

Morgan, Lewis & Bockius LLP
77 West Wacker Drive
Chicago, IL 60601-5094
Tel. 312.324.1000
Fax: 312.324.1001
www.morganlewis.com

Morgan Lewis
C O U N S E L O R S A T L A W

Michael M. Philipp
312.324.1905
mphilipp@morganlewis.com

November 12, 2014

VIA E-MAIL AND FEDERAL EXPRESS

Stephen Luparello
Director
Division of Trading and Markets
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Intent of London Stock Exchange Derivatives Market to Rely on Class No-Action Relief for Foreign Options Markets and their Members that Engage in Familiarization Activities

Dear Mr. Luparello:

On behalf of the London Stock Exchange Derivatives Market (“LSE Derivatives” or the “Exchange”), we are writing to notify you of the Exchange’s intent to rely on the class no-action relief issued by the Securities and Exchange Commission’s (“SEC” or “Commission”) Division of Trading and Markets (“Staff”) for foreign options markets and their members that engage in familiarization activities with certain U.S. based persons.¹

Background

In the Class Relief, the Staff took a no-action position under which a Foreign Options Market,² its Representatives,³ and the Foreign Options Market’s members, could engage in activities to

¹ See LIFFE A&M and Class Relief, SEC No-Action Letter (Jul. 1, 2013) (“Class Relief”).

² The Class Relief defines a Foreign Options Market as a “non-U.S. derivatives market: (1) on which Eligible Options trade; and (2) that is an organized exchange operated and regulated outside the United States.” An Eligible Option is defined in the letter to mean “an index option or option on an individual security traded on a foreign options market that is not fungible or interchangeable with options traded on any market other than the foreign options market, and, accordingly, each position in an eligible option issued by a clearing member of the foreign options market can be closed out only on the foreign options market.”

Stephen Luparello
November 12, 2014
Page 2

familiarize Eligible Broker-Dealers/Eligible Institutions⁴ regarding the Foreign Options Market and Eligible Options available on that market without the Staff recommending enforcement to the Commission under Sections 5, 6, 15, or 17A of the Securities Exchange Act of 1934 (“Exchange Act”). Under the terms of the Class Relief, a Foreign Options Market that does not already have no-action relief from the Staff may rely on the Class Relief to engage in familiarization activities if it notifies the Director of the Division of Trading and Markets of its intent to do so. More specifically, in order to make use of the Class Relief, a Foreign Options Market must send a letter, signed either by the Foreign Options Market’s chief legal officer or the Foreign Options Market’s U.S. counsel, to the Director of the Division of Trading and Markets that:

- Identifies the Foreign Options Market;
- Describes the Eligible Options for which the Foreign Options Market, its personnel, and its members seek to engage in familiarization activities with Eligible Broker-Dealers/Eligible Institutions; and
- Makes the following representations:
 - The parties will provide Commission staff promptly upon request a list of the specific equity and index options covered by the request for relief and will identify a primary listing market for each underlying equity security and index component.
 - The requesting entities have taken steps to comply with, and assure continued compliance with, each of the representations and conditions contained in the Class Relief and acknowledge that the Class Relief is only available to the requesting entities to the extent they are in compliance with each of the representations and conditions contained in the Class Relief.

³ The Class Relief defines a “Representative” as “an employee of the Foreign Options Market located inside or outside the United States who has been appointed to act as representative of the Foreign Options Market and may undertake the activities described in Section II [of the Class Relief] with respect to Eligible Broker-Dealers/Eligible Institutions[as defined below].”

⁴ An “Eligible Broker-Dealer/Eligible Institution” (and, individually, an “Eligible Broker-Dealer” or “Eligible Institution”) is any entity that meets the following standards: (a) it must be a “qualified institutional buyer” as defined in Rule 144A(a)(1) under the Securities Act of 1933 (“Securities Act”), or an international organization excluded from the definition of “U.S. person” in Rule 902(k)(2)(vi) of Regulation S under the Securities Act; and (b) it must have had prior actual experience with traded options in the U.S. options market (and, therefore, would have received the disclosure document for U.S. standardized options called for by Rule 9b-1 under the Securities Exchange Act of 1934).

