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ADDENDUM

Comisión Nacional de Valores of Argentina

China Securities Regulatory Commission

Bundesaufsichtsamt für den Wertpapierhandel of Germany

Hungarian Banking and Capital Market Supervision

Securities Bureau of the Ministry of Finance of Japan

Securities Commission of New Zealand

Ontario Securities Commission

Comisión Nacional del Mercado de Valores of Spain

The Financial Supervisory Authority of Sweden

The Securities and Investments Board of the United Kingdom

Commodity Futures Trading Commission of the United States

United States Securities and Exchange Commission

GLOSSARY OF PARTICIPANTS

Commodity Futures Trading Commission, United States	-- CFTC
United States Securities and Exchange Commission, United States	-- SEC
The Securities and Investments Board, United Kingdom	-- SIB
The Securities and Futures Authority Limited, United Kingdom	-- SFA
Commission des Opérations de Bourse, France	-- COB
Securities Bureau of the Ministry of Finance, Japan	-- MOF
Australian Securities Commission, Australia <i>(The Australian position remains unchanged from the last update) - July 1997</i>	-- ASC
Ontario Securities Commission, Province of Ontario, Canada	-- OSC
Commission des valeurs mobilières du Québec, Province of Quebec, Canada	-- CVMQ
Securities and Futures Commission, Hong Kong	-- SFC
Superintendencia de Valores y Seguros, Chile	-- SVS
The Financial Supervisory Authority, Sweden	-- FSA
Securities Commission, New Zealand	-- NZSC
Commissione Nazionale per le Società e la Borsa, Italy	-- CONSOB
Comisión Nacional del Mercado de Valores, Spain	-- CNMV

Comisión Nacional de Valores, Argentina	-- CNV
Bundesaufsichtsamt für den Wertpapierhandel (BAWe), Germany	-- BAWe
Securities Commission, Malaysia	-- SC
Financial Services Board, South Africa	-- FSB
China Securities Regulatory Commission, People's Republic of China	-- CSRC
Hungarian Banking and Capital Market Supervision, Hungary	-- HBCMS

INTRODUCTION

This report contains a description of various models or approaches to the regulation of derivative markets, generally current as of December 31, 1996, based upon regulatory summaries prepared pursuant to a common framework of analysis. The report consists of several components which are intended, as a whole, to provide an overview of specific regulatory responses to general issues relating to derivative instruments.

The Introduction consists of three sections. Section I contains preliminary observations concerning various approaches to regulation. It is important to note that some of the features of both the products and the regulatory programs discussed in this Section apply equally to markets other than derivative markets.

Section II contains an analysis of the characteristics of derivative products and of certain particular concerns relative to derivative markets. The primary areas of regulatory concern relating to derivatives including the recognition of markets and products, financial safety and fairness, to name only a few, are explored and the approaches adopted by different jurisdictions are briefly summarized in Section III.

PART ONE of this report is the "*Collated Summary of Responses to Common Framework of Analysis*" which contains the specific responses of participating jurisdictions to the common framework of analysis. That framework also constitutes the table of contents of PART ONE. PART TWO is the "*Cross Regulatory Summary Chart*" which summarizes the responses in PART ONE.

Generally speaking, derivatives^{1/} are agreements which specify rights and obligations based on some underlying instrument, investment, currency, product, index, right or service (the "underlying interest"). Such rights and obligations may be a cash settlement, delivery of, or the transfer of rights to the underlying interest.

Derivatives do not themselves grant or transfer the underlying interest; the transfer of rights in any underlying interest arises upon maturity or exercise, depending on the type of derivative.

For purposes of this report the term "derivative" is construed to refer to only those products:

- (i) in which the market itself is the issuer;
- (ii) that are subject to the rules of an exchange; and
- (iii) for which a clearing organization is used to settle profits and losses, make deliveries and guarantee cleared trades.

While it is recognized that some jurisdictions permit off-exchange trading in futures and option contracts, the issues raised by such trading or relating to a definition of markets are not within the scope of this report. Similarly, the different approaches to recognition and cross-border jurisdiction, such as "national treatment", "lead-regulator arrangements", "comparability", "reciprocity", or "mutual recognition" are not separately addressed.

I. Preliminary Observations

In general, there is no single "preferred" model for the regulation of derivative products, markets, clearing houses or those who participate in such markets directly or

^{1/} Both futures and options contracts are derivative products, but options trading may raise certain issues which are different from or additional to those related to futures.

as intermediaries. However, a review of the regulatory summaries indicates a substantial similarity in perceived regulatory objectives. From these summaries, it appears that these regulatory objectives may be achieved in various jurisdictions by different means and that regulation need not be identical to adequately address common regulatory goals. At a minimum, the consensus was that the aims of regulation should be:

- (i) financial safety including the integrity of clearing houses and market participants;
- (ii) fairness, including fiduciary and related customer (investor) protection concerns; and
- (iii) market efficiency and integrity.

There may be a number of explanations for the differences in regulatory structure and practice among jurisdictions. These reasons include:

- The different nature and structure of markets; for example, pit trading as compared to screen-based or other electronic trading mechanisms,
- The different nature and design of products,
- Different cultural and national customs and practices,
- Legal or juridical distinctions among jurisdictions; for example, differences between common law and civil law jurisdictions, public and private markets, and universal banking and non-universal banking or mixed jurisdictions, and

Historically, different legal implications of specified conduct; for example, in some jurisdictions, concerns related to anticompetitive practices are a fundamental aspect of the regulatory system.

Among regulators, perceptions vary as to the significance of specific regulatory differences and how these differences could be resolved or accommodated where cross-border transactions occur and other jurisdictions have an interest in a particular transaction, market or person. Regardless of whether differences in the regulatory approach exist, there is consensus that bilateral or multilateral arrangements for information sharing between relevant regulatory authorities (whether governmental, quasi-governmental or private) are essential to addressing cross-border transactions effectively. Within the framework of these arrangements, and otherwise, several ways of resolving regulatory differences may be identified. Among others, these may include:

- harmonization efforts;
- disclosure of specific regulatory differences upon request to non-national market participants; and
- arrangements, including choice of law or home / host provisions, which allocate rules from different jurisdictions to particular transactions or market participants.

II. Features of Derivative Instruments with Implications for Regulatory Regimes

Derivatives are agreements (contracts) which confer rights and / or obligations based on some underlying interest. The specific rights and obligations encompassed by a derivative contract may be cash settlement, delivery of, or the transfer of rights to, the underlying interest. The underlying interest of a derivative may include physical assets such as commodities (e.g., gold, wheat), equities or equity indexes, debt instruments, other derivative instruments, or any agreed upon pricing index or arrangement, such as the movement over time of the Consumer Price Index or freight

rates. Whether the underlying interest is a financial instrument or a commodity does not necessarily alter the nature of the derivative.

The derivative contract is not in itself a transfer of the underlying interest; that transfer occurs as part of a separate transaction unless the contract is extinguished by offset. Since the underlying interest itself is not being transferred in a transaction relating to a derivative, there is no limit to the number of outstanding open positions of a particular derivative instrument. For example, the open interest of a futures contract is theoretically unconstrained, but the financial status of market participants and other market factors serve to keep the open interest below certain resistance levels, whereas generally the quantity of authorized and outstanding shares of a particular issuer constitutes the limit for trading in that issue.

o Regulatory issues relative to the underlying interest characteristic of derivatives tend to center on fairness and efficiency, concentration of positions, and the delivery process including allocation of deliveries or exercise in the case of options.

o When the underlying interest is traded in a jurisdiction other than the one where the derivative instrument is traded, or identical derivative products are traded in two jurisdictions, there may be concern that increased potential may exist for fraud or manipulation because of the likely inability of a regulator in one jurisdiction to monitor market activity directly and / or to conduct complete investigations of market activities in another jurisdiction. This may create a need for increased cross-jurisdictional communication and cooperation. Legal and

regulatory issues relating to the transfer of rights across international boundaries also may be raised.

On organized exchanges derivatives are, by design, standardized or fungible. Such standardization together with the interposition of a clearing house or the exchange itself as a counterparty or guarantor permits multilateral offset and random assignment of delivery notices (although these features are not exclusive to derivatives). In futures, although not necessarily in options, for example, a price movement increases the value of one position while reducing the value of the opposite position by an equal amount. Thus, derivative trading generally is said to be zero sum.

The interposition of a clearing house (or an exchange) and the requirement to post standing or initial margins is intended to eliminate counterparty credit risk. (In some markets, price limits or capital-based position limits are also used to address financial risk.) Margin posted on derivatives generally is analogous to a performance bond rather than a down payment. As such, margin is intended to cover the potential failure due to default to meet settlement variation prior to liquidation of a position. The level of margin also affects the degree of leverage associated with a contract.

Ordinarily, the daily gain or loss on a position is marked-to-market and, in most markets, the difference is collected by the clearing house and may be transferred from the losing to the gaining position holders through the clearing house. For options, in most markets but not all markets, the writer / seller only is required to post margin which is marked-to-market each day but not passed through the market.

o Because the clearing house or exchange is interposed as the buyer to the seller and the seller to the buyer, the identity of other market participants is less material.

Such clearing arrangements enhance confidence and liquidity in exchange-traded derivatives.

o It is important that the exchange and / or clearing house set margin levels which are sufficient so as not to imperil the financial integrity of the market and which do not adversely affect liquidity.

o The distribution, to customers, of a generic risk disclosure statement is often required before trading is undertaken. The notification of risk relative to futures and options trading is not unique to derivatives and does not imply a negative judgment by the regulator regarding trading in those instruments.

Derivatives facilitate risk shifting and may assist in price discovery for the underlying interest. Prices from derivative markets may have an effect on the price in the market for the underlying interest and *vice versa*. Prices in the derivative market may be influenced by a concentration of positions, both in the derivative instrument and the underlying interest. Economic inefficiencies may arise if trading occurs at artificial or distorted prices.

When physical delivery of the underlying interest is specified in the derivative contract, issues relating to delivery may arise. These may include the definition of acceptable commodities or instruments, the appropriateness of alternative delivery locations and media, the operation of warehouses, or the timing of delivery.

o Due to these factors, regulatory or enforcement mechanisms may be employed to deter manipulation and the undisclosed concentration of positions. Regulatory

methods may include large trader reporting, position limits, hedge limit determinations, monitoring, and / or moral suasion. To the extent trading is centralized or is reported to a centralized source, compliance monitoring is facilitated. Enforcement methods involve, at a minimum, the prosecution of fraud and manipulation.

o In some jurisdictions, to assure maintenance of a centralized market, certain off-exchange transactions are precluded; in those jurisdictions where such transactions are permitted, often they must be reported to a central authority (such as the exchange).

o The ultimate value of the rights or obligations conferred by derivatives may be heavily dependent on developments in the underlying market. Derivatives differ from their underlying interest; these differences may have regulatory implications. On the other hand, there is a fundamental relationship between the market for the derivative and the market for the underlying interest. The nature of this relationship will depend on the rights and obligations covered by the derivative instrument and may also have regulatory implications.

o Particular characteristics of derivatives may raise possible regulatory issues. Alternative regulatory responses may be designed or may have evolved to address such characteristics in different markets.

III. Areas of Regulatory Concern

A. The "Recognition" of Markets and Products

Domestic: The collected responses of the reporting jurisdictions suggest that the juridical and factual bases for determining whether a market, product, transaction or clearing house is domestic or foreign differ among jurisdictions:

- most jurisdictions reported that official domestic markets must be "recognized", authorized by statute or otherwise, or created by grant, although many jurisdictions have private, wholesale or other markets for which there exists no governmental or quasi-governmental supervisory authority;
- most jurisdictions reported that domestic products or certain domestic products must also be recognized, authorized, licensed and / or otherwise approved; and
- the majority of the jurisdictions reported that domestic clearing houses must be recognized, authorized, approved or drawn from a specific class of market participant such as a bank.

Although criteria for such approvals or the establishment of markets exist in most jurisdictions, they are frequently not very specific. All jurisdictions, however, consider the public interest in regulating markets and generally construe that interest to encompass, to various degrees, the general objectives of fairness, market efficiency and financial safety.

Very few jurisdictions reported different considerations for electronic markets or singled out regulatory principles uniquely applicable to derivative markets.

In some jurisdictions, derivative products (including futures, futures options and options) are each specifically recognized, and must satisfy a test of economic utility. In

other jurisdictions, this enquiry is not undertaken and market forces are relied upon to determine whether a derivative product is offered by an exchange.

Foreign: To the extent that separate criteria exist in some jurisdictions for reviewing, authorizing or recognizing foreign markets, clearing organizations, transactions or products, they involve a different regulatory interest from those related to domestic markets. For example, all reporting jurisdictions appear to share concerns about adequate information sharing; many also consider access to grievance procedures for national customers participating in foreign markets to be important. There may also be concerns regarding the adequacy from a prudential perspective of home regulation.

Where foreign clearing houses are separately recognized or authorized, recognition issues include review of the function of custodianship, transfer of funds capability, and adequacy of home regulation, in conjunction with the function of guaranteeing transactions.

B. The Regulation of Financial Intermediaries

Most jurisdictions report differences in applicable regulations based on the type of relationship of the intermediary to and its contact with the jurisdiction.

Some jurisdictions, and different regulators within others, distinguish the regulatory requirements to be applied to commercial and / or sophisticated customers from those applied to non-commercial and / or unsophisticated customers. Similarly, in some cases, regulatory (as opposed to enforcement) jurisdiction is not asserted in relation to customer orders which are "accepted" as opposed to "solicited."

No separate regulatory concerns were reported with respect to the authorization, licensing or recognition of financial intermediaries for the execution of transactions on

screen-based trading systems or with respect to the effecting of transactions in derivative products.

C. Financial Safety

Prudential or financial safety requirements protect markets and funds from credit and systemic risk and also seek to ensure that only those persons who have been deemed to be creditworthy have access to the markets. In relation to derivative markets, these requirements are designed to reflect the special risk attributes of derivatives, for example, the fact that positions in these markets may be highly leveraged or geared. Financial requirements, then, generally are an aspect of all regulatory programs, and the types or combination of types of requirements are fairly similar in form. The degree of reliance on each of capital, credit, margin, guarantee deposits, segregation and surveillance may vary; the information with respect to such matters which is available to regulators will also differ and reflect variations in the relevant regulatory regimes. For example:

Capital-Based Qualifications for financial intermediaries exist in all jurisdictions, however, none of the jurisdictions reported specified capital requirements for exchanges. There are jurisdictional differences as to whether requirements are imposed on clearing organizations and clearing members. Differences also exist regarding the type of organization which imposes such requirements.

Adequate Clearing Facilities are an element of universal regulatory concern; while most jurisdictions have some operating requirements, many matters relevant to the clearing process may be determined at the discretion of the clearing house or the exchange.

Margin and Credit Extension Requirements. Margin requirements generally are

set by the relevant exchange and, in many jurisdictions, are subject to some form of regulatory oversight (e.g. authority to approve levels established by exchanges, emergency authority). Levels of margin ordinarily are set by reference, in part, to formulae related to volatility. The definition of good collateral varies among jurisdictions. Practice among clearing houses or exchanges varies as to whether letters of credit and equity securities are acceptable as margin. A financial intermediary may accept different types of collateral from that which is accepted by the relevant clearing house or exchange. Most markets settle daily on T+1; different margin models are typical. Some clearing organizations or exchanges collect original margin on a gross basis and some collect net; if collected, variation margin ordinarily is collected on a net basis. Certain jurisdictions restrict the giving of credit for securities-regulated derivative products; in other jurisdictions, the relevant regulatory authorities do not restrict credit.

Financial Compliance. All reporting regulators of derivative markets maintain continuous and / or periodic financial surveillance of markets and financial intermediaries. The components and timing of these programs differ substantially from jurisdiction to jurisdiction.

Customer Funds Protections and Insolvency. There is some diversity in the manner in which protection of customer funds is achieved: Most jurisdictions have requirements relating to insurance or performance guarantees and segregation of customer funds from those of the firm - the calculation of what must be segregated and for whom differs from jurisdiction to jurisdiction. Therefore, although some jurisdictions rely primarily on segregation to protect customer funds, most require a combination of segregation and other prudential requirements. In circumstances

where a trust is implied by segregation, its scope (and hence its impact on clearing organization priority) varies among jurisdictions. Many jurisdictions also have requirements regarding the location of customer funds and how they must be invested. These protections are intended to provide some protection from defalcation, to facilitate the transfer of positions in market disruptions, and to accord special treatment to customer funds when the financial intermediary becomes insolvent.

Reporting and Recordkeeping for Financial Safety. All jurisdictions require the creation, maintenance and retention of current financial records, although the form and supervision of records and the periods of retention differ.

o Increased international cooperation among regulators in relation to financial surveillance would enhance efficiency; it may also be necessary to achieve and sustain adequate levels of supervision, especially in circumstances where activities undertaken in one jurisdiction have an impact in another. Additionally, in increasingly internationalized markets, effective financial surveillance may not be feasible without cooperation among relevant authorities.

o Domestically, coordination is achieved within most jurisdictions by joint audit plans and lead regulator arrangements. To the extent that the scope and emphasis of financial audit or surveillance programs can be made more uniform across markets and jurisdictions, surveillance may be made more effective and cost-efficient. A better understanding of the financial regulatory requirements and audit customs and practices in different jurisdictions should facilitate cooperation efforts and enhance the utility of any information obtained. Increased cooperation in relation to

international clearing and settlement procedures also may be desirable to reduce systemic risks.

D. Fairness

Customer protection generally is addressed by regulatory standards imposed on financial intermediaries; these relate to: the integrity, skill and diligence of those who deal for customers; conflicts of interest; observance by persons who deal for customers with requirements related to the conduct of business, including order execution, restrictions on the misuse of information, the equitable availability of information, prohibitions on misrepresentation, and required disclosure; and the availability of procedures and forums to resolve grievances.

Two of the main differences which exist among reporting jurisdictions in the application of particular regulatory requirements intended to ensure customer protection are the distinctions made between solicited and unsolicited business and sophisticated and unsophisticated customers. A jurisdiction-by-jurisdiction review indicates the following:

Authorization, Qualification and Good Standing. All jurisdictions have fitness requirements for financial intermediaries, which consider previous violative conduct, character and competency. A bar from doing business in one jurisdiction is in all cases considered by other jurisdictions in making fitness determinations.

Order Execution Requirements. The trading rules relating to order execution differ from jurisdiction to jurisdiction but each reporting jurisdiction indicates that its rules are intended to provide fair execution to customers and to prevent fraud. Most jurisdictions report restrictions on the misuse of information; differences exist as to what constitutes misuse. On a world wide basis, dual capacity is in effect precluded for

most options trading although no explicit ban exists for derivative trading in most jurisdictions. Generally, however, a "customer first" rule is imposed when dual capacity trading is permitted.

Sales Practice Requirements. Sales practice standards related to required disclosures, prohibitions on misrepresentations and improper trading activities such as unauthorized trading or trading ahead of customers exist in most jurisdictions. Jurisdictions with derivative markets generally require the provision of a risk disclosure statement to customers, however, the form of disclosure and to whom it must be provided differ from market to market. All regulated jurisdictions prohibit provision of false or misleading information but differences exist concerning liability for omissions and the legal standard for finding violations.

The general rules against misrepresentation and fraud apply to advertising in all cases, but some jurisdictions have special supervisory rules or explicit restrictions on the content of promotional material. Many jurisdictions do not restrict cold-calling.

Compliance Monitoring. In most jurisdictions, the monitoring of compliance with sales practice programs focuses on internal controls (self-policing) and the investigation of customer complaints. The frequency of review of sales practices and the scope of such reviews, however, vary among jurisdictions. Enforcement cases also address abuses in the sales practice area which may not be readily addressed by audit or review programs.

Records and Information Available to Customers. All jurisdictions generally require the creation and maintenance of records with respect to the execution and financial effect of transactions. Jurisdictions differ as to the records and information which must be made available to customers.

- o Information relating to trading and any specific local requirements should be available both to customers and financial intermediaries. It would be helpful if the types of information about markets, trading on those markets and specific local requirements could be in "standard" form. Additionally, transaction and market information should be available to all customers in an equitable manner and, ideally, on a real time basis.**

- o Risk disclosure statements for derivative products generally cover, at a minimum, "generic" risks and to that extent could potentially be harmonized to reduce duplication. The potential for harmonizing additional risk and other disclosures required in certain jurisdictions, however, is significantly less certain.**

- o The jurisdiction where the customer resides may have an enforcement interest in using its own law to prevent misrepresentations to such customers independent of any required risk disclosure statement.**

E. Market Efficiency

Market integrity issues are central to regulatory programs relating to derivative markets and products. Various methods are used by relevant regulatory authorities to address these concerns.

Product Design. Many markets report requirements for product design and restrict products which can be the subject of derivatives, and most have delivery specifications or procedures. Some markets reported volume requirements. These types of requirements appear to be unique to derivative markets.

Market Disruption and Surveillance. Most markets prohibit market manipulation. The precise definition of the term "manipulation" may vary from jurisdiction to jurisdiction. The means of preventing this practice, whether by direct surveillance, product design requirements, position limits or other measures, as well as the extent to which it is subject to regulatory oversight differ among markets. Some markets report special procedures and regulations; for example, position limits, price limits or market halts, settlement price rules, dormancy rules and emergency actions, although the mix of these varies from jurisdiction to jurisdiction. Differences however exist as to the degree of the relevant regulator's responsibility and authority to prevent disruptions.

Trading Rules relating to types of permitted orders, off-exchange trading restrictions, and types of permitted market-making activities differ considerably from jurisdiction to jurisdiction.

Audit Trail. All jurisdictions report that they require some means to permit the reconstruction of trades and transactions (i.e., audit trail). However, the manner in which the audit trail is recorded and made available differs among jurisdictions.

Reporting Requirements, such as large trader reporting, exist in some jurisdictions. These requirements are used for financial as well as market surveillance.

o When activities in one market have an effect on another market (whether or not those markets are in the same jurisdiction), adequate information sharing between relevant regulatory authorities, sufficient to assure effective enforcement, is of common concern. Participants in the markets also have a strong interest in the applicable rules, including those related to preventing manipulative market activities.

o Among regulators, there is agreement that there must be an adequate audit trail of all transactions. Ideally, the types of information constituting the audit trail and the degree of its accessibility, to both the relevant regulatory authorities and the public, should be as similar as possible across jurisdictions. At present, there are substantial differences due to the varying legal and regulatory requirements of different jurisdictions.

THE PARTICIPANTS

PART ONE

COLLATED SUMMARY OF RESPONSES TO

COMMON FRAMEWORK OF ANALYSIS

I. Operational Definitions ("Home" vs. "Host")

A. Markets and Products

1. (a) Describe the factual bases for determining for regulatory purposes in your jurisdiction that a clearing house, market and / or product is a domestic clearing house, market and / or product (e.g., place of incorporation, location of trading floor) and identify all such clearing houses and the markets and products traded thereon in your jurisdiction.

CFTC

Section 4 of the Commodity Exchange Act (CEA) requires that all futures and certain option contracts traded in the United States must be effected on boards of trade that have been designated as contract markets unless exempted by the Commission. To date, eleven boards of trade have been designated as contract markets and all of the contract markets are incorporated in the U.S. The eleven boards of trade are as follows: Chicago Board of Trade (CBT), Chicago Mercantile Exchange (CME), Coffee, Sugar, & Cocoa Exchange, Inc. (CSC), Commodity Exchange, Inc. (COMEX), Kansas City Board of Trade (KCBT), MidAmerica Commodity Exchange (MidAm), Minneapolis Grain Exchange (MGE), New York Cotton Exchange (NYCE), New York Futures Exchange (NYFE), New York Mercantile Exchange (NYMEX), and Philadelphia Board of Trade (PBOT). Although all boards of trade are separately incorporated, three boards of trade own the stock of another board of trade, that is, CBT, NYMEX and NYCE, respectively, own the stock of MidAm, COMEX, and NYFE.

All eleven boards of trade are considered to be self-regulatory organizations. Another self-regulatory organization is the National Futures Association (NFA), headquartered in Chicago, Illinois, which is registered with the Commission as a futures association. NFA is a membership organization which assists the Commission in the regulation and oversight of firms and professionals involved with futures trading.

The CEA does not require separate designation of clearing houses. However, for regulatory purposes, the clearing house is deemed to be subject to the same regulatory treatment as the exchange for which it clears. See Board of Trade Clearing Corp. (BTCC) v. Commodity Futures Trading Commission, [1977-1980 Transfer Binder] Comm. Fut. L. Rep. (CCH), ¶ 20,534 (Distr. D.C. 1978), *aff'd*, Appeal No. 78-1263 (D.C. Cir. 1979) (unreported).

In this regard, at some boards of trade, the clearing function is handled by a department or division within the board of trade; other boards of trade have their trades cleared through separately

incorporated entities that are independent of the board of trade. A few clearing entities, while separately incorporated, are wholly-owned subsidiaries of the board of trade.

The eleven boards of trade designated as contract markets currently have their trades cleared through the following entities:

CBT: Board of Trade Clearing Corp.;
CME: CME Clearing House Division;
COMEX: *COMEX Clearing Association;
CSC: Commodity Futures Clearing Corp. of New York;
KCBT: KCBT Clearing Corp.;
MidAm: Board of Trade Clearing Corp.;
MGE: MGE Clearing House Division;
NYCE: Board of Trade Clearing Corp. (for operational component);
Commodity Clearing Corp. (for financial component);
NYFE: Intermarket Clearing Corp. (a subsidiary of the Options Clearing Corp.);
NYMEX: NYMEX Clearing House Division;
PBOT: Intermarket Clearing Corp.

*It is anticipated that the COMEX Clearing Association eventually will be dissolved and COMEX trades will be cleared through the NYMEX Clearing House Division.

The eleven boards of trade designated as "contract markets" offer open outcry, auction markets for a wide variety of futures, including futures for financial, currency, energy, agricultural, and precious metal commodities. In addition, the boards of trade offer option contracts on many of these products.

Exchange Linkage Arrangements

U.S. exchanges have entered into the following linkage arrangements, none of which required the non-U.S. exchange to be designated by the CFTC as a contract market:

- Chicago Mercantile Exchange ("CME") - Singapore International Monetary Exchange;
- CME-Marché à Terme International de France ("MATIF") cross-exchange access;
- New York Mercantile Exchange ("NYMEX") - Sydney Futures Exchange ("SFE");
- Chicago Board of Trade ("CBT") - London International Financial Futures and Options Exchange ("LIFFE").

U.S. Exchange Trading Facility in Non-U.S. Location

The New York Cotton Exchange ("NYCE") operates a trading facility at the International Financial Services Center in Dublin, Ireland which facility is treated as an extension of the CFTC-designated contract market.

Electronic Systems

At present, three domestic boards of trade participate in an automated trading system involving the use of futures contracts. The CME uses the "Globex" system, the CBT uses "Project A" and the NYMEX uses "Access". Neither Project A nor Access currently permit the listing by a foreign exchange of its products on that trading system.

Through the Globex computerized trading system of the CME, it is possible for a foreign exchange to "list" its products on the Globex system. The CFTC staff has expressed its opinion that the mere presence of Globex terminals in the U.S. should not cause the CFTC to deem any exchange for which products are listed through that system to be a domestic exchange. However, in so stating, the CFTC staff stated that it would have to review the particulars of any proposal for foreign exchange products to be listed on the Globex trading system and that it is committed to maintaining the integrity of the U.S. markets and protecting U.S. customers. Moreover, the staff would expect the CFTC to review such proposals to determine whether access to information necessary to meet its own responsibilities under the CEA would be adequate.

The Futures Trading Practices Act of 1992 (FTPA) granted the Commission authority to exempt certain transactions from the CEA. On January 14, 1993, the CFTC adopted rules under its exemptive authority to exempt certain "hybrid instruments" and swap transactions from certain sections of the CEA. See 58 Fed. Reg. 5580 and 5587 (January 22, 1993).

SEC

Section 5 of the Securities Exchange Act of 1934 (34 Act) provides that it is unlawful:

for any broker, dealer, or exchange . . . to make use of the mails or any means or instrumentality of interstate commerce for the purpose of using any facility of an exchange . . . to effect any transaction in a security . . . unless such exchange (1) is registered as a national securities exchange under Section 6 of [the 34 Act], or (2) is exempted from such registration

Interstate commerce is defined in Section 3 (a) (17) of the 34 Act. In general, interstate commerce includes trade, commerce, transportation or communication among the several states or between any U.S. state and a foreign country. Interstate commerce also includes intrastate use of any intrastate instrumentality. Section 17A of the 34 Act also requires clearing agencies making use of the mails or any means or instrumentality of interstate commerce to register with the United States Securities and Exchange Commission (SEC). The terms "exchange", "clearing agency", and "security" are defined in the 34 Act. See Sections 3 (a) (1), 3 (a) (23), and 3 (a) (10), respectively. The term "security" includes, among other things, stock; corporate, municipal and U.S. government bonds and other debt securities; options on equity and debt securities; stock index options; and foreign currency options traded on a securities exchange.

U.S. securities markets are comprised of: (1) eight registered national securities exchanges (including five exchanges that trade options); (2) one exempt exchange; (3) fifteen registered clearing agencies (including one clearing agency for all standardized options, and one for over-the-counter (OTC) options on government securities); (4) an OTC market regulated by a national registered securities association, subject to SEC oversight; and (5) several automated trading systems, one of which trades options on U.S. treasury securities. Numerous products trade on these markets, including, but not limited to: (1) individual stock; (2) corporate and government bonds; (3) individual stock and stock index options; (4) foreign currency options; (5) stock index warrants; and options on government securities.

SIB

For the purposes of this paper, the term "exchange" (rather than "market") is used.

The Financial Services Act of 1986 (FSA) does not require differentiation between "domestic" or "foreign" products. The comments in this section are, therefore, restricted to exchanges and clearing houses only.

An exchange will be regarded as "domestic" if the head office is located in the UK and it is carrying on investment business, that is making arrangements for persons to deal in investments, in the UK (FSA, Schedule 1, paragraph 13 (b)). Such an exchange will be subject to direct and primary UK regulatory oversight.

Similarly, a clearing house will be regarded as "domestic" if the head office is located in the UK and it is carrying on investment business, that is making arrangements for persons to deal in investments, in the

UK (FSA, Schedule 1, paragraph 13 (b)). Such a clearing house will be subject to direct and primary UK regulatory oversight.

COB

Under the Investment Services Directive, a regulated market will be considered as a domestic regulated market if the registered office of the body which provide trading facilities is situated in France.

There is currently one future market in France, the MATIF and one option market, the MONEP.

MOE

At present, markets operated by stock exchanges established and licensed in our jurisdiction are regarded as domestic markets. (It is prohibited to operate a market or a quasi-market in Japan without a license.)

Domestic investors are allowed to use any foreign markets.

However, in order to prevent inappropriate solicitation of investments into the foreign markets with inadequate investor protection, the Japan Securities Dealers Association designates eligible foreign markets (exchange and OTC) to which JSDA members can solicit, and receive investment orders from, individual investors. This rule is not applied to the transactions with institutional investors and large corporate investors.

With regard to the foreign products, the licensed broker / dealers are allowed to transact the "foreign securities" and the "foreign futures and options", as defined by the Securities and Exchange Law. As far as the product falls into the categories above, it can be freely transacted by the broker / dealers without individual recognition.

ASC

The Australian Securities Commission (ASC) is responsible for the administration of the Corporations Law (CL) on a national basis.

The regulation of the Australian futures market is based on a scheme of coregulation. However, the ASC, through the CL, is the overriding statutory authority monitoring and regulating futures markets in Australia.

Sections 1126, 1131 and 1132 of the CL provide that a body corporate may apply to the ASC for approval by the Minister as a futures exchange, clearing house or futures association respectively. Section 1123 prohibits the conduct of an unauthorised futures market

and Section 1128 prohibits a corporation from providing clearing house facilities for a futures market unless approved.

If the facility being used / activity is within Australia or the business is established within Australia then the conduct of the business is regulated. Products are indirectly regulated. Exchange Members are regulated whilst dealing on the domestic exchange. Australian non-residents are regulated if they deal in Australia. Australian residents dealing on overseas markets through a member of a domestic exchange must deal on a recognised exchange. The futures broker is regulated to the point of transmission of orders to the overseas recognised exchange.

All futures trading for clients must occur either on a local approved futures exchange or an overseas recognised futures exchange as specified in Schedule 11 of the CL Regulations.

There are two approved local futures exchanges in Australia: the Sydney Futures Exchange (SFE) and the Australian Financial Futures Market (AFFM). The SFE is a company limited by guarantee and is a futures exchange and is a futures association under the CL. The AFFM is a company and is a wholly owned subsidiary of the Australian Stock Exchange Limited. The AFFM is not currently active.

The SFE, whilst based in Sydney, has an Australia-wide and international membership.

There is one approved clearing house in Australia: the Sydney Futures Exchange Clearing House Pty Limited which became fully operational on December 1st, 1991. The SFECH clears the SFE.

Products approved to be traded on the SFE are 90-day Bank Accepted Bill futures and options, All Ordinaries Share Price Index futures and options, 10-year Australian Treasury bond futures and options, 3-year Australian Treasury bond futures and options, Wool futures, Deliverable Greasy Wool futures, individual share futures and the facility to Exchange for Physicals.

OSC

An exchange is a domestic exchange if it carries on business in Ontario (that is, if the exchange is located in Ontario). A product is a domestic product if it is traded on an Ontario exchange. There are two exchanges in Ontario which trade "derivatives" (as defined in this survey): The Toronto Futures Exchange (TFE); and The Toronto Stock Exchange (TSE).

The contracts traded on the TFE are the Toronto 35 Future Contract, and TSE 100 Future Contract. The Toronto 35 Index Option Contract and the TSE 100 Index Option Contract are traded on the TSE.

Derivatives traded on the TFE and the TSE are cleared by Canadian Derivatives Clearing Corporation ("CDCC").

CVMQ

An exchange (or a clearing house) is a domestic exchange (or clearing house) if it carries on business and is located in Quebec. There is one exchange in Quebec (the Montreal Exchange). A product is a domestic product if it is traded on the Montreal Exchange. Derivatives traded on the Montreal Exchange are cleared by the Canadian Derivatives Clearing Corporation.

The contracts traded on the Montreal Exchange are futures and options on futures on financial instruments and equity options.

SEC

Hong Kong Law provides for the licensing of a domestic futures exchange in Hong Kong and requires regulatory approval of any clearing house used by that exchange. The Hong Kong Futures Exchange Ltd. ("HKFE") is the only futures exchange licensed in Hong Kong. HKFE products include: Hang Seng Index ("HSI") futures; Three Month Hong Kong Interbank Offered Rate ("HIBOR") futures; four Hang Seng Sub-indices (Commerce & Industry, Properties, Utilities and Finance) futures; European style HIS options; stock futures on Stock Exchange of Hong Kong Ltd listed companies and One-Day Rolling Currency futures on the US Dollar versus Japanese Yen and German Deutchmark.

The HKFE Clearing Corporation Limited ("HKCC") is a wholly-owned subsidiary of HKFE and was established to operate a clearing house for the purpose of clearing all trades effected on the HKFE. HKCC is a recognised clearing house under the Securities and Futures (Clearing Houses) Ordinance SF(CH)O.

