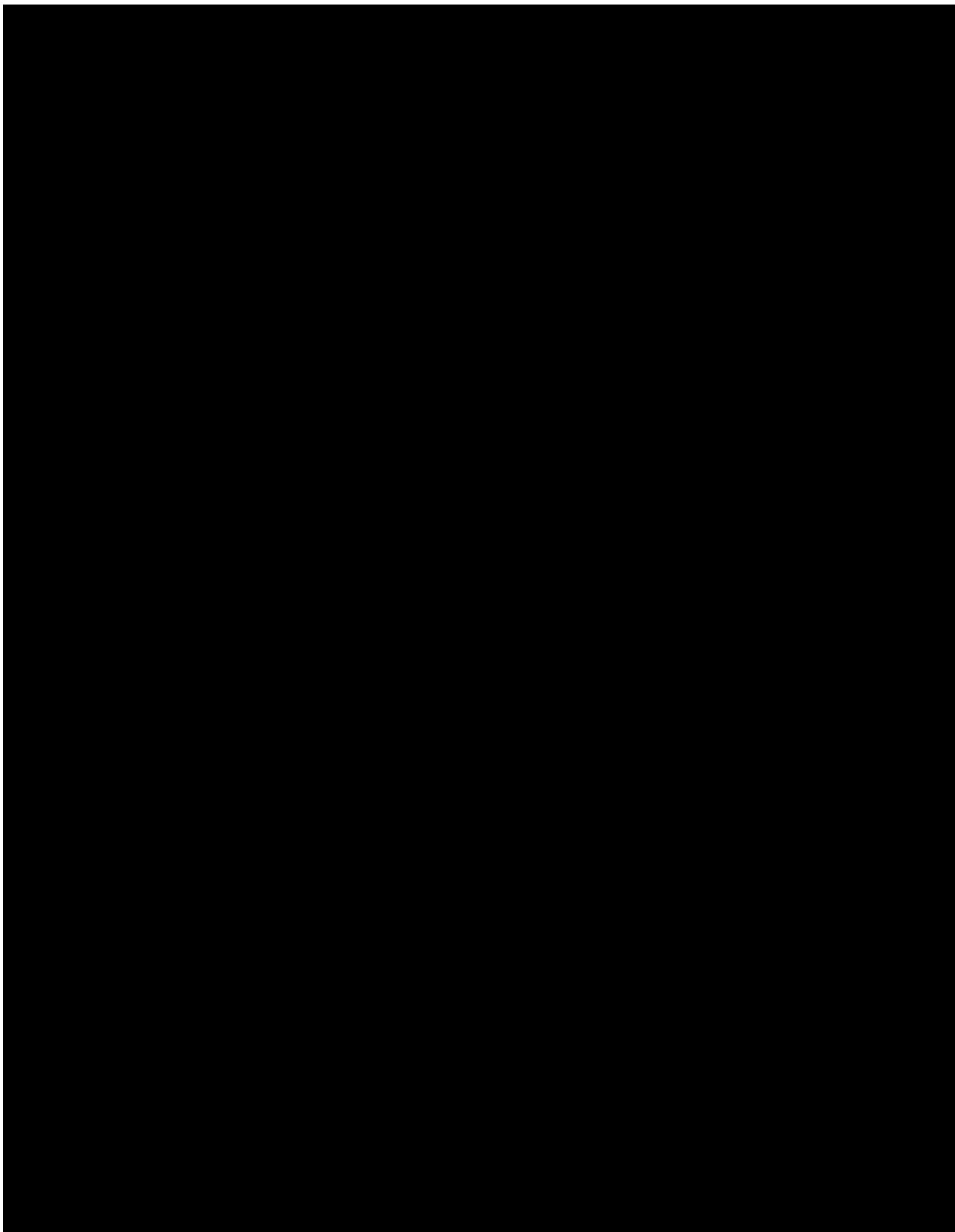




EXHIBIT F – THE REGULATORY REGIME GOVERNING THE FOREIGN BOARD OF TRADE IN ITS HOME COUNTRY OR COUNTRIES

With respect to each relevant regulatory regime or authority governing the foreign board of trade, attach, as **Exhibit F**, the following (including, where appropriate, an indication as to whether the applicable regulatory regime is dependent on the home country's classification of the product being traded on the foreign board of trade as a future, option, swap, or otherwise, and a description of any difference between the applicable regulatory regime for each product classification type):

(1) A description of the regulatory regime/authority's structure, resources, staff, and scope of authority; the regulatory regime/authority's authorizing statutes, including the source of its authority to supervise the foreign board of trade; the rules and policy statements issued by the regulator with respect to the authorization and continuing oversight of markets, electronic trading systems, and clearing organizations; and the financial protections afforded customer funds.

Response:

162. The regulatory authority with primary supervisory authority over LSE is the FCA.

163. *Authorizing statute and source of authority to supervise LSE*

The FCA's scope of authority, statutory objectives, structure, and regulatory powers are founded in FSMA (as subsequently amended by the Financial Services Act 2012), attached as **Exhibit A-5-I**.

164. *FCA structure*

The FCA is a private company limited by guarantee, exempt from the requirements of the UK Companies Act 2006 relating to the use of "limited" as part of its name (see Schedule 1ZA. Paragraphs 17 and 18 of FSMA 2000). The FCA must comply with the requirements as to its constitution set out in Schedule 1ZA to FSMA.

165. In terms of the FCA structure, FSMA imposes an obligation on the FCA to have regard to generally accepted principles of good corporate governance as it is reasonable to regard as applicable to it (see section 1A(4), 1A(5) and 3 of schedule 1ZA to FSMA).

166. In this respect, FSMA mandates certain requirements in relation to the FCA's Board composition, which will be made up of:

- Chair appointed by Her Majesty's Treasury ("Treasury");
- Chief Executive appointed by the Treasury;
- The Bank of England's Deputy Governor for prudential regulation;
- 2 directors appointed jointly by the Secretary of State for the UK government and Treasury; and
- At least one additional member appointed by the Treasury.

167. A majority of the Board, including the Chair, must be non-executive. The terms of service of an appointed member must be so as to secure that the appointee is not subject to direction by the Treasury, Secretary of State or any other person.
168. The FCA will determine the remuneration of executive members and the Treasury will determine the remuneration of non-executive members.
169. Schedule 1ZA of FSMA includes further provisions on the FCA's governance and accountability structure, which includes the requirement to produce an annual report to the Treasury, which the Treasury must lay before UK Parliament. Within three months, the FCA must hold a public meeting (the annual meeting) to enable the annual report to be considered. The FCA must publish a report of the proceedings of the annual meeting. The FCA is funded through fees charged to the authorised firms that it regulates. The FCA's general powers to raise fees are set out in paragraph 23 of Part 3 of FSMA.
170. *Scope of FCA authority*
The scope of the FCA responsibilities as set out in FSMA 2000 are far-reaching and include:
- Policing the perimeter of regulated activities;
 - Conduct of business regulation for all firms in both retail and wholesale markets (including the firms authorised by the Prudential Regulation Authority or "PRA");
 - Responsibility for prudential supervision of all firms not prudentially supervised by the PRA;
 - Supervision of trading infrastructure, including RIEs;
 - Regulation of client money and assets, including in relation to firms authorised by the PRA;
 - Being the UK competent authority for listings under Part 6 of FSMA; and
 - Monitoring, investigation and prosecution of insider dealing and market abuse.
171. In carrying out its supervisory activity, FSMA has set the FCA three operational objectives:
- Securing an appropriate degree of protection to consumers;
 - Protecting and enhancing the integrity of the UK financial system; and
 - Promoting effective competition in the interests of consumers in the markets for financial services or services provided by a recognized investment exchange.
172. Part II of FSMA provides for the so called "general prohibition", which states that no person can carry on a regulated activity in the UK, or purport to do so, unless he is either authorized or exempt by the FCA. Regulated activities are set out in the FSMA 2000 (Regulated Activities) Order 2001, which is enclosed as **Exhibit A-5-II**.
173. LSE is a UK RIE and, as such, is considered an exempt person under section 285 of FSMA (Exemption for recognised investment exchanges and clearing houses).
174. As an RIE, LSE is required to comply with a set of recognition requirements which are set forth, with FCA Guidance, in REC.