Stephen Luparello
November 12, 2014
Page 3

- All subject entities covered by the Class Relief will comply with each of the representations and conditions contained in the Class Relief, including the restriction on securities of U.S. issuers.

Description of LSE Derivatives

LSE Derivatives is a division of the London Stock Exchange (“LSE”). On September 30, 2013, LSE acquired the derivatives business and assets (the “Derivatives Business”) of Turquoise Global Holdings Limited (a 51.36% owned subsidiary of London Stock Exchange Group) and merged the Derivatives Business into LSE to create LSE Derivatives. LSE is based in and operated out of London and is supervised by the U.K. Financial Conduct Authority (FCA) as a Recognised Investment Exchange with oversight by the U.S. Commodity Futures Trading Commission (“CFTC”) for linked futures contracts. For purposes of this letter, LSE Derivatives is a Foreign Options Markets in that it is a non-U.S. derivatives market (1) on which Eligible Options trade, or will trade, and (2) that is an organized exchange operated and regulated outside the United States.

Description of Eligible Options

The Eligible Options that are the subject of this relief are options contracts that LSE Derivatives offers on (1) individual stocks; (2) various equity indices, such as the FTSE 100⁵ and the FTSE Russia IOB⁶; and (3) depositary receipts, all of which are listed on LSE. The Eligible Options are not fungible or interchangeable with options traded on any market other than LSE Derivatives. In addition, each position in an Eligible Option on LSE Derivatives can be closed out only on LSE Derivatives and is cleared by LCH.Clearnet Limited (“LCH”). LCH is registered with the Bank of England as a Recognised Clearing House and is registered with the CFTC as a derivatives clearing organization.

Representations

For purposes of relying on the Class Relief for the Eligible Options, LSE Derivatives makes the following representations:

⁵ The FTSE 100 is a market-capitalization weighted index of UK-listed blue chip companies. The index is part of the FTSE UK Series and is designed to measure the performance of the 100 largest companies traded on the LSE that pass screening for size and liquidity. FTSE 100 constituents are all traded on the LSE’s SETS trading system.

⁶ The FTSE Russia IOB is a market-cap weighted index designed to measure the performance of the 15 biggest and most liquid Russian companies trading on the LSE’s International Order Book (“IOB”) under the form of Russian Depositary Receipts.

Stephen Luparello
November 12, 2014
Page 4

- LSE Derivatives will provide Commission staff promptly upon request a list of the specific equity and index options covered by the request for relief and will identify a primary listing market for each underlying equity security and index component;
- LSE Derivatives has taken steps to comply with, and assure continued compliance with, each of the representations and conditions contained in the Class Relief and acknowledges that the Class Relief is only available to the extent that LSE Derivatives, its personnel and its members are in compliance with each of the representations and conditions contained in the Class Relief;
- LSE Derivatives will comply with each of the representations and conditions contained in the Class Relief, including the restriction on securities of U.S. issuers.

* * * * *

We would be pleased to answer any questions that you or the Staff may have with regards to this notification of LSE Derivatives' intention to rely on the Class Relief. Please feel free to contact me through the contact information listed above, or Stefano Valente, Rules and Compliance Officer, LSE Derivatives at +44 (0) 20 7797 1584 or svalente@lse.com.

Sincerely,



Michael M. Philipp

cc:

Denzil Jenkins, Head of UK Compliance and Group Regulatory Policy, London Stock Exchange
Stefano Valente, Rules and Compliance Officer, London Stock Exchange Derivatives Market
Heather Seidel, Associate Director, SEC
Richard Holley III, Assistant Director, SEC
Yvonne Fraticelli, Special Counsel, SEC