The Stock Exchange of Hong Kong Ltd ("SEHK") has the exclusive right by law to operate a stock market in Hong Kong. In 1995 the SEHK began operating a market for American style stock options. As of the end of 1995, 9 option classes were trading on the SEHK. Numerous warrants are also available for trading at the SEHK.

All stock options contracts traded on the SEHK are cleared through a central clearing house, the Stock Exchange of Hong Kong Options Clearing House Ltd. ("SEOCH"), a wholly owned subsidiary of the SEHK. SEOCH is a recognised clearing house under the SF(CH)O.

The SF(CH)O enables the SFC to declare a clearing house, as defined, to be a recognised clearing house. A “clearing house” means, in effect, any person whose activities involve the clearing of futures products traded at HKFE or securities traded at SEHK. Upon recognition, a clearing house is subject to SFC regulation and is exempt from certain provisions of insolvency law.

SVS

Clearinghouses, markets and products are considered domestic when these entities are created, mature and are liquidated within Chilean territory.

ESA

If a marketplace, a clearing house or a product (financial instrument) is to be looked upon as domestic or foreign depends on the law of which country that ought to be applied. The choice of applicable law is done in accordance to Swedish regulation.

In the Swedish Companies Act of 1975 a company is formed by one or more founders. A founder shall be resident in Sweden or a Swedish legal person. The founders shall draw up a deed of formation which shall contain a proposal for articles of association. These articles shall specify inter alia the municipality in Sweden where the registered office of the board of directors is to be located. After the registration the company will be a Swedish legal person.

Back in 1988 the former Bank Inspection Board had given some guide lines for how to trade, e.g., standardized options and futures due to the October crisis in 1987 on the stock exchanges.

Since then the whole present securities regulation and legislation has been established. For instance concerning settlement notes, time registration and risk disclosure statement, provisions in FFFS 1996:33. At licensing securities firms and mutual funds managing companies, e.g., there is now a checking of what special capacity the applying firm or company holds in the derivatives market. Risk management and evaluation has been covered in the FFFS guide lines 1994:35 concerning management, internal information and control within credit institutions and securities firms.

The expiring of the 1988 guide lines has occurred simultaneously with the implementation of the investment services directive and the capital adequacy directive, that is January 1st, 1996.

NZSC

The bases for determining regulatory jurisdiction are related to the business of dealing in futures contracts.

An Exchange will be regarded as "domestic" if its dealers are in the business of dealing in futures contracts in New Zealand.

Section 37 (5) of the Securities Amendment Act 1988 provides, "... a person deals in futures contracts if that person: -

- (a) acquires or disposes of the futures contract on behalf of another person; or
- (b) offers to acquire or dispose of the futures contract on behalf of another person; or
- (c) on behalf of another person induces, or attempts to induce, a person, to acquire or dispose of the futures contract; or
- (d) advises or assists a person in connection with the acquisition or disposition of the futures contract ...".

New Zealand Futures and Options Exchange is currently the only authorised futures exchange in New Zealand. Products traded on New Zealand Futures and Options Exchange include three and ten year Government Stock Futures and Futures Options, 90 Day Bank Bill Futures and Futures Options, NZSE 10 Share Index Futures and Futures Options, a New Zealand Electricity Futures Contract and Exchange Traded Equity Options on the ordinary shares of Telecom Corporation of New Zealand Limited, Fletcher Challenge Limited, Brierley Investments Limited, Carter Holt Harvey Limited, Fisher and Paykel Industries Limited, Fernz Corporation Limited, Goodman Fielder Limited, Independent Newspapers Limited and Lion Nathan Limited.

New Zealand Futures & Options Exchange Limited is cleared and guaranteed by the Sydney Futures Exchange Clearing House Limited.

CONSOB

Legislative decree 415 of July 23, 1996, which transposed into the national law the EC Directive 93/22 on investment services, recently introduced material changes in the Italian regulations of cash and derivatives markets, set by law no. 1/91.

Currently, markets are public entities authorized by the Ministry of the Treasury. They are regulated by Consob, which defines market

structure and contract terms, except for Government Bond markets whose regulations are set by the Ministry of the Treasury.

Markets are in the process of being transformed into private companies. The legislative decree no. 415/96 provides that "the organization and the management of regulated markets for financial instruments should be performed by an incorporated company". These markets will then be governed by regulations set up by the management company. However, these regulations have to be approved by Consob. Contract design, until now carried out by Consob, will be the responsibility of the markets themselves.

Consob will supervise market management companies in order to ensure transparency of the market, orderly trading and investors' protection. To this end Consob will issue "main guidelines", that have to be complied with by management companies in conducting their activity.

Italian derivatives markets are MIF (Future Italian Market) and MTO (Option Italian Market) which were instituted by the Ministry of the Treasury respectively in 1992 and 1994 and the IDEM (Italian Derivatives Market), whose trading was authorized by Consob in 1994 pursuant to article 23 of law no. 1/91.

In 1992 the Italian Clearing House (Cassa di Compensazione e Garanzia) was established by provisions issued by Consob and the Bank of Italy.

CNMV

The notion of a domestic market does not exist in this sense in the Spanish law. A market is considered to be "domestic" if the head office is located in Spain and it carries its business there.

CNV

For the purpose of this paper, the terms "exchange" and "market" have the same meaning. An Exchange is considered a domestic exchange if it is located in Argentina. Futures and Options Contracts are considered domestic if they are traded on Argentine Exchanges. At present, there are no independent Clearing Houses for futures and options markets. Each exchange has its own in-house clearing organization for the settlement of contracts.

There are Three exchanges in Argentina which trade futures and options contracts. They are:

1. Mercado de Valores de Buenos Aires S.A. (MERVAL) - Option Contract on Shares and Public Bonds;

2. Mercado a Termino de Buenos Aires S.A. - Futures Contract on Soybean, Sunflower, Wheat and Corn - Options Contract on Futures Contract on Soybean, Sunflower, Wheat and Corn;
3. Mercado a Termino de Rosario S.A. (ROFEX) - Futures Contract on Soybean Rosafe Index - Option Contract on Futures Contract on Soybean Rosafe Index.

BAWe

Derivatives within the meaning of the study are primarily traded in Germany on the Deutsche Terminbörse (German Options and Futures Exchange, DTB) at Frankfurt am Main. The clearing of the transactions effected on the Exchange, i.e., the settlement, maintenance of collateral and margin, and payment and physical delivery, is handled exclusively by Deutsche Börse AG. Currently, the following products may be traded on the DTB:

- DTB BUND Futures (Long-Term Bund Futures);
- DTB BOBL Futures (Medium-Term Bund Futures);
- DTB SHAZ Futures (Short-Term Bund Futures);
- DTB DAX Futures (DAX Futures);
- One-month-Euromark-Future;
- Three-months-Euromark-Future;
- Options on BUND Futures;
- Options on BOBL Futures;
- Options on DAX Futures;
- DAX options;
- MDAX-options;
- \$US/DM-options;
- Stock options.

In addition to the DTB, options and futures trading is basically possible on all eight German stock exchanges. At present, trading on a significant scale takes place on the Frankfurt Stock Exchange only, specifically in stock options which are not admitted to trading on the DTB. Participation in options trading is, under the "Special Conditions for Options Trading on the German Stock Exchanges", subject to recognition as a Participant by the Lombardkasse AG. The Lombardkasse AG acts as a clearing agent for options trading.

SC

The Futures Industry Act 1993 ("FIA") defines futures market as a market, exchange or other place at which, or a facility by means of which, futures contracts are regularly traded. Section 3 of the FIA provides that no person shall establish, operate or maintain or assist in

establishing, operating or maintaining or hold himself out as providing, operating or maintaining a futures market that is neither a futures market of an exchange company nor an exempt futures market. Currently, there are three futures exchanges - Kuala Lumpur Options and Financial Futures Exchange (“KLOFFE”), Malaysia Monetary Exchange (“MME”), both of which are established for trading of financial futures, and Kuala Lumpur Commodity Exchange (“KLCE”) for trading in commodity futures contracts.

The FIA also requires the exchange companies, in respect of each futures market that they operate, to make arrangements, to the satisfaction of the Minister of Finance (“Minister”), for a clearing house to provide clearing house facilities. The Malaysian Derivatives Clearing House (“MDCH”) carries out the clearing functions for KLOFFE and MME while the Malaysian Futures Clearing Corporation (“MFCC”) for KLCE. At the moment, both clearing houses are in the process of a merger, and once the merger is effected, there will be only one clearing house clearing for all contracts traded on KLCE, KLOFFE and MME. All of the futures exchanges and clearing houses are regarded as domestic and are subject to the FIA.

In relation to the products traded on the exchange, any introduction of a new contract is effected by way of amending the business rules of the relevant exchanges. The amendment to the business rules in turn, is subject to the approval by the Securities Commission (“Commission”).

All exchanges and clearing houses are located in Kuala Lumpur. Currently, the exchanges provide facilities for trading of:

1. KLOFFE: Kuala Lumpur Composite Index Futures;
2. MME: 3-Month KLIBOR futures;
3. KLCE: Crude Palm Oil, Crude Palm Kernel Oil, Rubber(RSS1 and SMR 20), Tin and Cocoa.

ESB

The formal derivative markets, products and relevant financial intermediaries are regulated in South Africa in terms of the Financial Markets Control Act 55 of 1989, and the regulator approved rules and regulations of the exchanges licensed in terms of this act. The only derivatives exchange licensed in South Africa is: The South African Futures Exchange (Safex), which also has an Agricultural Markets Division (AMD).

(b) Once a determination is made that a clearing house, market and / or product is domestic, must such clearing house, market and / or product be recognized (in the United States, designated?)

CFTC

Section 4 of the CEA requires that all futures and certain option contracts traded in the United States must be effected on boards of trade that have been designated as contract markets, unless otherwise exempted by the CFTC. Pursuant to the FTPA, the CFTC was granted broader discretion to exempt contracts from the exchange trading requirement consistent with the public interest. See Section 4 (c) (1) of the CEA. In September 1995, the CFTC used this authority to establish a regulatory framework for a three-year pilot program to permit certain transactions to trade on contract markets exempt from certain requirements of the CEA and CFTC rules. The CFTC took this action following the submission of petitions for exemptive relief filed by the CBT, CME and NYMEX. See 60 Fed. Reg. 51323 (October 2nd, 1995).

The CEA does not require separate designation of clearing houses. However, as noted above, for regulatory purposes, a clearing house is deemed to be subject to the same regulatory treatment as the exchange for which it clears. Section 5 of the CEA requires that individual contracts also must be designated separately before they may be traded on or subject to the rules of a contract market. See I.A.1. (c) below.

SEC

See I.A.1 (c) below.

SIB

By virtue of its carrying on investment business within the UK, a domestic exchange must be authorised or acquire the status of "Recognised Investment Exchange" (RIE) (FSA, s. 3, 36 and 37). As a practical matter, all current UK domestic exchanges have obtained recognition.

As in the case of an exchange, a domestic clearing house must be authorised or acquire the status of "Recognised Clearing House" (RCH) in order to provide clearing services for the transaction of investment business within the UK (FSA, s. 3, 38 and 39). As a practical matter, the two existing UK domestic clearing house, The London Clearing House Ltd and Crestco Ltd have obtained recognition.

COB

Under the Modernisation of Financial Activities Act (« the Act ») n° 96-597 of July 2nd, 1996, implementing the E.U. Investment Services Directive, the recognition of a futures or option market as a regulated market is subject to the approval of the Ministry of Finance, upon proposal of the Conseil des Marchés Financiers (CMF), the professional authority and after the opinions of the Commission des Opérations de Bourse (COB) and the Banque de France are taken.

To be recognised as a regulated market, a futures or option market must function regularly. Regulations issued by the market must define the conditions for access to the market (membership), the conditions for admission to trading, the conditions for the suspension of trading in a contract and set out rules relating to the reporting and publication of transactions.

The MATIF and the MONEP are recognised as regulated markets.

A clearing house must have the legal status of a credit institution and must be registered as such. The operating rules of the clearing house have to be approved by the Conseil des Marchés Financiers.

MOF

Licensed stock exchanges are required to obtain approval of the Finance Minister in order to open securities-related futures and options markets. Each stock exchange has its own clearing facility, therefore, there is no independent licensing of clearing houses. In order to trade securities related futures and option products, securities companies and financial institutions are required to obtain licenses.

ASC

A market, once it has been determined as domestic, must either be recognised or made an exempt market. Products, to be traded on domestic exchanges are set out in the relevant Business Rules (i.e. Rules, Regulations, By-Laws, Memorandum & Articles of Association) of the participating exchange and new products added by way of amendment. Amendments of the Business Rules may be disallowed by the Minister (s. 1136 CL).

OSC

Pursuant to Section 19 of the Commodity Futures Act (Ontario) (the "CFA"), domestic commodity futures exchanges must be registered with the Ontario Securities Commission (the "OSC"). The CFA does not currently impose a registration requirement on CDCC although it provides regulatory oversight for its activities and de facto

registration. Pursuant to Section 21 of the Securities Act (Ontario) (the "SA"), domestic stock exchanges must be recognised by the OSC. The Recognised Options Rationalization Order of the OSC ("RORO"), which provides the regulatory framework for options traded on the TFE and the TSE, requires the recognition of the CDCC. The terms and conditions of contracts traded on commodity futures exchanges registered pursuant to Section 19 of the CFA must be accepted by the OSC pursuant to Section 36 of the CFA. Options traded on the TFE and the TSE are recognized pursuant to RORO.

CVMQ

Pursuant to Section 169 of the Quebec Securities Act a stock exchange or a clearing house must be recognized by the Commission as a self-regulatory organization to carry on business in Quebec.

SEC

HKFE was granted a license by the "Governor in Council" to operate a commodity exchange under the Commodities Trading Ordinance ("CTO"). All traded products must be specified in a schedule to the CTO or otherwise be approved by the SFC. A separate ordinance, the Commodity Exchanges (Prohibition) Ordinance, prohibits the establishment of any other exchange trading in products specified in that Ordinance. HKFE is required to obtain and has obtained the approval of the SFC to use HKCC as its clearing house.

SEHK was recognized as the "Exchange Company" in Hong Kong and thereby has the exclusive right to operate a "stock market" in Hong Kong.

Clearing houses are recognized by the SFC for the purpose of establishing the SFC's regulatory authority over them and to provide certain exemptions from insolvency law.

SVS

Chapter XIX, Law N° 18,045, of Securities Markets, defines that clearing houses must be created as Special Corporations, which are required to be registered by the SVS (Article 126, Law N° 18,046).

ESA

Any company doing business in order to establish a regular trade in financial instruments may be authorized as an exchange or a market place according to the new act on exchange and clearing (SFS 1992:543). Clearing must only be done by a company licensed as a clearing house according to this act. Issues of authorization and licensing are to be handled by The Swedish Financial Supervisory

Authority, SFSA. According to the Act on exchange and clearing business, a permit to carry out such business can be granted to Swedish limited companies, Swedish economic associations and foreign companies (Chapter 1 Section 2).

Financial instruments covering inter alia options and futures are as well regulated by this new act. All kinds of financial instruments may be listed and traded at an exchange.

NZSC

Section 37 (8) of the Securities Amendment Act 1988 provides the Securities Commission in New Zealand with the power to declare a body corporate that conducts, or proposes to conduct, a market or exchange in New Zealand for trading in futures contracts to be an authorised futures exchange.

Section 38 (l) of the Securities Amendment Act 1988 states that no person shall carry on the business of dealing in futures contracts unless:

- (a) that person is a member of an authorised futures exchange; or
- (b) that person is authorised by the Commission by notice in the Gazette to carry on the business of dealing in futures contracts.

Practically, all brokers are required to be dealers of an authorised futures exchange. Consequently, in order for market to operate successfully in New Zealand it would need to be declared as an authorised futures exchange by the Securities Commission.

CONSOB

See I.A.1 (a) above.

CNMV

The constitution of a futures and options market with official status requires the authorization from the Ministry of Economy and Finance, at the proposal of the CNMV. There are three futures and options markets, MEFF Renta Fija, MEFF Renta Variable and FCM Citrus Fruit Futures & Options market. At present, each market has its own clearinghouse so there is not licensing procedure for the clearinghouse in itself.

The approval of contracts is the responsibility of the CNMV, unless the Ministry, under specific circumstances, assumes competence. Consultations of the governing bodies of the underlying markets are always required. See Addendum for listed products.

CNV

All domestic exchanges must be authorized by the CNV in order to trade futures and options contracts. Individual futures or option contracts must also be designated separately before they may be traded on the exchange that developed them.

BAWe

According to § 1 (1) of the Exchange Act, the setup of an exchange requires the approval of the Stock Exchange Supervisory Authority. The Stock Exchange Supervisory Authorities are institutions of the states. For instance, it was the responsibility of the Stock Exchange Supervisory Authority of the State of Hesse, the Hessisches Ministerium für Wirtschaft and Technik, to approve the setup of the DTB. The Exchange Rules and Regulations are subject to the approval of the Stock Exchange Supervisory Authority.

All products traded on the exchange require admission by the Board of Management in accordance with the provisions of the exchange rules. Pursuant to § 50 of the Exchange Act the admission of securities to options or futures trading may be granted only if the aggregate amount of the securities in which options or futures trading on the exchange shall occur amounts to a par value of at least ten million Deutschmarks. In addition, shares of a domestic company may be admitted to options or futures trading on the exchange only with the consent of the company.

The setting up of a clearing facility, as in the case of the DTB, may be provided for in the Exchange rules. There are no further rules and regulations.

SC

Under the FIA, all exchanges and clearing houses must be approved by the Minister in order to provide futures markets and clearing house facilities. All amendments to their business rules, including for the purpose of introducing new contracts, will have to be approved by the Commission.

(See also 1 (a) above.)

ESB

The clearing house, market and product's are regulated by the Financial Markets Control Act 55 of 1989. The formal derivative market in South Africa is required to be licensed in terms of the Act, and relevant financial intermediaries are required to be members of

the domestic market in South Africa in terms of the Financial Markets Control Act 55 of 1989. The regulator approved rules and regulations of the exchanges licensed in terms of this act require instruments to be listed on the exchange and intermediaries to be members of the exchange. The clearing house is managed by the exchange. All products listed and traded on the exchange must be approved by the registrar in terms of section 14 of the Act.

(c) Recognition Criteria

CFTC

CEA §5 sets forth those criteria which a board of trade must satisfy to acquire contract market designation. In sum, the requirements are as follows:

- the board of trade is located in a terminal market where the underlying commodity is sold in sufficient volume so as to reflect the general value of the commodity;
- the board of trade provides for the making and filing of records with respect to all aspects of the transaction;
- the board of trade prohibits the dissemination of false or misleading information which tends to affect the price of any commodity;
- the board of trade provides for the prevention of manipulation of prices and the cornering of any commodity by the dealers or operators upon such board;
- the board of trade does not exclude any duly authorized representative of a lawful cooperative association having adequate financial responsibility;
- the board of trade provides for the compliance with the CFTC's orders and other regulatory requirements;
- the board of trade must demonstrate that the futures transaction in a particular market for which designation is sought will not be contrary to the public interest; and
- the board of trade demonstrates that every contract market for which such board of trade is designated complies with the audit trail requirements of Section 5a (b) of the CEA.

The CFTC provides guidance to exchanges on meeting these requirements in its "Guideline on Economic and Public Interest Requirements for Contract Market Designation", 17 C.F.R. Part 5 - Appendix A. See II.C.1. (a) and (c) below.

No separate designation criteria exists in the CEA or regulations thereunder for a clearing house.

With respect to transactions for future delivery of any securities issued or guaranteed by the U.S. or any agency thereof, the CFTC must deliver a copy of the application for designation as a contract market to the Department of the Treasury and to the Board of Governors of the Federal Reserve System. See CEA §2 (a) (8) (B) (ii). The CFTC is not allowed to designate a board of trade until 45 days after the application is delivered to the agencies or until after the CFTC has received comments from the agencies, whichever period is shorter. The CFTC shall take into consideration all comments it receives from the Department of the Treasury and the Federal Reserve and "shall consider the effect that any such action may have on the debt financing requirements of the United States Government and the continued efficiency and integrity of the underlying market for government securities."

CEA §2 (a) (1) (B) (iv) (II) requires the CFTC to provide the SEC with a copy of an exchange's designation as a contract market with respect to any contract of sale (or option on such contract) for future delivery of a group or index of securities. The CFTC may not approve the application if the SEC determines that the contract fails to meet the minimum requirements set forth in §2 (a) (1) (B) (ii) of the CEA.

SEC

Markets

Yes, the market must be recognized unless it qualifies for a low volume exception under the 34 Act. Sections 6, 15A, and 17A of the 34 Act provide specific guidelines for the registration of exchanges, securities associations, and clearing agencies (self-regulatory organizations (SROs)), respectively. In general, the rules of the SROs must be designed to protect investors and the public interest. The rules of the SROs (other than clearing agencies) must be designed, among other things, to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and the rules of the clearing agencies must be designed to promote the prompt and accurate clearance and settlement of securities transactions and the safeguarding of funds and securities for which it has control or responsibility. The rules of the SROs (other than clearing agencies) also must be designed to perfect the mechanism of a free and open market by not imposing any unnecessary or inappropriate burden on

competition. In addition, an SRO (other than clearing agencies) must demonstrate the capacity to enforce compliance by its members with the 34 Act, rules and regulations thereunder, and the rules of the SRO. Clearing agencies must comply with their own rules and enforce member compliance with those rules. Section 19 of the 34 Act requires SROs to, among other things, file copies of any proposed rules with the SEC. Generally the SEC must approve SRO rule filings; however, there is a limited class of SRO rules that are effective upon filing. The SEC has the right to abrogate their rule filings and require them to be refiled for SEC review and approval.

The Commission's Automation Review Policy (ARP) is a voluntary program designed to assure that self-regulatory organizations have the capacity to accommodate current and reasonably anticipated future trading volume levels adequately and to respond to localized emergency conditions. ARP states that each SRO should: (1) establish current and future capacity estimates for their systems; (2) conduct stress tests of their automated systems; and (3) have an independent reviewer critique the capacity and integrity of its automated systems.

Section 5 of the 34 Act also provides the SEC with the authority to exempt an exchange from registration if it finds that, by reason of the limited volume of transactions effected on such exchange, it is not practicable and not necessary or appropriate in the public interest or for the protection of investors to require such registration.

Securities

Pursuant to Section 5 of the Securities Act of 1933 (33 Act), it is unlawful for any person, directly or indirectly, to use any means of interstate commerce to offer to buy (sell) any security unless a registration statement is in effect as to the security or unless the security is exempted. Securities must be registered in accordance with the procedural and disclosure requirements set forth in Sections 6 and 7 of the 33 Act. Section 4 of the 33 Act provides exemptions from these registration requirements for certain transactions, e.g., transactions by a person who is not an issuer, underwriter, or dealer, and transactions by an issuer not involving a public offering. In addition, Section 3 of the 33 Act provides exemptions from these registration requirements for specified classes of securities.

In addition, Section 12 (a) of the 34 Act makes it unlawful for any member, broker, or dealer to effect any transaction in a security on a national securities exchange unless a registration statement is in effect as to the security. Section 12 (g) of the 34 Act imposes a similar registration requirement upon securities traded OTC that are issued by companies with 500 or more shareholders and more than \$1 million in assets. Registration under Section 12 requires, among other things, periodic, annual, and quarterly reporting to shareholders.

For U.S. standardized options, which are publicly offered to individual as well as institutional investors, the "issuer" is the Options Clearing Corporation (OCC), which registers the options listed and traded on the various exchanges. As part of the registration and issuance process OCC prepares an options disclosure document (ODD) explaining the risks of options.

In addition to these disclosure requirements, options, as well as other products traded on an exchange or quoted over NASDAQ, must satisfy the "listing criteria" of the exchanges and the National Association of Securities Dealers, Inc. (NASD), respectively.

The Commission has no specific listing criteria for index options traded on an exchange or quoted over NASDAQ. An index option, however, must meet some general guidelines to obtain SEC approval. First, the SEC must find that the introduction of such an option is in the public interest. In other words, the index option must serve some economic purpose. See SEC response to II.C.1 (a) below. Second, the exchange listing the index option must have a surveillance plan to detect trading abuses. Third, absent very unusual circumstances, the exchange must have a surveillance sharing agreement with the underlying cash market. The options SROs employ different definitions of "narrow-based" and "broad-based" indexes. These definitions dictate the regulatory treatment of the product (e.g., higher margin requirements and lower position and exercise limits for narrow-based index options). These definitions, however, do not represent minimum listing standards for narrow-based index options. As with broad-based indexes, there are no specific required listing criteria for narrow-based index options. In sum, the exchanges must comply with Section 6 of the 34 Act, which requires that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, and to promote just and equitable principles of trade.

SIB

The FSA vests Her Majesty's Treasury (HMT) with the powers to authorise and to regulate investment business in the UK. The FSA also provides for HMT to transfer a significant proportion of its powers to a Designated Agency; under the Financial Services Act (Delegation) Order 1987, these were transferred to SIB.

In addition to other powers, such as the recognition of self-regulating organizations, SIB has the authority to recognize domestic exchanges and clearing houses.

Schedule 4 to the FSA identifies the requirements which must be met by an exchange in order to acquire RIE status. Briefly, these include;

- i) sufficient financial resources;
- ii) adequate safeguards for investors, including ~~inter alia~~, arrangements for ensuring the performance of transactions effected on the exchange (arrangements being provided either directly or by means of services provided by a Recognised Clearing House (RCH));
- iii) arrangements and resources for the effective monitoring and enforcement of compliance with its rules and clearing arrangements;
- iv) arrangements for the investigation of complaints;
- v) ability to promote high standards of integrity and fair dealing and to cooperate by the sharing of information; and
- vi) default rules which enable action to be taken in respect of unsettled market contracts to which a member is party where that member appears to be unable to meet his obligations. (FSA, Schedule 4, Companies Act 1989, Schedule 21).

A clearing house may be recognised if it appears to SIB that it:

- i) has sufficient financial resources;
- ii) has adequate arrangements and resources for the effective monitoring and enforcement of compliance with its rules or in respect of monitoring, arrangements for that function to be performed on behalf of the clearing house (and without affecting its responsibility) by another body who is able and willing to perform it;
- iii) provides or is able to provide clearing services which would enable a recognised investment exchange to make arrangements with it that satisfy the requirements of Schedule 4 to the FSA;
- iv) is able and willing to promote and maintain high standards of integrity and fair dealing and to cooperate by the sharing of information; and
- v) has default rules which enable action to be taken to close out a member's positions in relation to all unsettled market contracts, to which he is a party, where that member appears to be unable to meet his obligations (FSA, s. 39, Companies Act 1989, Schedule 21).

No exchange or clearing house shall be recognised unless HMT (in the case of an RIE or RCH, SIB) is satisfied that the rules and any particulars provided with the application do not have and are not likely to have, to any significant extent, the effect of restricting or preventing competition more than is necessary for the protection of investors (FSA, s. 119 and s. 120).

Before deciding whether to grant leave to SIB for the making of a recognition order in respect of an RIE or RCH, HMT shall send to the

Director General of Fair Trading (DGFT) a copy of, ~~inter alia~~, rules and regulations of the exchange or clearing house. The DGFT shall report to HMT whether in his opinion the rules and regulations or arrangements have or are likely to have, to any significant extent, the effect of restricting or preventing competition. HMT shall have regard to the DGFT's report before making a decision (FSA, s. 122).

COB

MOE

Under Article 83 of the Securities and Exchange Law, the Finance Minister shall grant a license for founding a securities exchange if: (1) its articles of incorporation, etc. conform to the law and are adequate to ensure the fairness of trading and the protection of investors, (2) its organization conforms to the law, and (3) its founding is necessary and appropriate in the public interest and for the protection of investors.

ASC

Under Section 1126 CL the Minister may approve a body as a futures exchange if he is satisfied that the following criteria are met:

- (a) the business rules of the body corporate make satisfactory provision, inter alia, for licensing, qualifications, conduct, expulsion, suspension and disciplinary procedures;
- (b) that there will be enough money in the body corporate's Fidelity Fund to make the payments out of the fund that may reasonably be expected to be necessary for the purposes of the CL, which is to compensate clients who suffer pecuniary loss because of fraudulent misuse of money or other property by a member of the futures exchange or association; and
- (c) that the interests of the public will be served by granting the application.

Under Section 1131 of the CL, the Minister may approve a body as a clearing house for a futures exchange if he is satisfied:

- that the business rules of the body are satisfactory, in particular such of those business rules as relate to the registration of futures contracts made on a futures market of the futures exchange;
- that the business rules of the body corporate make satisfactory provision for the expulsion, suspension or discipline of members for a contravention of the business rules of the body corporate or for a contravention of the CL; and

- that the interests of the public will be served by granting the application.

In addition s. 1131 (3) provides that the Minister may have regard to any business rules of the applicant that relate to the guaranteeing, to members of the applicant, of the performance of futures contracts made on a futures market of the futures exchange.

OSC

Subsection 19 (2) of the CFA sets out the factors to be considered in granting registration to a domestic commodity futures exchange. The OSC must be satisfied that registration would not be prejudicial to the public interest and in making such a determination must consider:

- (a) the clearing arrangements and the financial condition of the exchange, its clearing house and members;
- (b) the rules and regulations applicable to exchange members and whether or not they are in the public interest and are actively enforced;
- (c) whether or not floor trading practices are fair and properly supervised;
- (d) whether adequate measures have been taken to prevent manipulation and excessive speculation; and
- (e) whether provisions have been made to record and publish details of trading.

Section 21 (5) of the SA provides that the OSC may, where it appears to it to be in the public interest, make any decision:

- (a) with respect to the manner in which any recognized stock exchange in Ontario carries on business;
- (b) with respect to trading on or through the facilities of any such stock exchange or with respect to any security listed and posted for trading on any such stock exchange;
- (c) to ensure that issuers whose securities are listed and posted for trading on any such stock exchange comply with the SA; and
- (d) with respect to any by-law, rule, regulation, policy, procedure, interpretation or practice of any such stock exchange.

Subsection 36 (1) of the CFA provides that upon application by a commodity futures exchange registered or recognized by the OSC and the filing of a copy of all terms and conditions of a contract that it is proposed be traded in Ontario, the OSC shall accept the form of contract where it is satisfied that to do so would not be prejudicial to the public interest and in making its decision shall take into account whether:

- (a) more than occasional use is made or can be reasonably expected to be made of the contract for hedging transactions;
- (b) with respect to a commodity futures contract each term or condition is in conformity with normal commercial practices of the trade in the commodity or if not in such conformity there is reasonable justification therefor;
- (c) with respect to a commodity futures contract satisfactory levels of margin, daily price limits, daily trading limits and position limits are imposed by the commodity futures exchange;
- (d) with respect to a commodity futures option the form of the commodity futures contract that is the subject of the option has been accepted by the OSC; and
- (e) with respect to a commodity futures option performance on exercise of the option is reasonably assured by established rules and procedures that are actively enforced.

Section 21.1 (1) of the SA provides that upon the application of a person or company carrying on or proposing to carry on the business of a clearing agency, the OSC may designate the person or company as a recognized clearing agency where the OSC is satisfied that to do so would be in the public interest and that the person or company can comply with the regulations and all terms and conditions imposed by the OSC with respect to the designation.

CVMQ

To be recognized, an organization shall file an application with the Commission, together with such documents and information as the Commission may require. The Quebec Securities act specifies that the constituting documents, by-laws and operating rules of an organization must provide for:

- 1) unrestricted membership for every person who fulfills the conditions of admission ;
- 2) equal access to services for every member ;

- 3) the disciplining of members or their representatives for breach of the by-laws or operating rules of the organization or contravention of the Quebec Securities Act

The recognition of self-regulatory organization is at the discretion of the Commission. When the Commission has established that the constituting documents, by-laws and operating rules of an organization are in conformity with the Securities Act it shall recognize the organization if it considers that its financial resources and administrative structure are adequate to its objects. After an organization has been recognized every draft amendment to its constituting documents, by-laws or operating rules must be submitted to the Commission for approval.

Person issuing options and futures contracts - Before issuing a new type of contract the Canadian Derivatives Clearing Corporation must file with the Commission the information regarding the new contract. It can issue the new contract when the Commission agrees thereto or does not raise any objection within 10 days of receiving the information.

SEC

Pursuant to Section 13 of the CTO, the Governor in Council may, on application made to him in writing, issue a license to establish and operate the Commodity Exchange if he is satisfied that the applicant ("Company") complies with, among other things, the following requirements:

- i) that the objects contained in the constitution of the Company include a provision for the establishment and operation of a commodity exchange;
- ii) that the Company will:
 - (a) maintain to the satisfaction of the Commission an adequate and properly equipped place of business;
 - (b) provide and maintain commodity markets at places approved by the Commission;
 - (c) use one or more clearing houses for the registration and settlement of futures contracts and the day-to-day adjustment of the financial position of such contracts;
 - (d) use one or more guarantee corporations to guarantee fulfillment of futures contracts; and
 - (e) use only clearing houses or guarantee corporations which have been approved by the Commission for use by the Company in relation to particular commodity markets;

- iii) that the authorized share capital of the Company is not less than \$25 000 000 divided into shares and the issued capital of the Company is not less than \$3 000 000;
- iv) that the constitution of the Company provides for the exclusion from membership of the Company of any person who would be disqualified from being a shareholder;
- v) that at least 20 shareholders of the Company will carry or the business of trading in commodity futures contracts independently and in competition with one another in any commodity market;
- vi) that the constitution of the Company provides for the making of rules applicable to the Company in its capacity of Exchange Company and of rules of commodity markets;
- vii) that the constitution of the Company provides that no rules of the Exchange Company, and amendments thereto, will be effective unless approved in writing by the Commission;
- viii) that the constitution of the Company provides that no amendment of the constitution of the Company will be effective unless approved in writing by the Commission;

The license was granted to HKFE in 1977.

SEHK

Subject to Section 3 of the Stock Exchanges Unification Ordinance ("SEUO"), the SFC may by certificate in writing recognize the Exchange Company for the purposes of the SEUO a company formed and registered under the Companies Ordinance. The SFC shall not recognize a company unless it is satisfied that the company complies with, among other things, the following requirements:

- (i) that the objects contained in the company's memorandum of association include the establishment and operation of a stock market, the provision and maintenance, to the satisfaction of the SFC of adequate and properly equipped premises for the conduct of business of a stock market;
- (ii) that the articles of association contain nothing contrary to the provisions of the SEUO;
- (iii) that the memorandum and articles of association of the company provide for the making of rules for the proper and efficient operation and management of a stock market;

- (iv) that the memorandum and articles of association of the company provide that the company will make the deposits required to be made to any compensation fund established under the Securities Ordinance ("SO") in respect of the Exchange Company; and
- (v) that the articles of association of the company have been approved by the Commission.

Pursuant to Section 27 of the SEUO, on April 2nd, 1986 the Financial Secretary by notice in the Gazette, gave the Exchange Company the exclusive right to establish, operate and maintain a stock market in Hong Kong.

CLEARING HOUSES

SEOCH and HKCC

Where the SFC is satisfied that it is appropriate to do so in the interest of the investing public, the public interest or for the proper regulation of services for the clearance and settlement of transactions in securities or futures contracts, pursuant to Section 3 (1) of the SF(CH)O, it may, with the Financial Secretary's consent, declare a clearing house to be a recognized clearing house.

