

-----Original Message-----

From: Leppard, Marc [mailto:marc.leppard@theipe.com]
Sent: Thursday, March 04, 2004 1:00 PM
To: Adriance, Riva
Cc: Raislerk@Sullcrom.com
Subject: RE: ICE ECE Petition

Riva

Apologies for the delay in responding but I have only just managed to get hold of Ken. From my review of the text - I only picked out a few small changes

1. Footnote 3 final sentence should read - "the clearing **member** providing a guarantee of **financial performance of the contracts** is **authorised** by FSA"
2. Footnote 5 third sentence - "...**Intercontinental** is requesting relief...."
3. On your edited version of the first para on page 1, I would suggest sticking with the first version which is technically the most accurate but I do appreciate your efforts to make this look more positive.

On your questions:

1. Theoretically it is possible but we would query this and would only permit this in exceptional circumstances. There may be some circumstances where as a result of a merger between entities or common ownership between a clearing member and a non-clearing member, we may be faced with a request to permit a common RI between two different companies. As this might cause some confusion for market surveillance purposes, we would only permit this in very exceptional circumstances. To my knowledge, we have not currently permitted a RI to be registered across two companies but prefer them to be de-registered from one company before we register them against another company.
2. My understanding is that the regime is comparable to that for local traders on US exchanges. The exchange is responsible for monitoring the conduct of the traders. You asked about the impact of IPE's monitoring for trading on Intercontinental - by which, I presume, you mean trading on ICE's OTC contracts. The IPE - as you note in the memorandum - will not be monitoring OTC transactions nor I understand do US exchanges monitor the conduct of their locals on OTC exchanges. However, if we were to take disciplinary action against a member - this would be made public through a circular and disclosed to the FSA. The IPE also has the no-action letter in place with the CFTC under which we consent to provide you with certain information - we can agree to let you have a copy of any disciplinary action taken against a local, if you so require.

I hope that this answers your questions and look forward to seeing the final release.

With regards
Marc

-----Original Message-----

From: Adriance, Riva [mailto:radriance@CFTC.gov]
Sent: 01 March 2004 23:51
To: Leppard, Marc
Cc: Raislerk@Sullcrom.com
Subject: ICE ECE Petition

Marc and Ken,

As we have discussed previously, the Commission will publish Intercontinental's request for expansion of the definition of ECE to include IPE brokers and local traders. I have attached the section from a draft Federal Register release that describes Intercontinental's petition and the regulation and oversight of IPE members. Please confirm that the attached explanation/description is correct and/or correct any language that is not.

Questions:

(1) Also, am I correct in believing that a "Responsible Individual" would be registered as a responsible individual for only one member?

(2) The petition notes the comparability of the U.S. and U.K. regulatory schemes for IPE brokers, but does not mention comparability of regulatory oversight of IPE local traders. Instead the petition sets out regulatory oversight of IPE local traders. For example, the petition states: "The IPE actively monitors the activities of Local Members and Individual Participants in relation to their IPE business and has the authority to sanction them in the event of their improper conduct"

Would you say that the oversight of local traders is comparable to oversight of local floor traders in the US?

Would the IPE's monitoring of local traders impact their trading on Intercontinental in any way?

Thank you,
Riva