175. FCA has in place a client protection regime, governed by the Client Assets Sourcebook (“CASS”), and has, in fact, recently proposed regulations pertaining to accounts holding customer funds, including a required template acknowledgment letter, similar to the CFTC’s recent amendments to its customer protection rules (see, e.g., FCA Consultation Paper 13/5, July 2013, at <http://www.fca.org.uk/static/documents/consultation-papers/cp13-05.pdf>). However, it is important to note that LSE does not hold client funds because, in operating a regulated market, LSE does not have clearing capabilities. All trades on LSE are novated to LCH.

176. *Responsibilities and Staff*

With respect to how the FCA intends to meet its objectives, including from a resources and staff standpoint, the FCA has published its business plan 2015/2016, which can be accessed here: <http://www.fca.org.uk/static/documents/corporate/business-plan-2015-16.pdf>

(2) A description of and, where applicable, copies of the laws, rules, regulations and policies applicable to:

(i) The authorization, licensure or registration of the foreign board of trade.

Response:

177. LSE is a UK RIE and, as such, is considered an exempt person under section 285 of FSMA (Exemption for recognized investment exchanges and clearing houses). Attached as **Exhibit A-7-I** is an excerpt of the FCA Financial Services Register which confirms LSE’s status as a RIE. As an RIE, LSE is required to comply with a set of recognition requirements which are set forth, with FCA Guidance, in the REC section of the FCA Handbook. A copy of the FCA Handbook is attached as **Exhibit A-5-III-B**.

(ii) The regulatory regime/authority’s program for the ongoing supervision and oversight of the foreign board of trade and the enforcement of its trading rules.

Response:

178. The FCA regulates the LSE as a RIE. Its regulatory objectives are codified in FSMA (see **Exhibit F-1**). The FCA operates a yearly firm evaluation review of the LSE (and, more broadly, the LSEG). Through this firm evaluation, as applied to RIEs, the FCA identifies any risks posed to its statutory objectives by the operations of the RIE, considers their likelihood and, if necessary, sets a risk mitigation programme for the entity.

179. The firm evaluation is complemented by a relationship management system.

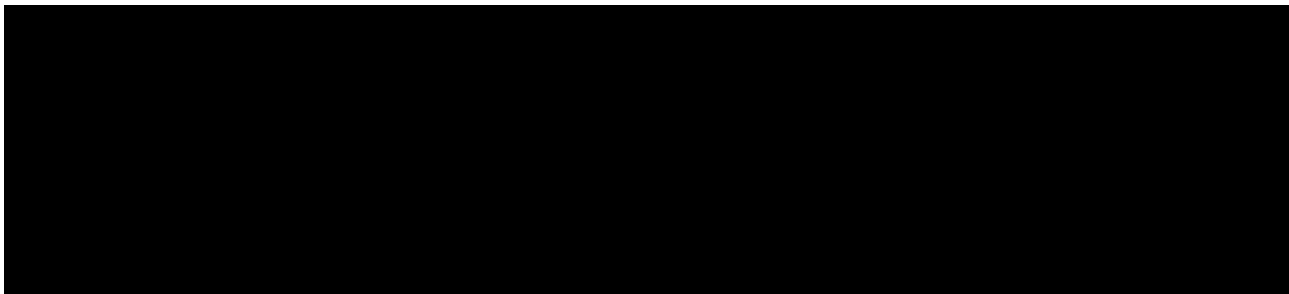
180. In addition to firm evaluation and regular meetings, the FCA is kept informed by various reports and notifications a RIE is required to submit (including financial submissions). In

this respect, LSE has to comply with certain notification obligations as specified in part 3 of REC.

181. In addition, the FCA conducts regular thematic reviews and could resort to, if deemed necessary, a skilled persons report (Section 166 of FSMA), which grants the FCA the authority to commission reviews by Skilled Persons¹³. These powers can be used by the FCA to obtain an independent view of aspects of a firm's activities that cause concern to the FCA or where the FCA requires further analysis. Please refer to Supervision ("SUP") section of the FCA Handbook for an overview and brief description of these regulatory tools.

182. In the process, the FCA could direct the firm to take corrective action, but could also decide to discipline the firm. For a description of the disciplinary processes and penalties the FCA could impose, please refer to the Decision Procedure and Penalties Manual ("DEPP") section of the FCA Handbook.

183. LSE Derivatives keeps a close and continuous relationship with the FCA: it informs the FCA of relevant business initiatives, including as required under its notification obligations¹⁴, and may seek a letter of non-objection for certain initiatives.



(iii) The financial resource requirements applicable to the authorization, licensure or registration of the foreign board of trade and the continued operations thereof.

Response:

185. REC 2.3.1 requires LSE to have financial resources sufficient for the proper performance of its relevant functions as a UK RIE. The FCA has set guidance on how LSE should comply with this requirement in REC 2.3.3 – 2.3.22.

¹³ The FCA Handbook Glossary defines "skilled person" as "a person appointed to make a report required by section 166 (Reports by skilled persons) or section 166A (Appointment of skilled person to collect and update information) of the Act for provision to the appropriate regulator and who must be a person: (a) nominated, approved or appointed by the appropriate regulator; and (b) appearing to the appropriate regulator to have the skills necessary to make a report on the matter concerned," available at <http://fshandbook.info/FS/html/FCA/Glossary/S>.

¹⁴ For example FCA Handbook, REC 3.14.

Response:

187. In July 2011, the International Monetary Found (“IMF”) completed a detailed assessment of the implementation of the IOSCO Objectives and Principles of Securities Regulation by the United Kingdom. In the final report, the IMF recognized that the U.K.’s supervisory framework demonstrates a very high level of compliance with the IOSCO Principles of Securities Regulation and is well placed to manage the challenging task of supervising U.K.’s deep and complex markets and associated activities¹⁵. In particular, the IMF noted the success of the FSA’s enhanced enforcement program, which has delivered a credible deterrence to improper market behaviour.

(v) The extent to which the regulatory regime/authority reviews and/or approves the trading rules of the foreign board of trade prior to their implementation.

Response:

188. REC 2.14 sets out certain obligations on LSE in relation to consultation with member firms on changes to the trading or other rules. Furthermore, LSE is required to notify the FCA of rule changes prior to their implementation¹⁶ and the FCA has the power to disallow rule changes. As a matter of course, the LSE discusses substantive rule changes with the FCA in advance of adopting such rule changes.

(vi) The extent to which the regulatory regime/authority reviews and/or approves futures, option or swap contracts prior to their being listed for trading.

Response:

189. LSE keeps a close and continuous relationship with the FCA. It informs the FCA of relevant business initiatives and may seek a letter of non-objection for some of them. Where LSE Derivatives, as part of a UK RIE, proposes to admit to trading futures or swap contracts or types of security or types of options in relation to a security, it is required to notify the FCA¹⁷. LSE Derivatives discusses substantive product initiatives with the FCA

¹⁵ United Kingdom: IOSCO Objectives and Principles of Securities Regulation: Detailed Assessment of Implementation, July 2011. <http://www.imf.org/external/pubs/ft/scr/2011/cr11232.pdf>

¹⁶ FSMA s293(5) and FCA Handbook, REC 3.26.

¹⁷ See, for example, FCA Handbook, REC 3.14.

and may be required to provide the FCA with information such as a description and business rationale of the new initiatives, a regulatory analysis, contract specifications and proposed changes (if needed) to the Rules.

(vii) The regulatory regime/authority's approach to the detection and deterrence of abusive trading practices, market manipulation, and other unfair trading practices or disruptions of the market.

Response:

190. Section 123 of FSMA gives the FCA the power to impose unlimited "civil" fines on individuals and firms that commit market abuse. The market abuse regime applies to both authorized firms and unauthorized persons, including customers and end-users of the market. The regime also applies to persons outside the UK if their conduct is capable of affecting markets or investment traded within the UK.

191. FSMA 2000 defines market abuse in very broad terms, and the definition applies to seven major types of abusive conduct:

- Insider dealing;
- Improper disclosure;
- Misuse of information;
- Manipulating transactions;
- Manipulating devices;
- Dissemination of information likely to give a false or misleading impression; and
- Conduct likely to distort or mislead the market.

192. The market abuse regime supplements (but is not co-extensive with) the criminal offences of insider dealing (Part 5 of the Criminal Justice Act 1993; see **Exhibit A-5-IV**) and market manipulation (sections 89 to 95 of the Financial Services Act 2012 which has repealed section 397 of FSMA).

193. The FCA has issued further guidance to determine if a certain behavior amounts to market abuse in the Code of Market Conduct ("MAR") of the FCA Handbook¹⁸.