SVS

Chapter VII, Law N° 18,045, identifies the requirements which must be met by an exchange, which includes:

- i) They must be organized in order to be able to perform the duties determined by the Law.
- ii) They must count with the necessary internal regulation.
- iii) They must be able to fulfil themselves, and demand from their members, to fulfil the laws and rules set by the SVS.
- iv) They must count with the devices, and must define the procedures, required to ensure a unified market that allows investors to better perform their orders.
- v) They must keep the files and records required by the SVS.

Exchanges must also count with a minimum capital of UF 30 000.

In the case of clearing houses, Chapter XIX, identifies the requirements they must met, which includes:

- i) They must be created as Special Corporations.

- ii) They must have an exclusive end.
 - iii) They need a minimum capital of UF 15 000.
 - iv) They must have a board with at least 5 members.
 - v) They can only be created by stock exchanges and the respective broker-dealers.
 - vi) They must have a tribunal, of at least 3 members, who will be in charge of solving discipline problems.
 - vii) At least 30% of each year's profits will be used to conform a contingency fund, which will be used to cover any unpaid liability originated from the transactions.
- * (UF is an inflation indexed unit, by January 1996 1 UF was equivalent to \$30 dollars)

ESA

A Swedish company or a Swedish cooperative must be authorized as an exchange only if:

- the articles of association or the statutes do not deviate from this act or any other regulation,
- the planned activities may be assumed to fulfill the requirements of fairness, and
- the company will fulfill the remaining conditions of this act.

The articles of association or the statutes of an exchange shall be approved by the SFSA in connection with the authorization. Any decision of changing of the articles or the statutes must not be registered before the approval by the SFSA.

SFSA has regulated by advisory provisions (FFFS 1996:16) how to apply for authorization as an exchange or a market place or for license as a clearing house according to the new exchange and clearing act.

In this new act (4 chapt. 1§) listing and trade in a certain financial instrument must not be begun until the exchange or the market place has approved this product.

Options and futures may be approved for listing and trading only if there is a widespread trade at reliable pricing of the asset(s) underlying the option or futures contracts. Regarding to the two forms of regulated markets that the new act accepts there is no difference concerning options and futures, nor anyone concerning domestic versus foreign contracts.

In its advisory provisions concerning options and futures SFSA has according to the government bill (1991/92:113) stipulated initial and current information about listing requirements of options, futures and other financial products by the exchange or the market place.

NZSC

There are no specific recognition criteria laid down in the Securities Amendment Act 1988 with regard to declaration as an authorised futures exchange. The Securities Commission may, by notice in the New Zealand Gazette, declare a body corporate to be an authorised futures exchange. New Zealand Futures & Options Exchange Limited is required to maintain a programme of self-regulation for all categories of futures dealers in New Zealand in respect of all futures contracts, whether placed on any market of New Zealand Futures & Options Exchange Limited or on any other market, whether in New Zealand or elsewhere.

CONSOB

Consob may authorize the operation of regulated domestic markets when the management company directors comply with the fit and proper test; regulations of the market should comply with European Union law and are likely to ensure the transparency of the market, orderly trading and protection of investors. Furthermore, capital requirements are applicable to the management company, pursuant to terms provided for by Consob.

CNMV

Royal Decree 1814/1991 sets forth the standards applying to the recognition of an exchange by the Ministry and CNMV (articles 7 to 16). Briefly, these include sufficient financial resources as well as adequate rules and supervisory enforcement capacities to ensure investors' protection, prevent fraudulent practices and promote transparency, integrity and fair dealing. In addition, a general test of public interest and economic purpose applies.

CNV

CNV Resolution No. 194/92 establishes all the requirements that exchanges must fulfill in order to be authorized.

BAWe

The recognition criteria for an exchange are laid down in the Exchange Act.

Each Exchange shall, in compliance with instructions from the

exchange supervisory authority, establish and operate a trading

supervisory office as an exchange body to monitor trading on the exchange and the settlement of exchange transactions. The trading supervisory office shall systematically and completely record and evaluate data regarding exchange trading and the settlement of exchange transactions and shall conduct necessary investigations. The exchange supervisory authority may issue instructions to the trading and supervisory office and take over such investigations (§ 1b Exchange Act).

Each securities exchange has to establish an exchange council consisting of no more than 24 persons. On the exchange council credit institutions, other admitted enterprises and investors have to be represented (§ 3 Exchange Act).

A board of management, consisting of one or more persons, has to be appointed and is responsible for the management of the exchange.

Organization, rules and regulations of the exchange have to comply with the Stock Exchange Act and the Securities Trading Act.

SC

Under Section 4 of the FIA, the Minister may approve a company as an exchange company if he is satisfied that the application is accompanied by a copy of the constitution of the company and such other documents and information as may be required by the Minister. In granting approval, the Minister may impose terms and conditions as he deems fit. Certain requirements must also be complied by the company, which are:

- a) that among the objects contained in the constitution of the company is a provision for the establishment and operation of a futures market;
- b) that the company shall maintain to the satisfaction of the Minister an adequate and properly equipped place of business and facilities;
- c) that the company shall establish, operate and maintain futures markets, and facilitate the execution of trades on a futures market only at places approved by the Minister;
- d) in respect of each futures market that the company proposes to operate, make arrangements, to the satisfaction of the Minister, for a clearing house to provide clearing house facilities for the company for that market;

- e) that the constitution of the company includes an object to act in the public interest;
- f) that the constitution of the company provides for the making of business rules;
- g) that the constitution of the company provides that no amendments to the company's constitution and none of its business rules shall be effective unless approved in writing by the Commission; and
- h) that the company shall make arrangements for the establishment of a fidelity fund.

Under Section 6 of the FIA, the Minister may approve a clearing house for a futures market of an exchange company if he is satisfied that the constitution of the clearing house includes an object to act in the public interest; the company complies with a prescribed requirements; and the application is accompanied by a copy of the constitution of the clearing house and any other documents and information as may be required by the Minister. The Minister may also approve a company as a clearing house for such number of futures markets or exchange companies as the Minister thinks fit.

ESB

See I.A.1. (b) above.

- 2. **(a) Must a foreign clearing house, market and / or product be recognized in order to be used by your nationals?**

CFTC

Generally, there are no established criteria for the recognition of a foreign clearing house, market and / or foreign product. However, certain conditions are applicable before foreign stock index futures contracts and foreign government debt futures contracts and options thereon may be offered or sold to or for a U.S. customer. In a Federal Register release on Guideline No. 1, the Commission provided notice to the public regarding the information which should be included in seeking a no-action opinion on whether a futures contract on an equity index traded on that exchange may be offered in the U.S. 57 Fed. Reg. 3518 (January 30, 1992).

SEC

There are no restrictions on U.S. nationals trading on a foreign securities market. If a foreign market or product falls within the

definition of an exchange or security under Sections 3 (a) (1) and 3 (a) (10) of the 34 Act, respectively, and uses the jurisdictional means described in Section 3 (a) (17), it must be recognized to the same extent as a domestic market or product in the U.S. See domestic markets and products discussion above at I.A.1 (c).

SIB / SFA

For these purposes, the term "foreign" is applied to those exchanges and clearing houses which have their head office overseas. (The concept of "head office" is based on the general principles of law of the European Community in relation to the legal notion of "siege"). These exchanges and clearing houses are not subject to primary and direct UK regulatory oversight.

The FSA provides for the recognition of overseas exchanges deemed to be carrying on investment business in the UK and which are subject to supervision by foreign regulators. These exchanges are required to provide arrangements for investor protection at least equivalent to that afforded under the FSA (FSA, s. 40) (see item I.A.2 (c)). Conditions of recognition of these overseas exchanges include notification obligations which result in the provision of information to UK regulators regarding developments on the relevant exchange.

A different category of overseas exchange, in respect of which the FSA is silent, is the Designated Investment Exchange (DIE); these are foreign exchanges which do not carry on investment business in the UK, but which are deemed by the SIB to provide adequate investor protection arrangements.

A firm may carry out a contingent liability transaction on behalf of a customer on an exchange only where that transaction is suitable for the customer (SFA's CBRS, S-31 (1)).

Customers who are UK nationals will not be treated differently from customers who are nationals of other countries. For regulatory purposes, customers are treated equally, regardless of nationality.

Section 40 of the FSA provides for the recognition of overseas clearing houses, deemed to be carrying on investment business in the UK, which have their head office overseas and which are subject to supervision by foreign regulators.

(Important note in relation to references to the SFA's CBRs in this document: these are Conduct of Business Rules made by SFA which apply to its members and which govern the conduct of their UK regulated business).

The Companies Act of 1989 empowered SIB to make "statements of principle" on the conduct and financial standing of those involved in investment business. The Principles, which came into force on April 30, 1990, are intended to form a universal statement of conduct expected of all authorised persons, including members of SROs, where monitoring and enforcement is primarily the responsibility of the relevant SRO.

SIB's Principles are as follows:

1. Integrity

A firm should observe high standards of integrity and fair dealing.

2. Skill, Care and Diligence

A firm should act with due skill, care and diligence.

3. Market Practice

A firm should observe high standards of market conduct. It should also, to the extent endorsed for the purpose of this principle, comply with any code or standard as in force from time to time and as it applies to the firm either according to its terms or by rulings made under it.

(Note: To date only one code, The Takeover Code, has been so endorsed.)

4. Information About Customers

A firm should seek from customers it advises or for whom it exercises discretion any information about their circumstances and investment objectives which might reasonably be expected to be relevant in enabling it to fulfill its responsibilities to them.

5. Information for Customers

A firm should take reasonable steps to give a customer it advises, in a comprehensible and timely way, any information needed to enable him to make a balanced and informed decision. A firm should similarly be ready to provide a customer with a full and fair account of the fulfillment of its responsibilities to him.

6. Conflicts of Interest

A firm should either avoid any conflict of interest arising or, where conflicts arise, should ensure fair treatment to all its

customers by disclosure, internal rules of confidentiality, declining to act, or otherwise. A firm should not unfairly place its interests above those of its customers and, where a properly informed customer would reasonably expect that the firm would place his interests above its own, the firm should live up to that expectation.

7. Customer Assets

Where a firm has control of or is otherwise responsible for assets belonging to a customer which it is required to safeguard, it should arrange proper protection for them, by way of segregation and identification of those assets or otherwise, in accordance with the responsibility it has accepted.

8. Financial Resources

A firm should ensure that it maintains adequate financial resources to meet its investment business commitments and to withstand the risks to which its business is subject.

9. Internal Organization

A firm should organise and control its internal affairs in a responsible manner, keeping proper records, and where the firm employs staff or is responsible for the conduct of investment business by others, should have adequate arrangements to ensure that they are suitable, adequately trained and properly supervised and that it has well-defined compliance procedures.

10. Relations with Regulators

A firm should deal with its regulator in an open and cooperative manner and keep the regulator promptly informed of anything concerning the firm which might reasonably be expected to be disclosed to it.

SIB has also been enabled to issue codes of practice. SIB does not, for the present, propose to issue codes but self-regulating organizations may use codes, made under their own powers, to fill out the detail of principles and rules applying to those they regulate, subject, of course, to the overall results being adequate.

COB

The Law modifying the law of March 28, 1885 provides that the public can be solicited to operate on foreign futures and option markets only when these markets have been recognized, complying with conditions fixed by decree and under reciprocity condition. The decree

promulgated, on October 25, 1990, has settled that foreign market dealing in securities, futures contracts or any financial instruments may be recognized only when the rules relating to protection of investors, safety, supervision and monitoring of the said market are equivalent to those existing on the market placed under the competence of the Conseil des Marchés Financiers. Regulated markets of the European Economic Area are considered to be recognised markets for the purpose of the law of March 28, 1885.

To date, 15 US futures markets have been recognized by Ministerial order dated September 20, 1991. The LIFFE and the BELFOX have also been recognized by ministerial order.

Persons who are domiciled or have their Registered Office outside the French territory are authorized to contact the public in France with a view to operations on a recognized foreign market dealing in securities, futures contracts or any financial instruments, when they have been approved by the competent supervisory authority in their country of origin and after the competent French authorities have determined that the rules of competence, honorable character and solvency to which the said persons are subject are equivalent to those applicable in France.

In order to offer or sell futures and options contracts traded on recognized exchanges to French investors, US Futures Commission Merchants have to be recognized by the COB pursuant to the Mutual Recognition Memorandum of Understanding (MRMOU) signed between the COB and the CFTC.

In addition, in order to permit cross exchange trading through GLOBEX and enable MATIF members to trade CME contracts, the CMT has supplemented its general regulation.

The amended general regulation concerning cross exchange trading provides that members which trade contracts listed on a foreign exchange are required to comply with the trading rules implemented by this exchange. CME trading rules have been recognized by the CMT. CFTC Rule 575 provides for similar provision. To the extent permitted by the law, Market Authorities have agreed to exchange information necessary to ensure the surveillance of the trades.

French investors who are contacted in order to trade on recognized foreign markets must receive a prospectus, written in french, giving information related to the market, the firm and the contract specifications (rule 90.10 of the COB).

MOE

Domestic investors are allowed to use any foreign markets. However, in order to prevent inappropriate solicitation of investments into the foreign markets with inadequate investor protection, the Japan Securities Dealers Association designates eligible foreign markets (exchange and OTC) to which JSDA members can solicit, and receive investment orders from, individual investors. This rule is not applied to the transactions with institutional investors and large corporate investors. With regard to the foreign products, the licensed broker / dealers are allowed to transact the "foreign securities" and the "foreign futures and options", as defined by the Securities and Exchange Law. As far as the product falls into the categories above, it can be freely transacted by the broker / dealers without individual recognition.

ASC

A clearing house, futures exchange and foreign market must be recognised to be traded by Australians on that market. A foreign product, if it is being traded on a recognised foreign exchange, may be traded by an Australian or if the product is traded on an exempt market (declared as such by the Minister and usually specialist markets confined to investors with expert knowledge of the markets' characteristics) it may be traded by Australians who participate in that market. Foreign products which are offered on Australian exchanges must be approved for trading by the ASC.

OSC

Section 34 of the CFA provides that foreign commodity futures exchanges must be recognized, and the form of contracts traded thereon must be accepted, by the OSC. However, the OSC has, pursuant to blanket orders (now deemed rules), relieved foreign futures exchanges from both the need to be recognized and the need to have their contracts accepted.

Foreign clearing corporations and the classes of options issued by such clearing corporations must also be recognized by the OSC.

CVMQ

In the case of derivatives negotiable on an organized market the issuing person must be qualified by the Commission in accordance with the conditions prescribed by regulation. However, the CVMQ by decisions has authorized the used of many foreign products.

SEC

No, foreign clearing houses, markets and / or products do not need to be recognized.

SVS

These are not considered part of the domestic securities market, but anyone may participate in non-domestic clearinghouses, products and markets through the purchase of foreign currency on the formal or informal exchange market.

ESA

Foreign firms may be authorized and licensed as exchanges, market places or clearing houses. As mentioned above, clearing must only be done by firms licensed as clearing house according to the new exchange and clearing act.

NZSC

There are no restrictions on New Zealand nationals dealing on their own account in foreign markets. However, no person may carry on the business of dealing on behalf of another person unless that person is a dealer of an authorised futures exchange or is authorised individually by the Securities Commission, subject to any conditions the Commission may impose.

CONSOB

Italian nationals are free to buy or sell products on unrecognized foreign markets. When financial intermediaries receive orders to trade on unrecognized foreign markets, they are subject to the general rules governing the investment services regulations in Italy for these types of products.

However, if the market intends to operate in Italy, it has to be recognized under article 51 of Legislative Decree no. 415/1996. This article provides that Consob may include markets recognized by article 16 of Directive no. 93/22/EEC in a special section of the public list of regulated markets. Furthermore, Consob, after concluding agreements with the foreign corresponding authorities, may recognize foreign markets for financial instruments other than those pursuant to article 16 of Directive no. 93/22/EEC, for the purpose of extending the scope of their operation to Italy. To this end, Consob may ascertain that the information regarding securities and issuers, the methods of settling transactions, the laws and regulations governing the supervision of market and intermediaries, and all other relevant matters for the purpose of mutual recognition are

equivalent in their effect on those in force in Italy and in any case such as will provide adequate protection of investors.

CNMV

In general, there are no restrictions on individual investors trading on a foreign market. However, some specific types of institutions, such as collective investment institutions (i.e. investment funds), are subject to restrictions.

In this sense, the Spanish legislation on collective investment institutions states that the investment in negotiated securities on foreign recognized markets other than official stock exchanges of OCDE member states requires the verification or authorization by the CNMV. This recognition applies to every contract listed on the exchange (the Spanish law does not foresee the authorization of one particular contract).

For further information, please see IV.C.1. (b) (i) (2) below.

CNV

Foreign exchanges are not subject to direct or indirect Argentina regulatory oversight. There are no restrictions on Argentina nationals trading on a foreign exchange. CNV jurisdiction would arise in case that a foreign exchange is involved in the trading of its futures and options contracts in Argentina.

BAWe

Residents may at any time use a foreign clearing agent, a foreign market or foreign product without special recognition being required for the purpose.

It should also be noted that, in the case of futures and options transactions effected on the Exchange, any claims on a person may be asserted under German law only. Pursuant to Section 61 of the Exchange Act, the assertion of such claims is subject to the following:

1. The futures or options transaction effected on the Exchange is binding on the person concerned pursuant to Section 53 of the Exchange Act.
2. At the time the contract is being concluded the person's normal abode is in Germany.
3. The person has delivered the declaratory act, required for the contract to be concluded, in Germany.

SC

There are no prohibitions against individuals or institutional investors from trading in foreign products in foreign exchanges.

However, under Section 102 of the FIA, a futures broker is not allowed to trade in a futures contract on any futures market outside Malaysia unless the futures market is a futures market of a Specified Exchange and the futures contract is an approved class of futures contract as prescribed by the Minister. A futures broker who wants to trade in a futures market of a Specified Exchange must pay MYR 100 000 or such other amount as may be determined by the Commission.

ESB

Foreigners must become members of the domestic exchange, or the products be listed on the domestic exchange prior to SA nationals being able to use them without restrictions. We also have Exchange Control regulations which restrict domestic funds leaving South Africa. There is however a partial relaxation of the Exchange Control regulations which now permits some by SA nationals of foreign products on recognized foreign markets.

(b) If so, describe the factual bases for requiring recognition of such clearing house, market and / or product and identify the clearing houses, markets, and / or products so recognized

CFTC

CEA §2 (a) (1) (B) (v) authorizes futures contracts based on, among other things, "exempted securities." Thus, a foreign government debt instrument must first be designated as an "exempted security" by the SEC under Section 3 (a) (12) of the 34 Act before such futures contract based on a foreign government debt instrument can be offered or sold to or by a person in the U.S. To date, the SEC has designated the debt instruments of the governments of the United Kingdom, Canada, Japan, Australia, France, New Zealand, Austria, Denmark, Finland, The Netherlands, Switzerland, Germany, Italy, Ireland, Spain, Mexico, Brazil, Argentina and Venezuela as "exempted securities" for purposes of futures trading.

The CFTC amended Rule 30.3 (a) to eliminate the requirement that the CFTC approve a foreign exchange-traded commodity option prior to its offer and sale in the U.S. This amendment does not alter existing restrictions on stock index futures and foreign government debt; it merely eliminates the need for CFTC approval to trade options on any exchange-traded foreign futures contract that can permissibly be offered or sold in the U.S. See 61 Fed. Reg. 10891 (March 18, 1996).

Under CEA §2 (a), the CFTC staff has issued no-action letters providing for the offer and sale of foreign stock index futures based on an index of foreign securities in the U.S. In issuing these letters, the staff generally has followed the guidelines set forth in CEA §2 (a) (1) (B) (ii). To date, no-action letters have been issued with respect to the following futures contracts:

- Amsterdam Exchanges: Eurotop 100 index futures contract;
- Deutsche Börse AG (formerly the Deutsche Terminbörse): Deutsche Aktienindex (DAX) futures contract;
- HKFE: Hang Seng Index futures contract;
- International Futures Exchange (Bermuda) Ltd: Financial News Composite Index futures contract;
- Italian Stock Exchange: MIB 30 index futures contract;
- LIFFE: Financial Times Stock Exchange 100 Index futures contract, Financial Times Mid-250 Index futures contract (FTSE Mid-Cap);
- MATIF: CAC 40 Index futures contract;
- MEFF Renta - Meff Sociedad Rectora de Productos Financieros Derivados de Renta Variable, S.A. (Spain) (MEFF RENTA): IBEX 35 Stock Index futures contract;
- OMLX, London Securities and Derivatives Exchange: OMX Stock Index futures contract;
- Osaka Stock Exchange (OSE): Nikkei 225 and Nikkei 300 Stock Average Index futures contracts;
- SIMEX: Morgan Stanley Capital International (Hong Kong) Index, Nikkei Stock Average and Nikkei 300 futures contract;
- SFE: All Ordinaries Share Price futures contract;
- Tokyo Stock Exchange: Tokyo Stock Price Index futures contract
- Toronto Futures Exchange: Toronto Stock Exchange (TSE) 300 Composite Index, TSE 100 Index futures contract, TSE 300 Spot Index, TSE 35 Index and TSE 35 Spot Index futures contracts.

The CFTC permits FCMs, IBs, and CTAs to offer and sell, or provide advice with respect to, the following foreign exchange-traded products to non-U.S. customers, consistent with applicable local law and certain limitations: foreign exchange-traded stock index futures contracts

which have not been the subject of a CFTC staff no-action letter, and foreign exchange-traded futures based on a foreign government debt which has not been designated as an "exempted security" under United States Securities and Exchange Commission Rule 3a12-8. 57 Fed. Reg. 36369 (August 13, 1992).

SEC

See SEC response at I.A.2 (a) above.

SIB

With respect to ROIEs and Recognised Overseas Clearing Houses (ROCHs), the FSA provides for recognition by HMT of exchanges and clearing houses which have their head offices overseas and which undertake activities which are characterised as carrying on investment business in the UK by virtue of the provision of facilities for the purposes of arranging deals in investments (FSA. s. 40).

As in the case of ROIEs (and ROCHs), DIEs are not subject to direct and primary oversight by UK regulators. The purpose of the DIE concept is to provide an additional element of investor protection by the identification of those overseas exchanges which are considered to provide adequate investor protection.

Upon the acquisition, by an exchange, of ROIE or DIE status, all of the products traded on that exchange are covered by the recognition or designation.

COB

MOE

See I.A.2. (a) above.

ASC

If a foreign futures exchange meets the Australian recognition criteria and is approved by the Minister, it is designated a "recognised futures exchange".

OSC

Section 33 of the CFA provides that no person or company shall trade in contracts except contracts traded on a commodity futures exchange recognized by the OSC where the forms of the contracts to be traded have been approved by the Director.

The Winnipeg Commodity Exchange (the "WCE") has been recognized pursuant to Section 34 of the CFA. The form of all of the contracts traded on the WCE has been accepted by the Director pursuant to Section 36 of the CFA. All other foreign commodity futures exchanges have been exempted by the OSC from the need for recognition and acceptance of contracts provided that trades in contracts traded thereon are made through futures commission merchants ("FCMs") registered under the CFA.

RORO provides that only trades in classes of options recognized pursuant to RORO may be made with Ontario residents. The Options Clearing Corporation ("OCC"), The Intermarket Clearing Corporation ("ICC") and International Options Clearing Corporation ("IOCC") have been recognized as clearing organizations pursuant to RORO. Equity options, debt options, interest rate options, index options, precious metal options, currency options and commodity options issued by OCC, ICC and IOCC have been recognized pursuant to RORO.

CVMQ

Trades in futures market may only be effected in contracts appearing on a schedule determined by the Commission. This schedule includes contracts approved by the CVMQ or, in the case of exchanges located in another Canadian province or in the United States, approved by the regulatory body designated by the CVMQ. The lists of approved organizations and products also include other foreign product. (This rule does not apply to a hedger, that is, a person who usually carries on a professional activity which exposes him to a risk attendant upon fluctuations in prices and who offset that risk through trading on markets where trading of futures contracts is of a nature to protect him against that particular risk).

SEC

Inapplicable.

SVS

ESA

A foreign firm must be authorized as an exchange with a Swedish branch independently managed only if:

- this firm in its home country does this sort of business and is supervised by an authority or another competent commission, and
- the business planned in Sweden may be assumed to fulfill requirements of fairness and - in an applicable extension - the provisions of the new act.

NZSC

Not applicable.

CONSOB

See I.A.1 (a) above.

CNMV

In determining whether to recognize a foreign market in order to be eligible for investment by Spanish collective schemes, both the existence of information sharing agreements and the regulatory framework, with special consideration to investors' protection aspects, are considered.

In 1995 the following foreign futures and options markets have been authorized:

- Chicago Mercantile Exchange (CME);
- Deutsche TerminBörse (DTB);
- London International Financial Futures Exchange (LIFFE);
- Marché à Terme International de France (MATIF).

CNV

If a foreign exchange begins to do business in Argentina, it would be considered a domestic exchange. Additionally the trading of futures and option contracts in Argentina by foreign exchanges must be approved by the CNV.

BAWe

Not applicable.

SC

The basic rationale for requiring recognition is to provide comfort to the Commission that the futures brokers would be trading in foreign products in foreign markets that are within a regulatory framework and market structure that is acceptable to the Commission.

In 1997, the following classes of futures contracts of the respective futures markets have been prescribed to facilitate the merger of Commodities Trading Commission ("CTC") with the Commission:

<i>Futures Market</i>	<i>Approved Classes of Futures Contracts</i>
CBOT	Wheat futures, Corn futures, Soyabean futures, Soyabean meal futures, Soyabean oil futures, Oats futures
CME	Live hogs futures, Lumber futures, Feeder cattle futures, Live cattle futures, Pork bellies futures
Coffee, Sugar & Cocoa Exchange Inc.	Sugar 11 futures, Cocoa futures, Coffee futures
NYCE	Orange juice futures, Cotton futures
NYME COMEX Division	Gold futures, Silver futures, Copper futures
NYME NYMEX Division	Natural gas futures, Crude Oil futures, Heating oil futures, Palladium futures, Platinum futures
Maebashi Dried Cocoon Exchange	Dried cocoon futures
Tokyo Commodity Exchange	Cotton yarn futures, Rubber (RSS3) futures
Tokyo Grain Exchange	Azuki (red beans) futures, Corn futures, United States Soybean futures
Yokohama Raw Silk Exchange	Raw silk futures
LIFFE	White sugar futures, Cocoa futures
London Metal Exchange	Copper Grade A

ESB

See I.A.1. (a) and I.A.1. (b) above.

(c) Recognition Criteria

CFTC

See I.A.2 (a) above.

SEC

See I.A.2 (a) above.

SIB

In order to achieve ROIE status, an exchange must satisfy HMT:

- i) that it is subject to supervision in the country where its head office is located which, together with its rules and practices, is such that investors in the UK are afforded protection at least equivalent to that provided under the FSA in relation to domestic RIEs or RCHs;
- ii) of its ability to cooperate in the sharing of information; and
- iii) of the existence of adequate arrangements for cooperation by those responsible for the supervision of the exchange in the foreign country (FSA, s. 40).

Parallel requirements are imposed on Recognized Overseas Clearing Houses (ROCHs).

HMT is required to be satisfied that the rules and guidance of the exchange or clearing house do not significantly prevent or distort competition (FSA, s. 119) and before making a decision regarding recognition, it must have regard to the report of the Director General of Fair Trading (FSA, s. 122) (see item I.A.1 (c), above).

COB

MOF

See I.A.2. (a) above.

ASC

No legislation exists for the recognition of foreign markets. However, the ASC consults with the relevant exchange or market participants to ensure that investor protection is adequate and that the interests of the public will be served. The ASC, the SFE and the Federal Attorney General's Department have agreed the following criteria which must be addressed when an applicant is seeking inclusion to Schedule 11. Evidence must be provided:

- (a) that the exchange has been established under the laws of the country in which it operates and is recognised by the government of that country as a public exchange;
- (b) that the exchange has rules governing its operation;
- (c) that the exchange is a market where futures contracts are traded;
- (d) that price information about contracts traded is disseminated on a real-time basis; and
- (e) that there is some formal body that oversees the operation of the exchange.

OSC

The factors to be considered in recognizing a foreign commodity futures exchange and accepting the form of contracts traded thereon are essentially the same as those described at I.A.1 (c).

A similar approach would be taken pursuant to RORO with respect to the recognition of a clearing organization and a class of options issued by such clearing corporation.

CVMQ

The Commission shall qualify persons as prescribed by the act on the following conditions:

The person issuing the derivatives must furnish the following information:

Its corporate name, the address of its head office, the method and date of incorporation. A description of its activities. The names of the members of its board of directors and their main occupations. Its audited financial statements. A description of the different types of contracts that its wants to issue or guarantee.

However, by decision, the CVMQ has authorized the use of foreign exchanges and products. Many have been exempted from the need for recognition provided that trades are made through futures commission merchants.

SEC

Inapplicable.

SVS

See I.A.2 (b).

ESA

In the introduction of the advisory provisions for applying for authorization or license SFSA has stated that these provisions shall in an applicable extension be valid for the application by a foreign firm, too.

NZSC

Not applicable.

CONSOB

See I.A.2 (b) above.

CNMV

There are no established criteria for the recognition of foreign markets for this purpose, but, in general terms, it must be assured that those markets fulfill standards of transparency, safety, integrity and fair trading, investors' protection, organization and control at a level equivalent to that of the Spanish official markets.

CNV

CNV Resolution No. 194/92 establishes the requirements that all exchanges must fulfill in order to be approved by the CNV.

BAWe

SC

There are no established criteria for the recognition of foreign markets. However, when recognising a foreign market as a Specified Exchange, the Commission will be guided by several principles such

as reciprocity principle and the fact that the foreign markets are regulated by their respective securities or futures regulatory agencies.

ESB

See I.A.1. (a) to I.A.2. (a) above.

B. Financial Intermediaries

- 1. Describe the factual bases for determining that a financial intermediary is subject to regulation in your jurisdiction (e.g., legal domicile, presence of an office, solicitation of business)**

CFTC

In general, a financial intermediary will be deemed to be subject to CFTC regulation if it either is legally domiciled in the U.S., is otherwise physically present in the U.S., has consented to jurisdiction or is deemed to be conducting business in the U.S. Whether a financial intermediary is deemed to be conducting business in the U.S. is not dependent on whether the financial intermediary is physically present in the U.S. and no distinction between solicited and unsolicited business is made; mere acceptance of orders constitutes "doing business".

The presence of a U.S. affiliate of a foreign firm engaged in a related business may also cause the CFTC to find that the foreign firm is subject to regulation in the U.S. Adequate representations as to access to the U.S. affiliate's books and records may cause the CFTC to disregard the affiliate's presence in applying the CFTC's regulatory requirements.

However, a foreign firm will be eligible for Rule 30.10 relief from registration (see I.B.2 (a) below) notwithstanding the existence in the U.S. of a separately incorporated affiliate or subsidiary of the applicant which engages in a related activity if the following procedural requirements are met: (1) the applicant must identify the name and location of any affiliate or subsidiary in the U.S. which acts in a related capacity (bank, broker-dealer or dealer in a cash commodity); (2) the applicant must represent that it will not accept any futures-related business from any of its affiliates or subsidiaries in the U.S. other than a proprietary account of the affiliate or subsidiary, unless such entities are registered in the appropriate capacity; and (3) the applicant must represent that it has informed its bank, broker-dealer and dealer in cash commodity affiliates or subsidiaries in writing that they may not introduce to, or solicit futures business on behalf of, the applicant, unless such entities are registered in the appropriate capacity. See

Interpretative Letter 93-65, Comm. Fut. L. Rep. (CCH) ¶ 25,784 (July 26, 1993).

The location of the customer has influenced CFTC staff determinations as to whether a financial intermediary must register:

- Introduction of Orders by Rule 30.10 Firm for Certain Customers - For example, in February 1993, CFTC staff granted registration relief to a U.K. firm exempted under Rule 30.10, which proposed to introduce to a U.S. FCM orders of certain U.K. branch offices of U.S. corporations (among other entities) for transactions on U.S. contract markets. Under existing standards, a firm accepting orders from such U.S. customers ordinarily would be required to register with the CFTC. However, relief was granted based in part on the status of the customer (i.e., highly qualified institution, operating as independent profit center outside the United States), the Rule 30.10 status of the firm, and the fact that the accounts of each customer would be carried by a U.S. FCM on a fully disclosed basis.
- Order Transmittal for Omnibus Accounts - On December 23, 1993, CFTC staff issued a no-action letter to address order transmittal procedures in instances where a U.S. FCM has a customer omnibus account with an affiliated foreign broker with confirmed CFTC Rule 30.10 relief for execution of foreign transactions and the foreign broker has a customer omnibus account with a U.S. FCM for execution of U.S. transactions. No-action relief was granted to permit certain institutional clients direct access to the executing firm carrying the omnibus account. See Interpretative Letter 93-115, 2 Comm. Fut. L. Rep. (CCH) ¶25,932 (December 23, 1993). The order transmittal procedures contained in the 1993 Advisory were extended in Advisory 94-08 (January 20, 1995) to circumstances where the customer omnibus account is carried at a foreign affiliate that does not have CFTC Rule 30.10 relief. Among other things, the Advisory requires that the U.S. FCM undertake to be liable for all acts of its foreign affiliate, and provide access to original books and records of the foreign affiliate.
- Globex Branch Offices: "Pass the Book" - On June 25, 1992, CFTC staff granted relief from certain registration requirements that otherwise would apply to CME and CBT member firms and their foreign affiliates to which they "pass the book" of customer orders for entry into the Globex electronic trading system, and to personnel involved in that process. Staff stated that it will not recommend enforcement action against an exchange member firm solely for soliciting,

accepting or entering U.S. customer orders into Globex through designated persons located at a foreign affiliate that is not registered as an FCM. The Globex-related activities of the designated persons would be deemed to be the operation of a branch office of the exchange member firm. See Interpretative Letter 92-11 [Current Binder] Comm. Fut. L. Rep. (CCH) ¶ 25,325 (June 25, 1992).

By letter dated August 9, 1993, this no-action relief was modified to clarify that it was not intended to be inconsistent with applicable foreign laws. On August 20, 1993, the Division of Trading and Markets issued a no-action letter that extended the relief granted to Globex orders passed to Exchange member firms' affiliates in Hong Kong with Globex terminals and on December 31, 1993, the Division confirmed that the relief is applicable in connection with Globex terminals in Japan. The relief granted does not alter the requirement that any foreign affiliate doing U.S. customer business on its own behalf must be registered with the CFTC.

On October 29, 1993, "pass-the-book" relief similar to that provided to the CME and CBOT (referenced above) was extended to the NYMEX and its foreign affiliates in the United Kingdom who "pass-the-book" or otherwise handle customer orders for entry into the NYMEX ACCESS trading system, and on September 28, 1995 to NYMEX member firms and their foreign affiliates in Australia that "pass the book" of customer orders involving NYMEX contracts for entry into SYCOM terminals of the Sydney Futures Exchange.

SEC

The Commission requires broker-dealer registration in two general types of situations. First, all broker-dealers physically operating within the United States that effect, induce, or attempt to induce any securities transactions are required to register with the Commission, even if these activities are directed only to foreign investors outside the United States. Second, broker-dealers who solicit securities transactions from persons located in the United States are required to register with the Commission, regardless of where the broker-dealers are located.

