

Tab 18

Financial Services Authority

Direct line: +44 207 066 1872
Local fax: +44 207 066 1873
Email: gavin.hill@fsa.gov.uk



The Division of Market Oversight
The Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

3 August 2012

Our Ref:

Your Ref:

Dear Sirs

The London Metal Exchange Limited

Under the CFTC's Foreign Board of Trade ("FBOT") application for registration process (Form FBOT), Exhibit F covers the regulatory regime governing the FBOT in its home country (or countries).

Within Exhibit F there is a requirement to produce a report stating that both the FBOT and the clearing organisation it uses are in regulatory Goodstanding. The report should include:

- i) Confirmation of regulatory status of the FBOT and clearing organisation;
- ii) Any recent oversight reports generated by the regulatory regime/authority that are, in the judgement of the regulatory regime/authority, relevant to the FBOT's status as a registered FBOT;
- iii) Disclosure of any significant regulatory concerns, inquiries or investigations by the regulatory regime/authority, including any concerns, inquiries or investigations with regard to the FBOT's arrangement 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;
- iv) A description of any investigations (formal or informal) of disciplinary actions initiated by the regulatory regime/authority or any other self-regulatory, regulatory or governmental entity against the FBOT, the clearing organisation or any of the respective senior officers during the past year.

This letter is intended to serve the purpose of being that Goodstanding report.

The London Metal Exchange

The London Metal Exchange (“LME”) is recognised as an Investment Exchange in the UK. Every UK Recognised Investment Exchange (“RIE”) has to satisfy the requirements in the Financial Services and Markets Act (Recognition Requirements for Exchanges and Clearing Houses) Regulations 2001, which includes standards of fitness and propriety, at all times, as a condition of Recognition. Detailed requirements are set out in the Recognised Investment Exchanges and Recognised Clearing Houses section of the FSA handbook, which can be found here: <http://fsahandbook.info/FSA/html/handbook/REC> . We consider that the LME satisfies the provisions as required of an RIE and therefore it continues to be recognised.

In line with all High Impact Market Infrastructure Providers, the FSA performs an annual risk assessment on the LME. This covers all aspects of the exchange’s business and operations, and assesses risks that it might pose to the FSA’s statutory objectives. The 2012 review did not raise any issue that puts the LME’s recognised status in jeopardy.

I can also confirm that the FSA does not have any significant or specific regulatory concerns, inquiries or investigations relating to the LME’s ability to monitor its US-based members and users, or more generally, and that the LME or its senior officers have not been subject to any disciplinary actions over the previous year.

The London Metal Exchange’s Clearing Organisation

As you will be aware, the LME uses the London Clearing House (“LCH”) as its nominated clearing house. Alongside being a Recognised Clearing House (“RCH”) in the UK, the LCH also holds a Designated Clearing Organisation (“DCO”) licence in the US under CFTC’s jurisdiction, and so we acknowledge that a report of Goodstanding for that clearing organisation is not required in this case.

Intent to Cooperate

Section 6 of Exhibit F of Form FBOT requires for a statement that the home state regulatory regime/authority governing the activities of the FBOT and clearing organisation agrees to cooperate with a Commission staff visit subsequent to submission of the FBOT application on an “as needed basis” to discuss the application material and ongoing cooperation and coordination between the authorities. Whilst the various MOUs and informal information sharing arrangements in place between the FSA and the CFTC on a variety of topics might appear to cover this, I can confirm that the FSA is content to cooperate, when needed, with regard to the RIE and its FBOT application.

Yours sincerely



Gavin Hill
Manager, Derivative Markets.