194. Furthermore, under REC, LSE is required to ensure that:

- Trading on its facilities is conducted in a fair and orderly manner, and so as to afford proper protection to investors (see REC 2.6.1); and
- Appropriate measures are adopted, including the monitoring of transactions effected on the UK RIE, to reduce the extent to which the UK RIE's facilities can be used for a purpose connected with market abuse or financial crime, and to facilitate their detection and monitor their incidence (see REC 2.10).

¹⁸ FCA Handbook, MAR 1.

(3) A description of the laws, rules, regulations and policies that govern the authorization and ongoing supervision and oversight of market intermediaries who may deal with members and other participants located in the United States participants, including:

Response:

195. The following responses cover the arrangements applicable in the United Kingdom for market intermediaries. These arrangements are largely derived from EU financial services directives and, as such, similar arrangements will be in place in other EU member states.

(i) Recordkeeping requirements.

Response:

196. *Types of records to be retained*

Under section 9 of the Senior Management Arrangements, Systems and Controls (“SYSC”) section of the FCA Handbook, a firm must arrange for records to be kept of its business and internal organization, including all services and transactions undertaken by it, which must be sufficient to enable the regulator or any other relevant competent authority under the EU Commission Directive 2004/39/EC (“MiFID” or “MiFID Directive”) and European Parliament and Council Directive 2009/65/EC (“UCITS Directive”) to monitor the firm’s compliance with the requirements under the regulatory system, and in particular to ascertain that the firm has complied with all obligations with respect to clients.

197. The ESMA Guidelines provide additional requirements regarding document retention. A list of recommended minimum records is available on the ESMA website.

198. *Length of retention*

Record must be kept in relation to MiFID business for at least five years. These records must be maintained in a medium that allows the storage of information in a way accessible for future reference by the regulator or any other relevant competent authority under MiFID and so that the following conditions are met:

- The record is able to be reconstituted into each key stage of the processing of each transaction;
- It must be possible for any corrections to amendments, and the contents of the records prior to such corrections and amendments, to be easily ascertained; and
- It must not be possible for the records otherwise to be manipulated or altered.

199. For non-MiFID business, under SYSC 9.1.5G, a firm should have appropriate systems and controls in place with respect to the adequacy of, access to, and the security of its records so that the firm may fulfil its regulatory and statutory obligations. With respect to retention periods, the general principle is that records should be retained for as long as is relevant for the purposes for which they are made.

(ii) The protection of customer funds.

Response:

200. The rules relating to the custody and safeguarding of client money and client assets are contained in CASS. The full list of these requirements can be accessed here: <http://www.fshandbook.info/FS/html/FCA/CASS>
201. Among the key provisions, CASS 6 contains the custody rules that apply when a firm holds financial instruments for a client in the course of MiFID business and when it is safeguarding and administering investments in the course of non-MiFID business. This rule includes an obligation for such firms to:
- Make adequate arrangements so as to safeguard clients' ownership rights, especially in the event of the firm's insolvency, and to prevent the use of safe custody assets belonging to a client on the firm's own account except with the client's express consent (see CASS 6.2.1); and
 - Introduce adequate organisational arrangements to minimise the risk of the loss or diminution of clients' safe custody assets, or the rights in connection with those safe custody assets, as a result of the misuse of the safe custody assets, fraud, poor administration, inadequate record-keeping or negligence (see CASS 6.2.2).
202. Another key provision is CASS 7, which provides for client money rules. According to this provision, firms must take the necessary steps to ensure that client money deposited in accordance with the requirement of CASS 7.4.1 – Depositing client money is held in a account or accounts identified separately from any accounts used to hold money belonging to the firm. CASS 7.4.1 states that a firm, on receiving any client money, must promptly place this money into one or more accounts opened with any of the following: (i) a central bank; (ii) a Banking Co-ordination Directive credit institution; (iii) a bank authorized in a third country; and (iv) a qualifying money market fund. Firms that do not deposit client money with a central bank must exercise all due skill, care and diligence in the selection, appointment and periodic review of the credit institution, bank or qualifying money market fund where the money is deposited, and the arrangements for the holding of this money.
203. Other requirements include internal and external reconciliation requirements for clients assets (CASS 6.5) and client money (see CASS 7.6); and rules on prime brokerage (see CASS 9) and resolution (see CASS 10).
204. Finally, for all FCA-regulated firms holding client money and/or assets, a firm must appoint a CASS operational oversight approved person controlled function (also referred to as “CF10a”).
- (iii) Procedures for dealing with the failure of a market intermediary in order to minimize damage and loss to investors and to contain systemic risk.

Response:

205. Several procedures exist in the UK for dealing with a failure of a market intermediary.
206. The Banking Act 2009 created a Special Resolution Regime (“SRR”) which gives the UK authorities (the Treasury, the Bank of England, the PRA and the FCA) a permanent framework providing tools for dealing with failing UK banks and building societies. The SRR gives the Bank of England a key role in implementing a resolution using the statutory resolution tools. The SRR powers are carried out by the Special Resolution Unit (http://www.bankofengland.co.uk/financialstability/Pages/role/risk_reduction/srr/Special-Resolution-Unit.aspx) which leads in the work required to select and implement a resolution tool.
207. The SRR powers allow authorities to:
- Transfer of all or part of a bank to a private sector purchaser;
 - Transfer of all or part of a bank to a bridge bank owned by the Bank of England pending a future sale; and
 - Transfer of a bank, or a bank holding company, into temporary public ownership.
208. The Banking Act also provides for two new insolvency procedures for failing banks: the bank insolvency procedure (which is designed to allow for rapid payments to Financial Services Compensation Scheme (“FSCS” – see description below) insured depositors or transfer of their accounts to a healthy bank) and the bank administration procedure (which is used to deal with a part of a bank that is not transferred and is instead put into administration). The SRR gives the authorities the power to apply to put a bank into the Bank Insolvency Procedure or apply for the use of the Bank Administration Procedure.
209. The Treasury has consulted on mechanisms available for dealing with the failure of systemically important non-bank in August 2012. This consultation regarded investment firms and parent undertakings, CCPs, non-CCP financial market infrastructure and insurers. The Treasury implemented certain of its proposals through the Financial Services Act 2012, which amends the Banking Act 2009 to extend the special resolution regime introduced for banks to systemically important investment firms, parent undertakings and CCPs.
210. With respect to investor compensation, FSMA originally created the FSCS. The FSCS implements the UK’s obligations under various EU Directives and is designed to provide compensation to depositors, investors and policyholders where a regulated firm is unable to meet its obligations. No protection is provided in respect of un-authorised firms unlawfully engaging in regulated activities. Although there is a single compensation scheme, the level of coverage varies depending on the type of business engaged in. The FSCS is funded by the financial services industry. Broad powers exist to determine the FSCS funding, including the level of levies paid by firms carrying on different classes of regulated activities (see section 214 of FSMA). Compensation is, broadly speaking, available to private individuals and small businesses. Rules regarding eligibility under, and levies for, the FSCS are detailed in the Compensation section of the FCA Handbook.
211. *LSE and LCH Risk Management Protocols*

LSE Derivatives requires that members maintain the necessary clearing arrangements either directly with LCH or a GCM acting on their behalf (see **Exhibit B-1**).

212. In accordance with Rule 1.1.10 of the LSE Derivatives Rules, where LSE Derivatives has reason to believe that a member firm is not conducting, or may not conduct, its operations in a business like manner, and that requirements or restrictions are reasonably necessary to ensure that it does so, LSE Derivatives may at any time suspend, either in full or in part, the member firm's membership of LSE Derivatives or its access to any of the LSE's services.
213. In the event that either LSE Derivatives or LCH decides to suspend a member, LSE Derivatives will take appropriate action to exclude the member from further participation in trading in eligible products until the member satisfies LCH and LSE Derivatives that it has made alternative arrangements to satisfy the requirements and obligations that have been breached.
214. LCH may declare a clearing member in default if it breaches any of the terms of the clearing house rulebook, any of its regulatory requirements or following the commencement of insolvency proceedings. In accordance with Rules 7.1.9 and 7.1.10 of the Rules, member firms are responsible for settling trades executed on LSE Derivatives and are bound by the rules and procedures of the designated clearing house in the event of a settlement default. Where a designated clearing house declares a member firm to be a defaulter, LSE Derivatives shall terminate the membership of that firm. In the event that the designated clearing house ceases to accept registered contracts or suspends its services, LSE Derivatives will suspend trading on the derivatives market.
- (4) A description of the regulatory regime/authority's inspection, investigation and surveillance powers; and the program pursuant to which the regulatory regime/authority uses those powers to inspect, investigate, and enforce rules applicable to the foreign board of trade.