The Commission has not required registration of broker-dealers located outside the United States who execute transactions for U.S. persons who sought out the broker-dealer and initiated transactions in foreign securities markets entirely of their own accord. The Commission generally views "solicitation", however, as including any affirmative effort by a broker-dealer intended to induce transactional business for the broker-dealer or its affiliates. Conduct deemed to be solicitation includes telephone calls from a broker-dealer to a customer encouraging use of the broker-dealer to effect

transactions, as well as advertising one's function as a broker-dealer, in newspapers or periodicals of general circulation in the United States or on any radio or television station whose broadcasting is directed into the United States. Similarly, solicitation would include conducting investment seminars for U.S. investors or recommending the purchase or sale of particular securities, with the anticipation that the customer will execute the recommended trade through the broker-dealer.

A broker-dealer who disseminates quotations for securities to U.S. persons also generally would be considered to have solicited securities transactions. The Commission has indicated, however, that third-party distribution of quotations will be allowed on an interpretive basis. The Commission's position only applies to third-party systems that do not have internal execution capabilities.

The Commission has adopted a rule that provides exemptions from registration for certain foreign broker-dealers engaged in certain activities involving U.S. investors and markets. One exemption permits foreign broker-dealers to solicit U.S. institutional investors, but requires, among other things, that any resulting trades be executed through a U.S. registered broker-dealer. The rule provides another exemption for foreign broker-dealers who provide research reports to U.S. institutional investors with assets in excess of \$100 million. The research reports cannot, however, recommend the use of the foreign broker-dealer to execute trades and cannot be provided pursuant to any understanding that commission income will be directed to the foreign broker-dealer. Finally, the rule exempts foreign broker-dealers who effect transactions with or for U.S. registered broker-dealers, banks acting in a broker-dealer capacity, certain international organizations, foreign persons temporarily present in the United States, U.S. citizens resident abroad, and foreign branches and agencies of U.S. persons.

SIB

The FSA provides that no person shall carry on, or purport to carry on, investment business in the UK unless he is authorized or exempted from authorisation (FSA, s. 3).

For these purposes, "financial intermediary" is used to refer to firms which are "authorised persons", i.e., authorised to carry on investment business in the UK. Applications for authorisation may be made to SIB or the relevant self-regulating organization (SRO) which in the case of margined transactions, would be The Securities and Futures Authority Limited (SFA).

Pursuant to the FSA, a person carries on investment business in the UK if he carries on investment business from a permanent place of

business maintained by him in the UK or if he engages in an activity in the UK which falls within one of several categories identified in Part II of Schedule I to the FSA and are not excluded by Part III and, in respect of that activity, he is not an exempt person.

A financial intermediary is, therefore, subject to regulation in the UK where investment business is carried on from a UK base, wherever the customer is situated. A financial intermediary will also be subject to UK regulation where that financial intermediary, not operating from a UK base, nevertheless carries on business from overseas into the UK (e.g., soliciting UK customer business). Certain exceptions apply in the latter case, e.g., where the overseas person is: transacting with a UK authorized person; responding to an initiative taken by a UK investor or continuing an existing business relationship with him; or promoting his investment services in accordance with the advertising and cold-calling rules, provided that overseas person is not otherwise restricted by the provisions of the FSA.

COB

Under the Act of July 2nd, 1996, only duly authorised investment services providers may provide investment services in France. The investment services include reception and transmission of orders relating to financial instruments on behalf of investors, execution of such orders other than for own account, dealing in financial instruments for own account, managing portfolio of investments in accordance with mandates given by investors on a discriminatory basis, underwriting and / or placing of issues.

To provide investment services in France investment services providers must be either incorporated in France and be authorized by the Comité des Établissements de Crédit et des Entreprises d'Investissement (CECEI), in cooperation with the CMF. [The COB has however full jurisdiction (authorization, regulation, supervision) in the field of portfolio management activities] or be authorized by a competent authority of an EEA member state and provide investment services in France by virtue of the right of establishment, by setting up a branch, and the freedom to provide financial services.]

An investment firm authorized by an EEA member state and providing investment services in France will be subject to the regulation of the home member state except for rules of conduct and other rules of the host member state taken in the interest of the general good which the investment firm has to comply with.

Only a duly authorized investment services provider may become a member of a regulated market, with the exception of local trader who may become a member of the MATIF without being registered as an investment firm.

Under the Act of July 2nd, 1996 may become a clearing member the firms authorized to become a member of a regulated market and credit institutions after approval of their clearing business plan by the CMF.

Solicitation and cold calling authorized from persons who could apply for clearing membership (see above). This business is defined as the usual activity of advising someone to operate on markets and being paid for.

These persons have to comply with French regulation governing solicitation or cold calling on futures contract.

Legal provisions on cold calling protect all customers, whatever their nationality, as soon as they are domiciled in France.

MOE

Any person who performs securities business in Japan must be either:

- 1) a securities company incorporated and licensed under the Securities and Exchange Law, or
- 2) a foreign securities company which is licensed to hold a securities branch in Japan (a foreign securities firm can hold either a branch or a subsidiary to operate securities business in Japan).

With regard to the cross-border securities transaction, unlicensed overseas securities companies are prohibited from soliciting non-professional investors.

ASC

If the intermediary is conducting business in Australia, then that intermediary is subject to regulation.

Section 1142 of the CL prohibits a person from dealing in a futures contract on another's behalf or holding himself out as carrying on a futures brokering business unless he is licensed or is exempt. Section 1143 contains a similar provision with respect to futures advisers. Dealing is defined in sub-section 25 (1) of the CL in terms which would be satisfied by either taking or executing orders.

No distinction is made between solicited versus non-solicited business. Section 9 of the CL defines a "futures broker" as:

- a person who carries on, or 2 or more persons who together carry on, a futures brokering business, whether or not the person, or

any of the persons, also deals in futures contracts on the person's own account; or

- the holder of a futures brokers licence;

"Futures brokering business", in relation to a person, means a business of dealing in futures contracts on behalf of other persons. It is a condition of the grant of a dealers licence and Membership of the SFE that a degree of liquidity as specified in the Articles and By-Laws is met.

"Futures adviser", means a person who carries on, or two or more persons who together carry on, a futures advice business.

OSC

Section 25 of the SA provides that no person shall: trade in a security unless registered as a dealer or a salesperson, partner or officer of a dealer; act as an underwriter unless registered as an underwriter; or act as an adviser unless registered as an adviser or a partner or officer of an adviser. Similar provisions are found in Sections 22 and 23 of the CFA in respect of commodity futures contracts and options.

The definitions of the term "trade" in the SA and CFA are very broad and includes entering into contracts as principal or agent, the receipt of an order to effect a transaction and any act, advertisement, conduct or negotiation directly or indirectly in furtherance of a trade.

CVMQ

To carry on business in (or from) Quebec a broker / dealer must be registered with the CVMQ. To solicit business a broker / dealer must have an office in Quebec, under the direction of a person who is an officer residing in Quebec.

However, the CVMQ may, on such conditions as it may determine, exempt a person or a group of persons from certain requirements where it considers the exemption not to be detrimental to the protection of investors.

The Securities Act also specifies that any person doing business as a dealer or broker with certain category of persons («sophisticated purchasers») is exempt from registration (and, consequently, is exempt from having an office in Quebec). See Section B.1.2. (b) for details.

SEC

In Hong Kong, a person who conducts a business of trading in commodity futures contracts, or holds himself out as carrying on such a business, must register as a commodity dealer with the SFC.

A person who receives remuneration from carrying on a business of advising any other person or holds himself out as carrying on such a business, or as part of a regular business issues or circulates analyses or reports, or acts as a portfolio manager for a client concerning the purchase or sale of futures contracts or securities, must register as a commodity trading adviser or a securities investment advisor respectively.

A person who carries on a business of dealing in securities (including stock options) must register as a dealer under the SO.

SVS

There are two types of securities intermediaries recognized in Chilean Securities Law: broker-dealers and OTC agents, which are defined in Article 24, Law N° 18,045. The first one can trade on and off-exchange, whereas the second one is limited to off-exchange transactions. It is important to note that in Chile shares can only be traded on-exchange.

The Law defines that any person who wants to perform as a securities intermediary, must be registered by the SVS. Later on, Articles 26, 27 and 28, define the requirements these intermediaries must meet in order to be registered by the SVS. Finally, in order to be registered and be able to carry out the intermediation activities, the broker-dealer and OTC agent, must be created as a Chilean corporation.

ESA

Anybody in Sweden wanting to do business within e.g. banking, securities business, corporate finance or mutual funds - before beginning any business - has to get a certain license, in case of banking by the government and else by The Financial Supervisory Authority (FSA). When such a license is received, the business shall be conducted in accordance with the statutes especially issued for each business and under surveillance by the FSA.

New regulations (FFFS 1997:11) concerning mutual funds have been issued by the FSA. The new regulations came into force on May 1st, 1997. These new regulations replace FFFS 1996:9.

If a mutual fund intends to do business in options, futures or similar financial instruments, this intention shall be noticed in the fund

statutes. The statutes shall also stipulate the highest amount, as part of the fund capital, that the fund at each time may use for the purchasing of either of these derivatives. The statutes shall furthermore stipulate the highest total marginal requirement, also as part of the fund capital, that the fund may be exposed to because of this derivatives business.

Chapter 6 of the regulations deals exclusively with the options and futures business including securities lending. It should be observed that inter alia the total purchase value (paid premiums) for options of a mutual fund must not at any time exceed ten percent of the fund capital. The highest total marginal requirement, similarly, must not at any time rise to more than twenty percent of the fund capital.

NZSC

The legislation is actively based. If the financial intermediary carries on the business of "dealing in futures contracts", as that term is defined in the Act, it will need to be authorised by the Commission. It is the policy of the Commission that applicants for authorisation should be admitted to one of the categories of dealer established by the rules of the New Zealand Futures and Options Exchange".

The Act prescribes that a person deals in futures contracts if that person:

- (a) acquires or disposes of the futures contracts on behalf of another person; or
- (b) offers to acquire or dispose of the futures contracts on behalf of another person; or
- (c) on behalf of another person induces, or attempts to induce, a person, to acquire or dispose of the futures contract; or
- (d) advises or assists a person in connection with the acquisition or disposition of the futures contract; or
- (e) does any other act or engages in conduct declared by the Commission by notice in the Gazette to constitute dealing in a futures contract for the purposes of Part III of the Securities Amendment Act 1988.

CONSOB

Pursuant to article 2 of Legislative Decree no. 415/1996 the provision of investment services to the public on a professional basis shall be restricted to authorized persons (mainly investment firms and banks). Furthermore, EU investment firms and banks may provide services in Italy both by choice to provide services and establish branches.

Considering the afore, a financial intermediary is subject to Italian regulations when it conducts investment services in Italy. As far as EU investment firms and banks providing investment services in Italy are concerned, Consob shall supervise the compliance of rules of conduct only (art. 11 of Directive no. 93/22/EEC).

Investment services are deemed to be conducted in Italy when the person who provides such services takes the initiative of soliciting Italian customers within the Country.

Non EU investment firms and banks are subject to a licence requirement.

CNMV

According to the Securities Market Act, most of the activities related to securities markets can be carried out solely by registered financial intermediaries (brokers, broker-dealers, credit institutions and so on).

In broad terms, Spanish law requires registration to every firm carrying or trying to carry out investment business in Spain, or outside, provided, in this latter case, its activities are directed to persons located in Spain. Those investment services include, but are not limited to, receiving orders from investors relating to the securities markets, even if they are transferred for execution by other institutions so authorized, or managing stock portfolios for third parties.

EU credit institutions are exempted from registration as established by Second Banking Directive.

CNV

All financial intermediaries are subject to Argentina CNV jurisdiction if they do business in Argentina exchanges under CNV jurisdiction.

BAWe

In Germany, in addition to credit institutions within the meaning of Section 1 (1) of the Banking Act, brokers primarily act as financial intermediaries. Besides this there are some financial institutions within the meaning of Section 1 (3) of the Banking Act.

Pursuant to Section 7 of the Exchange Act, admission to trading on the Exchange is granted only to applicants engaging in options and futures trading on a professional basis for their own account (principal transactions) or in their own names but for the account of third parties (agent transactions), or acting as intermediaries in the conclusion of contracts. The business operations of the applicant must by their nature and scope require a commercially organized business

establishment. Specifically, the following may be admitted as Exchange Members:

- *Credit Institutions*

Credit institutions within the meaning of Section 1 (1) of the Banking Act, i.e., enterprises conducting banking business in Germany - such business also comprises the purchase and sale of securities for others -, are subject to bank supervision under the Banking Act (Section 6 (1)). All banking business conducted in Germany basically requires a license from the Federal Banking Supervisory Office (Section 32 of the Banking Act). Enterprises holding a "European passport" within the meaning of Section 53b of the Banking Act are exempted.

- *Brokers*

Brokers, on the other hand, are not credit institutions. To the extent that they have been admitted to participate in Exchange trading as official brokers or independent brokers, they are subject to supervision by the Exchange Supervisory Authority pursuant to Section 8a of the Exchange Act. Such supervision comprises both floor and off-the-floor trading and relates to compliance with exchange laws and regulations and to ensuring solvency.

- *Other Exchange Participants*

Other Exchange Participants are currently not subject to any government supervision. They are admitted to the DTB as non-Clearing Members.

In addition to government supervision, the relevant Exchange Rules and Regulations require the Board of Governors of the Exchange to supervise and check compliance with the Exchange Rules.

The purchase of securities and other financial products can also be effected via professional brokers. Under 34 c Trade Regulation Act the middleman must have a license from the trade supervisory authority if the object of his business is the professional brokering of German or foreign investment shares, domestic and foreign stocks and bonds of domestic and foreign corporations. On the other hand, the brokering of stock options and futures contracts does not require a license under Section 34 c Trade Regulation Act.

With the implementation of the EU-investment services directives in German law the supervision of professional brokers will be reorganised. As it is planned now the Bundesaufsichtsamt für das Kreditwesen will license the investment firms in future and the

Bundesaufsichtsamt für den Wertpapierhandel will supervise their business behavior (so called functional approach). Investment services include the purchase and sale of securities or derivatives for third parties (securities business), engaging in such business as an intermediary, or trading in securities or derivatives for one's own account.

SC

In Malaysia, a person must not carry on futures broking business or hold itself or himself out as carrying on futures broking business unless that person holds a futures broker's licence. Futures broking business, in relation to a person, means a business of trading in futures contracts on behalf of other persons. A person who carries on a futures fund management business or holds himself out as a futures fund manager must hold a futures broker's licence or futures fund manager's licence. Under the FIA, a futures broker's licence or a futures fund manager's licence may only be granted to a corporation. A person must not carry on a futures advice business or hold himself out as a futures trading adviser unless that person holds a futures broker's licence, futures fund manager's licence or a futures trading adviser's licence. Futures advice business is defined under the FIA as the business of advising another person about trading in futures contracts or a business in the course of which the person publishes futures reports.

The licensing regime in the FIA requires all individuals who act on behalf of a futures broker, a futures fund manager or a futures trading adviser to be licensed as a futures broker's representative, a futures fund manager's representative or a futures trading adviser's representative respectively. An individual who performs a function that is ordinarily done by accountants, clerks or cashiers of futures brokers, futures fund managers and futures trading advisers however, is not required to be licensed.

ESB

See I.A.1. (a) and I.A.2. (a) above.

2. **(a) Are there differences in the regulations applied based on the relationship of the intermediary to the jurisdiction?**

CFTC

Once the determination is made that a financial intermediary is subject to regulation in the U.S., the applicable principle of regulation is that

of national treatment. That is, under U.S. laws, the foreign firms are treated no less advantageously than U.S. firms in terms of the regulations which may be applicable to their activities. However, depending on the degree of nexus with the U.S., the CFTC's regulatory interest may vary.

"Foreign brokers" are defined as entities located outside the U.S. that carry an account in futures or options for or on behalf of non-U.S. persons on U.S. markets through a carrying FCM. Under CFTC regulations, foreign brokers are not required to register with the CFTC as FCMs, however, they remain subject to, among other things, the reporting requirements in Parts 15-21 of the CFTC regulations.

The CFTC's Part 30 rules govern the offer or sale of any foreign futures or option contract to a person resident in the U.S. Although the rules apply to any person, U.S. or non-U.S., who engages in the above-referenced activities with respect to a customer resident in the U.S., the rules contain an exemptive provision pursuant to which the CFTC may exempt a financial intermediary located outside the U.S. from the application of certain of the CFTC's rules and regulations based upon substituted compliance by the financial intermediary with the comparable regulatory requirements imposed by the foreign jurisdiction. See Rule 30.10. To be eligible for Rule 30.10 exemptive relief, a firm must also be doing business with customers in the foreign jurisdiction in which it is located and to whose regulation it is subject. In considering an exemption request, the CFTC will take into account, among other things, the extent to which U.S. persons are permitted to engage in futures-related activities.

Clarifying the applicability of the Rule 30.10 exemption to firms located outside the United States, the CFTC has issued orders permitting firms that have Rule 30.10 relief to engage in limited marketing of foreign futures and option contracts to qualified eligible participant (QEP) type customers from locations within the United States through their employees or other representatives. Pursuant to the orders, up to 30 days of direct marketing activities can be undertaken by Rule 30.10 qualified firms without implicating the U.S. registration requirement. 59 FR 42156 (August 17, 1994) 57 Fed. Reg. 49644 (November 3, 1992).

See also Section I.B.1 above and Section IV.C.1 (d) (i) (1) below.

SEC

As discussed in I.B.1. above, the Commission exempts certain foreign broker-dealers from U.S. registration based on the location of the broker-dealer and on the limitation of their customers to institutional investors. The Commission generally does not differentiate its regulation of registered broker-dealers based on the location of the

broker-dealer or on the location or type of its clients. Non-resident broker-dealers are required, however, to provide their books and records in the U.S. upon request.

SIB

It is the activity of carrying on investment business in the UK (e.g., soliciting business or advising UK customers) in the absence of an exemption that triggers the application of the FSA. (Solicitation is defined in neither the FSA nor the Conduct of Business Rules (CBRs).)

The principle of "national treatment", briefly stated, means that foreign firms are treated no less advantageously than domestic firms in terms of the regulations which may be applicable to their activities. Once it is determined that a financial intermediary is subject to regulation in the UK and, if not otherwise exempt, requires authorisation to carry on investment business, the principle of "national treatment" applies and foreign firms are treated in the same way as domestic firms.

The UK has entered into Financial Information Sharing Memoranda of Understanding with the regulators or relevant authorities of 35 foreign countries. The foreign regulator takes the lead in relation to financial supervision and provides financial information, on the basis agreed, concerning the overseas entity which could be relevant to the UK entity. The UK regulator continues to monitor for its purposes compliance with CBRs and Client Money Regulations.

Any arrangements which are developed between UK and foreign regulators and / or supervisors for purposes of the financial regulation of intermediaries operating from overseas through a branch in the UK will not displace or otherwise overcome the need for the overseas entity to acquire authorisation where it is undertaking investment business in the UK and an exemption is not available.

In relation to the authorisation of firms undertaking investment business in the UK, where authorisation is required, there is no alternative to membership in an SRO or direct authorisation from SIB.

A certain overlap of SRO scope minimizes the need for a firm to obtain multiple SRO memberships, however, in circumstances where a firm is compelled to obtain authorisation through membership more than one SRO, arrangements will be made for one of those SROs to adopt a lead in the regulation of the activities of the firm in question.

COB

See section I.B.1 above.

MOE

Same business regulations are applied to the securities companies incorporated in Japan and the branches of the licensed foreign securities companies.

ASC

A non-Australian financial intermediary operating in Australia is subject to the same requirements to which an Australian financial intermediary is subject.

OSC

Section 33 of the CFA states that no person or company, ~~except a hedger~~, shall trade in contracts except:

- (i) contracts (the forms of which have been approved by the OSC) traded on a registered or recognized exchange;
- (ii) contracts for which a preliminary and a final prospectus have been filed with the OSC and receipts obtained therefor; or
- (iii) contracts traded on an exchange outside Ontario as a result of an order placed with a dealer which does not carry on business in Ontario, not involving any solicitation by or on behalf of the dealer.

Section 32 of the CFA provides that registration is not required in respect of:

- (i) a trade in a contract by a hedger through a dealer;
- (ii) a trade in a contract by a person or company acting solely through an agent who is a registered dealer;
- (iii) a trade in a contract to be executed on an exchange situate outside Ontario resulting from an order placed with a dealer who does not carry on business in Ontario, not involving any solicitation by or on behalf of the dealer; or
- (iv) a trade in a contract in respect of which a preliminary prospectus and a final prospectus have been filed with the OSC and receipts obtained therefor.

CVMQ

A foreign broker / dealer is subject to the same requirements to which a Quebec financial intermediary is subject.

However, the Securities Act specifies that any person doing business as a dealer or broker with certain category of persons («sophisticated purchasers») is exempt from registration (and, consequently, is exempt from having an office in Quebec). See Section B.1.2. (b) for details.

SEC

Corporate members of the Hong Kong exchanges must be incorporated in Hong Kong.

Corporate registered dealers and advisors who are not exchange members must be incorporated in Hong Kong or be overseas companies registered as such under the Companies Registry of Hong Kong and have a valid business registration in Hong Kong.

SVS

In consideration of the answer in I.B.1, it doesn't matter whether the intermediary's capital is foreign or local since it is only necessary that they be legally constituted in Chile in order to operate.

ESA

Formally there are differences in the regulation to a certain extent due to separate legislation for banks, securities firms etc. Practically, FSA executes its surveillance in roughly spoken the same way towards the different kinds of companies under supervision, i.e., reporting, spot investigation, management contacts etc. On the other hand, there are no differences in this relationship between Swedish and foreign intermediaries.

NZSC

All dealers carrying on business with New Zealand residents are regulated the same way.

CONSOB

Italian Laws and regulations are applicable to non EU credit institutions, duly authorized by CONSOB and the Bank of Italy, to carry out investment business in Italy.

With respect to EU credit institutions and their financial subsidiaries, provided for under article 18 of IInd banking directive, Italian

regulations concerning disclosure obligations, conduct of business rules and regularity of securities transactions are applicable; otherwise, home country regulations apply.

CNMV

There are no different regulations based on the relationship of the intermediary to the jurisdiction.

CNV

There are no differences.

BAWe

Foreign and domestic intermediaries are regulated in the same way.

SC

In so far as foreign intermediaries are concerned, they are subjected to the same futures regulatory requirement.

ESB

See I.A.1. (a) and I.A.1. (b) above.

No differences provided all intermediaries are regulated in that jurisdiction. For this reason foreign intermediaries would have to have a domestic separately capitalized entity that is a member of the relevant exchange, and complies with the exchanges rules of membership. In that way they would rank equally with local intermediaries.

(b) Are there differences in the regulations applied based on the type or location of clients with which the intermediary does business?

CFTC

The CFTC rules and regulations generally do not distinguish intermediaries based on the type of clients. (~~But see~~ definition of proprietary accounts and Rule 4.7 discussed below.) The location of the client is relevant because of the need to establish a nexus with the U.S.

In order to trade for U.S. customers on domestic or foreign markets, firms must either register or be exempt from registration. ~~But see~~ discussion of staff relief in Section I.B.2 (a) above.

CFTC Rule 4.7 exempts CPOs who offer pool participation interests to certain highly qualified investors defined for purposes of the rule as "qualified eligible participants" (QEPs) and CTAs who direct or guide the accounts of highly qualified investors defined for purposes of the rule as "qualified eligible clients" (QEC) from certain disclosure, reporting, and recordkeeping requirements. See Section II.B.3 (c).

In order to trade for non-U.S. customers on U.S. markets, whether the full panoply of customer protections is applicable or not is a function of the location of the financial intermediary.

[Transactions on non-U.S. markets for non-U.S. customers are deemed to be nonregulated transactions under the CFTC's regulatory system.]

SEC

The SEC generally does not differentiate its regulation of registered broker-dealers based on the type or location of the broker-dealer's customers.

SIB / SFA

SFA's CBRs differentiate between several types of investors. Briefly, these are:

- (i) "private customer": this means a customer who is either an individual or a small business investor and who is not acting in the course of carrying on an investment business for which he or it has been authorized under the FSA;
- (ii) "non-private customer": this includes:
 - An "ordinary business investor", which category includes: governmental and public authorities; large companies (i.e. with more than 20 members or with a holding company which has more than 20 members and any of it, its holding companies or subsidiaries has a net worth of £ 500 000); other large companies which have a net worth of £ 5m or which have a holding company or a subsidiary with a net worth of £ 5m; partnerships or unincorporated associations with a minimum net worth of £5m; and trustees of large trusts (minimum trust assets of £ 10m) (SFA's CBRs, 9-1).
 - Persons authorized to carry on investment business in the UK (SFA's CBRs, 9-1).
 - A customer which would otherwise be a private customer may be treated by a firm as a non-private customer if: the

firm can show that it believes on reasonable grounds that the customer has sufficient expertise and understanding to waive the projections provided for private customers; the firm has given a clear written warning to the customer of the protections under the regulatory system which it will lose; and the customer has properly consented to being treated as a non-private customer.

SFA's CBRs distinguish between the protections afforded to private customers and non-private customers. For example, private customers must, in certain circumstances, be informed by the firm not in relation to the particular business which is to be carried on, UK regulatory protections will not apply (SFA's CBRS, 5-13 and 5-14).

Authorized firms, in respect of the regulated business undertaken by them in the UK, must treat all customers, irrespective of location or nationality, in the same way.

SC

There are no differences in the regulations applied to licensed intermediaries based on the type or location of their clients.

Amendments

Officers and employees of a firm and its appointed representatives, as well as the appointed representatives' officers and employees, are subject to certain restrictions in respect of transactions relating to an investment of any kind in which the firm carries on regulated business. Similarly, such persons should not deal on their own account with any of the firm's customers. The purpose of these restrictions and prohibitions is to avoid conflicts of interest (SFA's CBRs, 5-51).

COB

There is no difference in the rules applying to investment firms according to the location of their clients. When opening an account with a non professional customer to trade on a futures or option market, the investment firm has to give the investor a copy of the risk disclosure document. The client has to return a signed copy of the document to the firm before the first trade may occur. If the client is a professional one, he must receive the risk disclosure document but there is no requirement that he returns a signed copy of the document to the firm.

MOE

No differences exist in the regulations applied to licensed securities companies, according to the type or location of their clients.

ASC

In respect to the type of clients there is a difference. Specific futures markets may be declared exempt by the Minister pursuant to s. 1127 of the CL generally upon the application of certain institutions such as Banks or Trading Houses wishing to engage in those markets on behalf of clients who are hedgers.

There are no differences in the application of regulations based upon the location of the financial intermediary's clients.

OSC

See I.B.2 (a) above.

CVMQ

There is no differences in the regulations applied on the location of clients with which the intermediary does business. However, in respect to the type of clients there is some exemption from registration. The Securities Act specifies that any person doing business as a dealer or broker with («sophisticated purchasers») is exempt from registration. The following persons are sophisticated purchasers to the extent that they subscribe for or purchase securities for their own account:

- 1) a company all of the voting securities of which belong to the Gouvernement du Québec, The Government of Canada or the government of a Canadian province, or to one of their departments or agencies;
- 2) a bank governed by the Bank Act (R.S.C. 1985, c. B-1) or by the Quebec Saving Banks Act (R.S.C. 1970, c. B-4);
- 3) a loan and investment society incorporated under an Act of Quebec or registered in accordance with the Loan and Investment Societies Act (R.S.Q., c. S-30);
- 4) a federation of savings and credit unions within the meaning of the Savings and Credit Unions Act (S.Q., 1988, c. 64);
- 5) the Caisse Centrale Desjardins du Québec established under the Act respecting the Mouvement des Caisses Desjardins (S.Q., 1989, c. 113);

- 6) a trust company licensed under the Act respecting trust companies and saving companies (R.S.Q., c. S-29.01);
- 7) an insurance company licensed under the Act respecting insurance (R.S.Q., c. A-32);
- 8) a municipal corporation, an urban community, a school board, the Conseil Scolaire de l'Île de Montréal, an intermunicipal management board or a public agency or body established pursuant to an Act of the Government of Canada or of the Government of a Canadian province;
- 9) a dealer or an adviser registered in conformity with Section 148 of the Act;
- 10) a pension fund with assets of over \$100 000 000 and governed by the Supplemental Pension Plans Act (R.S.Q., c. R-15.1) or the Pension Benefits Standards Act (R.S.C., 1985, c. P-7);
- 11) the subsidiary of a person mentioned in paragraph 2, 6 or 7, to the extent that such person holds all the voting securities;
- 12) a person designated in an order of the CVMQ on such conditions as it may determine.

A trust company licensed under the Act respecting trust companies and saving companies (R.S.Q., c. S-29.01), an insurance company holding a license under the Act respecting insurance (R.S.Q. c. A-32) or a dealer or adviser registered in conformity with Section 148 is also a sophisticated purchaser when purchasing or subscribing for securities for the portfolio of a third person managed solely by that company, dealer or adviser.

SEC

There are no differences in the regulations applied based on the type or location of clients with which the intermediary does business.

SVS

In general, there is no difference between national and foreign clients. However, there is a difference with respect to taxes, which is regulated by the Internal Revenue Service of Chile.

ESA

There are differences. For instance: banks are allowed to give in blanco credits to their customers but securities firms are not. Formally there are no differences based on the type or location of customers.

NZSC

There are no differences in the application of the regulations based upon the location of the financial intermediary's clients.

CONSOB

Regulations ensuring the need of protection to be applied to qualified investors are less stringent than those applied to private investors. These regulations differ in matters as conflict of interest, customer information requirements, the frequency and the size of transactions, written contract, limits on investment management activity.

Qualified operators can be defined securities investment firms, credit institutions, stockbrokers, trust companies listed in a special section of a register kept by CONSOB, foreign persons authorized in their home country to carry out securities business, investment managers, pension funds, real estate investment funds, insurance companies, SICAV, any other legal person having a specific competence and experience in securities transactions and natural persons proving to be competent and experienced in securities sector.

Having regard to the localization of the client, CONSOB regulations do not make a distinction between domestic or foreign clients.

CNMV

There are no different regulations based on the type or location of the intermediary's clients.

CNV

There are no differences between national and foreign clients.

BAWe

In applying the supervisory regulations, no distinction is made according to the person or domicile of the customer with whom the financial intermediary transacts its business. It should be noted, however, that options and futures transactions on the Exchange will be binding on non-commercial users only if the risks associated with options and futures transactions on the Exchange have been expressly pointed out to them in writing pursuant to Section 53 (2) of the Exchange Act.

SC

There are no differences in the regulations applied to licensed intermediaries based on the type or location of their clients.

ESB

See I.A.1. (a) and I.A.1. (b) above.

There is a special section in the rules of Safex referring to *trading with non-resident and emigrant clients*.

C. Explain any special factors affecting the treatment of screen-based trading systems

CFTC

To date, CFTC has approved the rules of four U.S. exchanges to trade their contracts on screen-based systems - CME and CBOT on Globex (CBOT opted out of the Globex system in May 1994); CBOT on its "Project A" system; Amex Commodities Corporation on its Electronic Limit Order System (ELOS) (which has never become operational) and the New York Mercantile Exchange (NYMEX) on its ACCESS system.

Globex is an electronic trade execution system developed by the CME and Reuters for the trading of CME contracts outside regular business hours. Globex brings buy and sell orders together by linking individual terminals where orders are entered with a central computer.

Each terminal displays current market information such as the prevailing bid and ask prices and the quantity at those prices. Orders entered into the system are executed in accordance with strict rules of priority, based on price and time of entry. A single-price opening procedure is used at the start of each Globex session. Globex trades CME products in accordance with the relevant exchange rules and licenses terminals to members or certain "member affiliates" for such trading in several jurisdictions. Trading commenced in CME contracts on June 25, 1992. The Globex system is operated under an agreement with Reuters that is scheduled to terminate in 1998.

In October 1992, the CFTC approved the CBOT's "Project A" system for trading of futures and other commodity interests. In October 1994, the system's hours of operation which were initially the exchange trading hours were changed to non-pit trading hours. In August 1996 the CFTC approved the permanent continuation of overnight trading on Project A of certain CBOT agricultural contracts and specified intra-market and inter-market spreads.

On December 17, 1992, the CFTC approved the New York Mercantile Exchange's (NYMEX) American Computerized Commodity Exchange System and Services, known as NYMEX ACCESS. NYMEX ACCESS is an electronic order entry and trade matching system for transactions in futures contracts and options on futures which will be available in major financial centers throughout the world. Currently, NYMEX ACCESS terminals are available to exchange members at

locations in the U.S., the U.K. and Australia. In particular, in June 1993, NYMEX received recognition as an OIE from HM Treasury under the Financial Services Act of 1986.

The CFTC has stated that the mere presence of screen-based trading terminals in the U.S. should not cause the CFTC to deem any exchange for which products are listed through the system to be a domestic exchange. However, the relationship or interface between the exchanges or between the exchange and U.S. customers may raise regulatory concerns which the CFTC may wish to consider that are unrelated to the internal operations of the foreign exchange. As a result, the CFTC would review the particulars of any proposal to trade the contracts of a foreign exchange through a screen-based system in light of the CFTC's obligations under the CEA to maintain the integrity of U.S. markets and to provide for the protection of U.S. customers. Systems that allow members of one exchange to trade the contracts of the other exchange ("cross-exchange trading") would require appropriate information sharing arrangements between regulators to permit the CFTC to fulfill its regulatory responsibilities.

Authorization to Place DTB Trading Screens in the U.S.: On February 29, 1996, the Division of Trading & Markets issued a no-action letter authorizing the DTB to install and utilize DTB computer terminals in the United States in connection with the purchase and sale of certain futures and options contracts. The relief was limited to placement of proprietary trades on behalf of DTB members, and, in the case of any DTB member who becomes a registered FCM, on behalf of foreign futures and options customers as well. In granting the relief, the Division took into consideration various factors, including the fact that the DTB is subject to oversight by German regulatory agencies, and the existence of information sharing agreements between the regulatory agencies of Germany and the United States. Moreover, the Division's authorization is subject to numerous conditions, including provisions that permit the CFTC and NFA to obtain prompt access to the books and records of DTB members with terminals in the United States, and a requirement that DTB members taking advantage of the Division's authorization identify themselves to the CFTC and the NFA.

CME-MATIF Cross Exchange Access: Under the CME-MATIF cross exchange access program, certain products of the CME and MATIF trade side-by-side on Globex screens located in France and the U.S.; and members of the CME and MATIF with access to Globex screens have the ability to trade each other's contracts without becoming members of the other exchange. Implementation of the cross exchange access program was made possible by: An exchange of letters in June 1992 between staff of the CFTC and the French COB and CMT pursuant to which they agreed to procedures for the effective surveillance and exchange of information related to CME-MATIF cross

exchange access; and the approval by the CFTC on September 25, 1992 of CME rules implementing the program and by the CMT on October 15, 1992 of analogous French rules.

NYMEX-SFE Cross Exchange Access: In September 1995, a linkage was established between NYMEX and the Sydney Futures Exchange (SFE) to permit certain SFE members to trade specified NYMEX products through NYMEX ACCESS.

