

Dated: July 2, 1998.

David W. Burke,
Chairman.

[FR Doc. 98-18124 Filed 7-2-98; 3:05 pm]

BILLING CODE 8230-01-M

COMMODITY FUTURES TRADING COMMISSION

Petition of the London Clearing House Limited for Exemption Pursuant to Section 4(c) of the Commodity Exchange Act

AGENCY: Commodity Futures Trading
Commission.

ACTION: Notice of petition for exemption
and request for comment.

SUMMARY: The London Clearing House Limited ("LCH") has submitted a petition dated June 15, 1998 ("Petition") to the Commodity Futures Trading Commission ("Commission") requesting an exemption, pursuant to Section 4(c) of the Commodity Exchange Act ("Act" or "CEA"), in connection with LCH's proposed provision of clearing services for certain swap agreements. The Commission believes that publication of the Petition for comment is in the public interest, will assist the Commission in considering the views of interested persons, and is consistent with the purposes of the Commodity Exchange Act. The Petition also may be accessed on the Commission's Internet web site (<http://www.cftc.gov>) and may be obtained through the Commission's Office of the Secretariat.

DATES: Comments must be received on or before September 8, 1998.

ADDRESSES: Comments should be submitted to Jean A. Webb, Secretary, Commodity Futures Trading Commission, 1155 21st Street, NW, Washington, DC 20581. Comments also may be sent by facsimile to (202) 418-5521 or by electronic mail to secretary@cftc.gov. Reference should be made to the Petition of LCH.

FOR FURTHER INFORMATION CONTACT: Thomas E. Joseph, Division of Trading and Markets, Commodity Futures Trading Commission, 1155 21st Street NW Washington, DC 20581. Telephone number (202) 418-5430.

SUPPLEMENTARY INFORMATION:

I. Background

By petition dated June 15, 1998, the LCH applied pursuant to Section 4(c) of the Act¹ for an exemption from all provisions of the Act (except for Sections 2(a)(1)(B), 4b and 4o of the Act, and the

provisions of Sections 6(c) and 9(a)(2) of the Act to the extent these provisions prohibit manipulation of the market price of any commodity in interstate commerce or for future delivery on or subject to the rules of any contract market and Section 32.9 of the CFTC's Rules) to qualified U.S. entities that utilize [the LCH facility] to clear transactions in "swap agreements" (as such term is defined in CFTC Rule 35.1(b)).²

LCH has developed a clearing facility for swap agreements ("SwapClear") which is scheduled to commence operations in mid-1999.³ The facility will be used to clear interest rate swaps and forward rate agreements in the following currencies: U.S. dollars, Japanese yen, Euros (and the eleven underlying currencies), British pounds, and possibly Canadian dollars.⁴

Participation will be limited to large institutions that participate as dealers in the swap market and that meet specified financial and operational standards.⁵

LCH states that it will not provide any facility for arranging or executing transactions and will have no impact on the way counterparties negotiate or effect swap transactions.⁶ It will perform credit enhancement, risk management, and position administration functions for those swaps that qualified participants choose to submit for clearing.⁷ LCH will net payment amounts due to or from a clearing member related to swaps with other obligations due to or from the clearing member where possible, including amounts related to exchange-traded business.⁸

In the Petition, LCH summarizes the principal features of its risk management procedures.⁹ It also describes the regulatory regime to which it is subject in the United Kingdom¹⁰ and its internal governance procedures.¹¹

LCH asserts that the Petition satisfies the statutory standards for relief. In particular, LCH argues that:

(1) The exchange trading requirements should not apply to swap agreements cleared through SwapClear because SwapClear will not impact current OTC trading arrangements;¹²

Swap agreements cleared through SwapClear will be entered into solely by wholesale market participants whose qualifications exceed Congressional

standards regarding appropriate persons and Commission standards for "eligible swap participants";¹³

(3) The proposed relief is consistent with the public interest and the purpose of the Act;¹⁴

(4) The proposed relief will have no material adverse effect on Commission or contract market regulatory or self-regulatory responsibilities;¹⁵ and

(5) The proposed Exemption is pro-competitive.¹⁶

II. Request for Comment

The Commission requests comment on all the aspect of the LCH Petition. In this regard, the Commission directs the attention of commenters to the issues raised in the discussion of swaps clearing in the OTC derivatives concept release.¹⁷ In addition, the Commission requests comment on any specific features of the LCH proposal that may raise issues particular to that proposal. Such features might include the location of LCH outside the United States, the status of LCH as a regulated entity in the United Kingdom, and LCH's plans to integrate its proposed new clearing operations in some respects with its established exchange clearing operations.

Copies of the Petition are available for inspection at the Office of the Secretariat at the above address. Copies also may be obtained through the Office of the Secretariat at the above address or by telephone at 202-418-5100 or on the Commission's Internet web site (<http://www.cftc.gov>).

Issued in Washington, DC, on June 30, 1998 by the Commission.

Jean A. Webb,

Secretary of the Commission.

[FR Doc. 98-17922 Filed 7-6-98; 8:45 am]

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DEPARTMENT OF DEFENSE

Office of the Secretary

Proposed Collection; Comment Request

AGENCY: Washington Headquarters Services, Real Estate and Facilities, Defense Protective Services.

ACTION: Notice.

In compliance with Section 3506(c)(2)(A) of the Paperwork Reduction Act of 1995, the Washington

¹³ Id. at 23.

¹⁴ Id. at 23-33.

¹⁵ Id. at 34-39.

¹⁶ Id. at 39-42.

¹⁷ See 63 FR 26114, 26122-26123 (May 12, 1998).

² Petition at 2.

³ Id.

⁴ Id. at 14.

⁵ Id. at 12-13.

⁶ Id. at 9.

⁷ Id.

⁸ Id. at 10.

⁹ Id. at 15-17.

¹⁰ Id. at 17-18.

¹¹ Id. at 19.

¹² Id. at 21-22.

¹ 7 U.S.C. 6(c).