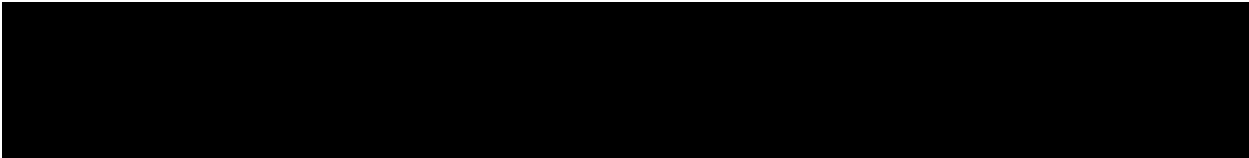
Response:

215. See Exhibit F-2-II.

- (5) For both the foreign board of trade and the clearing organization (unless addressed in Supplement S-1), a report confirming that the foreign board of trade and clearing organization are in regulatory good standing, which report should be prepared subsequent to consulting with the regulatory regime/authority governing the activities of the foreign board of trade and any associated clearing organization. The report should include:
- Confirmation of regulatory status (including proper authorization, licensure and registration) of the foreign board of trade and clearing organization;
 - Any recent oversight reports generated by the regulatory regime/authority that are, in the judgment of the regulatory regime/authority, relevant to the foreign board of trade's status as a registered foreign board of trade;
 - Disclosure of any significant regulatory concerns, inquiries or investigations by the regulatory regime/authority, including any concerns, inquiries or investigations

with regard to the foreign board of trade's arrangements to monitor trading by Members or other participants located in the United States or the adequacy of the risk management controls of the trading or of the clearing system; and

- A description of any investigations (formal or informal) or disciplinary actions initiated by the regulatory regime/authority or any other self-regulatory, regulatory or governmental entity against the foreign board of trade, the clearing organization or any of their respective senior officers during the past year.



(6) For both the foreign board of trade and the clearing organization (unless addressed in Supplement S-1), a confirmation that the regulatory regime/authority governing the activities of the foreign board of trade and the clearing organization agree to cooperate with a Commission staff visit subsequent to submission of the application on an "as needed basis," the objectives of which will be to, among other things, familiarize Commission staff with supervisory staff of the regulatory regime/authority; discuss the laws, rules and regulations that formed the basis of the application and any changes thereto; discuss the cooperation and coordination between the authorities, including, without limitation, information sharing arrangements; and discuss issues of concern as they may develop from time to time (for example, linked contracts or unusual trading that may be of concern to Commission surveillance staff).

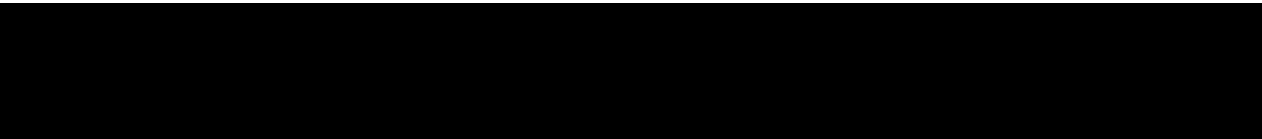
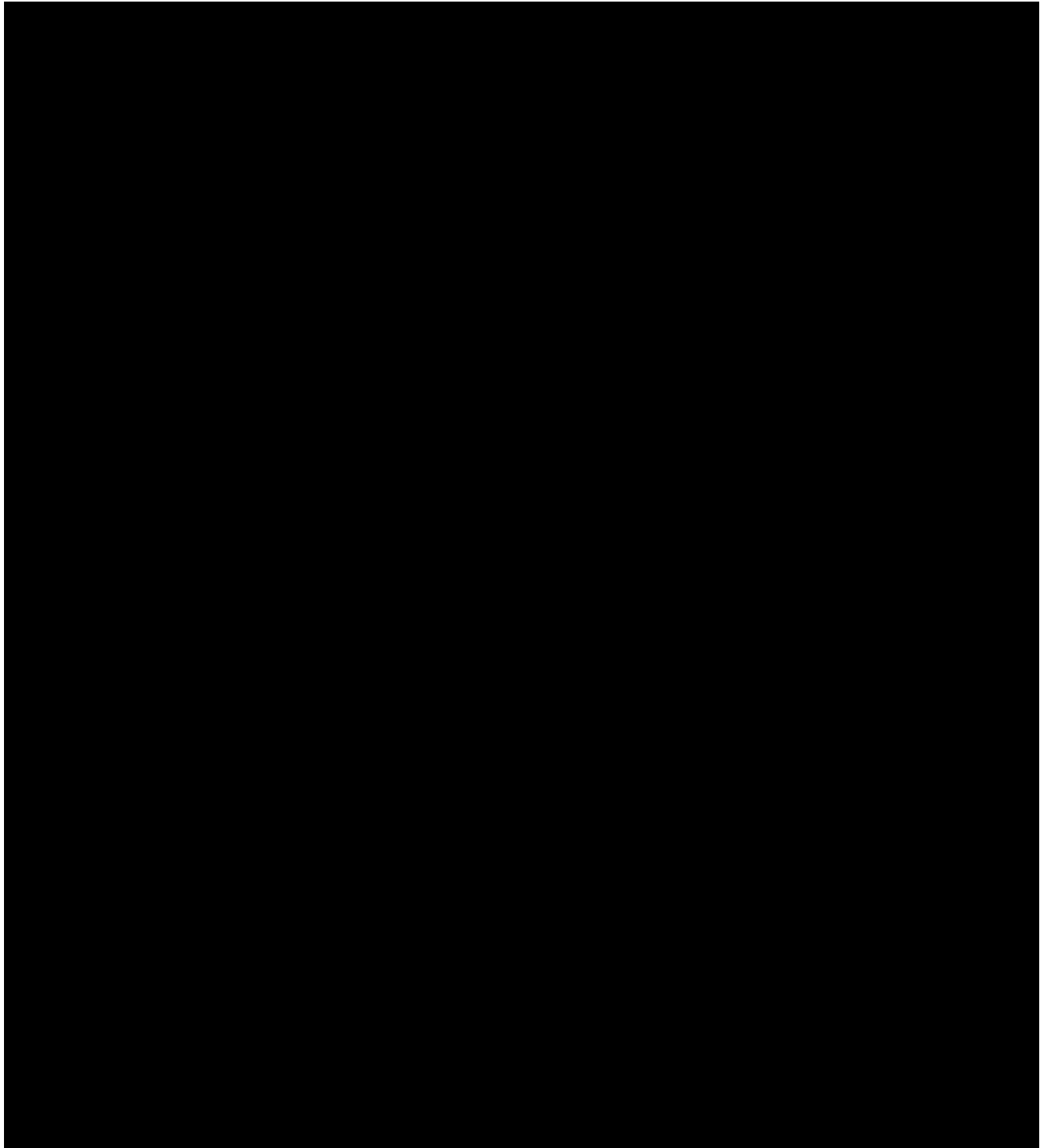


EXHIBIT G – THE RULES OF THE FOREIGN BOARD OF TRADE AND ENFORCEMENT THEREOF

Attach, as **Exhibit G-1**, the following:

A description of the foreign board of trade’s regulatory or compliance department, including its size, experience level, competencies, duties and responsibilities.





Attach, as **Exhibit G-2**, the following:

A description of the foreign board of trade's trade practice rules, including but not limited to rules that address the following –

- (1) Capacity of the foreign board of trade to detect, investigate, and sanction persons who violate foreign board of trade rules.

Response:

223. The Rules provide for the power of the LSE to investigate and commence disciplinary action against its members and to impose sanctions. In particular, Rule 1.1.39 provides for the capacity of the LSE to request information and conduct interviews of member firms.

224. Full details on disciplinary proceedings and the power to impose sanctions are included in the Compliance Procedures section of the Rules.

- (2) Prohibition of fraud and abuse, as well as abusive trading practices including, but not limited to, wash sales and trading ahead, and other market abuses.