The CFTC has adopted a statement of regulatory policy for the oversight of screen-based trading systems for derivative products recommended by IOSCO. 55 Fed. Reg. 48670 (November 21, 1990).

Pursuant to §5a (a) (12) of the CEA and Rule 1.41 (b), a U.S. exchange implementing a screen-based trading system must submit its rules regarding the system to the CFTC for its approval. The CFTC has issued an Interpretation which makes clear that the record retention requirements in its regulations apply to any records created by or for an SRO to document the development, implementation, or maintenance of any automated systems supporting or incident to the performance of its self-regulatory responsibilities and functions. 55 Fed. Reg. 17932 (April 30, 1990).

Exchanges that have developed screen-based trading systems have amended or expanded their existing rules, regulations and bylaws to insure consistency with the CEA and CFTC rules (e.g., treatment of non-registered terminal operators should there be any trading violations).

SEC

Automated trading systems that are not operated by a registered national securities exchange or securities association are not subject to the regulatory structure applicable to exchanges and clearing agencies (including registration), unless the system itself falls within the definition of an exchange or clearing agency under Sections 3 (a) (1) or (23) of the 34 Act. To date, only one non-SRO operated automated trading system has met the definition of exchange; the Commission granted that system an exemption from registration based on anticipated limited trading volume, subject to other conditions. Securities Exchange Act Release No. 28899 (February 20, 1991), 56 Fed. Reg. 8377.

This does not mean that other non-SRO operated automated trading systems are not regulated pursuant to the 34 Act. Even if such a system does not fall within the definition of an exchange or clearing agency, the activities conducted by the system sponsor pursuant to operating the system generally will require registration with the Commission as a broker-dealer. In addition, the functions of such

systems may be subject to other regulations under the federal securities laws. For example, an automated trading system that issued options would be required to comply with securities registration requirements for those options (e.g., Rule 19b-1 of the 34 Act). Trading through automated trading systems also is subject to the anti-fraud, recordkeeping, and reporting provisions of the federal securities laws.

In addition to these and other provisions generally applicable to registered broker-dealers, the Commission has adopted recordkeeping and reporting provisions specifically applicable to registered broker-dealers that operate certain automated trading systems ("broker-dealer trading systems" or "BDTSs"). Rule 17a-23 requires sponsors of BDTSs to maintain records of: system participants, daily volume summaries, and time-sequenced records detailing each transaction occurring through the system. This information may be maintained as part of the broker-dealer's general recordkeeping, but must be separately retrievable. The Rule and accompanying Form 17A-23 also require BDTS sponsors to file three types of reports: an initial report prior to operation of the system, and subsequent updates as appropriate; quarterly reports during system operation; and a final report after the system ceases to operate. 59 Fed. Reg. 66702 (December 28, 1994).

Finally, sponsors of a number of non-SRO operated automated trading systems have obtained no-action assurances from the Commission's Division of Market Regulation that it will not recommend enforcement action if the systems operate without registering as exchanges (and, in some cases, as a clearing agency or broker-dealer). These staff no-action letters require supplemental updating and reporting to the Division by the sponsor as a condition of the no-action position.

SIB

A screen-based trading system through which deals in derivatives can be arranged may be carrying on investment business in the UK. As a result, it may be a criminal offence under the FSA for such activities to be conducted in the UK unless the system operators have become authorised either by virtue of membership of an SRO or by holding an authorisation granted by SIB.

In certain circumstances, a system operator without a permanent place of business in the UK can be held to be carrying on exempt investment business in the UK if the availability of screens is limited to authorised or exempted persons.

However, it is necessary to consider the facts of each case in order to determine whether or not operators of screen-based systems require authorisation under the FSA.

Authorisation may take a variety of forms and include authorisation as a broker-dealer from an SRO or SIB, recognition as an RIE from SIB, recognition as an ROIE from HMT, where the head office of the exchange is based overseas, or authorisation as a service company from SIB.

COB

To date, the MONEP (the French option Market) operates a screen based trading system for all traded options except for the options based on the CAC 40 index which are still traded in the open outcry.

MATIF contracts may be traded on GLOBEX, an electronic trade execution system developed by MATIF SA, the CME and Reuters for the trading of MATIF (and CME) contracts outside regular business houses.

Under the MATIF-CME cross exchange access program, certain products of MATIF and the CME trade side by side on GLOBEX screens located in France and the US, and members of MATIF and the CME with access to GLOBEX screens have the ability to trade each other's contracts without becoming members of the other exchange.

GLOBEX trading screens granted to MATIF members must be located in their usual business premises. However, these screens may be delocalised in the offices of MATIF members in foreign countries with the prior consent of MATIF SA, provided that the foreign jurisdiction has entered into an information sharing agreement with the COB. All EEA countries are considered to be fulfilling this requirements.

CME members which intend to trade through GLOBEX screen terminals allocated by the CME and located in France are required to provide the COB with the name and address of the firms in France where those terminals will be installed, prior to their operation.

Before a trading screen of a foreign market may be installed in France, this market has to be recognized by the Ministry of Finance, see also answer p. 54.

MOE

When a screen-based system is operated by a licensed stock exchange, it is regulated by general rules applied to stock exchange transactions, and there are no specific rules applied only to screen-based trading.

ASC

The SFE has a screen-based computerised trading system called SYCOM ("Sydney Computerised Overnight Market), which was introduced November 30, 1989. SYCOM operates on standard personal computers located in the offices of SFE Floor Members. These are connected via dedicated phone lines to a central computer at the SFE known as the host. Chapter 2 of the Trading Etiquette sets out specific matters on the trading of futures contracts on SYCOM. There are no specific factors affecting the treatment of this market in Australia.

On December 31, 1992 SFE acquired the New Zealand Futures and Options Exchange ("NZFOE") as a wholly owned subsidiary. As part of this acquisition, members of SFE are entitled to trade NZFOE contracts on screens located in Australia. The Federal Attorney General signed a declaration exempting the NZFOE as a futures market pursuant to Section 1127 of the Corporations Law on July 20, 1993. The exemption was made subject to certain conditions.

SFE and NYMEX entered into an agreement on January 23, 1995 to allow SFE Members trading rights on NYMEX ACCESS, by providing screen facilities in Australia. On August 30, 1995 the Federal Attorney General signed a Declaration exempting NYMEX ACCESS from regulation under the Corporations Law subject to certain conditions. These conditions largely deal with information flows between the two exchanges and disciplinary procedures for breaches of NYMEX ACCESS trading rules.

In evaluating these proposals, the ASC applied the ten IOSCO principles for approving cross border screen trading systems.

OSC

When a screen-based system is operated by a recognized stock exchange, it is regulated by the general rules applied to stock exchange transactions (there are no specific rules applied only to screen-based trading). Although no final conclusion has been reached by the OSC, the OSC has registered a foreign-based company operating a screen-based trading system as an international dealer restricted to trading in foreign non-interlisted equities.

CVMQ

There are no special factors affecting the treatment of screen-based trading systems when it is operated by the Montreal Exchange. It is regulated by the general rules of the exchange. However, the CVMQ officials launched (in January 1996) a working group to study

the adoption of electronic-trading systems in Quebec. The working group will study what rules and policies should govern such systems.

SEC

Although there are no specific provisions regarding screen-based trading systems under the existing financial market related legislation, there are certain statutory provisions which limit the ability of systems' providers to operate screen-based trading systems where such operation would constitute either a "*stock market*" or a "*commodity market*" in which "*trading in commodity futures contracts*" occurs. (Italicized language represents defined terms contained in the relevant legislation.) Under the current legislative structure, there are various exemptions pursuant to which a system provider may operate a screen-based trading system, and as such, several of these systems are currently present in Hong Kong.

Both the SEHK and the HKFE currently operate markets (stock options and one-day rolling currency futures contracts respectively) utilizing screen-based trading systems.

The SFC is currently proposing wide-ranging legislative amendments which will among other things, consolidate all existing non-bank related financial market legislation into one comprehensive ordinance, and will provide the SFC with greater flexibility than currently exists, to effectively respond to the presence of screen-based trading systems in Hong Kong.

SVS

The same regulations applicable to all transactions carried out in the exchanges also apply to the electronic system of trading. However, it still has not been decided how to treat electronic transactions carried out within foreign exchanges.

ESA

According to the government bill (1992/92:113) the technical systems of both exchanges and clearing houses shall be thoroughly tested before bringing into regular processing. This technical safety test is up to SFSA. That is why SFSA requires a description of organization and safety measures concerning e.g.:

- the configuration;
- the safety administration and organization;
- the safety of development and maintenance of applications systems;
- the access protection;
- the processing safety; and

- the disruption and catastrophe routines.

NZSC

There are no special factors affecting the treatment of screen-based trading systems. It should be noted that New Zealand Futures and Options Exchange, the only current authorised futures exchange in New Zealand, is an entirely screen-based exchange.

CONSOB

Consob may authorize a market to operate. To this purpose it may check technical capability of its functioning.

Even though the Italian derivative markets are, as a matter of fact, electronic markets, the new legislation, set by the Legislative decree 415/96, does not provide any specific legal provision governing screen based trading systems.

CNMV

There are no specific legal provisions governing screen-based trading systems (in fact, the three Spanish futures and options exchanges operate this kind of system). Thus, general regulations would apply to them.

That means that, depending on the activities planned to carry out by the said system, authorization as an exchange, clearing organization, broker-dealer or another type of registered intermediary could be compulsory for it to carry on investment business in Spain.

CNV

There is no special regulation affecting this subject.

BAWe

All trading in derivatives by means of a screen-based trading system takes place on the DTB, whose Rules and Regulations provide for screen-based trading only. To date, there are no special legal provisions governing screen-based trading systems. Hence the treatment of screen-based trading systems (including automated screen-based trading) is governed by the same legal provisions as floor trading (see also item I.A.1 (b)).

SC

Prior to approving KLOFFE, which operates a screen-based trading system, the Commission has subjected the exchange to a system audit

to ensure sufficient capacity and continuity. In relation to this, an independent external auditor was appointed to conduct the review, and the scope of the review includes the following areas:

- a) high availability issues to ensure no single point of failures - this includes server availability, data redundancy, network access, back-up procedures;
- b) security of server, data, network access and audit trails;
- c) issues relating to Disaster Recovery plan;
- d) system performance and capacity, and basis for the sizing;
- e) capability for system expansion in the future, in terms of system, data access and network expandability; and
- f) the service level agreement between the system / back-office system provider and KLOFFE.

The audit also includes manual procedures and controls. With regard to the functional requirements, the audit was confined to an extensive audit on the matching rule to ensure that its criteria, logic and processing are fair, efficient and conform to the algorithm which KLOFFE has outlined in its business rules.

As a condition to its approval, KLOFFE is required to complete an audit on its systems and business operation on an annual basis. The audit could only be undertaken by an external and independent auditor whose appointment must be approved by the Commission.

ESB

There are special rules pertaining to screen-based trading.

II. Common Regulatory Concerns

A. Financial Safety

1. Capital-Based Qualification, Authorization or Good Standing Requirements (e.g., Specified Minimum Amounts, Qualifying Assets) for:

(a) Exchanges

CFTC

The CEA and the regulations thereunder impose no regulatory or self-regulatory capital-based requirements on commodity exchanges.

SEC

A national securities exchange registered with the Commission is not subject to any specified minimum capital-based requirements. It must, however, demonstrate that it has the financial means to comply with Section 6 of the 34 Act, giving consideration to the nature of the products traded, volume, and number and character of members. Section 6 of the 34 Act provides specific guidelines for the registration of exchanges.

SIB

The FSA does not impose **specific** financial requirements in respect of RIEs or ROIEs.

An RIE is reviewed for purposes of ensuring that it has financial resources which are deemed "sufficient for the proper performance of its functions" (FSA, Schedule 4, paragraph 1).

Where an exchange has an integrated clearing house, the assessment includes a determination as to the adequacy of the financial resources in light of the business (i.e., volume, value and volatility) which that exchange / clearing house currently undertakes or in the future proposes to clear and guarantee. There are no specified requirements regarding the nature or form of the financial resources. Currently, these are in the form of capital and reserves, insurance, shareholder guarantees and bank bonds.

SIB is the relevant recognising body for RIEs. HMT is the relevant recognising body for ROIEs.

COB

Under the law of July 2nd, 1996, a clearing house must be authorised and licensed as a credit institution. As such, the clearing house is required to comply with all regulations issued by the banking regulation committee (e.g. capital requirement).

The operating rules of the clearing house (e.g. clearing members capital requirement, margining methodology, position limits ...) must be approved by the CMF.

MOE

No capital based qualification is imposed.

ASC

There are at present no set capital based qualifications.

OSC

There are no specific capital requirements for exchanges. However, an exchange must have satisfactory clearing arrangements and be in satisfactory financial condition to provide reasonable assurance that all obligations arising out of contracts entered into on the exchange will be met.

CVMQ

There is no specific capital-based qualification imposed for an exchange, but the CVMQ shall recognize an exchange only if it considers that its financial resources are adequate to its objects.

SEC

The authorised share capital of HKFE must be not less than HKD 25 million divided into shares and its issued capital be not less than HKD 3 million.

There are no capital-based qualifications or requirements for the SEHK.

SVS

A minimum capital equivalent to UF 30 000 is required to constitute a stock exchange.

* (UF is an inflation indexed unit, by January 1996 1 UF was equivalent to \$30 dollars)

ESA

An exchange being a company shall possess an equity capital which is sufficient regarding to the kind and scope of its business. At the assessment of the size of this capital there shall as well be included other financial resources disposable to the exchange. The capital situation of an exchange being a cooperative shall be considered in a similar way. This requirement shall be used also concerning a market place.

NZSC

There are no statutory provisions about capital based qualification for exchanges. The matter is for determination by the Securities Commission in the context of authorisation of the Exchange.

CONSOB

Not applicable; see I.A.1 (a) above.

CNMV

Exchanges must have financial resources which are deemed sufficient to ensure their corporate purpose's achievement and the performance of the obligations arising from each and all of the contracts that are traded. In any case, their own funds must at no time be lower than 1 500 million Pesetas for Financial Futures & Options markets, and 1 000 million Pesetas for Citrus Fruit Futures & Options markets. In addition, their liabilities shall at no time exceed the book value of their equity.

CNV

There are no specific capital requirements for commodity or futures and options exchanges. They must present a relevant amount in relation with the business they will develop in order to be authorized by the CNV.

BAWe

There are no legal provisions governing capital, authorisation or good standing requirements for the exchanges (or the bodies responsible for their operation).

SC

There are no statutory provision in the FIA in respect of capital-based qualifications. However, the exchange is required to maintain to the satisfaction of the Minister an adequate and properly equipped place of business and facilities.

ESB

Exchanges are SROs and are required to enforce a Capital Adequacy requirement approved by the registrar and based on the European Union CAD. There are special CAR rules that must be enforced by the SROs.

See I.A.1. (a) to I.A.2. (a) above.

(b) Clearing Organizations

CFTC

The CEA and regulations thereunder impose no regulatory or self-regulatory capital-based requirements on clearing organizations.

SEC

A clearing agency registered with the Commission is not subject to any specific minimum capital-based requirements. It must, however, demonstrate that it has the financial means to comply with Section 17A of the 34 Act regarding the organization and structure of a registered clearing agency.

SIB

In respect of clearing organizations, no ~~specific~~ financial requirements are imposed. The FSA provides that a recognition order may be made in respect of a clearing house where it appears *inter alia*, that the clearing house has "financial resources sufficient for the proper performance of its functions" (FSA, s. 39 (4) (a)). A determination is made with respect to the necessary quantum of financial resources in light of the volume, value and volatility of the derivatives which are cleared by the recognised clearing house (RCH). The assets or other items which make up the financial resources of an RCH may take the form of capital and reserves, insurance and shareholder guarantees.

SIB is the relevant recognising body for RCHs. For those clearing houses which are overseas and not subject to direct and primary oversight in the UK, HMT determines whether to confer recognition (i.e., ROCH status) but does not undertake surveillance.

COB

The French Futures Market Law of March 28, 1885 as amended provides that the clearing house, which records each transaction and guarantees the full performance thereof, has to be a licensed credit firm. Therefore the clearing house is required to comply with all regulations issued by the banking regulations committee, e.g., capital

requirements and good standing requirements. There is no specific absolute capital requirement for clearing houses but the new general regulation established by the CMT provides that all funds received by clearing houses have to be employed in liquid and non-risky assets.

On the MONEP, a clearing member who is also market member only clears its own transactions, he must have a minimum capital of FF 25 millions. When a clearing member clears the trades of more than one market member, he must maintain a minimum capital of FF 37.5 millions + FF 12.5 millions for each market member cleared.

When a clearing member clears both its trade as a market member and the trades of other market member, he must maintain a minimum capital of FF 50 millions + FF 12.5 millions for each market member cleared.

MOE

ASC

Clearing organizations must maintain a permanent minimum capital of 15 000 UF, equivalent to \$450 000 dollars (Article 155, Law N° 18.045).

There are no set capital based qualifications for clearing organisations, however the clearing house must demonstrate it can guarantee performance of contracts on the futures market (Corporations Law 1131 (3)). The SFECH has authorised capital of AUD 100 000 000.

OSC

No special financial requirements are imposed on clearing corporations. However, the rules of clearing corporations must be approved by the OSC.

CVMQ

There is no specific capital-based qualification imposed for a clearing organization, but the CVMQ shall recognize a clearing organization only if it considers that its financial resources are adequate to its objects.

SEC

There are no specific regulatory requirements in relation to financial safety. As a practical matter, HKCC and SEOCH develop their own financial safety mechanisms subject to the oversight of the SFC. They employ a full range of financial safety mechanisms, including member capital requirements, financial reporting and surveillance programs,

capital-based position limits, TIMS (Theoretical Intermarket Margin System) margining methodologies, daily mark-to-market payments, intra-day margin calls, and large open position reporting requirements. They also maintain back-up financial arrangements in the form of reserve funds that are available if margin and other measures are insufficient in the event of member default.

SVS

A minimum capital equivalent to UF 15 000 is required to constitute a clearing house.

* (UF is an inflation indexed unit, by January 1996 1 UF was equivalent to \$30 dollars)

ESA

A clearing organization shall have such a capital, guarantee, insurance or other financial arrangement that customers will get a satisfactory protection against possible losses caused by clearing. This means that the capital requirement ought to be measured out of the risks of the clearing activities, e.g., contract responsibilities and payment claims.

NZSC

See II.A.1 (a) above.

CONSOB

The national clearing house (CCG) is supervised by CONSOB and Bank of Italy which approve the general regulations governing its functioning. These rules do not impose any specific minimum capital-based requirements. The CCG must however possess an adequate equity capital, considered the scope of its business.

Under the provision of Legislative decree 415/96, Consob has fixed the market management company's minimum capital at the level of 10 billion Liras (25 billion Liras in case the company also exercises the clearing and settlement activity).

CNMV

See II.A.1 (a) above.

CNV

There are no capital requirements for Clearing Organizations. In case it is not an independent clearing house, the exchange's rules include the rules of the clearing organization system, and these rules are

approved at the same time the exchange is authorized. In general, they must perform an adequate recordkeeping and must assure customer protection against possible defaults.

BAWe

There are no legal provisions governing capital, authorisation or good standing requirements for clearing organizations.

SC

There are no specific capital requirements in respect of the clearing house. However, the clearing house is required to have adequate capital and suitable systems, procedures and arrangements in place to manage the risks, liabilities and obligations with respect to futures contracts cleared by it.

ESB

Clearing organizations are required to have an appropriate guarantee and fidelity fund.

See I.A.1. (a) and I.A.1. (b) above.

(c) Clearing Members

CFTC

The CFTC has no requirements for clearing members as such in addition to the requirements otherwise applicable to FCMS. Clearing houses, however, require their members to maintain a minimum level of capital in order to ensure that clearing members will be able to meet their obligations to the clearing house and to their customers. Clearing houses also require their members to make substantial deposits to a clearing house guaranty fund to cover any default made by that member, and if necessary, to cover the default of another member.

SEC

Pursuant to OCC rules approved by the SEC, OCC clearing members must generally maintain initial net capital equal to at least \$1 000 000 for a period of up to one year and thereafter must maintain minimum net capital equal to at least \$750 000. OCC clearing members who carry options positions for other firms generally maintain higher levels of net capital.

A "clearing firm" means a firm which accepts primary responsibility (including legal liability) for the settlement of transactions for counterparties. This liability is not affected by whether or not the clearing firm effected the transaction.

In the UK, clearing firms are identified as "broadscope" firms in SFA's financial rules. These firms must maintain, at all times, liquid capital equal to or in excess of a specified minimum: the sum of the firm's base requirement plus any investment position risk requirement including foreign currency (PRR) and counterparty risk requirement (CRR).

Chapter 3 of SFA's rules sets out both the financial resources requirements and how the firm is to compute its available financial resources to meet those requirements.

The starting point for computing the firm's available financial resources in the firm's "Tangible Net Worth" (SFA's FRs, 3-62). From this the firm is required to make deductions in respect of certain illiquid assets, either in full or in part (SFA's Frs, 3-75). These include: fixed assets; physical stock not associated with the firm's investment business; investments in connected companies; prepayments and cash deposits which cannot be withdrawn within 90 days.

The firm may then add to this eligible capital substitutes - such as subordinated loans and approved undertakings - (SFA's Frs, 3-63). Further adjustments may be required in respect of deficiencies in subsidiaries, taxation liabilities (current and future), assets not used in the course of investment business and financial guarantees given by the firm (SFA's Frs, 3-76 to 3-78).

A firm must have available financial resources which at least match its financial resources requirements. Its financial resources requirement comprises: a base requirement; position risk requirement and counterparty risk requirement.

Amendments

A "broadscope" firm's base requirement is the highest of:

- an "absolute minimum" £ 100 000;
- an "expenditure based requirement" - 1 quarter (13 weeks) of the previous year's audited annual expenses after the deduction of certain avoidable (generally profit related) items; or

- a "volume of business requirement" - 3.5% of customers' initial margin.

The base requirement is primarily aimed at ensuring that firms have sufficient liquid capital to enable them to sustain a period of reduced (or possibly nil) revenue. It also has a secondary benefit of helping, in theory, with an orderly wind-down of the firm's business. More important however, is the idea that the requirement represents a method of computing an amount of base capital which reflects the size of the firm's business.

The position risk requirement (PRR) (SFA's FRs, 3-80 to 3-165) is designed to ensure that the firm has sufficient capital to support its proprietary positions, that is to provide for the economic risk of potentially adverse price or interest rate movements. For most investment products, e.g. equities bonds etc., the PRR is derived by applying a stated position risk factor to the value of the positions held by the firm. In respect of futures and options, the PRR is generally based on the initial margin requirements of such futures and options positions.

"Broadscope" firms may chose one of two approaches in calculating PRR. They may opt for what is referred to as the "Simple Approach" which is more straightforward to use but will generally produce a higher requirement than the "more closely risk-based approaches" which take account of hedging and diversification.

The counterparty risk requirement (CRR)(SFA's FRs, 3-170 to 3-182) is designed to cover the risk that some customers or counterparties may not perform or fulfill their contractual obligations or may not complete their side of a transaction. The rules cover a wide-range of firms carrying on very different activities.

In addition, some firms will have assets and liabilities (both on and off balance sheet) which are denominated in foreign currencies, i.e. not in the firm's reporting currency. Such firms will be exposed to the risk that the relevant exchange rates will move against them. Firms are therefore required to compute their net open position in each currency and to compute a requirement based on a percentage of the sum of the net open long positions (SFA's FRs, 3-150 to 3-154).

COB

The non-clearing members of the French MATIF are required to maintain a minimum net capital of FF 7.5 millions. On the commodities futures markets, brokers are required to maintain minimum net capital of FF 7.5 millions. Commodities brokers which do not satisfy that minimum capital requirement may supplement their capital by providing a bank guaranty in an amount at least equal

to their deficiency and covering exclusively obligations incurred in connection with commodities futures trading activities. For floor brokers a deposit of FF 100 000 is required.

On the MONEP, market-makers have to maintain a minimum capital of FF 7.5 millions.

MOE

ASC

There are currently 26 Clearing Members of SFECH. Floor or Associate Members of SFE may apply for membership of the Clearing House. The Board will consider the good standing, good character, high business integrity and financial probity of applicants. The Clearing Member Net Tangible Assets was raised from AUD 2 000 000 to AUD 5 000 000 on September 30, 1995.

When a Member is applying to be a Clearing Member, they must also satisfy certain Financial Requirements which comprise a First and Second Level Commitment as detailed in By-Law 5.6.

There is a minimum First Level Commitment of AUD 1 000 000 (fixed commitment). An additional "variable" commitment is required of each Clearing Member to bring the total aggregated amount to AUD 60 000 000. This amount is calculated by reference to the Clearing Members share of open positions or aggregate initial margins (schedules prescribe the method of calculation).

The Second Level Commitment comprises a total aggregate amount committed by Clearing Member's to AUD 30 000 000 or such lesser amount determined by the Board calculated by reference to Clearing Member's share of open positions or aggregate initial margins.

OSC

The OSC has no requirements for clearing members as such. However, CDCC requires its members to maintain a minimum level of capital in order to ensure that clearing members will be able to meet their obligations to CDCC and to their customers. CDCC also requires its members to make deposits to "clearing funds" (a separate fund is maintained for options and futures) to cover any default made by that member and, if necessary, to cover the default of another member.

CVMQ

The minimum capital requirements for a clearing member is determined by the clearing house (The Canadian Derivatives Clearing Corporation). The clearing member must have adequate resources to

ensure the viability of his business. The clearing house shall impose restrictions on a clearing member if it determines that the financial conditions of a clearing member make it necessary, for the protection of the clearing house, other clearing members or the general public. Every clearing member must also maintain a deposit in a Clearing Fund. The Clearing Fund shall be used solely to make good losses suffered by the Clearing House as a result of the failure of any clearing member to perform its obligation or as a result of any liquidation of a clearing member's position with the clearing house.

SEC

The HKCC has two types of clearing memberships: General Clearing Members (“GCM”) and Clearing Members (“CM”). A GCM is permitted to clear transactions for its own account and the accounts of non-clearing HKFE members. A CM generally is permitted to clear trades only for its own account. HKCC imposes minimum capital requirements of HKD 25 million for GCMs and HKD 2 million to HKD 5 million for CMs. HKCC also bases membership on the knowledge and financial integrity of the individuals or principals behind the proposed clearing firm.

HKFE members are also required to maintain a debt-to-equity ratio of 2:1 or less and Adjusted Net Admissible Assets of no less than the greater of:

- 50 percent of the minimum level of the capital applicable to that member; and
- 4 percent of the amounts required to be segregated for clients' accounts.

Finally, HKCC imposes position limits on members in relation to their capital.

In regards to SEHK listed stock options contracts, an SEOCH member must have liquid capital the greater of 5% of its total liabilities or HKD 20 million if a GCM, HKD 5 million if a Direct Clearing Member or HKD 3 million if a Self Clearing Member.

SVS

Only broker-dealers can trade as clearing members. In order to be registered as a broker-dealer, one must comply with minimum capital requirements, which vary depending on the broker-dealer's obligations. Thus, if the broker-dealer wants to trade on its own account, it must comply with a minimum capital of UF 14 000. If the broker-dealer want to trade only for third parties, the minimum capital requested is UF 6 000.

The clearing house has set additional capital requirements to trade either in futures or options. In each case, the capital requested is UF 2 000.

* (UF is an inflation indexed unit, by January 1996 1 UF was equivalent to \$30 dollars)

ESA

A clearing organization must as members have only firms with a complete capital capacity and otherwise considered as suitable to take part of the clearing by the house. Should a clearing member no longer fulfill these requirements the clearing organization has to decide to cancel the membership. If a membership has expired because of such a decision, the member may - from special reasons - still act relative to the clearing organization in order to protect customers against losses.

Clearing members have to give to the clearing house those information necessary for its fulfillment of its tasks according to the exchange and clearing act as well as other statutory provisions.

NZSC

There are no statutory requirements. However, the Commission approves the regulations of an exchange or a clearing house and ensures, by executive action, that rules requiring clearing and other members to maintain minimum levels of capital will apply.

CONSOB

The CCG regulations provide two types of clearing memberships: the General Clearing Members and the Direct Clearing Members; the first is allowed to clear transactions for its own account and for account of non-clearing members, the latter is permitted to clear trades only for its own account. General clearing members are requested to have a minimum net capital requirements of 100 billion Liras, while it is imposed a 10 billions net capital to a direct clearing member.

CNMV

CNMV has no financial requirements for clearing members as such. However, only brokers, broker-dealers, banks, savings banks and other classes of regulated financial intermediaries are allowed to become members of the exchanges, being required to comply with specific financial requirements to be registered as such. Minimum capital for registration varies from 150 million pta. for brokers (only trading on their own account) to 3 000 million pta. for banks. There also other requirements based on annual expenses and volume of business, as well as on the risks assumed.

In addition, the exchanges require their clearing members to set up a permanent guarantee for participating in the futures and options markets. The required amount is in proportion to the level of overnight risk that the firm assumes or is willing to assume, with a minimum of 20 million pta. for MEFF Renta Fija or 10 million pta. for MEFF Renta Variable and FCM.

CNV

All intermediaries (brokers) are considered clearing members, once they own a share of the exchange where they operate.

BAWe

Capital, authorisation and good standing requirements for Clearing Members and the DTB's clearing facility, are established by the "Clearing Conditions for Trading at the Deutsche Terminborse". Specifically, the following regulations apply:

- Only credit institutions within the meaning of Section 1 (1) of the Banking Act can be Clearing Members (see also item B.1 above). Pursuant to Section 53 (1) of the Banking Act these also include branches of foreign enterprises.
- General Clearing Members - GCMs - (which also represent Non-Clearing Members - NCMs -) must provide evidence that they have a liable capital within the meaning of Section 10 of the Banking Act of at least DM 250 million, and Direct Clearing Members - DCMs - of at least DM 25 million.

Unlike the DTB Clearing Conditions, the "Regulativ der Lombardkasse AG für den Optionshandel" (Regulation issued by the Lombardkasse AG for Options Trading) does not contain any capital or similar requirements for recognition as a Participant in options trading.

SC

In relation to MDCH, pursuant to its business rules, the clearing members must have minimum net tangible assets of MYR 3 million, minimum adjusted net capital of the higher of MYR 0.5 million or 10% of total margin obligations. The clearing members are also required to lodge a security deposit of MYR 1 million with MDCH.

In relation to MFCC, its clearing members must maintain a paid-up share capital of not less than MYR 1 million and maintain net tangible assets of not less than MYR 2 million. The clearing members are also required to maintain a security deposit of MYR 500 000 lodged with

MFCC. Clearing members who are brokers must also observe the adjusted net capital requirement of the higher of MYR 0.5 million or 5% of their clients segregated funds.

ESB

Clearing members are required to comply with the Capital Adequacy requirement approved by the registrar and based on the European Union CAD. This is enforced by an SRO and the regulator.

(d) Other Financial Intermediaries

CFTC

CFTC Rule 1.17 prescribes the minimum levels of "adjusted net capital" which FCMs and IBs must maintain. Adjusted net capital equals "net capital" (current assets minus liabilities) minus various charges or adjustments such as undermargined accounts of customers, charges for exchange options granted by the FCM's customers, and uncovered futures positions and exchange options granted in the house account of the FCM. In addition, certain deductions known as "haircuts" must be made from the value of securities and various other obligations carried as assets of the FCM or IB.

Pursuant to Rule 1.17, the required minimum levels of adjusted net capital are as follows:

- For FCMs which are not also securities B/Ds (even if they are also introducing securities B/Ds), the greater of:
 - - \$250 000;
 - - 4% of customer funds required to be segregated (see II.A.5 (a) below) plus the foreign futures and options secured amount (if transacting business on non-U.S. exchanges for U.S. customers (see II.A.5 (a) below)) less the market value of exchange-traded commodity options purchased by the FCM's customers up to the amount of funds in the customers' options accounts; or
 - - The amount of adjusted net capital required by a registered futures association of which it is a member.
- For FCMs which are also B/Ds, the amount of net capital required by SEC Rule 15c3-1 (a), 17 C.F.R. 240.15c3-1 (a), unless this is less than the amounts specified above, then the highest amount.

- For IBs which are not operating pursuant to a guarantee agreement with an FCM, the greater of:
 - \$30 000 (IBs which are also introducing securities B/Ds would be included in this category);
 - The amount of adjusted net capital required by a registered futures association of which it is a member; or
 - If also a B/D, the amount of net capital required by SEC Rule 15c3-1 (a), 17 C.F.R. 240.15c3-1 (a).
- For an IB for which an FCM has assumed complete financial responsibility for the IB's commodity-related activities under a guarantee agreement which complies with Rule 1.10 (j):
 - If not also a B/D or an introducing securities B/D, no capital requirement;
 - If also a B/D or an introducing securities B/D, the amount of net capital required by SEC Rule 15c3-1 (a), 17 C.F.R. 240.15c3-1 (a).
- Both the CFTC and the NFA require an early warning amount of \$375 000 for FCMs. All FCMs who handle customer accounts must be members of NFA. See CFTC Rule 170.15 and NFA By-law 1101. The CFTC amended its rules to increase the minimum dollar amount of adjusted net capital for FCMs and IBs and the early warning level for FCMs to match NFA requirements 61 Fed. Reg. 19177 (May 1st, 1996).
- FCMs and IBs which are members of a DSRO are not subject to the CFTC prescribed levels, if they meet the minimum financial standards and related reporting requirements set by their DSRO. (The DSRO's rules must have been previously approved by the CFTC and may not be less stringent than CFTC requirements.) Rule 1.17 (a) (2) (i).

In May 1996, the CFTC amended its financial rules to exempt FCMs and independent IBs from the five percent haircut required under Rule 1.17 (c) (5) (xiii) for unsecured receivables from a foreign broker. The rule will not apply where the receivables represent deposits required to maintain futures or option positions, the foreign broker has been granted comparability relief under CFTC Rule 30.10 and the asset is held in accordance with the grant of Rule 30.10 relief at the foreign broker, with another foreign broker that has been granted Rule 30.10 relief or at a depository in the same jurisdiction as either such foreign broker in accordance with CFTC Rule 30.7. 61 Fed. Reg. 19177, 19184 (May 1st, 1996).

Rule 1.52 requires each SRO to adopt, and submit for CFTC approval, rules prescribing minimum financial and related reporting requirements for all its FCM members. The NFA is also obligated to adopt such rules for its IB members, while exchanges are so obligated only if they elect to have a category of membership for IBs. The financial and related requirements adopted by the SROs must be equal to, or more stringent than, the CFTC's minimum levels. An FCM which is not in compliance with Rule 1.17, or unable to demonstrate compliance, is required to transfer all customer accounts to another firm and immediately cease doing business as an FCM until it can demonstrate compliance, except that it may trade for liquidation only unless otherwise directed by the CFTC or its DSRO. A 10-day grace period for the transfer requirement may be provided under certain conditions. Rule 1.17 (a) (4).

An IB which is not in compliance with Rule 1.17, or unable to demonstrate compliance, is required to immediately cease doing business as an IB until it can demonstrate compliance and must immediately notify each of its customers and FCMs carrying its customers' accounts that it has ceased business. A 10-day grace period may be provided under certain conditions.

CFTC Rule 1.12 establishes an "early warning system" under which firms are required to notify the CFTC of certain adverse changes in the firm's financial condition so that remedial action may be taken to protect customers and the marketplace from potential injury.

The CFTC is authorized to obtain information from FCMs regarding the activities of their non-CFTC registered affiliates that are reasonably likely to have a material impact on the FCMs' financial or operational condition.

SEC

The SEC requires registered broker-dealers to have and maintain specified amounts of net capital. Net capital is a defined term. It is, in essence, the net worth of a broker-dealer reduced by prescribed percentages of the market value of securities owned by the broker-dealer and by other assets not readily convertible into cash.

A broker-dealer conducting a general securities business must maintain net capital in excess of the greater of a stated minimum amount or an amount as computed under one of two tests. One is a liability based test, and the other is an asset based test. If a broker-dealer elects the basic aggregate indebtedness method of computing net capital, it may not allow its "aggregate indebtedness" to exceed 1500% of its net capital. A broker-dealer electing to use the alternative method of computing its net capital requirement currently must maintain net capital in excess of two percent of its customer

related receivables computed in accordance with Exhibit A to Rule 15c3-3. The net capital rule also prescribes special capital requirements as to firms that carry accounts of market makers in options listed on a national securities exchange. The minimum net capital requirements for broker-dealers that clear and carry customer accounts is at least \$250 000 of net capital.

SIB

Those firms which are not clearing firms (i.e., firms which do not carry or clear customer accounts, and which have entered into arrangements with a clearing firm for that purpose, for example, introducing brokers), are subject to capital-based requirements which are calculated in a similar way to those for clearing members (see item II.A.1 (c) above).

For higher risk firms which do not carry and clear customer business of other firms the calculation is the same as for clearing members, except the "absolute minimum" is £ 10 000.

However, such firms are not subject to a volume of business requirement and the expenditure requirement may be six weeks rather than thirteen.

COB

Under the law of July 2nd, 1996 a clearing house must be registered as a credit institution or be managed and operated by a credit institution. An exchange may choose to be registered as a credit institutions in order to be able to also act as a clearing house. For instance, MATIF SA which has the legal status of a credit institution is both a regulated market and the clearing house of such regulated market.

MOE

In Japan capital requirements are imposed on securities companies by the Securities and Exchange Laws and the Ministerial Ordinance, and all securities companies able to take positions on their own accounts must meet the risk-based capital adequacy requirement.

1. Minimum Capital Requirement

Minimum levels of capitalization are required for securities companies according to the types of licenses they are granted and kinds of services they provide.

Examples:

The minimum level of capital for a securities company licensed to underwrite securities:

Managing underwriter	Yen 3 billion
Other underwriters	Yen 500 million
Member companies of Tokyo or Osaka Stock Exchange	Yen 300 million

2. Risk-Based Capital Requirement

The objective of risk management is to ensure that, through management of its liquid assets, a firm maintains sufficient net worth to meet the obligations which would accompany any losses, without having to suspend any operations or sell off any fixed assets.

The basic capital requirement is as follows:

(Net worth minus non-current assets / fixed assets) >

(market risk requirement + counterparty risk requirement + basic risk requirement).

The Minister of Finance may order a firm which fails to meet the capital-based qualification to change the method of its business operations, suspend its business or take such other measures as the Minister deems necessary for supervision.

The Securities and Exchange Law requires firms to report monthly on their capital situation.

Firms which do not trade for their own accounts will not be required to satisfy the risk based capital adequacy requirements.

ASC

Floor Members have \$A 1 000 000 capital based qualification (SFE Art. 3.6 (3)). For Full Associate Members it is \$A 250 000 (SFE Art. 4.6 (4)), and for an Introducing Brokers Associate, \$A 50 000. If a Local Member wants to trade on a recognized futures market overseas for clients, his obligation is \$A 250 000 (SFE Art. 4A.7A (4)).

OSC

To be registered by the OSC, all dealers must meet certain capital, proficiency and organizational requirements. The capital

requirements are set out in the Joint Regulatory Financial Questionnaire and Report (the "JRFQR") which is a document prepared by various Canadian self-regulating organizations ("SROs") and approved / non-disapproved by the OSC.

The JRFQR is a capital adequacy formula that aims at providing financial support for the risks that a firm is exposed to. The JRFQR establishes a liquidity test that determines whether or not a firm has sufficient capital to meet its current liabilities. Under the JRFQR, a firm's Risk Adjusted Capital must be positive. If it is not, a capital deficiency has occurred. The Risk Adjusted Capital calculation begins by adding Standby Subordinated Loans to Total Financial Statement Capital to arrive at Capital Employed. Non Allowable Assets are then deducted from Capital Employed to arrive at Net Allowable Assets. Risk Adjusted Capital is then determined by deducting Minimum Capital and Margin Requirements from Net Allowable Assets and adding Applicable Tax Recoveries.

Clearing members are required to meet, at all times, the minimum capital requirements adopted from time to time by CDCC and provided for in the rules, by-laws and directions of the participating exchanges to which such clearing member belongs. When the capital requirements of CDCC and the participating exchange are inconsistent, the clearing member must adhere to the more stringent requirements.

CDCC's rules also provide that no exchange-traded option or futures transaction shall be cleared by CDCC for any clearing member, at any time, when such clearing member does not meet the prescribed capital requirements.

CVMQ

A broker / dealer with an unrestricted practice (full service) or a discount broker must possess a risk adjusted capital calculated according to the method prescribed by the Montreal Exchange (minimum capital of \$250 000). An introducing broker must possess a minimum capital of \$75 000.

SEC

Under the SFC's Financial Resources Rules, securities dealers are subject to a liquid capital requirement which is a minimum of HK \$3 000 000 (approx. US \$387 000) for corporations and HK \$500 000 (approx. US \$64 500) for sole proprietors. After a certain level of activity has been reached the liquid capital requirement will vary with the level of business undertaken and is set at 5% of liabilities.

Under the SFC's Financial Resource Rules, commodity dealers are subject to liquid capital requirements ranging from HK \$250 000 (approx. US \$32 000) to HK \$12 500 000 (approx. US \$1.6 million) depending on the type of activities in which they engage (e.g. non-clearing vs. clearing, handling of customer accounts, etc.).

SVS

The Chilean Securities Law, also defines OTC agents as securities intermediaries. However, these agents are limited to off-exchange transactions, and thus cannot become clearing member, nor trade on this market.

ESA

Activities in the securities business require the authorization by and the registration with The Financial Supervisory Authority of Sweden.

By this authorization the following business activities are licensed:

- trade in financial instruments on behalf of another person but in one's own name,
- brokering of contracts between buyers and sellers of financial instruments or otherwise assistance in transactions concerning such instruments,
- trade in financial instruments for one's own account,
- management of financial instruments belonging to another person,
- certifying or other form of assistance at stock issues or offers for buying or selling of financial instruments for free trade,
- license regarding "brokering of contracts between buyers and sellers of financial instruments or otherwise assistance in transactions concerning such instruments", is not required for such activities that are carried out by the support of an authorization as a stock exchange or a market place in accordance with the stock exchange and clearing act.

Nor is there any license required for:

1. a bank from a country within the EEA - area which has notified FSA that it intends to carry out cross-border activities in Sweden;
2. a credit institution, under similar conditions.

The Financial Supervisory Authority has in the beginning of July 1991 edited its advising rules concerning how to apply for license to do securities business in accordance with the law (1991:981).

NZSC

New Zealand Futures & Options Exchange requires each Exchange Broker to ensure that at all times its financial resources exceed its Financial Resources Requirements, the latter comprising its Base Requirement plus its Volume of Client Business Requirement and its Investment Position Risk Requirement as applicable.

CONSOB

The minimum net capital requested to market makers on IDEM is 10 billions liras for SIMs (securities firms) and 20 billion liras for banks, while 20 billion Liras net capital for both SIMs and Banks on MIF and MTO markets.

CNMV

Minimum capital requirements for non-clearing members are the same as those for clearing members. However, the exchanges do not require to non-clearing members any permanent guarantee.

CNV

All brokers, as well as members of overseas exchanges joining a local exchange, are subject to the same treatment regarding financial requirements when they become members.

BAWe

The following may be other financial intermediaries:

- Credit institutions which are Non-Clearing Members of the DTB or which have been recognized as Participants by the Lombardkasse:

Under the Banking Act, any credit institution within the meaning of Section 1 (1) of the Banking Act must have, pursuant to Section 10, adequate liable capital which as a rule is assessed on the basis of Principles I and Ia. Any credit institution conducting deposit and lending business must have at its disposal the equivalent of at least ECU 5 million of paid-up capital, amounts paid up on members' shares or reserves less "preferential shares". This does not apply to branches of foreign enterprises holding a "European passport".

- Other Exchange Participants which are Non-Clearing Members of the DTB or which have been recognized as Participants by the Lombardkasse:

Pursuant to Section 7 (4) 3 of the Exchange Act, Exchange Participants which are not credit institutions have to provide collateral to an amount not exceeding DM 500 000 (no pure intermediary business can be transacted on the DTB or in options trading on the Frankfurt Stock Exchange; the maximum collateral to be provided by brokers purely acting as intermediaries is DM 100 000). Collateral has to be provided in the form of a credit institution's guarantee or a suretyship insurance policy. Corresponding provisions have been incorporated in the relevant Exchange Rules and Regulations.

- For financial intermediaries which are neither credit institutions nor participate in trading on the Exchange, there are no such requirements at present. This will change, however, with the implementation of the EC Capital Adequacy Directive.

SC

Other financial intermediaries that are not members of the clearing house will have to maintain capital requirements as imposed by their respective exchanges. In relation to MME, a broker member must be a clearing member. A non-broker member who is not a clearing member must have a paid up capital of MYR 2 million, net tangible assets of MYR 3 million and the same adjusted net capital as for broker members. Individual members (locals) require a risk capital of at least MYR 30 000.

In relation to KLOFFE, a non-clearing trading member is required to have a minimum paid up capital of MYR 5 million, and must conform to such other requirements as specified under the FIA. Local members must meet the capital requirements as set by the exchange.

In relation to KLCE, a non-clearing broker member is required to maintain a minimum paid up capital of MYR 500 000 and net tangible assets of not less than MYR 500 000. In addition, they are also required to maintain an adjusted net capital of MYR 250 000 or 5% of the clients segregated funds whichever is higher.

ESB

Other financial intermediaries are required to comply with the Capital Adequacy requirement approved by the registrar and based on the European Union CAD. This is enforced by an SRO and the regulator.

2. Clearing Facilities

(a) Organizational Requirements

CFTC

Each commodity futures exchange in the United States is affiliated with a clearing house and requires that futures contracts made on the exchange be submitted to that clearing house for clearance. *See, e.g.*, CBT Rule 700.00. At the CME, Minneapolis Grain Exchange (MGE) and NYMEX, the clearing houses are departments within the exchange. At the other exchanges, the clearing houses are separate corporations. *Compare* CME Rule 800 and NYMEX By-law Sec. 600 with CBT Rule 911.00. On certain exchanges, however, trade matching is performed at the exchange rather than at the clearinghouse.

SEC

Under the SEC regulatory scheme, brokers, dealers and market makers clear and settle through OCC transactions in standardized options effected on national securities exchanges. OCC is jointly owned by the New York Stock Exchange, Inc. ("NYSE"), American Stock Exchange, Inc. ("AMEX"), Chicago Board Options Exchange, Inc. ("CBOE"), NASD, Pacific Stock Exchange, Inc. ("PSE") and the Philadelphia Stock Exchange, Inc. ("PHLX"). OCC is registered with the Commission as a clearing agency under Section 17A of the 34 Act. Section 17A sets forth certain requirements for a clearing agency, including requirements that the clearing agency rules assure the fair representation of its participants and shareholders in the selection of its directors and administration of its affairs and provide a fair procedure with respect to the disciplining of participants, the denial of participation to any person seeking participation and the prohibition or limitation by the clearing agency of any person with respect to access of services offered by the clearing agency. OCC has rules and procedures in place to assure fair representation and due process.

SIB

The FSA provides that any body corporate or unincorporated association may apply to HMT for an order declaring it to be a recognised clearing house for the purposes of the FSA (FSA, s. 39). The authority to recognise domestic clearing houses has been delegated to SIB.

A recognised clearing house (RCH), once it has acquired that status, is an exempted person in respect of any activities undertaken by it in its capacity as a person providing clearing services for the transaction of investment business (FSA, s. 38).

HMT has reserved the power to recognise overseas clearing houses (ROCHs), that is, those which have their head offices overseas (FSA, s. 40).

Paragraph 2 (4) of Schedule 4, in relation to the requirements imposed on recognised investment exchanges, stipulates that "[an] exchange must either have its own arrangements for ensuring performance of transactions effected on the exchange or ensure their performance by means of services provided under clearing arrangements made by it with a recognised clearing house". In practice, the arrangements of existing RIEs vary: the majority, however, have chosen to have clearing services provided by a separate corporate entity (e.g., London Clearing House Limited, "LCH") rather than to integrate clearing arrangements within the exchange itself (an example of the latter is OMLX, The London Securities and Derivatives Exchange Ltd).

Trade matching is, in respect of most exchanges, performed at the relevant exchange.

COB

Under article 47 of the law of July 2nd, 1996, clearing houses are in charge of the monitoring of positions, of margin calls and if need be of the liquidation of positions. The operational rules of a clearing house have to be approved by the CMF. See also II.A.2 (c) below.

MOF

No independent clearing houses exist in Japan. Stock exchanges, however, have clearing capabilities.

ASC

Under s. 1128 of the CL a Clearing House must be a body corporate.

The Sydney Futures Exchange (SFE) uses SFECH for the clearing and guaranteeing of its contracts. The relationship between SFECH and the SFE is that SFECH is a wholly-owned subsidiary of the SFE.

OSC

There are no prescribed organizational requirements for clearing corporations. However, the rules of clearing corporations must be approved by the OSC.

CVMQ

To carry on business in Quebec a clearing house must be recognized by the CVMQ as a self-regulatory organization. When the

Commission has established that the constituting documents, by-laws and operating rules of an organization are in conformity with the Securities Act it shall recognize the organization if it considers that its financial resources and administrative structure are adequate to its objects. After an organization has been recognized every draft amendment to its constituting documents, by-laws or operating rules must be submitted to the Commission for approval. Derivatives traded at the Montreal exchange are cleared through Canadian Derivatives Clearing Corporation.

SEC

Although HKCC and SEOCH are wholly-owned subsidiaries of the exchanges, their organizational structures require them to have separate boards of directors and independent executive staff.

SVS

Article 155, Law N° 18,045, defines that clearing houses must comply with the following organizational requirements:

- i) They must be created as Special Corporations.
 - ii) They must have an exclusive end.
 - iii) They need a minimum capital of UF 15 000.
 - iv) They must have a board with at least 5 members.
 - v) They can only be created by stock exchanges and the respective broker-dealers.
 - vi) They must have a tribunal, of at least 3 members, who will be in charge of solving discipline problems.
 - vii) At least 30% of each year's profits will be used to conform a contingency fund, which will be used to cover any unpaid liability originated from the transactions.
- * (UF is an inflation indexed unit, by January 1996 1 UF was equivalent to \$30 dollars)

ESA

A Swedish company or a Swedish cooperative must be authorized as a clearinghouse only if:

- the articles of association or the statutes do not deviate from this act or any other regulation,

- the planned activities may be assumed to fulfill the requirements of fairness, and
- the company will fulfill the remaining conditions of this act.

A foreign firm must be authorized as a clearing house with a Swedish branch independently managed only if:

- this firm in its home country does this sort of business and is supervised by an authority or another competent commission, and
- the business planned in Sweden may be assumed to fulfill requirements of fairness and - in an applicable extension - the provisions of the new act.

A clearing house must, besides the clearing, within the house only carry on close connected business. If there are special reasons, SFSA may allow a clearing organization to do other business, too. Acquisition of shares or holdings in companies will require a license by SFSA, if the acquisition will be integrated as a part of the organization of the clearing.

NZSC

New Zealand has no statutory organizational requirements for clearing facilities. The terms of any agreement between an exchange and clearing house are material to continued authorisation.

CONSOB

See I.A.1 (a) above.

CNMV

No independent clearing houses exist in Spain. Spanish Exchanges perform the functions of margining, clearing and settlement of transactions as well as trading organization.

CNV

There are no specific organizational requirements set for clearing corporations. As previously stated, clearing organization rules must be approved by the CNV within the statutes of the particular exchange.

BAWe

DTB

Under the DTB Rules and Regulations, all contracts traded on the DTB have to be cleared through Deutsche Börse AG (legal body of the DTB), which acts as a clearing house. Clearing is governed by the "Clearing Conditions for Trading at the Deutsche Terminbörse".

Options Trading on the Frankfurt Stock Exchange

The Lombardkasse AG, which as part of options trading on the Frankfurt Stock Exchange is responsible for guaranteeing the contracts, is legally independent of the Frankfurt Stock Exchange. The guarantees provided by the Lombardkasse are subject to the "Regulativ der Lombardkasse AG für den Optionshandel" (Regulation issued by the Lombardkasse AG for Options Trading).

SC

Under the FIA, an exchange company is required to make an arrangement for a clearing house to provide clearing house facilities for its futures market. As such, the KLCE has made an arrangement with MFCC to provide clearing facilities for the registration and guaranteeing of all contracts traded on the exchange. Both MME and KLOFFE have made arrangements with MDCH to provide such facilities. MFCC and MDCH are in the process of a merger, and once effected, all contracts of the futures markets in the three exchanges will be cleared by a single clearing house.

ESB

The relevant exchange rules specify clearing facilities.

(b) Operational Requirements

CFTC

Under CFTC rules clearing houses accept contracts for clearance only for the accounts of their members. Each clearing member that handles customer business has at least two accounts at the clearing house - a customer account and a proprietary account.

During each trading day the clearing house compares the reports of trades submitted to it and matches them against each other. If any reported trade does not match, the clearing house will not accept the trade for clearance. See, e.g., BTCC By-law 506; CME Rule 809; Comex Clearing Rule 32 (b) (c) (i).

At the end of each trading day, the clearing house prepares reports to its members listing the trades submitted by or for them which have matched and cleared, and those which have not matched and therefore have been rejected. See, e.g., BTCC By-laws 506, 507; CME Rules 809 (E), (I); Comex Clearing Rule 32 (d). Each clearing member must attempt to resolve its outrades and resubmit them for clearance. See, e.g., CME Rules 809 (E), (I).

SEC

With respect to the securities industry in the United States, as a registered clearing agency, OCC is subject to certain requirements under Section 17A of the 34 Act, including safeguarding funds and securities and facilitating the prompt and accurate clearance and settlement of securities transactions. Under Section 19 (b) of the 34 Act, OCC is required to file with the Commission for approval any proposed rule or procedural change, including the addition or deletion of services provided by OCC. In addition, the Division of Market Regulation ("Division") has published guidelines to assist clearing agencies such as OCC to comply with Section 17A of the 34 Act. Those guidelines require OCC to conduct both internal and external audits of its operations and its automatic data processing systems and facilities.

SIB

Section 39 of the FSA provides for the granting of recognition to a domestic clearing house if it appears, from the information provided by the applicant, that the clearing house satisfies the requirements set out in that section. See item I.A.1 (c).

The relevant recognising body for RCHs is SIB which undertakes the monitoring of the ongoing fulfillment of relevant FSA requirements.

All trades must be matched on the day of the trade. The obligation to ensure that trades are matched falls to the members of the exchange who, ultimately, will be compelled to rationalise trades undertaken by them on or under the rules of the exchange. The relevant clearing house will only accept matched trades. The matching of trades occurs on an intra-day basis and matched and unmatched trades are reported back to clearing members on a continuous basis without delay during the day.

COB

See II.A.2 (c) below.

MOE

In Japan, since the stock exchanges have clearing capabilities, specific operational requirements are set in the stock exchange rules.

ASC

Only Clearing Members may submit contracts for clearing. Each Clearing Member has two accounts at the SFECH: a client account and a house account. During the day the trades are processed through the STACS system (SFE Trading Allocation and Confirmation System). Members accept responsibility for trades which will then be registered in their name. Novation of contracts occurs in STACS where the Clearing House inserts itself as the counterparty between the original buyer and seller, taking legal responsibility for the performance of futures and options contracts.

The SFECH operates various systems and procedures to adequately monitor its exposure to risk of a loss by a defaulting Clearing Member which is in excess of the initial margin lodged by that Clearing Member. Market risk management techniques include market-to-market, daily settlements, initial margins, delta-based option margining and short option add-on. The Board of the SFECH is separate from the SFE Board and is responsible for the day-to-day business of clearing.

OSC

See II.A.2 (a) above.

CVMQ

The Canadian Derivatives Clearing Corporation (CDCC) (formerly designated Trans Canada Options Inc.) is jointly owned by The Montreal Exchange, The Toronto Stock Exchange et the Vancouver Stock Exchange, which are Canada's largest stock exchanges. In its role as guarantor of options and futures contracts CDCC maintains the integrity and financial stability of the market. It fulfills the risk management role on behalf of the market through systems which include:

Minimum net capital requirements and margin requirements for members.

The clearing fund, to cover extraordinary losses not covered by margin deposits.

On-going financial and market surveillance to monitor positions, exposures and margin deposits on a continuous basis.

SEC

See II.A.2 (a) above.

SVS

Article 156, Law 18,045 defines that clearing houses must comply with the following operational requirements:

- i) The clearing house must register and issue all futures and options' contracts; and must become a counterpart to each contract.
- ii) The clearing house is in charge of administrating margins, cash and securities which are deposited by the members to carry out operations. They must be registered in individual accounts.
- iii) On a daily basis, the clearing house must update broker-dealers' open positions and correct new margins requirements. They must also calculate price variations, and discount or pay the losses or profits in the clients' individual accounts.
- iv) The clearing house must inform the broker-dealers about the margins requirements and respective accounts.
- v) The clearing house must order the broker-dealers to close the clients' open positions, when these have not comply with the margins or losses originated from the transactions.
- vi) Clear open positions, on the deadline of the contract.

ESA

A clearing organization shall have appropriate rules for how to clear. The conditions of the clearing shall correspond to the exchange and clearing act and other statutory provisions as well as to fair trade in the securities market.

It is up to SFSA to scrutinize the rules of sanctions of a company applying for authorization and license as a clearing house.

NZSC

There are no statutory operational requirements. However, clearing house regulations require the approval of the Securities Commission.

CONSOB

Transactions executed on the trading system are automatically notified to the CCG that becomes the counterparty of general clearing members and direct clearing members. Transactions may only be effected between the CCG and clearing members: every transaction involving a non-clearing member is effected between the latter and the general clearing member, and a corresponding transaction is effected between general clearing member and CCG.

Clearing members are requested to pay initial margin, variation margin and intra-day margin; at least the same amount is due by customers to their executing brokers.

CNMV

Market Rules and Regulations establish that the exchange will register on the appropriate account all the transactions carried out on the market provided that they are agreed directly between members and that there exist no discrepancies in the terms of the operation. Then, the exchange, acting as a clearing house, becomes the counterparty to all the contracts which are so registered. That means that all the rights and duties of the members and customers involved in transactions refer to the exchange which, in turn, requires from those members and customers margins to cover their contractual obligations.

Each day the exchange clears and settles the transactions carried out on that day, marking-to-market futures positions. It supplies members with the details and the results of their settlements and, where applicable, those of their customers. The exchange also provides members with detailed information relating to the state of their accounts, featuring the number of contracts bought or sold of each class, and the total amount of the corresponding margins.

CNV

The operational requirements are set forth in the statutes of the exchange.

BAWe

DTB

In accordance with the DTB Rules and Regulations the Deutsche Börse AG becomes counterparty to each contract traded through its system. Its Conditions for Trading, moreover, specify that transactions at the Exchange may only be effected between the Deutsche Börse AG and a Clearing Member. If a Clearing Participant, whose order or quote is matched on the DTB with another order or quote, is a Non-Clearing Member, a transaction is invariably effected between

such Non-Clearing Member and the General Clearing Member, and a corresponding transaction is simultaneously effected between the General Clearing Member and the Deutsche Börse AG. Exchange Participants are immediately notified of the matching of their orders or quotes. This notification includes all material details of the transaction. The contents of transaction confirmations are deemed to be approved if no objections are made immediately upon receipt.

Under the DTB Clearing Conditions, Clearing Members are not only required, on every trading day, to maintain collateral to cover all of their contractual obligations, but also to provide a clearing guarantee in the form of a guarantee payable on first demand and issued by a domestic credit institution. General Clearing Members must provide clearing guarantees of DM 10 million and Direct Clearing Members must provide clearing guarantees of DM 2 million.

Options Trading on the Frankfurt Stock Exchange

In the case of options trading on the Frankfurt Stock Exchange, by contrast, contracts are concluded between Participants direct and confirmed by a contract note. The regulations of the Lombardkasse provide that options contracts concluded must be notified to the Lombardkasse immediately. Moreover, in addition to the collateral required for call and put options, each options trading Participant must maintain a cash balance of DM 25 000 with the Lombardkasse as a general security.

SC

Under the FIA, the function of the clearing house would include guaranteeing or being a counterparty to the trade. This is reflected in the clearing process where the novation process allows for the clearing house to assume the role of a central risk taker in the market. Both MFCC and MDCH have their own risk management system to determine margin level and to monitor risk in the commodities and financial markets respectively.

ESB

Upon the trade being cleared, by novation, the clearing house shall replace the buyer and become the counterparty to the seller and it shall replace the seller and become the counterparty to the buyer and the guarantee contemplated by Rule 4.2.9 shall come into effect with respect to any positions resulting from such trades.

The clearing house may refuse to accept for clearing a trade at a price that is, in the discretion of the executive officer, substantially different from the current market price.

Opening and Closing-Out a Position

When there was no position in an exchange contract prior to a trade in the exchange contract being cleared, a position in the exchange contract shall be opened and registered in the name of the member of his client when the trade is cleared.

The exchange contracts comprising a trade which has been cleared, shall be added to or off-set against an existing position registered in the name of the party concerned and the position shall be increased, decreased, closed out or a position in the opposite direction shall be opened, as the case may be.

On the expiry of a futures contract or an option contract of which the strike price is not better by a certain amount determined by the risk management committee than the expiry price of the underlying instrument of the option contract:

- the person in whose name a long position in the exchange contract is registered by the clearing house shall be deemed to have sold the number of the exchange contracts equal to the number comprising the position, to the clearing house; and
- the person in whose name a short position in the exchange contract is registered by the clearing house shall be deemed to have bought a number of the exchange contracts equal to the number comprising the position, from the clearing house.

The price of the futures contract which shall apply to the purchase contemplated in Rule 8.4.3.1. and the sale contemplated in Rule 8.4.3.2. shall be the expiry price determined in the manner prescribed in the contract specification of the futures contract in question and the price of an option contract which shall apply to such purchase or sale shall be zero.

Rule 8.4.2. shall apply ipso facto to the exchange contracts comprising the purchases and sales referred to in Rule 8.4.3.

Where the strike price of an option contract is, on expiry, better by a certain amount determined by the risk management committee, than the expiry price of the futures contract underlying the option contract, the person in whose name a position in the exchange contract is registered shall be deemed to have exercised the option contract in terms of Rule 8.10.3.

On the expiry as contemplated in Rule 8.4.3 of a physically settled futures contract the holder of a long position in the exchange contract shall buy the underlying instrument and the holder of a short position shall sell the underlying instrument at the price equal to that referred

to in Rule 8.4.4 and the purchase, sale, delivery and receipt of the underlying instrument shall take place pursuant to the contract specification applicable to such futures contract: provided that a physically settled agricultural futures contract shall be regulated by Rule 20.1.3.

(c) Scope, Nature and Timing of Clearing Guarantees

CFTC

In the U.S., with regard to commodities transactions, the clearing house of an exchange guarantees the payment of variation margin to clearing members with net gains on positions in their accounts at the clearing house even if it is unable to collect the variation margin owed to it by clearing members with net losses on their positions. A clearing house, however, does not guarantee the obligations of clearing members to their customers, nor does it guarantee any obligations of brokers or traders who are not clearing members. At all U.S. futures clearing houses the clearing guarantee attaches when the trade matches and is accepted for clearance.

Most clearing houses do not guarantee delivery or acceptance of delivery on futures contracts that have reached the delivery stage, although some clearing houses do guarantee to their members payment of damages for default on deliveries. *See, e.g.*, CME Rules 714, 715, 803; Comex Clearing By-law 8.1; NYMEX Rules 9.08.

The rules of most clearing houses provide that upon default of a clearing member, the clearing house must close out or transfer to other members all of the positions carried by the defaulting member. *See, e.g.*, BTCC By-law 804, positions are immediately liquidated if they cannot be transferred.

If a member defaults and his margin deposits and available liquid assets are insufficient to cover the amounts owing to the clearing house, the deficit is covered first by available assets of the clearing member at the exchange and clearing house and then by the guaranty fund deposits of non-defaulting members. If there is still a deficiency, most clearing houses are then required by their rules to assess their members to cover the balance. *See, e.g.*, CME Rule 802 (B); Comex Clearing By-law 9.4.

SEC

OCC becomes a guarantor of a transaction at the time it issues its daily position report to members. OCC receives trade data from options markets and settles premium payments between selling and purchasing clearing members on the business day after trade date in immediately available funds. OCC is the buyer to every seller and

seller to every buyer, guaranteeing payment and delivery of all options transactions.

The guarantee that OCC gives on each trade only extends to OCC clearing members and not to clearing member customers or non-member brokers or market makers. Normally, on the morning after trade date OCC receives payment in immediately available funds from members with net debit balances and then pays clearing members with net credit balances in immediately available funds. Under its rules, OCC is required to pay its members whether or not it has received sufficient funds from members that owe funds. If OCC does not receive sufficient funds (i.e., because a member is late in making payment), it will use margin previously collected from the non-paying member to complete payment. If this is not enough to complete payment, then OCC may draw upon the clearing fund to complete payment. The clearing fund consists of cash and United States Government securities deposited by members to provide OCC with a source of funds upon which it may draw in the event of a member default or insolvency.

SIB

RIEs are required, pursuant to Schedule 4 of the FSA, to have either their own arrangements or to have secured those of an RCH for ensuring the performance of transactions effected on the exchange.

There are no specific requirements regarding the scope, nature and timing of clearing guarantees in the FSA. The arrangements are the subject of review prior to the conferral of the status of RCH; currently, the arrangements are in the form of capital and reserves, insurance and shareholder guarantees.

The clearing house guarantees the payment of net gains on clearing members' positions even if it is unable to collect all net losses owed to it by other clearing members on their positions.

A clearing house does not guarantee obligations of clearing members to their customers nor does it guarantee any obligations of other non-clearing exchange members.

Where a clearing member of an exchange defaults, the clearing house has powers to immediately close out or transfer that member's positions. See item II.A.6.

The clearing house may use any margin held to cover the amounts owing to it by a defaulting member. Margin may be in any form which is acceptable to the exchange / clearing house as "approved collateral" pursuant to the applicable rules.

COB

In France, the MATIF clearing members maintain with MATIF SA a permanent clearing guarantee. The amount of this guarantee is independent from the margin requirements. It is paid in the form of a cash deposit and cannot produce any interest revenue. In the case of bankruptcy of the MATIF member the permanent guarantee has to be paid back but it can be sized in proportion of the member debts towards MATIF SA. The amount of the permanent clearing guarantee is FF 500 000. It is increased by FF 250 000 with respect to each GCM and FF 100 000 with respect to each local which the clearing member has designated.

MOE

In Japan clearing is guaranteed by the default compensation reserve which is supported by the members' unlimited responsibility to replenish the reserve. In the case of the Tokyo Stock Exchange, the default compensation reserve is 9 billion Yen.

The reserve is a fund reserved in the stock exchanges. It is allowed to draw on this reserve only when it is necessary to cover losses not secured by margins, etc.

ASC

Subject to its regulations, SFECH guarantees all contracts traded on the floor of the SFE and registered by the Clearing House. The guarantee will only operate after performance by the member of all terms and conditions of the Clearing House particularly the payment of initial margin and variation margins.

The SFECH does not guarantee the obligations of brokers or traders who are not Clearing Members. Those Floor Members who are not Clearing Members must clear transactions through Clearing Members.

All Local Members must register all trades with a Clearing Member which must guarantee its trade.

The Clearing House will close out the positions of a defaulting Member in accordance with its regulations generally through the market. The Exchange in conjunction with the Clearing House will if possible seek to have the defaulting client's positions transferred to another Member.

The Clearing House will use any original deposits and margins or security lodged with it in respect of futures trading by the defaulting member to meet obligations by the defaulting member. There is no

access to the funds of other members and any deficit must be met from the funds of the Clearing House, either by way of capital or insurance.

OSC

At CDCC, the clearing guarantee becomes operative on settlement of trades at 8:00 a.m. on the day after the trade (CDCC assumes the obligation 1 hour after settlement). While CDCC's risk management processes are designed to ensure that a clearing member fulfills its obligations, CDCC's rules provide a specific framework in which it would act should a member become insolvent and / or fail to fulfill its obligations. CDCC's rules provide it with a number of specific alternatives for dealing with such circumstances including, but not limited to, the following: transferring positions and collateral to another clearing member; hedging or liquidating positions in an expeditious and orderly manner; and applying the clearing member's margin and clearing fund deposits. Should resources deposited by the defaulting clearing member prove insufficient, CDCC is able to rely upon the clearing fund deposits of other members to ensure the fulfillment of any outstanding obligations.

CVMQ

The Canadian Derivatives Clearing Corporation (CDCC) clears and guarantees all derivatives contracts traded on the Montreal Exchange. Risk management and financial surveillance are the two primary functions of CDCC. The system is designed to provide the highest level of safety and the early detection of unsound financial practices. CDCC protects its clearing members and their customers against the consequences of a default by a participant in the clearing structure. There are some minimum net capital requirements, margin requirement and each clearing member must maintain a deposit with a clearing fund.

SEC

At HKFE, the HSI, Hang Seng Sub-indices, stock futures, and HIBOR futures contracts are traded via open outcry. In the open outcry system the seller completes a trading slip that includes the selling and buying clearing members, the number of contracts, the month and the price. The trading slip is then signed by the selling and buying brokers. A copy of the trading slip is provided to the HKFE and the HKCC. HKCC personnel on the HKFE floor then key the trade information into the clearing computer system.

After all trades are entered into the clearance system, the HKCC then provides each clearing member with a Daily Trade Summary ("DTS"). Each clearing member is then required to review the DTS and the trades he has made that day for accuracy and allocation to the

appropriate accounts. Members must verify their trades after which the HKCC issues a registration statement to each member. Contracts are formally registered at the time the registration statement is issued and HKCC becomes counterparty to each trade at that time.

For currency futures contracts, the HKFE's Automated Trading System ("ATS") automatically matches buying and selling orders based on the application of a strict price / time priority matching mechanism. Upon execution, a contract will be registered immediately in the clearing system and HKCC will become counterparty to each trade at that time.

At SEHK, orders for stock options contracts traded through SEHK's TOPS system are automatically matched based on a strict price / time priority mechanism. As soon as a trade has been matched in TOPS, it is registered with the clearing house, SEOCH. SEOCH acts as the counterparty to all trades and guarantees stock option contract performance in terms of money settlement and stock delivery.