Response:

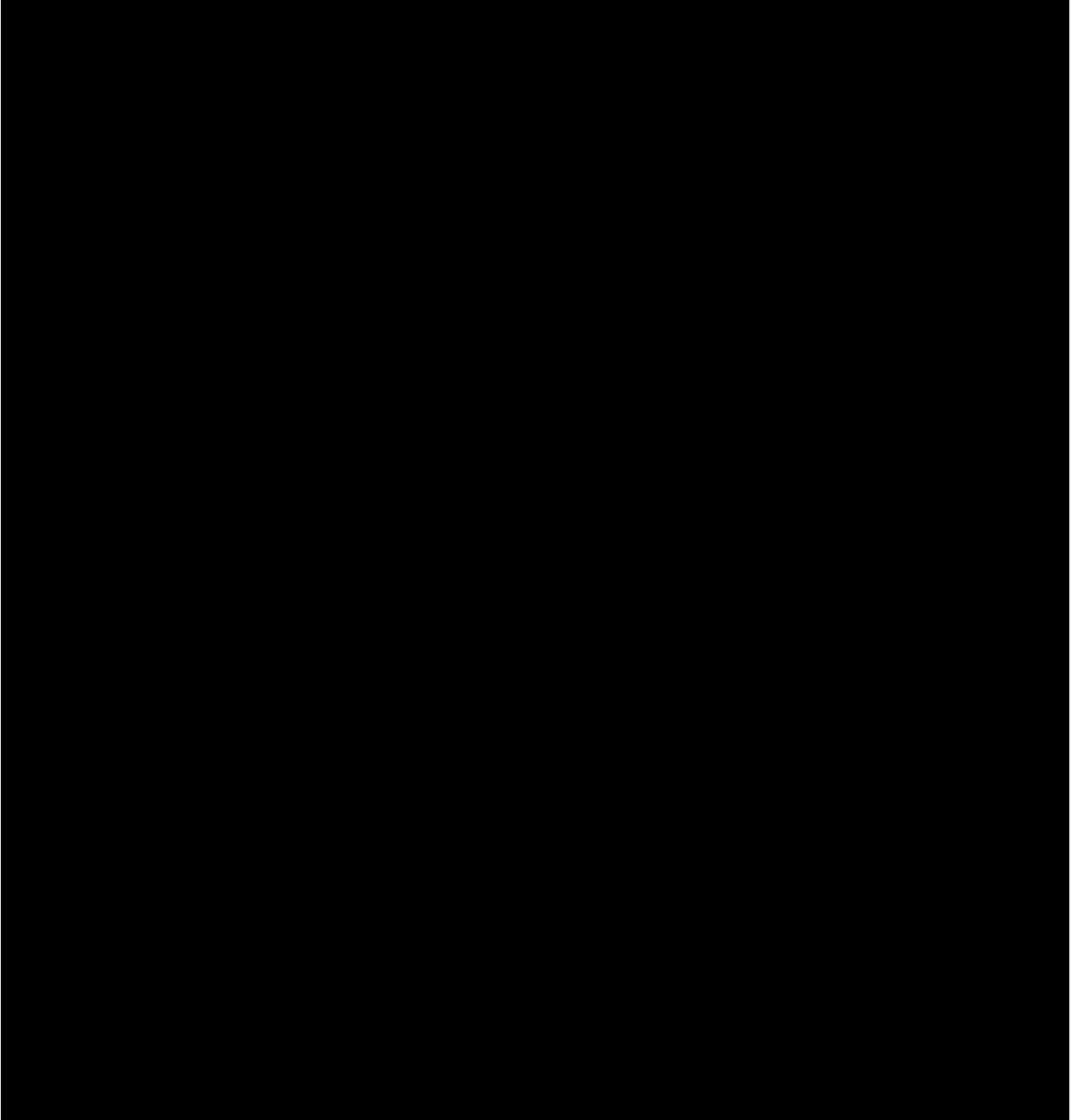


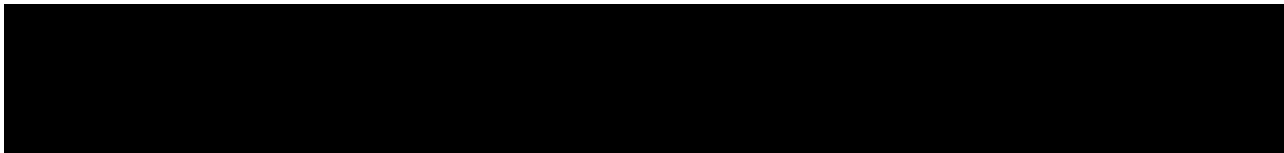
226. The Rules set forth market conduct rules (see, e.g., 1.3.1-1.3.8) governing matters relating to market manipulation as well as order submission and collusion. One such rule, Rule 1.3.1, provides that a member firm shall not:

- Do any act or engage in any course of conduct which creates or is likely to create a false or misleading impression as to the market in, or the price or value of, any contract;
- Cause a fictitious trade or a false price to be input into LSE Derivatives systems;
- Effect a trade at any price which differs to an unreasonable extent from any firm price displayed on the trading system in that contract, or the theoretical fair value for tailor-made contracts;


- Do any act or engage in any course of conduct which is likely to damage the fairness or integrity of LSE Derivatives; or
- Do any act or engage in any course of conduct which causes, or contributes to, a breach of these rules by another member Firm.

(3) A trade surveillance system appropriate to the foreign board of trade and capable of detecting and investigating potential trade practice violations.

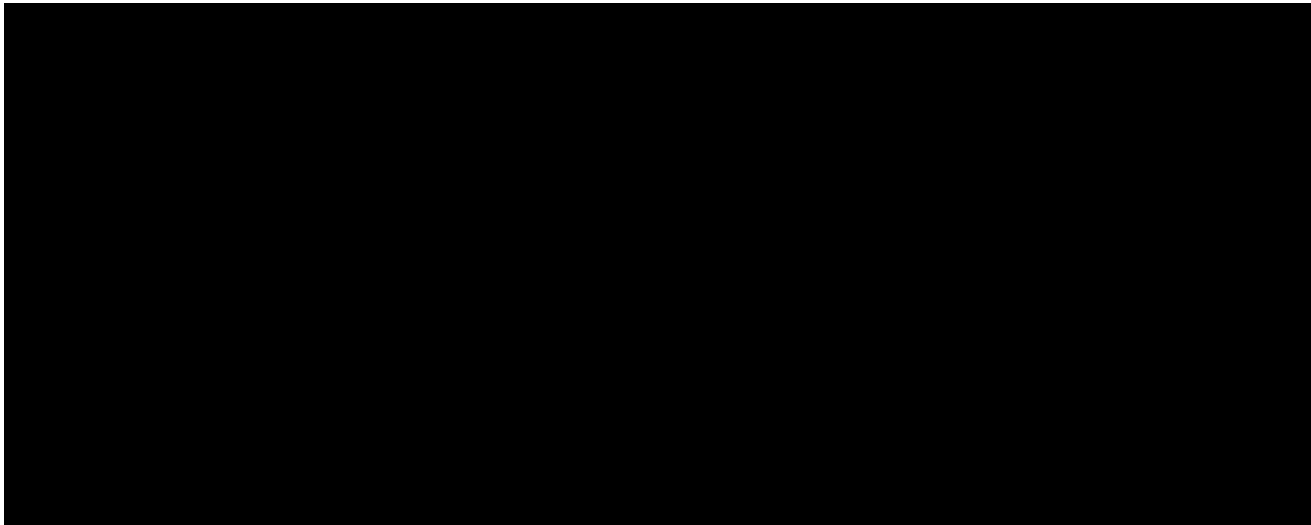




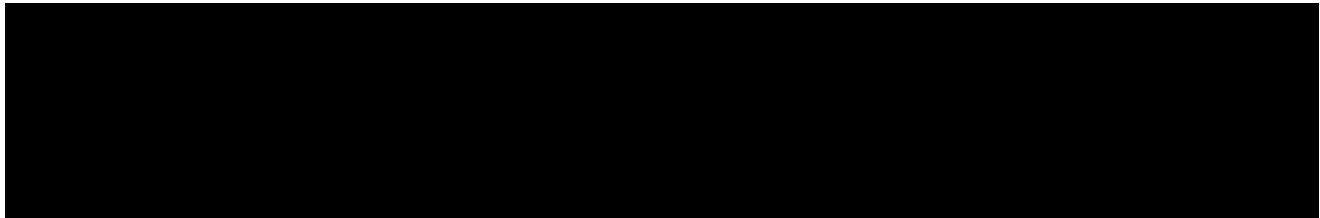
(4) An audit trail that captures and retains sufficient order and trade-related data to allow the compliance staff to detect trading and market abuses and to reconstruct all transactions within a reasonable period of time.