SVS

By Law, the clearing house must assign 30% of its annual profits to conform a contingency fund. Likewise, the clearing house demands from each broker-dealer an initial deposit of UF 2 000, in order to trade either in options or futures markets. The clearing house has rights to use this deposit, margins and other money provided by broker-dealer, when he / she or the client, has not comply with their obligations.

Furthermore, in order to be registered by the SVS, broker-dealers must contract an insurance of UF 4 000, which will cover all unpaid liabilities resulting from intermediation operations.

* (UF is an inflation indexed unit, by January 1996 1 UF was equivalent to \$30 dollars)

ESA

A clearing organization shall check that a sufficient margin is deposited for each futures contract as a guarantee of fulfillment of the contract and that such margin will be maintained as long as this binding agreement. The margin is to be considered as sufficient if there may be assumed that no more capital will be necessary when fulfilling the agreement. A clearing organization may decide to reduce the margin requirement as far as, obviously, there is no need for margin. Such a decision must not be applied until approved by SFSA. The government or, after the authorization by the government, SFSA may provide more in detail for the margin requirement. If a

clearing organization takes part of the trade, the organization shall check that its risk position will be balanced. In case of unbalance, immediately the organization will have to take steps in order to restore the equilibrium.

NZSC

The Sydney Futures Exchange Clearing House Limited clears and guarantees all contracts traded on the NZFOE and held in the name of its clearing members, in accordance with the Clearing House Regulations and associated agreements.

CONSOB

The CCG guarantees the clearing members' settlement of all the contracts entered into the markets. In case of a clearing member default, the CCG may use the collateral deposited by the defaulted member and when insufficient, may close out the members' position on the market.

CNMV

In addition to the permanent clearing guarantee that clearing members are required to maintain with the clearing house, at the moment that a transaction is registered, the intervening member and customer, when applicable, are obliged to supply clearing house with the daily margin, calculated in accordance with its Rules and Regulations. The clearing house can also require a special margin, when exceptional market circumstances occur or on the basis of positions considered of high risk.

Clearing members are responsible for the posting and maintenance with the appropriate adjustments of the margins deriving from transactions carried out on the market both for their own account and on behalf of their customers, as well as for those deriving from transactions carried out by non-clearing members with which such an arrangement has been agreed. It is worth noting that members may not offset the positions of various clients or non-clearing members for which they are responsible. Thus, the exchange guarantees obligations of both clearing and non-clearing members, as well as those of their customers.

Margins have to be supplied before the beginning of the session on the business day following the date on which the obligation arose. Failure of a market member to fulfill its obligation of margins constitution and updating leads to the closing out on the market of all its open positions. For that purpose, all the contracts forming part of the inadequately-covered position are bought or sold in the market and

existing deposits are applied to cover the losses resulting from those transactions, if any.

Exchanges are entitled to immediately close out or transfer a member's positions in case of default. In addition, exchanges may use any margin deposits or asset held to cover the amounts owing to them by the defaulting member.

CNV

Subject to their regulation, commodity exchanges guarantee all contracts traded on the trading floor and registered by its clearing organization. All futures and option contracts are traded via open outcry. Buyers and Sellers arrange the price, month and number of contracts, and write down a slip containing this information. This slip is signed and given to the employees of the exchange in charge of entering trade information into the clearing computer system. The Clearing organization is the counterparty to each trade. Each party must perform the payment of the initial margin and variation margins. If margins are not met within the time and under the stipulations established by the exchange, the clearing house is authorized to close or to transfer to another broker the position carried by the defaulting member.

BAWe

DTB

The Deutsche Börse AG is a counterparty of the Clearing Members for all deliveries and payments in settlement of all contracts traded on the DTB. If a Clearing Member defaults on its payment or delivery obligations, the Deutsche Börse AG may use the collateral provided to it for the compensation of any damage, in accordance with the following order of priority:

1. The collateral to be maintained on every trading day by all Clearing Members which belong to the Clearing Institution that is in default to cover all contractual obligations.
2. The clearing guarantee provided by such Clearing Institution.
3. Reserves set aside by the Deutsche Börse AG for its annual surplus to contribute to the performance of the commitments of any Clearing Institution that may default on its obligations.
4. The clearing guarantees of the other Clearing Institutions.

The Deutsche Börse AG does not, however, guarantee the performance of the payment or delivery obligations of the Clearing Member in

default vis-à-vis the latter's customers or vis-à-vis non-clearing Members.

Options Trading on the Frankfurt Stock Exchange

Upon receipt of the notification of an options transaction concluded in the course of options trading on the Frankfurt Stock Exchange, the Lombardkasse guarantees performance to the option taker up to an amount not exceeding DM 40 million including incidental costs. If the maximum amount available is insufficient, the beneficiaries of the guarantee are entitled only to pro rata satisfaction.

SC

The clearing house eliminates credit risk between clearing members by becoming a counter-party to each contract which is bought or sold by a clearing member and giving an undertaking to perform its obligations under such a contract. Upon the creation of contracts executed on the exchanges ('market contracts'), clearing members present those contracts to the clearing house for registration. Immediately upon the registration of each market contract, two new contracts ('open contracts') are created in place of and on identical terms with each market contract. The clearing house becomes the buyer to the clearing member acting as the seller under one open contract and the seller to the clearing member acting as the buyer under the other open contract.

ESB

The clearing members guarantee the trade settlements of the participants they clear for.

(d) Relationship of Clearing to Payments System

CFTC

With respect to commodities transactions in the U.S., clearing houses route margin deposits of clearing members through banks which they choose as settlement banks. These banks make payments to members under the terms and conditions set forth in the clearing house's settlement instructions. All variation payments to clearing houses must be made in same day funds such as Fed wire transfers.

SEC

OCC and its clearing members settle outstanding funds settlement obligations on a daily basis through the use of clearing banks. Clearing members are required to maintain an account at one of several clearing banks at which OCC maintains an account. Each day

OCC combines all premium, margin and settlement obligations to arrive at a net money settlement amount for each account of each clearing member. The next morning OCC collects or pays out the net money settlement amount from or to each clearing member through the appropriate clearing bank. OCC nets cash settlement obligations of each clearing member by account type (i.e., proprietary, market maker, customer).

SIB

Pursuant to exchange and clearing house rules, the positions of each clearing member are reviewed on a daily or intra-day basis to determine the amount of margin (initial and variation) which is to be called from the firm in relation to both its proprietary accounts and its customer accounts.

The clearing house will determine the level of required margin and will either demand payment from the clearing member or proceed with a direct debit pursuant to a pre-existing agreement between the parties and relevant banks.

There are no regulatory restrictions regarding the form of variation margin paid by clearing members to the clearing house. Exchange / clearing house rules will permit the payment of variation margin in the form of cash or approved collateral. The latter will depend on relevant exchange / clearing house rules and it may include forms of security, guarantee or indemnity.

COB

In France, the clearing house routes margins and deposits of clearing members through clearing members. Each day, margin and deposit payments have to be realized through Banque de France wire transfers.

MOE

On the Japanese exchanges payment is executed through stock exchange accounts, although it is not strictly a system of payment against delivery.

In Japan, almost all futures and options are matched by computers. Unmatched trades caused by operating mistakes are corrected through procedures set by stock exchanges.

Stock exchange accounts are bank accounts of stock exchanges. All payments between stock exchange members must be done through the accounts.

ASC

A "mark-to-market" payment system is utilised by the SFE. Under this system, the value of each open position is recalculated daily in line with the closing market price, and profits credited, and losses debited to the account of the clearing member concerned.

The SFECH sets the minimum initial margin on contracts traded. At the close of trade, the SFECH marks-to-market. The initial margin is calculated on the maximum likely daily market movement in a 24 hour period (SFE By-Law G4 &G2).

If SFECH's net position has decreased as a result of mark-to-market, the SFECH will call 'variation margin', which must be paid within the earliest reasonable time. Payment of variation margin must be by way of cheque, unless the Member agrees to accept and receive approved securities.

QSC

All payments to and from CDCC, including daily settlements, marking to market and intra-day margin calls are collected via an irrevocable payment processing system, commonly referred to as the financial electronic data interchange (FEDI). Intra-day margin calls are met, within 60 minutes, or such further time as permitted by CDCC, through FEDI or pledging through the facilities of the Canadian Depository for Securities (CDS).

CVMQ

SEC

HKCC members authorise their clearing banks to accept direct debit instructions from HKCC. At 8:30 a.m. HKCC informs each member's bank of the member's net money settlement figures. The banks must confirm payment to HKCC by 8:55 a.m. HKCC may also call for intra-day margin payments through direct debits.

For HKFE currency futures contracts, debit instructions will be issued for each HKCC member's designated settlement bank twice a day. The first, at 4:00 p.m., is to cover the 3:15 p.m. mandatory intra-day margin call, with banks to confirm payment prior to 5:00 p.m. Payments to cover the 3:00 a.m. or 4:00 a.m. (depending on the trading hours in effect in New York) market close settlement must be confirmed by the banks by 9:30 a.m.

SEOCH has a similar process to that of HKCC. Money settlement is effected by funds transferred between the account of SEOCH and the accounts of SEOCH members maintained with the same designated

banks. All fund transfers, whether for amounts collected from or payable to a SEOCH member, are initiated by SEOCH by issuing direct debit instructions or direct credit instructions to the designated banks as applicable

SVS

The Law has determined that the clearing house is in charge of settlement and administrating the broker-dealers accounts. The clearing house is free to determine its own internal procedure. However, price variations, margins, losses and profits are calculated on a daily basis.

ESA

There is no legal regulation about this relationship. But the OM general provisions for trade in derivatives restrict the payments limit till not later than the fifth banking day after the last premium day and the last delivery day.

NZSC

In New Zealand all contracts are settled to market daily. Payments are made daily.

There is no formal relationship with banks except in relation to multi currency cover.

Generally, payment must be in cleared funds either by telegraphic transfer or Austraclear payment to the Clearing house bank account or by bank cheque.

Where a payment required is less than NZ \$10 000 a facsimile copy of the bank stamped deposit slip is accepted.

CONSOB

Clearing members pay or receive margins through a designated bank. The bank makes payment under the terms and conditions set forth in the CCG's settlement instructions. Payments are made by banks to the national payment system.

CNMV

The settlement of outstanding obligations between the clearing organization and its clearing members is effected on a daily basis through charges and payments in the cash accounts opened with the Bank of Spain by the clearing members, or in the cash accounts which are held in the Bank of Spain by other financial organizations

appointed for that purpose. Those charges and payments are made for the net balance of all the accounts of each member.

CNV

The exchange rules provide for the manner in which margin deposits of brokers are to be made through banks chosen as settlement banks. All contracts are marked to market daily, and all payments are made daily. There is no formal payment system.

BAWe

DTB

Payments between the Deutsche Börse AG and the Clearing Members, i.e., payments by way of collateral or margin, from the settlement of contracts, for fees and the like are made through accounts at the Land Central Bank in Hesse, Frankfurt Branch.

If the collateral to be provided to the Deutsche Börse AG for the next trading day has to be increased, the shortfall must be transferred by 9:45 a.m. of the relevant trading day to the Land Central Bank account of the Deutsche Börse AG.

Options Trading on the Frankfurt Stock Exchange

Payments of collateral to the Lombardkasse or option premium payments or payments in connection with exercising options are made direct to the bank accounts of the Participants or the Lombardkasse.

SC

All futures contracts are “marked to market” daily for the routine daily variation margin settlement. The clearing house has the power to call for additional settlement-to-market during periods of extreme intra-day market volatility.

Under MFCC rules, each clearing member must maintain such banking arrangements with one or more banks as will permit the transfer of funds.

The transfer of funds between MDCH and clearing members is effected through banks approved by MDCH which are selected based on high standards of security and reliability. In order for MDCH to receive funds with a relatively short and acceptable time frame, MDCH maintains an account with each approved settlement bank and requires each clearing member to maintain accounts with at least one

approved settlement bank for the purpose of transmitting funds to MDCH for daily settlement purposes or in the event of intra-day settlement or margin calls.

ESB

Settlement Procedures

With respect to his proprietary positions, the positions of his clients, the positions of the non-clearing members with whom he has entered into clearing agreements and the positions of the clients of such non-clearing members, the clearing member shall pay to or receive from, the clearing house the net amount of:

- subject to Rule 9.2.1, the sum of the initial margin referred to in Rule 8.6.1;
- the sum of the variation margin referred to in Rule 8.6.2;
- any interest payable in terms of Rule 8.7.1; and
- the fees referred to in Rule 8.8.1.

An amount due from a clearing member in terms of Rule 8.9.1 shall be paid to the clearing house not later than 12:00 on the business day following the day on which such payment accrued or such other time as the executive officer may in his sole discretion determine.

With respect to any proprietary position, the position of any of his clients, the position of a non-clearing member with whom he has entered into a clearing agreement and the position of a client of such non-clearing member whom the executive officer has marked to market in terms of Rule 8.5.2, the clearing member shall pay to the clearing house the amount of variation margin as contemplated in Rule 8.6.2 at the time stipulated by the executive officer when the clearing member is notified by him of the mark-to-market.

With respect to his proprietary positions, and the positions of his clients, a non-clearing member shall pay to or receive from the clearing member the net amount of:

- subject to Rule 9.2.2, and read together with Rule 8.6.3.1, the initial margin referred to in Rule 8.6.1;
- the variation margin referred to in Rule 8.6.2;
- any interest payable in terms of Rule 8.7.2; and
- the fees referred to in Rule 8.8.2.

An amount due to or from a clearing member in terms of Rule 8.9.4 shall be paid not later than 12:00 on the business day following the day on which such payment accrued, or at such other time as the

non-clearing member and the clearing member have specifically agreed upon with respect to a particular payment.

With respect to any proprietary position or the position of any of his clients, which, the executive officer has marked-to-market in terms of Rule 8.5.2, the non-clearing member shall pay to the clearing member the amount of variation margin as contemplated in Rule 8.6.2 by the time referred to in Rule 8.9.3, as stipulated by the executive officer and as notified to the non-clearing member by the clearing member, and no relaxation shall be given to a non-clearing member without the prior approval of the executive officer.

Subject to Rule 9.3.1, with respect to his positions a client shall pay or receive from the broking member with whom he traded to open such positions the net amount of:

- the total of the initial margin referred to in Rule 8.6.1 for all its aggregate positions read together with Rule 8.6.3.2, provided that any amount so due from the resident client shall be off-set against any retained margin referred to in Rule 8.6.4;
- the variation margin referred to in Rule 8.6.2;
- any interest payable in terms of Rule 8.7.3; and
- the fees referred to in Rule 8.8.3.

An amount due to or from a broking member in terms of Rule 8.9.7 shall be paid not later than 12:00 on the business day following the day on which such payment accrued or such other time as the broking member and the client have specifically agreed upon with respect to a particular payment.

With respect to the position of any client, which the executive officer has marketd-to-market in terms of Rule 8.5.2, the client shall pay to the broking member the amount of variation margin as contemplated in Rule 8.6.2 by the time referred to in Rule 8.9.3 stipulated by the executive officer and notified to the client by the broking member and no relaxation shall be given without the prior approval of the executive officer.

Exercise and Assignment of Option Contracts

Exercise

A client in whose name a long position in an option contract is registered may exercise the option at any time until the expiry of the exchange contract by either verbal or written notice to the member with whom he dealt in order to open the long position.

A member who has a proprietary long position in an option contract registered in his name may exercise the option at any time until the

expiry of the exchange contract and shall exercise the option on a client's behalf on the instruction of the client by executing the exercise on the ATS in the manner prescribed by the executive committee and / or as set out in the user manual.

Upon the exercise of the option in terms of Rule 8.10.1.2 the person in whose name the long position in the exchange contract was registered shall be deemed to have bought or sold the underlying instrument of the option contract in question at the strike price from or to the clearing house.

3. Margin and Credit Extension Requirements

(a) Levels, Limits and Methodology for Calculating

CFTC

Absent an emergency, margin levels for futures contracts will be set by the U.S. exchanges without CFTC review. See §§ 5a (a) (12) and 8a (9) of the CEA. With respect to options, the general practice is that although, the CFTC reviews the methodology for calculation of option margin, the actual margin levels are set by the U.S. exchanges.

Under the FTPA of 1992, contract markets are required to file margin rules setting or changing the levels of margin on stock index futures and options with the Federal Reserve Board. The Federal Reserve Board can request and also direct changes in margin levels appropriate to preserve the financial integrity of the contract market or its clearing system or to prevent systemic risk. On March 22, 1993, the Federal Reserve Board delegated its oversight authority under the FTPA of 1992 with respect to margins on stock index futures and options thereon to the CFTC. See 58 Fed. Reg. 26979 (May 6, 1993).

The grant of margin authority to the Federal Reserve does not, however, supersede or limit the CFTC's authority under § 8a (9) of the CEA to direct a contract market, on finding an emergency to exist, to set temporary margin levels. See § 2 (a) (1) (B) (vi) of the CEA. The CFTC reports annually to the Federal Reserve Board concerning the CFTC's review of stock index margins.

Clearing houses generally use one of two methods for calculating original margin. The first method is to multiply the number of positions or contracts by a specific margin amount per contract. The second method is to use a portfolio-based simulation model, such as that of the CME (and adopted by most U.S. exchanges) which combines all related positions into a portfolio. Price, volatility and other risk factors are simulated to determine their impact on profits and losses in the portfolio. The clearing house establishes parameters to collect original margins based on the simulated losses of portfolios

under various scenarios. They are usually set to cover approximately 95% of potential one-day moves.

Clearing organizations collect "original" and "variation" margin from their members. In general, minimum original margin levels which a clearing member must deposit to carry a position at the clearing house are subject to change at any time. See BTCC By-law 604; CME Rule 815; Comex Clearing Rule 32 (d) (i). The amount required to carry a position in a particular contract is based on the perceived risk associated with that contract and is the same for long and short positions.

FCMs collect "initial" margin from their customers. The initial margin is the exchange set minimum margin requirement for the contract. Generally different minimum initial margin requirements are established for hedge and speculative positions. FCMs are free to impose higher customer margin requirements and, subject to exchange minimum requirements, may vary margin. When losses in a customer's account reduce margin below maintenance margin levels set by the FCM, the FCM will issue a "margin call" to the customer requiring the customer to deposit funds sufficient to restore margin on deposit with the FCM to 100% of the initial margin requirement. Capital charges are not required to be taken for margin deficiencies for 3 days; customer deficits, however, must be covered by the FCM the same day for segregation compliance.

All active U.S. futures exchanges use the SPAN margining system, which margins futures and option positions on a portfolio basis measuring the aggregate risk of the combined positions.

Options differ from futures in that long positions are not margined. Premiums must be paid in full. Short positions may be margined and are marked-to-market on a daily basis. Variation payments are not passed through to holders of long positions, however, who must exercise or offset their positions to realize any profits.

The CFTC approved CME and OCC rules to extend their respective cross-margining programs to include the positions of certain market professionals. The CFTC action establishes a unified mechanism for margining certain intermarket positions. The SEC approved the counterpart OCC rules on the same day. 56 Fed. Reg. 61404 (December 3, 1991).

The CFTC has also approved rules that add an appendix to the bankruptcy rules to govern the distribution of property where a bankrupt FCM holds cross-margin as well as non cross-margin accounts. 59 Fed. Reg. 17468 (April 13, 1994). The rules are intended to assure that non cross-margin FCM customers will not be adversely affected by a shortfall in the pool of cross-margin funds. It is also

intended to refine the treatment of market professionals participating in a cross-margin program in the event of bankruptcy.

SEC

The Federal Reserve Board ("FRB"), pursuant to Regulation T (17 CFR §§ 220.1 - 220.18) has delegated the authority to establish and enforce margin standards for options to the options SROs, subject to Commission approval. Pursuant to the authority delegated to them by the FRB, the options SROs have adopted a uniform margin system applicable to index options.

Purchasers of index options must provide initial margin equal to 100% of the option's current market value (premium). The options SROs calculate margin requirements for each short put or call using a formula that requires initial and maintenance margin for short options positions equal to 100% of the option's premium plus a fixed percentage of the underlying product's value. The options SROs' rules provide for margin level reductions for out-of-the-money options. Broker-dealers may require higher margin payments than established by the options SROs.

Currently, the applicable initial margin for broad-based stock index options is 100% of the option's premium plus 15% of the underlying aggregate index value, minus the amount by which the option is out-of-the-money, with a minimum requirement of premium plus 10% of the underlying aggregate index value.

OCC requires clearing members to post margin on all uncovered short positions and uncovered assigned positions carried in OCC accounts. OCC currently maintains two separate margin systems, one for equity options and another for non-equity options (NEOs). The methodologies are similar in that both require margin equal to the current market price of a short option plus a cushion to protect from the risk of a change in the current market price. Both also provide for offset of unsegregated long and short options within the same series. Among other things, both margin systems use options pricing theory to project the cost of liquidating a member's portfolio of positions in the event of an assumed "worst-case" change in the price of the underlying asset or index.

Several cross-margining arrangements have been approved by the SEC and CFTC regarding proprietary and non-proprietary accounts. Cross-margining recognizes when computing margin requirements that positions may be adequately hedged with offsetting positions in other markets. Accordingly, the cross-margining arrangements are intended to assist clearing members in managing their cash flows by reducing the initial margin requirements for offsetting positions.

OCC can also issue intra-day margin calls for additional margin deposits. An intra-day margin call is made to protect OCC against extreme intra-day market volatility.

SIB / SFA

UK regulatory authorities do not play a direct role in the determination of margin requirements.

Initial margin levels, therefore, are established by the clearing house in cooperation with the relevant exchange. The levels are determined with a view to the relative risk and volatility of the product. Appropriate margin limits are based on historical volatility studies and are designed to capture a single day's movement based on probability analysis. The rules of the clearing house and the relevant exchange provide for the power to increase margin requirements either for specific derivative products or in respect of certain identified market participants. Margin requirements do not vary depending on the nature of the transaction, i.e., speculative or hedge transactions.

The clearing house will either notify the firm or arrange a direct debit to cover outstanding margin requirements. This will be done on a daily or intra-day basis.

As between the firm and its segregated customers, if at the close of business on any day, the amount of a customer's initial margin requirement at that time exceeds the aggregate of that customer's equity balance at that time and the amount of the value of that customer's approved collateral at that time held by the firm or an intermediate broker or an exchange, the firm shall require the customer to deposit with the firm, not later than the close of business on the next following business day, an amount in cash or approved collateral to a value not less than the amount of the excess (SFA's CBRs, 5-28 (4)). A firm may close out a customer position if these requirements are not met and, generally, must close out after five days (SFA's CBRs, 5-28 (5)). The applicable amount of initial margin must be not less than the initial margin requirement imposed by the relevant exchange; in practice, the firm generally collects a greater amount. The firm may, in certain circumstances, lend the customer the necessary funds to meet margin requirements (SFA's CBRs, 5-28 (6)).

LCH now uses the Span system of margining for options traded at certain of London's derivatives exchanges.

COB

In France, each person for whose account a position is opened must immediately pay an initial margin deposit. The level of the deposit depends on the volatility of the underlying instrument.

The clearing house fixes price limits. The initial margins (deposits) must permit to cover at least once a quote variation defined as price limit of the future contract or the underlying contract in case of a sale of traded options.

For French future products, the current initial margins are:

Initial Margin (January 1997)

Notional Bond Futures Contract:

12 500 FRF.

Traded Option Contract on the Notional Bond:

MATIF SA has the option seller set aside an amount as initial margin corresponding to the loss that would result from the most unfavourable change in the liquidation of its overall net position (futures plus options) in one trading day. This initial margin is revised on a daily basis.

Three-Month Pibor Futures Contract:

10 000 FRF.

(Initial margins are payable in cash or securities approved by MATIF SA.)

Three-Month Pibor Traded Option Contract:

MATIF SA has the option seller set aside an amount as initial margin corresponding to the loss that would result from the most unfavourable change in the liquidation of its overall net position (futures plus options) in one trading day. This initial margin is revised on a daily basis.

CAC 40 Index Futures Contract:

30 000 FRF.

(Initial margins are payable in cash or securities approved by MATIF SA.)

Long-Term ECU Contract:

2 500 ECU.

Long-Term ECU Bond Option Contract:

Futures / Option offset.

White Sugar Futures Contract:

- normal: 700 USD
- straddle: 350 USD
- nearby: 900 USD

White Sugar Futures Traded Options Contract:

The BCC calls from the option seller an initial margin corresponding to that required for the underlying futures contract.

Potato Futures Contract N° 2:

- normal: 4 000 FRF
- straddle: 2 000 FRF
- nearby: 8000 FRF

Colza Futures Contract:

- normal: 2 000 FRF
- straddle: 1 000 FRF
- nearby: 3 000 FRF

European Milling Wheat Futures Contract:

- normal: 2 000 FRF
- straddle: 1 000 FRF
- nearby: 3 000 FRF

MOE

In Japan minimum margin levels for customers on domestic markets are stipulated in the stock exchange rules for brokerage contracts, which, in turn, shall not be lower than the levels stipulated by an order of the Securities Bureau of the Ministry of Finance.

(Levels Under the Order of the Securities Bureau of the Ministry of Finance)

JGB Futures: 3.0% of face value.

Options on JGB futures: Premium plus 3.0% of face value of corresponding JGB futures contract.

T-bond futures: 4.5% of face value.
Stock index futures: 9.0% of contract value.
Stock index options: premium value plus 9.0% of strike price.

(Levels Under Rules of Stock Exchange)

JGB futures: 3.0% of face value.
Option of JGB Futures: Premium value plus 3.0% of face value corresponding JGB futures contract.
T-bond futures: 4.5% of face value.

Stock index futures:

Nikkei Stock Index 300 -- 15.0% of contract value
Nikkei Stock Average TOPIX -- 15.0% of contract value

Stock index options:

Nikkei Stock Index 300 -- premium value plus 15.0% of strike price
Nikkei Stock Average TOPIX; Option 25 -- premium value plus 15.0% of strike price

Minimum margin levels for stock exchange members are not regulated by MOF order. Current levels as set forth by the stock exchanges are described below.

JGB futures: 2.0% of face value.
Options on JGB futures: Premium value plus 2.0% of face value of corresponding JGB futures contract.
T-bond futures: 3.0% of face value.

Stock index futures:

Nikkei Stock Index 300 -- 10.0% of contract value
Nikkei Stock Average TOPIX -- 10.0% of contract value

Stock index options:

Nikkei Stock Index 300 -- premium value plus 10.0% of index value of the cash market
Nikkei Stock Average, TOPIX, Option 25 -- premium value plus 10.0% of index value of the cash market

Minimum margin levels for domestic customers of foreign futures and options contracts are set by the Japan Securities Dealers Association in balance with those for similar domestic products.

1) Margins for Customers: These margins are cash collateral or their substitutes that stock exchange members receive from their customers as a guarantee against default. These margin requirements are very important for preventing investors with modest funds from participating in overly speculative transactions, and their minimum levels are stipulated by an order of the Securities Bureau of the

Ministry of Finance. (Stock exchanges must set their margin requirements in their rules at levels not less than the minimum fixed by this order.)

In principle the MOF has set these minimum levels equal to three times the price limits, so as to cover maximum losses from the customer's transaction for a period of three days, since stock exchange members receive margin payments from the customer in three-days time, counting from the date of transaction.

2) ~~Margins for Stock Exchange Members~~: These margins are cash collateral or their substitutes that stock exchanges receive from their members as a guarantee against delivery and / or payment. The minimum levels for these margins are stipulated in the operating rules of the exchanges. In principle, the minimum levels are two-thirds of the margin requirements for customers, taking account of reduced risk through daily adjustment between members (called "marking to the market").

In Japan the exchanges draw a distinction between "initial" and "maintenance" margin requirements. There is no difference in the margin requirements for hedge and speculative positions.

ASC

The SFE has the following rules:

In general, Floor and Associate Members shall call deposits from all clients upon execution of any instructions on behalf of clients unless the clients are Clearing Members and the contracts are registered with the Clearing House in the name of that Clearing Member and, except in relation to transactions executed by a Local Member on behalf of a Floor Member, Nominating Floor Members shall call deposits from Local Members and:

- The minimum initial margin to be called shall be the amount determined from time to time by the Clearing House. (SFE By-Law G2.) Initial margins are to be paid by 10:30 a.m. on the business day following the trade, or otherwise as demanded by the Clearing House. (SFECH By-Law 43.1)
- In calculating the amount of deposit there shall be no offset allowed by the Floor Member or Associate Member for deposits due by the client to the Nominating Floor Member unless that other contract is for the opposite position in the same delivery month and in respect of the same commodity. In the event that a Member holds on behalf of a client or Local Member a bought and sold contract for the same delivery month of a contract market the Member need only obtain from the client or Local

Member the straddle deposit determined by the Clearing House for that contract market.

- Deposit requirements must be satisfied by payment unless the Floor Member or Associate Member agrees to accept and receives cover by way of approved securities.
- Credit margins may be applied against deposit liability at the discretion of the Member, having regard to all the circumstances including the financial position of the client.
- Liability of the client for the deposit arises upon execution of the instructions given by the client and irrespective of the time when the call is made and liability of the Local Member for deposit shall arise when the Local Member trades irrespective of the time when the call is made.
- Payment of deposits or lodgement of cover must be effected within the earliest reasonable time and no Member shall provide credit or cover for a client or Local Member beyond that period. In determining whether payment of deposits or lodgement of cover has been effected within the earliest reasonable time by a particular client or Local Member, the Committee for Inspection and Audit or the Board (as the case may be) shall take into account the circumstance of the client or Local Member at the time such obligation arose.

Payment of margins or lodgement of cover must be effected within the earliest reasonable time and no Member shall provide credit cover for a client or Local Member beyond that period. In determining whether payment of margin or lodgement of cover has been effected within the earliest reasonable time by a particular client or Local Member the Committee for Inspection and Audit or the Board (as the case may be) shall take into account the circumstance of that client or Local Member at the time such obligation arose.

The minimum initial margin is set by the Clearing House. The Clearing House refers to recent market volatility and the initial margin is calculated to cover the maximum likely market movement in a 24 hour period.

Variation margin must be called when the net variation margin position exceeds 25% of the total initial margin liability. However where the amount of such a call is less than AUD 1 000 the making of such a call is at the discretion of the Member (SFE G By-law 2 (c)).

The SFECH introduced SPAN (Standard Portfolio Analysis of Risk) margining on August 22, 1994. SPAN is the risk margining system developed by Chicago Mercantile Exchange and ensures that the high

standard of risk measurement achieved by mark-to-market, is more accurately assessed, while reducing the overall level of capital required, particularly by multiple instrument hedge users, for cover against open positions.

OSC

Margin levels are set by exchanges for their members. Members are required to obtain margin from their clients in amounts not less than the levels set by the exchange. Clearing member firms of CDCC must deposit acceptable margin with CDCC. Pursuant to Section 41 of the CFA, the OSC may make an order with respect to margin levels.

CDCC is authorized to require the deposit of additional margin by any clearing member in any account at any time during any business day when CDCC may deem advisable to reflect changes in the market price of the underlying interest or in the financial position of the clearing member or to protect CDCC, the other clearing members or the public.

CVMQ

Options Margin - General (ME)

The ME establishes margin requirements applicable to options positions held by clients and no member shall effect an options transaction or carry an account for a client without proper and adequate margin, which shall be obtained as promptly as possible and maintained in conformity with the ME rules.

Charges Against Capital - General (Options) (ME)

With respect to a firm account or to a specialist or market-maker account of a member, or of a permit holder for which a member (or a clearing firm) has issued a letter of authorization, the Exchange shall establish certain charges against capital.

Futures Margin Requirements - Bankers' Acceptance (ME)

The minimum amount of margin a client must deposit and maintain with a member per bankers' acceptances futures contract shall be as follows:

- | | |
|--------------------|-------------|
| a) for speculators | \$1 500 CDN |
| b) for hedgers | \$1 000 CDN |
| c) for spreads | \$625 CDN |

Positions carried by members shall be subject to the amounts mentioned above.

The ME may change the margin requirements which shall be effective on all positions whenever it determines that market conditions so warrant.

Changes made by the ME in margin requirements may be made applicable to one or more rather than all, members or clients if deemed necessary by the ME.

Futures Margin Requirements - Canadian Government Bond Futures (ME)

The minimum amount of margin a client must deposit and maintain with a member per Canadian Government Bond futures contract shall be as follows:

- | | |
|-----------------------------------|-------------|
| a) for speculations: | CAN \$1 500 |
| b) for hedges: | CAN \$1 000 |
| c) for spreads: | CAN \$ 300 |
| d) spreads 5 years
vs 10 years | CAN \$725 |

Positions carried by members shall be subject to the amounts mentioned above.

The ME may change the margin requirements which shall be effective on all positions whenever it determines that market conditions so warrant.

Changes made by the ME in margin requirements may be made applicable to one or more rather than all members or client if deemed necessary by the Exchange.

Acceptable Margin (TCO)

Prior to settlement time on every business day, every clearing member who has not deposited the underlying interest or underlying interest equivalent shall be obligated to deposit with TCO acceptable margin, to meet its margin requirements.

Forms of margin:

- Cash or cheque;
- Government securities;
- Letters of credit;
- Valued securities.

In addition to the underlying interest and underlying interest equivalent which may be deposited under TCO rules clearing members may deposit any security listed on an exchange.

No value will be given for any valued security on any one day when the closing price thereof or, if there was no trading in such Valued Security on such day on any Exchange, the previous closing price is less than \$10 on any Exchange.

Valued securities so deposited will be marked-to-market daily and 50% of this daily value applied against the total margin required against all accounts combined.

No more than 10% of the total margin required against all accounts combined may be covered by any one valued security.

Additional Margin (TCO)

TCO is authorized to require the deposit of additional margin by any clearing member in any account at any time during any business day which TCO may deem advisable to reflect changes during such day in the market price of the underlying interest, or changes in the financial position of the clearing member or to protect TCO, the other clearing members or the public.

Such additional margin shall be deposited by the clearing member within one hour of the time the clearing member is notified of the requirement or such time as may be prescribed by TCO. Credit shall be given for all such additional margin deposits in the Clearing Balance Statement on the following business day.

SEC

HKCC calculates the level of original margin deposits in respect of each futures and / or option contract based on a number of factors, including historical price volatility, relative net and gross open interest and distribution among members, and the value of margin relative to the size of the futures and / or contracts.

HKCC uses the TIMS methodology developed by the Options Clearing Corporation Inc. to calculate margins for each account. TIMS enables the margining of accounts containing both futures and options contracts. Each registered trader account or house account is margined on a net basis and each client account is margined on a gross basis. However, members may request HKCC to allocate those positions belonging to the same client to an offset account in which the margin requirement is computed on a portfolio basis.

In relation to stock option contracts at SEHK, after each trading day, SEOCH will calculate the premium due to or from each SEOCH member, the margin requirements for the open stock option positions or pending delivery obligations of each SEOCH member,

and the payments in relation to stock delivery obligations due for settlement. SEOCH also uses the TIMS margin methodology.

Both HKCC and SEOCH prohibit their members from extending any credit to their clients in relation to margin requirements.