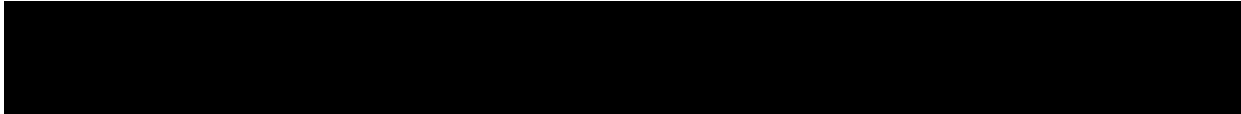


(5) Appropriate resources to conduct real-time supervision of trading.

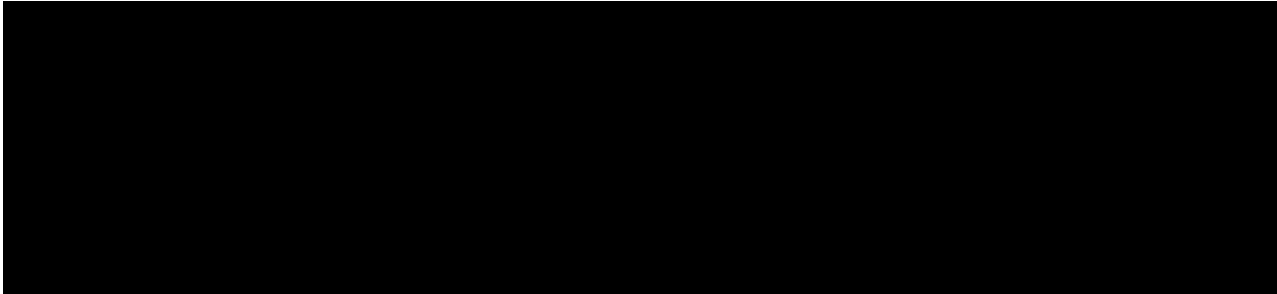


(6) Sufficient compliance staff and resources, including those outsourced or delegated to third parties, to fulfill regulatory responsibilities.

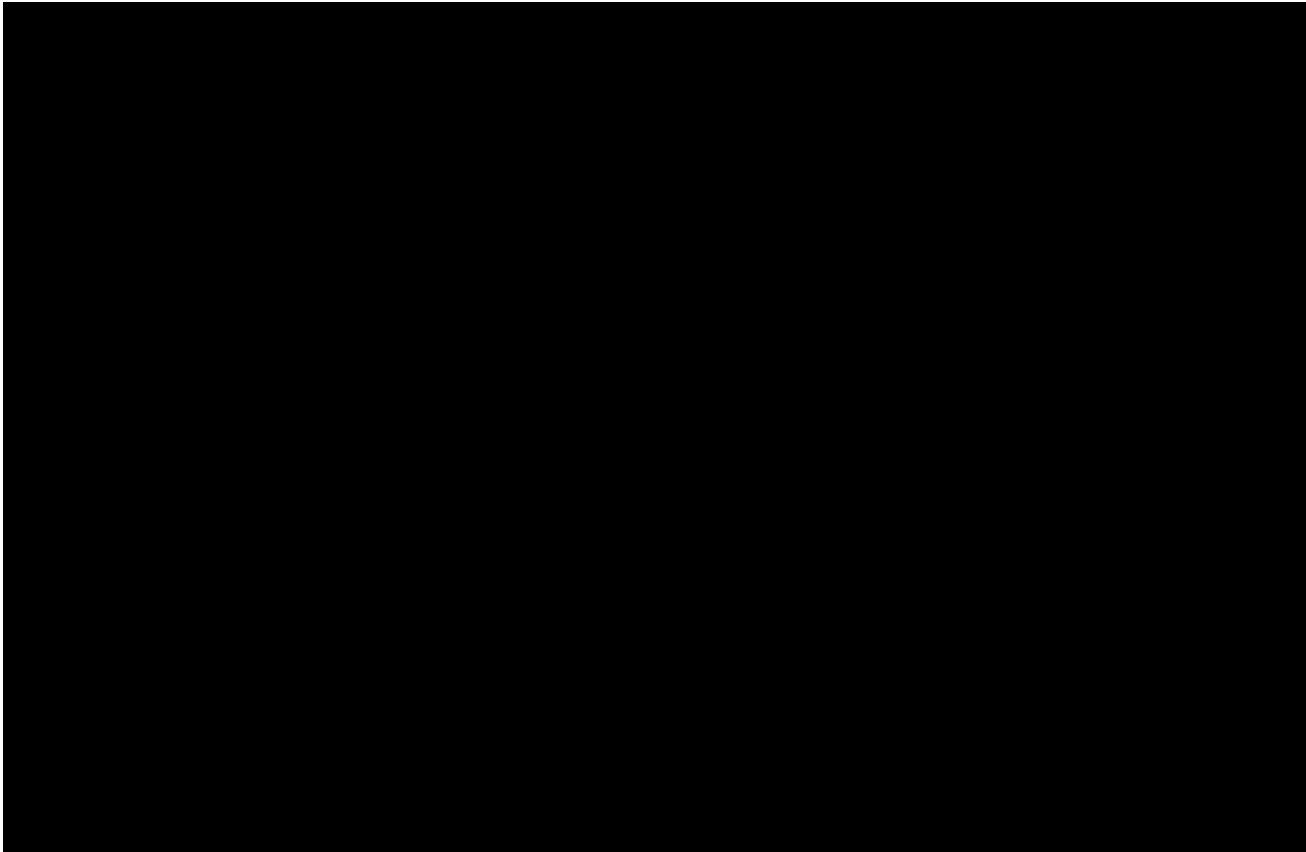




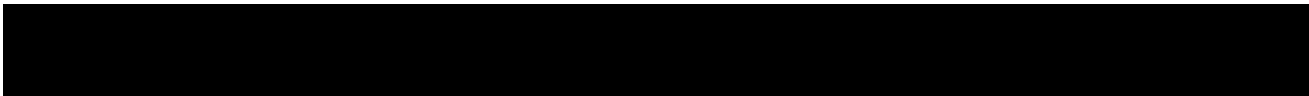
(7) Rules that authorize compliance staff to obtain, from market participants, information and cooperation necessary to conduct effective rule enforcement and investigations.




(8) Staff investigations and investigation reports demonstrating that the compliance staff investigates suspected rule violations and prepares reports of their finding and recommendations.



(9) Rules determining access requirements with respect to the persons that may trade on the foreign board of trade, and the means by which they connect to it.





(10) The requirement that market participants submit to the foreign board of trade's jurisdiction as a condition of access to the market.



Attach, as **Exhibit G-3**, the following:

A description of the foreign board of trade's disciplinary rules, including but not limited to rules that address the following –

(1) Disciplinary authority and procedures that empower staff to recommend and prosecute disciplinary actions for suspected rule violations and that provide the authority to fine, suspend, or expel any market participant pursuant to fair and clear standards.

Response:

240. The Compliance Procedures section of the Rules states that where LSE believes there has been a breach of the Rules by a member firm, LSE may commence disciplinary action against such member firm. LSE may impose a fixed penalty, issue a warning notice and/or refer disciplinary matters to either the LSE Executive Panel or the Disciplinary Committee (both of which are described in more detail below). In appropriate cases (including where a greater sanction than the Executive Panel is authorised to impose is deemed appropriate by the Executive Panel), the Executive Panel may refer the case to the Disciplinary Committee. Among the available sanctions available, the Disciplinary Committee may expel any market participant.

241. There are a number of factors which LSE takes into account when considering what disciplinary action to take in relation to a rule breach. These are set out below:

- The seriousness, size and nature of the rule breach;
- How the rule breach came to light;
- The actual or potential market impact of the rule breach, and any other repercussions;
- The extent to which the rule breach was deliberate or reckless;

- The general compliance history of the member firm, and specific history regarding the rule breach in question;
- Consistent and fair application of the rules (any precedents of previous similar rule breaches); and
- The responsiveness and conduct of the member firm in relation to the matter under investigation.

242. LSE's approach to regulation is aimed at maintaining the integrity, orderliness, transparency and good reputation of its markets and changing member firms' behaviour in those markets where necessary. LSE will investigate the facts of each case, seeking to understand why the rule breach occurred and will assess whether any remedial action the member firm has taken is adequate to prevent similar future occurrence.

243. The Executive Panel is a panel comprised of appropriately experienced senior LSE staff. The procedures followed by the Executive Panel are set out in Rules 8.2.1 to 8.2.34. The Executive Panel also considers appeals against fixed penalties. Any final decision of the Executive Panel may be appealed to the Appeals Committee. There is however no appeal against a decision to refer a matter to the Executive Panel or the Disciplinary Committee. There is also no appeal against a decision where the reversal of that decision would lead to market instability or disorder (e.g. there is no appeal against the Exchange's decision to halt trading in a stock where the halt has been invoked to safeguard the integrity of the market in that stock).

244. The Disciplinary Committee is drawn from a pool of appropriately experienced (non-LSE) persons and its members are appointed by the Exchange. The Disciplinary Committee may impose a wider range of sanctions than the Executive Panel and has discretion to publicise its findings. Any final decision of the Disciplinary Committee may be appealed to the Appeals Committee.

245. The Appeals Committee is also drawn from a pool of appropriately experienced (non-LSE) persons and hears appeals against the findings of both the Executive Panel and the Disciplinary Committee. The procedures followed by the appeals committee are set out in rules 8.4.1 to 8.4.35. The appeals committee may uphold, quash or vary any decision it is asked to consider.

246. Members of the Disciplinary and Appeals Committee must notify the Secretary or the Chairman of any possible conflict of interest at the earliest opportunity and before the hearing. If any party to the disciplinary proceedings believes that a potential conflict of interest exists, it shall also notify the Chairman at the earliest opportunity. In both cases, the Chairman will take appropriate action.

247. Full details regarding procedures and sanctions available to LSE staff are given in the Rules (Rules 8.1.1. to 8.5.4). A summary of the disciplinary process operated by the LSE is provided below:

Process	Normal use	Constitution	Appellate body
Warning Notices	• Rule breaches	(no hearing)	
Fixed penalties	• Rule breaches where a fixed penalty notice is in issue	(no hearing)	Executive Panel
Executive Panel	•Disciplinary matters •Appeals against fixed penalties	Senior Exchange staff	Appeals Committee
Disciplinary Committee	•Disciplinary matters	Appropriately experienced (non-Exchange) persons	Appeals Committee
Appeals Committee	•Disciplinary appeals against Executive Panel findings •Disciplinary appeals against Disciplinary Committee findings	Appropriately experienced (non-Exchange) persons	

(2) The issuance of warning letters and/or summary fines for specified rule violations.

Response:

248. As specified in the Rules, LSE may issue warning notices. The Rules do not refer to specific rule violations for which warning notices may be issued.

249. The table below summarises the sanctions available to the Exchange for any breach of these rules.

Process	Available sanctions	Appellate body
Warning Notices	• May stipulate corrective action required • Formal record of action for member firm's case history	
Fixed Penalty	• As set out in any applicable fixed penalty notice	Executive Panel
Executive Panel	One of: • Private censure • Fine up to £50,000 per breach • Referral to Disciplinary Committee	Appeals Committee
Disciplinary Committee	One or more of: • Private censure • Public censure • Unlimited fine • Suspension of activities • Restitution • Expulsion from membership	Appeals Committee
Appeals Committee	Executive Panel referrals: • Any sanction available to the Executive Panel	
	Disciplinary Committee referrals: • Any sanction available to the Disciplinary Committee	

250. Rule 8.1.5 provides for the definition of a fixed penalty. A fixed penalty notice would be used in cases where the behaviour of the member was not egregious enough to warrant referral to the Executive Panel, but serious enough for LSE to consider warranting some form of penalty. This may be used in cases where the behaviour of the member is not likely to have a serious market impact and does not pose a significant risk to the integrity of the market (e.g. minor trade reporting issues). There is no tariff of fixed penalties as the size of the penalty would be based on the circumstances of each case and would be determined by Market Supervision and senior management from UK Regulation. The size of any fixed penalty would also likely to be considerably less than the £50,000 limit that may be imposed by the Executive Panel and would be based on precedents to ensure consistency of application.

(3) The review of investigation reports by a disciplinary panel or other authority for issuance of charges or instructions to investigate further, or findings that an insufficient basis exists to issue charges.

Response:

251. The LSE’s approach to regulation is aimed at maintaining the integrity, orderliness, transparency and good reputation of its markets and changing member firms’ behaviour in those markets where necessary. LSE will investigate the facts of each case, seeking to understand why the rule breach occurred and will assess whether any remedial action the member firm has taken is adequate to prevent similar future occurrence. When appropriate, LSE Derivatives will refer a case to the FCA.

252. There are different processes available depending upon the type of penalty to be imposed. Full details are given in the Rules (Rules 8.1.1. to 8.5.4). A summary of the disciplinary process operated by the LSE is provided below:

Process	Normal use	Constitution	Appellate body
Warning Notices	• Rule breaches	(no hearing)	
Fixed penalties	• Rule breaches where a fixed penalty notice is in issue	(no hearing)	Executive Panel
Executive Panel	•Disciplinary matters •Appeals against fixed penalties	Senior Exchange staff	Appeals Committee
Disciplinary Committee	•Disciplinary matters	Appropriately experienced (non-Exchange) persons	Appeals Committee
Appeals Committee	•Disciplinary appeals against Executive Panel findings •Disciplinary appeals against Disciplinary Committee findings	Appropriately experienced (non-Exchange) persons	

(4) Disciplinary committees of the foreign board of trade that take disciplinary action via formal disciplinary processes.

Response:

Please see response in **Exhibit G-3-1**.

(5) Whether and how the foreign board of trade articulates its rationale for disciplinary decisions.

Response:

253. LSE articulates the rationale for its decisions and notifies the parties in writing in accordance with Rules 8.2.28 (decision of Executive Panel), 8.3.34 (decision of Disciplinary Committee) and 8.4.31 (decision of Appeal Committee) of the Rules.

(6) The sanctions for particular violations and a discussion of the adequacy of sanctions with respect to the violations committed and their effectiveness as a deterrent to future violations.

Response:

254. Please see the response to **Exhibit G-3-1, G-3-2 and G-3-5** above.

Attach, as **Exhibit G-4**, the following:

A description of the market surveillance program (and any related rules), addressing the following –

The dedicated market surveillance department or the delegation or outsourcing of that function, including a general description of the staff; the data collected on traders' market activity; data collected to determine whether prices are responding to supply and demand; data on the size and ownership of deliverable supplies; a description of the manner in which the foreign board of trade detects and deters market manipulation; for cash-settled contracts, methods of monitoring the settlement price or value; and any foreign board of trade position limit, position management, large trader or other position reporting system.



EXHIBIT H – INFORMATION SHARING AGREEMENTS AMONG THE COMMISSION, THE FOREIGN BOARD OF TRADE, THE CLEARING ORGANIZATION, AND RELEVANT REGULATORY AUTHORITIES

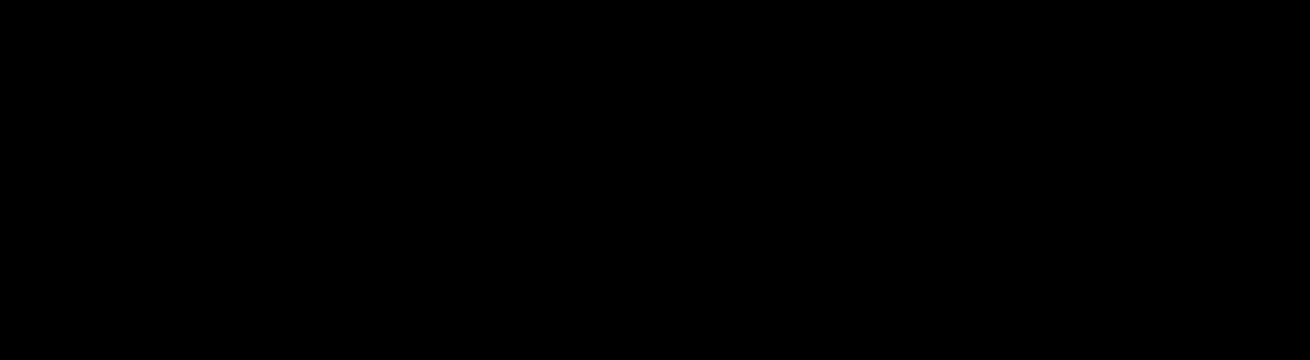
Attach, as **Exhibit H**, the following:

(1) A description of the arrangements among the Commission, the foreign board of trade, the clearing organization, and the relevant foreign regulatory authorities that govern the sharing of information regarding the transactions that will be executed pursuant to the foreign board of trade’s registration with the Commission and the clearing and settlement of those transactions. This description should address or identify whether and how the foreign board of trade, clearing organization, and the regulatory authorities governing the activities of the foreign board of trade and clearing organization agree to provide directly to the Commission information and documentation requested by Commission staff that Commission staff determines is needed:

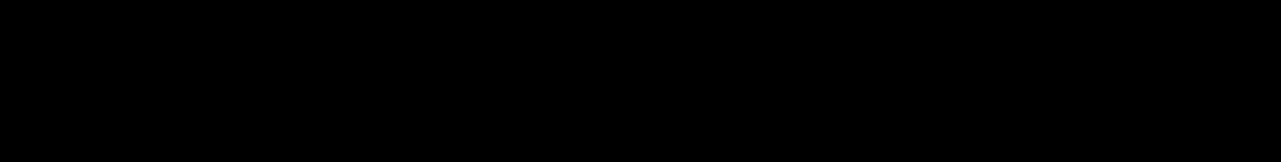
- (i) To evaluate the continued eligibility of the foreign board of trade for registration.
- (ii) To enforce compliance with the specified conditions of the registration.
- (iii) To enable the CFTC to carry out its duties under the Act and Commission regulations and to provide adequate protection to the public or registered entities.
- (iv) To respond to potential market abuse associated with trading by direct access on the registered foreign board of trade.
- (v) To enable Commission staff to effectively accomplish its surveillance responsibilities with respect to a registered entity where Commission staff, in its discretion, determines that a contract traded on a registered foreign board of trade may affect such ability.



257. The Commission and the FSA (predecessor to the FCA) are each parties to the Memorandum of Understanding on Mutual Assistance and Exchange Information, dated September 25, 1991. Furthermore, the FSA and the Commission are each signatories to the Declaration on the Cooperation and Supervision of International Futures Exchanges and Clearing Organizations (“Boca Declaration”) and the IOSCO Multilateral memorandum of Understanding (“MMOU”) Concerning Consultation and Cooperation and the Exchange of Information.



(2) A statement as to whether and how the foreign board of trade has executed the International Information Sharing Memorandum of Understanding and Agreement.



(3) A statement as to whether the regulatory authorities governing the activities of the foreign board of trade and clearing organization are signatories to the International Organization of Securities Commissions Multilateral Memorandum of Understanding. If not, describe any substitute information-sharing arrangements that are in place.

Response:

261. The FSA (predecessor to the FCA) is a signatory to the International Organization of Securities Commissions Multilateral Memorandum of Understanding.

(4) A statement as to whether the regulatory authorities governing the activities of the foreign board of trade and clearing organization are signatories to the Declaration on Cooperation and Supervision of International Futures Exchanges and Clearing Organizations. If not, a statement as to whether and how they have committed to share the types of information contemplated by the International Information Sharing Memorandum of Understanding and Agreement with the Commission, whether pursuant to an existing memorandum of understanding or some other arrangement.

Response:

262. The FSA (predecessor to the FCA) is a signatory to the Declaration on Cooperation and Supervision of International Futures Exchanges and Clearing Organizations.

EXHIBIT I – ADDITIONAL INFORMATION AND DOCUMENTATION

Attach, as **EXHIBIT I**, any additional information or documentation necessary to demonstrate that the requirements for registration applicable to the foreign board of trade set forth in Commission regulation 48.7 are satisfied.

Exhibit Index

Exhibit No.	Description
Exhibit A-2-I	Articles of Association of LSE
Exhibit A-3-I	LSE Membership Application Form
Exhibit A-3-II	Form of LSE Trading Services Agreement
Exhibit A-4	Contract specifications for the FTSE 100 UK Index Futures contract, the FTSE UK Large Cap Super Liquid Index Future contract, and the BIST 30 Index Futures contract
Exhibit A-5-I	Financial Services and Markets Act 2000
Exhibit A-5-II	FSMA (Regulated Activities) Order 2001
Exhibit A-5-III-A	FSMA (Recognition requirements for Investment Exchanges and Clearing Houses) Regulation 2001
Exhibit A-5-III-B	FCA Handbook - Recognized Investment Exchanges Sourcebook (REC)
Exhibit A-5-IV	Criminal Justice Act 2003
Exhibit A-5-V	Proceeds of Crime Act 2002
Exhibit A-6	LSE Derivatives Rulebook
Exhibit A-7-I	FCA Scope of Permission Notice
Exhibit B-2	LSE Market Maker Agreement
Exhibit D-1	LSE Derivatives Trading Service Description
Exhibit D-2	LSE Derivatives Connectivity Guide
Exhibit E-2-I	Commission Certification Letter for the FTSE 100 and FTSE UK SLQ Index Futures
Exhibit E-2-II	Commission Certification Letter for the BIST 30 Index Futures

**COMMODITY FUTURES TRADING COMMISSION
SUPPLEMENT S-1 to FORM FBOT**

**CLEARING ORGANIZATION SUPPLEMENT TO
FOREIGN BOARD OF TRADE APPLICATION FOR REGISTRATION**

LCH.CLEARNET

Name of clearing organization as specified in organizational documents

Aldgate House, 33 Aldgate High Street, London EC3N 1EA

Address of principal executive office

London Stock Exchange plc.

Name of the foreign board of trade on associated Form FBOT

- ✓ If this Supplement S-1 is accompanying a new application for registration, please complete in full and check here.
- ✓ If this Supplement S-1 is an amendment to a pending application for registration, or to a final application that resulted in the issuance of an Order of Registration, please list all items that are amended or otherwise updated and check here.
When appropriate, please attach additional page(s) containing a list and explanatory statement of amendment(s) or update(s).

REGISTERED DERIVATIVES CLEARING ORGANIZATIONS

If the clearing organization is registered with the Commission in good standing as a derivatives clearing organization (DCO), please indicate by checking here:

- ✓ CFTC-registered DCO.
If the clearing organization is registered with the Commission in good standing as a DCO, the clearing organization need not complete the remainder of the Supplement S-1.

GENERAL INFORMATION

1. Name under which the business of the clearing organization will be conducted, if different than name specified above:

2. List of principal office(s) where clearing organization activities are/will be conducted (please use multiple entries, when applicable):

Office (name and/or location): _____

Address: _____

Phone Number: _____
Fax Number: _____
Website Address: _____

3. Contact Information.

3a. Primary Contact for Supplement S-1 (i.e., the person authorized to receive Commission correspondence in connection with this Supplement S-1 and to whom questions regarding the submission should be directed):

Name: _____
Title: _____
Email Address: _____
Mailing Address: _____

Phone Number: _____
Fax Number: _____

3b. If different than above, primary contact at the clearing organization that is authorized to receive all forms of Commission correspondence:

Name: _____
Title: _____
Email Address: _____
Mailing Address: _____

Phone Number: _____
Fax Number: _____

BUSINESS ORGANIZATION

Describe organization history, including date and, if applicable, location of filing of original organizational documentation, and describe all substantial amendments or changes thereto. For example:

[Clearing organization] is a [corporation, partnership, limited liability company, or other applicable organizational designation], having filed its [articles of incorporation, certificate of formation, articles of organization, other applicable organizational formation document] with the [applicable regulatory body] in [city, state/province, country] on [applicable date].

SIGNATURES

By signing and submitting this Supplement S-1, the clearing organization agrees to and consents that the notice of any proceeding before the Commission in connection with the associated foreign board of trade's application for registration or registration with the Commission may be given by sending such notice by certified mail or similar secured correspondence to the persons specified in sections 3a and 3b above.

_____ [Name of the Clearing Organization] has duly caused this Supplement S-1 to be signed on its behalf by the undersigned, hereunto duly authorized, this _____ [Number] day of _____ [Month], _____ [Year].

_____ [Name of the Clearing Organization] and the undersigned represent that all information and representations contained in this Supplement S-1 (and exhibits) are true, current, and complete. It is understood that all information, documentation, and exhibits are considered integral parts of this Supplement S-1. The submission of any amendment to a Supplement S-1 represents that all items and exhibits not so amended remain true, current, and complete as previously filed.

Signature of Chief Executive Officer (or functional equivalent), on behalf of the Clearing Organization

Title

Name of Clearing Organization