SVS

FUTURES

In the case of futures contracts, transactions in two products have been authorized: IPSA (a stock index) and dollars. These are different margin requirements for both:

IPSA:

Initial Margin: 25% of the value of the contract

Maximum open positions:

Per client:	800 contracts
Per broker-dealer:	10 times the broker-dealer's capital
Per market:	10 times all broker-dealers capital

Maximum daily price variation:

15% of the contract price compared to the price of the previous working day.

Dollars:

Initial Margin: 5% of the value of the contract

Maximum open positions:

Per client:	2 500 contracts
Per broker-dealer:	10 000 contracts
Per market:	200 000 contracts

Maximum daily price variation:

3.75% of the contract price compared to the price of the previous working day.

OPTIONS

(Nowadays allowed only for a limited type of shares.)

Initial Margin and variations:

a) Writers of Call Options: 20% of contract prices (this amount is possible to be reduced until 5% if the strike price is higher than the market price) + 100% of daily option price variations.

- b) Writers of Put Options: 20% of contract prices (this amount is possible to be reduced until 5% if the market price is higher than the strike price) + 100% of daily option price variations.

Maximum open positions:

- Per client: lower than the average of the underlying asset daily traded amount in a moving quarter period.
- Per broker-dealer: 10 times the average of the underlying asset daily traded amount in a moving quarter period.
- Per market: 100 times the average of the underlying asset daily traded amount in a moving quarter period, and no bigger than 20% of corporation's capital (underlying asset).

Maximum daily price variation:

Limits are set by the maximum daily price variations of the underlying assets.

ESA

In the futures and options business carried out at OM there is not long ago introduced a margin requirement system, essentially using Black & Schole's methodology for options calculation.

NZSC

The Clearing House uses the SPAN portfolio based simulation model for the calculation of margins, (refer to CFTC description).

CONSOB

At the moment (May 1997) margins requirements are set as follows:

MARKET/PRODUCT	ORDINARY	STRADDLE	MINIMUM
MIF			
10 years BTP Future	5.000.000 lira (2,5% nom. value)	1.800.000 lira	250.000 lira
5 years BTP Future	3.400.000 lira (1,7% nom. value)	1.800.000 lira	250.000 lira
10 years BTP Fut. Option	5.000.000 lira (2.5% nom.		

	value)		
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MARKET/PRODUCT	ORDINARY	STRADDLE	MINIMUM
IDEM			
FIB30 Stock Index Future:	5% mkt value	2.900.000 lira	250.000 lira
MIBO30 Stock Ind. Option:	5% mkt value		
ISO" Individ. Stock Option: (depends on the underlying)	from 5,35% to 10,9% mkt value		from 3.000 lira to 80.000 liras

CNMV

Margin levels are set by the exchanges. For the calculation of daily margins, Spanish exchanges use a portfolio-based simulation model that takes into account all related positions belonging to the same account holder. The simulation is carried out for a number of prices of the underlying security or contract, included in the interval into which is thought this price could vary in the period of time considered necessary to close out all the positions. It also takes into account possible variations in the implicit volatility levels of options' market prices.

In the particular case of MEFF Renta Fija, in which price limits apply for futures contracts, daily margins are calculated to cover a fixed number of times the quote variation defined as price limit. This multiplier varies from 1.5 for Notional Bond contracts to 3 for MIBOR contracts.

Regarding the equity options contracts traded on MEFF Renta Variable, the margin required for an account position is increased proportionally when the delivery obligations at settlement can represent a significant amount of the average trading volume in the underlying market.

The current daily margins are:

MEFF Renta Fija:

Long-Term (10 years) National Bond Futures and Options contracts:

- normal: 300 000 pta. (3% of nominal value)
- straddle: 150 000 pta.
- spread 10/3 yr: 150 000 pta.

Medium-Term (3 years) National Bond Futures and Options contracts:

- normal: 150 000 pta. (1.5% of nominal value)
- straddle: 75 000 pta.

Three-Month MIBOR Futures and Options contracts:

- normal: 300 000 pta. (0.3% of nominal value)
- straddle: 75 000 pta.

One-Year MIBOR Futures contracts:

- normal: 1 200 000 pta. (1.2% of nominal value)
- straddle: 3000 000 pta.

French Bond DIFF Futures:

- normal: 200 000 pta. (2% of nominal value)
- straddle: 100 000 pta.

German Bond DIFF Futures:

- normal: 230 000 pta. (2.3% of nominal value)
- straddle: 115 000 pta.

Italian Bond DIFF Futures:

- normal: 230 000 pta. (2.3% of nominal value)
- straddle: 115 000 pta.

MEEF Renta Variable:

Ibex-35 Stock Index Futures and Options contracts:

- normal: 325 00 pta.
- straddle: 1.2 times the difference between settlement prices of the two contract month futures contracts (min. 24b.p)

Equity options contracts:

- normal: 15%

ECM:

Navel / Navelina Orange Futures:

- normal: 18% of nominal value
- straddle: 9% of nominal value
- delivery period: 36% of nominal value for short positions

Valencia Late Orange & Clementine Futures:

- normal: 25% of nominal value
- straddle: 12.5% of nominal value
- delivery period: 50% of nominal value for short positions

Members are required to obtain margins from their customers in an amount not less than that required by the exchange. The compliance with that obligation is ensured by the exchanges.

CNV

Margin levels for futures contracts are set by exchanges and approved by the CNV.

BAWe

The rules for setting margins are autonomously issued by the DTB and Lombardkasse respectively.

DTB

Under the DTB Clearing Conditions each Clearing Member must maintain, on every trading day, collateral to cover all of its contractual obligations. The DTB calculates the amount of collateral required to be provided by each Clearing Member subsequent to the post-trading period of each trading day for the consolidated Principal and M Position Accounts and for the Agent Position Accounts of such Clearing Member in accordance with a method determined by it and communicated to the Clearing Members. General Clearing Members must require their Non-Clearing Members to provide collateral in an amount at least equal to that determined by the methods prescribed by the DTB.

The basis for the determination of the collateral to be maintained are the net positions in all options series and futures contracts. With respect to options transactions with immediate premium payment obligations, the collateral to be maintained must cover the costs that would be incurred upon the closing of all positions at the day's closing price (Premium Margin). With respect to options transactions without immediate premium payment obligations, a daily profit and loss settlement takes place. With respect to futures contracts, collateral for positions that may be netted must be maintained to cover the risk that prices of contracts with different delivery months will not move in exactly the same direction (Spread Margin). In addition, a further margin requirement is calculated to cover any change in the cost of closing all options positions and all futures positions that cannot be netted assuming the least favorable price developments (as determined by the DTB) until the next calculation of collateral requirements (Additional Margin). The sum of the collateral required to be maintained as described above is the total collateral required to be maintained for one account. The total collateral requirement applicable to an Exchange Participant is determined by aggregating the Principal Position Accounts (including M Position Accounts) and Agent Position Accounts; credit balances resulting from net long positions are not taken into account.

The Deutsche Börse AG may, on stating the reason, demand that any Clearing Member maintain a higher or supplementary margin on the basis of the Deutsche Börse AG's risk management.

Options Trading on the Frankfurt Stock Exchange

In accordance with the regulations of the Lombardkasse, at least 30% of the underlying must be available to a Participant selling call options. Moreover, at the request of the Lombardkasse a Participant must provide collateral exceeding by at least 30% the value deriving from the strike price of the items involved in the transaction not covered by the underlying securities. If a Participant sells a put option, it must provide collateral equivalent to up to 30% of its commitment at the request of the Lombardkasse.

SC

In relation to MDCH, the margin level is set to cover the maximum reasonably foreseeable one day's price movement with a confidence factor of at least 99%. It is based on historical price volatility, current and anticipated market conditions and other risk factors. The level is monitored daily and may be adjusted to reflect changes in price volatility, price movements of underlying assets and other factors. For margining purposes, MDCH is using the Theoretical Intermarket Margin System ("TIMS") developed by the Options Clearing Corporation in Chicago. TIMS calculates margins on a portfolio of contracts using a risk-based formula.

MFCC requires clearing members to lodge initial margins to secure the exposure on open positions. The initial margin is set for each commodity and may be varied from time to time at the discretion of MFCC. The level is based on the price volatility of the commodity and is intended to cover the largest reasonably anticipated price movement in any single business day.

ESB

Actual margin levels are set by the exchange in terms of rules that are approved by the regulator.

(b) Means of Collection - Gross or Net

CFTC

All FCMs collect margins for customers on a gross margin basis. Rule 1.56 states that an FCM cannot represent that it will not collect margin.

CFTC Rule 1.58 (a) also requires the gross collection of margins on omnibus accounts which an FCM carries for another FCM or foreign broker. The extension of this rule to foreign brokers was made in 1996. 61 Fed. Reg. 1977 (May 1st, 1996).

Further, the CME and NYMEX have a gross margining clearing system. See CME Rule 8.06; NYMEX Rules 4.00 to 4.01. All other exchanges, on contrast, have net margining clearing systems. See, e.g., CBT Rule 706.00 (b). There is no set off between segregated and non-segregated accounts.

SEC

Broker-dealers collect margin for stock index options positions from their customers on a gross basis. OCC collects margin for stock index options positions from their clearing members on a gross basis for customer accounts and on a net basis for firm and market-maker accounts.

OCC calculates required margin for each member on a daily basis and collects additional margin only when a deficit exists. Within each member's accounts, OCC totals margin for each position (or net amounts for spread positions) into one single figure, which is added to any amounts for premium and settlement payments to arrive at one amount for payment or receipt the next morning.

SIB

Margin is collected by the clearing house on a net basis but there is no set-off between segregated and non-segregated accounts.

COB

The commodities market collect margins on a gross basis.

On the MATIF margins are paid by the clearing members to MATIF-SA on a net basis. But when the margins are collected by a non-clearing member these margins have to be paid immediately to a clearing member, on a gross basis.

On the MONEP, deposits are paid by option sellers on a net basis.

MOE

Margins for customers on Japanese markets are collected on a gross basis and margins for stock exchange members on a net basis.

ASC

SFECH collects margins from Members on a net basis for both Member client and house accounts. Members will call margins from their clients on a gross basis, unless the Member's client is a "Full or Associate Member". In this situation, the "Full or Associate Member" will then call the client on a gross margin basis.

OSC

CDCC maintains three types of accounts for its members: client, firm and on-floor professional traders accounts. Each account may contain one or more sub-accounts. The margin requirement is established for each sub-account separately.

CDCC's margin system analyzes all positions (options, futures and futures options) held in each sub-account of every member. It then projects a liquidating value for each sub-account, based on multiple projected market moves. Using this projection, CDCC collects margin to cover potential losses in the event that such a liquidation may become necessary. Margin deposits must be in the form of cash, treasury bills, short-term government debt, letters of credit, banker's acceptances, and similar highly liquid instruments.

Each client sub-account is margined on a gross basis for options and on a net basis for futures. Each firm and on-floor professional traders sub-account is margined on a net basis.

CVMQ

The Canadian Derivatives Clearing Corporation requires gross margining from clients of clearing members.

SEC

HKCC generally collects margin on a gross basis. However, spread margin rates are available for spread positions allocated to a specific customer's account or to a house account.

For SEHK stock options, open options contracts and exercised and assigned delivery obligations for principal and market maker accounts are margined on a net basis. Client positions are treated differently; open options contract positions are margined on a gross basis.

SVS

Margins are collected by the exchange from the broker-dealer on a gross basis. Broker-dealers can freely agree with their clients the means of collection.

ESA

OM or member of OM can require that margins are collected to a larger extent than corresponding to the net margin position.

NZSC

In calculating the amount of an initial margin no offset is allowed by Dealers, for other initial margins due by the client to the Dealer, unless the client has contracts with that Dealer for the opposite position in the same delivery month and in respect of the same commodity. In the event that a client holds with a Dealer a bought and sold contract for the same delivery month in the same class of contract, the Dealer need only obtain from the client the straddle initial margin determined by the Clearing House for that class of contract.

CONSOB

Intermediaries collect margins from their customers on a gross basis, and submit their margin requirements to the CCG on a net basis. General Clearing Members collect margins from non-clearing members on a gross basis.

CNMV

Margins are collected by the Spanish exchanges on a gross basis

CNV

Margins are received by the exchange in gross form. They must be paid prior to the beginning of the trading day.

BAWe

DTB

The margins payable by the Clearing Members calculated on the basis of the net position in all options series and futures contracts (see also II.A.3 (a) above) are netted daily with the clearing payments, option premiums, fees and the like. The daily balance is debited or credited to the Clearing Members' Land Central Bank account to the extent that the Deutsche Börse AG does not require the credit balance as collateral.

Options Trading on the Frankfurt Stock Exchange

In accordance, with the regulations issued by the Lombardkasse, margins are collected as follows:

Any bank acting as a writer of call options which exceed 300 per cent of the liable capital, pursuant to Section 10 of the Banking Act, calculated on the basis of strike prices (or - acting as a writer of put options - which exceed 100 per cent of the liable capital) must immediately provide collateral to cover fully the excess.

Any other Participant, acting as an option writer, must immediately provide collateral whenever a guarantee risk arises for the Lombardkasse and the difference between the strike prices and market prices exceeds 15% of the liable capital of the Participant. A guarantee risk invariably arises whenever, in the case of call options (put options) the market values are higher (lower) than the actual strike prices.

SC

MFCC collects margins on a net basis on house account and the client account is margined on the higher side of the gross open position.

MDCH adopts a gross margining concept where each client account of a clearing member is margined separately. The total margin for a clearing member is the sum of the margins for all the individual client accounts of the clearing member. The proprietary position of a clearing member is margined on a net basis. A market maker account is treated in the same way as any other client account where long and short positions in the same contract class within the one account are margined on a net basis.

ESB

Margins are collected and paid by clearing members on a net basis.

(c) Permitted Collateral

CFTC

The CFTC does not have any regulations regarding permitted collateral. CFTC Rule 1.25, however, restricts FCMs and clearing organizations' investment of customer funds to obligations of the United States, any State or political subdivision, or to obligations fully guaranteed by the United States.

The majority of the exchange clearing houses accept as margin cash and U.S. Treasury Securities. Some clearing houses also accept letters of credit under the terms and conditions that they prescribe. The CME accepts securities haircut at 50% in a cross-margined account.

The futures clearing organizations have also taken steps to reduce the proportion of standing margin held in the form of letters of credit (LOCs). For example, since October 1st, 1990, clearing members of the CME have been under restrictions as to the amount of their original margin obligations in excess of the first \$5 million that may be satisfied by LOCs such that available standing margin for clearing firms carrying large positions consists of substantial amounts of cash or securities in addition to LOCs. Since April 1st, 1991, the CME has gradually decreased the percentage of margin that can be met with LOCs. Currently, only 50% of the excess margin requirement over \$5 million can be in the form of LOCs. This percentage will decline by 10% every six months until it reaches 50% on April 1st, 1992 and the exchange reports that it may consider further reductions.

The BTCC also limits the value of LOCS which may be pledged as margin by a clearing member to 25 percent of the firm's adjusted net capital and does not accept customer letters of credit at all. To monitor LOCs, the BTCC has developed a daily print-out which shows LOCs as a percentage of BTCC clearing member original margin; the BTCC reviews this print-out on a daily basis. The BTCC estimates that, on the average, LOCs constitute approximately 5 percent of original margin payments of BTCC members.

Futures clearing organizations also have taken steps to reduce the likelihood of excessive concentrations of LOCs issued by a single issuing bank.

A customer may deposit as margin funds with an FCM cash, securities or any other property which the FCM will accept. Generally, only highly liquid assets such as government debt instruments will be accepted. However, in 1992 the CFTC approved CME rules that permit shares of mutual funds to be deposited both with the clearing house and with clearing members as margin. The CFTC also has approved a CME rule proposal that would permit the CME Clearing House to accept equity securities only to meet a clearing members' "reserve" performance bond requirement.

SEC

When a customer wishes to effect new securities transactions in a margin account, the customer must deposit margin in cash and / or securities in the account. The collateral deposited must be at least the greater of: (1) the amount specified in Regulation T; (2) the amount specified in SRO rules; or (3) an amount specified by the SRO from time to time. OCC accepts cash, government securities, letters of credit, and valued securities (certain common stocks) to satisfy margin requirements. OCC values all securities based on closing market prices and deducts a percentage from that value to reflect market price volatility.

No margin is required in respect of a stock index option contract carried short in a customer's account where the customer has delivered to his broker-dealer a Market Index Option Escrow Receipt ("MIOER"). The collateral permitted to underlie a MIOER may be: (1) cash; (2) cash equivalents; (3) one or more qualified securities; or (4) a combination of the foregoing.

MIOERs are issued by banks and trust companies approved by OCC. MIOERs can be submitted by OCC clearing members to cover short call positions in broad-based stock index options held in a clearing member customer's account in lieu of margin. Banks issuing MIOERs are required under OCC rules to, among other things, certify that the deposited collateral for the MIOER is of sufficient market value.

SIB

The clearing house / exchange determines the type of collateral that it will accept from its member firms to cover margin requirements. Apart from cash, the types of collateral commonly used are bank guarantees, securities and government debt instruments. There are no restrictions on the types of collateral a firm may accept from customers. However, a firm is subject to financial supervision rules; accordingly, the type of collateral accepted will affect its regulatory financial resources requirements.

COB

On the French MATIF, assets obtained by the clearing house from the clearing members to satisfy their margin requirements are cash (FRE, ITL, ECU, USD, DEM) and French Treasury bills.

Assets admitted from the clients to satisfy their margin requirements can also be unit trust shares (SICAV, FCP), CDs, Treasury bills and cash. Specific haircuts are applied to these assets.

On the MONEP, assets admitted by the SBF from the clearing members (brokerage firms and credit firms) are cash and French Treasury bills. Assets admitted from non-clearing members are cash, French Treasury bills and underlying stocks deposited at the intermediary through whom the orders are transmitted. The intermediaries who do not have any securities account in a brokerage firm have to cover their position only with cash and French Treasury bills.

MOE

Permitted collateral in Japan includes government securities, municipal bonds, straight bond, listed stocks, OTC stock, etc.

ASC

In Australia, on the SFE, calls for margins must be satisfied by payment unless the Floor Member or Associate Member agrees to accept and receive approved securities. The following is the list of approved securities as specified in Schedule One of the SFE Arts & By-Laws:

- Registered mortgages of real property;
- Stock mortgage;
- Wool lien;
- A guarantee on favor in the Member issued by an Australian trading bank or a member of the Australian Merchant Banker Association (provided that neither is the client) or such other guarantee as may be approved by the Committee for Inspection and Audit;
- Guarantee issued by a Member of the National Council of Wool selling brokers for a client;
- Shares or debentures listed on any prescribed Stock Exchange in Australia held under a letter of hypothecation;
- Government securities;
- Taken options but only for opposite traded futures contracts for the same month of delivery;
- Gold bearing an approved assay mark and gold coins;
- Silver bearing an approved assay mark;
- Bank accepted Bills of Exchange;
- Such other credit facility as may be approved by the Committee for Inspection and Audit from time to time.

QSC

CDCC rules provide that margin may be deposited in the form of cash, government securities, letters of credit, bankers acceptances, valued securities and such other forms of margin that CDCC may from time to time accept. CDCC rules detail the value that will be ascribed to the particular form of margin. For example, valued securities will be marked to market daily and 50% of the daily value will be applied against the total margin required against all accounts.

CVMQ

Clearing members' margins must be in the form of cash, government securities maturing in less than one year of their deposit, letters of credit, bankers' acceptances and valued securities (any security, other than a debt security, listed on an exchange whose trades are guaranteed and / or cleared by Canadian Derivatives Clearing Corporation). CDCC may from time to time accept other forms of margin deposit in accordance with its operating policies then in effect.

SEC

HKCC's rules allow initial margin in the form of cash, bank guarantees, and Exchange Fund Bills and Notes.

SEOCH may accept as margin collateral cash, letters of credit, bank guarantees, bankers' drafts, bank cashiers' orders, securities and other property as may from time to time be designated by SEOCH.

SVS

Margins can be settled through the following securities:

SECURITIES	VALUE OR PRICE
CASH (CHILEAN PESOS)	100%
GOLD	daily price informed by the Chilean Central Bank.
DOLLARS	daily market price.
TERM DEPOSITS IN PESOS	discounted by market interest rate, informed by the Chilean Central Bank.
FIXED-RATE SECURITIES	market price, but never over 100% of the securities par value.
MUTUAL FUNDS SHARES	daily value informed by the mutual fund.
STOCKS	80%

ESA

Collateral permitted by OM is divided between such collateral which is accepted for a customer in relation to a securities firm and such collateral which is accepted for a customer or a securities firm relative to the clearing function. In addition to this collateral OM has edited a list of variables valid for closing contracts of different instruments.

NZSC

Cover provided to the Clearing House may only take the form of cash.

Cover provided to dealers of the New Zealand Futures and Options Exchange by clients may take the form of the following:

- (i) bank guarantee;

- (ii) shares or debentures listed on the New Zealand Stock Exchange that are approved by the Business Conduct Committee of the New Zealand Futures and Options Exchange;
- (iii) government and local authority securities;
- (iv) gold and silver bearing an approved assay mark.

CONSOB

Clearing members may deposit initial margin in cash and / or Italian Treasury bonds; the CCG determines the types of bonds deliverable, the minimum amount admitted and the haircut applied. The variation margin is due in the form of cash.

CNMV

Royal Decree 1814/1991 establishes the following types of collateral that will be acceptable from the members to cover margin requirements:

- call deposits or other assets, enjoying low risk and high liquidity held at an institution other than the operating member;
- the assignation or pledging of securities;
- any other means which, in the judgment of the CNMV, may provide adequate and sufficiently liquid cover against default or other risk.

It states, however, that bank guarantees or credits granted by market members to their clients or those granted to such members by entities belonging to the same group may not be considered as sufficient guarantee.

According to these provisions, Rules and Regulations of each exchange determine the specific collateral accepted as margin. Only cash and Spanish Government debt are indeed accepted. In the event that margins are deposited in cash, the custodian clearing member is responsible for the investment in daily repurchase agreements, being interest payable to the member.

CNV

Each exchange allows margin in forms other than cash.

BAWe

Every Exchange Member has to maintain collateral on each trading day to cover its contractual obligations in the amount prescribed by

the Deutsche Börse AG. The Member may provide such collateral either in cash or in securities acceptable to the Deutsche Börse AG.

- *Collateral in Cash:*

Collateral in cash is provided by the Clearing Member timely instructing the Land Central Bank to honour the transfer instructions (Lastschriften) received from the DTB with respect to its Land Central Bank account and to transfer the amounts in question to the Land Central Bank account of the DTB.

- *Collateral in Securities:*

Collateral in securities must be deposited by each Clearing Member in the Clearing Institution's pledged securities account at the Deutscher Kassenverein AG (DKV). For this purpose, the Clearing Institution grants a lien in favor of the Deutsche Börse AG on all securities deposited in its pledged securities account through an appropriate pledge agreement. The Clearing Institution notifies the DKV of the execution of such a pledge agreement. The securities are deposited by the Clearing Member timely instructing the DKV to transfer the securities to its pledge account at the DKV. The DKV then informs the Deutsche Börse AG of such transfer. Clearing Members may, until 30 minutes prior to the end of the last post-trading period of any trading day, request that the Deutsche Börse AG release pledged securities. If compliance with such a request would render the remaining collateral inadequate for the next trading day, the Deutsche Börse AG will only notify the DKV that it approves of such release upon provision of cash to the amount of the shortfall by 9:45 a.m. of the next trading day. The Deutsche Börse AG determines which securities it will accept as collateral and the pledge value of such securities.

Options Trading on the Frankfurt Stock Exchange

Collateral may be provided in the form of cash, securities eligible as collateral for lombard loans of the Deutsche Bundesbank or in any other form acceptable to the Lombardkasse. Debt securities may be counted at up to 90%, and equities up to 75%, of their market values.

SC

MFCC's rules allow initial margins in forms other than cash. Currently, bank guarantees are accepted as collaterals.

In relation to MDCH, clearing members are permitted to pledge approved collaterals with MDCH for the purpose of covering margin

requirements, lodgements for security deposits and contributions to the clearing fund. MDCH has approved as acceptable collateral, Irrevocable Standby Letters Of Credit (“ILOC”) issued by the local Tier-1 commercial banks. The minimum amount of ILOC that may be issued to the clearing house is MYR 100 000.

ESB

There is no rule relating to collateral, and all payments and disbursements are expected to be made in the domestic currency.

(d) Frequency of Settlement and Collection

CFTC

The CFTC has no specific rules regarding frequency of settlement and collection of margin. However, firms are required to take a capital charge with respect to customer accounts which remain undermargined for 3 consecutive days.

The clearing houses conduct settlement and margin collection at least once a day. In general, margins are collected from clearing members prior to the beginning of the trading day. The BTCC and the CME receive bank confirmations by 6:40 a.m.

The BTCC and the CME conduct routine intra-day pay and collects. COMEX and NYMEX have similar rules.

SEC

In general, Regulation T requires initial margin to be deposited within five business days after a margin transaction is executed. The required margin level in a customer's account is marked-to-market daily. If the amount of margin on deposit in a customer's account falls below the maintenance level established by SRO rules, a broker-dealer must require a customer to make additional deposits as promptly as possible, and in any event within fifteen business days from the date such deficiency occurs. However, such deficiency will affect a broker-dealer's net-capital requirements if its customer does not make additional deposits within five business days.

OCC conducts a daily netting of settlement with its members, which includes when necessary, the collection of margin. Intra-day margin calls are made on an infrequent basis and only when there is extreme intra-day market volatility.

SIB / SFA

Exchange and clearing house rules may vary with respect to specific provisions regarding settlement and collection. The settlement price which is calculated daily by the Exchanges (but which does not have to be accepted by the clearing house) is used as the reference for purposes of determining margin calls. Amounts which are owed to the clearing house are immediately due and payable in accordance with the terms of the arrangements established between the clearing member firm and the clearing house.

As between firms and customers, SFA's CBRs establish that segregated customer accounts must be fully margined, either by the customer or by loan from the firm, on a daily basis and firms must cover, forthwith, any shortfall with their own funds.

Firms generally must close out segregated customers' positions after five days in the event of a failure to pay margin calls. The CBRs do not preclude the granting of credit.

COB

In France, margins are collected daily on the financial futures market and on the MONEP.

On the commodities markets, margins are called on a daily basis. Positive variation margins are not credited to traders' accounts on a daily basis but only at the end of the contract. These margins are potential profits but the trader can always realize them by a simultaneous purchase and sale (opération d'achète-vendu).

MOE

In Japan customer margins are collected on the 3rd day counting from the date of contract, and margins for members are collected on the 4th day.

ASC

The Clearing House requires all initial margins to be made by cash payment by 10.30 a.m. on the business day following the trade, or as otherwise determined by the Clearing House. Where a call is made for initial or variation margin, the Full or Associate Member shall stipulate the time for payment and unless stipulated, payment shall be within 24 hours of the call (SFE G By-law 4 (a)). No Member shall provide credit or cover for a client or Local Member beyond that period (SFE By-law 2 (a) (iv), (b) (iv) & G4).

Where a client is in default by failing to pay a call (or lodge approved securities in lieu thereof) a Floor Member or Associate Member shall have the right to close out all or any existing futures positions in any market held by the Member on account of the client or Local Member without further notice.

OSC

See II.A.2 (d) and 3 (b) above.

CVMQ

The clearing house establishes minimum initial and maintenance margin level for all products traded through its facility by its clearing members. On or before settlement time on each business day, each clearing member is obligated to pay to the clearing house, by certified cheque or irrevocable funds transfer, the amount of any net daily settlement in an account shown to be due to the corporation.

SEC

See II.A.2. (d) above. HKCC adjusts open Contracts at least once daily in order to establish the amount of variation adjustment payment each day by or to HKCC members. If in the opinion of HKCC sudden fluctuations of any market operated by HKFE are apparent, HKCC may, during any business day, call for additional margin. Additional margin is payable within one hour of demand by HKCC.

After the close of stock options trading each day, SEOCH values all open position (as well as pending stock positions arising from the exercise and assignment activity of its members) with the settlement prices of each open series. It will then assess a margin requirement based on this valuation and the TIMS methodology. SEOCH collects this mark-to-market margin on a daily basis but is also empowered to collect margin on a intra-day basis (payment in one hour) if market prices move significantly intra-day.

SVS

In Chile, members of the exchange as well as clients are informed daily of margins and daily variations.

ESA

No later than on the fifth day after the transaction day.

NZSC

The Clearing House settles Dealers contracts to market daily. Dealers must lodge sufficient cover with the Clearing House to meet any shortage by 12:30 p.m. on the day a call is made. The Clearing House may require settlement of debit balances in clearing accounts on the first Business Day of each month and at such other times as may be determined by the Clearing House.

CONSOB

Payment of initial and variation margins must be effected within 9:00 a.m. of the day following the transaction day. Clearing members have to collect margins from their customers prior to order execution.

CNMV

The exchanges conduct settlement and margin collection at least once a day. In general, margins have to be supplied before the beginning of the session on the business day following the date on which the obligation arose.

CNV

The CNV has no specific rules regarding frequency of settlement and collection of margins. The clearing houses conduct settlement and margin collection at least daily. Exchanges conduct routine intra-day payment and collections. Brokers are informed daily of margins and daily variations.

BAWe

The Deutsche Börse AG calculates the amount of the collateral after the post-trading period on each trading day. If the collateral already provided is insufficient to provide the cover required for the next trading day, the shortfall must have been transferred by 9:45 a.m. of the next trading day to the Deutsche Börse AG's Land Central Bank account. Each Exchange Participant is required to provide the collateral calculated for him in cash or securities in a timely manner.

Options Trading on the Frankfurt Stock Exchange

Accounts are marked to market at the middle and end of each month to determine whether a guarantee risk exists and collateral has therefore to be provided to the Lombardkasse. When there are sharp price fluctuations, accounts may be market to market on a daily basis.

SC

All open positions are valued daily against a settlement price determined by the clearing houses and the resulting profits and losses are immediately posted to the accounts of the clearing members. In respect of MFCC, if the amount of margins on deposit in a client's account is insufficient to provide the cover required for the next trading day, the shortfall must be paid by 11:00 a.m. on the next trading day. In respect of MDCH, amounts due from members are required to be paid by the respective clearing member in cash before the start of trading on the next business day.

ESB

Margin Payments

Initial margin shall be paid in an amount determined in the manner decided by the risk management committee:

- by a member or his client with respect to an aggregate position whenever the risk of loss, as determined by the clearing house on a basis decided by the risk management committee, of the member's or client's aggregate position increase; or
- to a member or a client whenever such risk of loss decreases.

Variation margin shall be paid to or by a member or client in whose name a position in an exchange contract is registered as the result of the marking-to-market of a position in terms of Rule 8.5 or the closing out of a position or part thereof as contemplated in Rule 8.4.2 or the closing out of a position as contemplated in Rule 8.4.3.

Settlement Procedures

With respect to his proprietary positions, the positions of his clients, the positions of the non-clearing members with whom he has entered into clearing agreements and the positions of the clients of such non-clearing members, the clearing member shall pay to or receive from, the clearing house the net amount of:

- subject to Rule 9.2.1, the sum of the initial margin referred to in Rule 8.6.1;
- the sum of the variation margin referred to in Rule 8.6.2;
- any interest payable in terms of Rule 8.7.1; and
- the fees referred to in Rule 8.8.1.

An amount due from a clearing member in terms of Rule 8.9.1 shall be paid to the clearing house not later than 12:00 on the business day

following the day on which such payment accrued or such other time as the executive officer may in his sole discretion determine.

With respect to any proprietary position, the position of any of his clients, the position of a non-clearing member with whom he has entered into a clearing agreement and the position of a client of such non-clearing member whom the executive officer has marked-to-market in terms of Rule 8.5.2, the clearing member shall pay to the clearing house the amount of variation margin as contemplated in Rule 8.6.2 at the time stipulated by the executive officer when the clearing member is notified by him of the mark-to-market.

With respect to his proprietary positions, and the positions of his clients, a non-clearing member shall pay to or receive from the clearing member the net amount of:

- subject to Rule 9.2.2, and read together with Rule 8.6.3.1, the initial margin referred to in Rule 8.6.1;
- the variation margin referred to in Rule 8.6.2;
- any interest payable in terms of Rule 8.7.2; and
- the fees referred to in Rule 8.8.2.

An amount due to or from a clearing member in terms of Rule 8.9.4 shall be paid not later than 12:00 on the business day following the day on which such payment accrued, or at such other time as the non-clearing member and the clearing member have specifically agreed upon with respect to a particular payment.

With respect to any proprietary position or the position of any of his clients, which, the executive officer has marked-to-market in terms of Rule 8.5.2, the non-clearing member shall pay to the clearing member the amount of variation margin as contemplated in Rule 8.6.2 by the time referred to in Rule 8.9.3, as stipulated by the executive officer and as notified to the non-clearing member by the clearing member, and no relaxation shall be given to a non-clearing member without the prior approval of the executive officer.

Subject to Rule 9.3.1, with respect to his positions a client shall pay to or receive from the broking member with whom he traded to open such positions the net amount of:

- the total of the initial margin referred to in Rule 8.6.1 for all its aggregate positions read together with Rule 8.6.3.2, provided that any amount so due from the resident client shall be off-set against any retained margin referred to in Rule 8.6.4.
- the variation margin referred to in Rule 8.6.2;
- any interest payable in terms of Rule 8.7.3; and
- the fees referred to in Rule 8.8.3.

4. Financial Compliance Programs

(a) Continuous Surveillance

CFTC

The CEA and regulations thereunder mandate CFTC protection of funds committed by the public to commodity futures and options trading. This is accomplished primarily through rules regarding segregation and minimum capitalization requirements. Enforcement of these rules is done through a program of CFTC oversight of SRO financial surveillance programs.

The surveillance program should include procedures for assessing adverse trends in the financial condition of members and assessment of the markets which could affect the condition of and pose potential financial risks to its members. This includes daily analysis of the effect of market price movements on firm capital, review of clearing house pay and collect data and intensified surveillance of firms considered high risk (such as daily calls for segregation and net capital data). Ongoing surveillance should include thorough reviews of all financial reports filed by member-FCMs and member-IBs and any follow-up work required as a result of the review.

Statutory authority in the FTPA of 1992 permits the CFTC to require futures commission merchants to: (1) provide reports to the CFTC regarding the activities of affiliated persons that are reasonably likely to affect materially the financial or operational condition of such entities; and (2) obtain certain information and make and keep certain records concerning their policies, procedures or systems for monitoring and controlling financial and operational risks to them resulting from the activities of affiliated persons.

The CFTC issued final risk assessment rules concerning the maintenance and filing of organizational charts, risk assessment policies procedures and systems, consolidated and consolidating financial statements and trigger events relating to events occurring at the FCM. 59 Fed. Reg. 66674 (December 28, 1994). Subsequently, the CFTC issued final rules to ensure that all FCMs (rather than just those FCMs subject to the risk assessment reporting requirements of Rule 1.15), report reductions in net capital. Additionally, the rules require reporting of a margin call that exceeds an FCM's excess adjusted net capital which remains unanswered on the next business day and requires reporting by an FCM whenever its excess adjusted net capital is less than six percent of the maintenance margin required to support non-customer positions carried by the FCM, unless the non-customer is itself subject to minimum financial requirements of the CFTC for an FCM or those of the SEC for a securities B/D. 61 Fed. Reg. 19177 (May 1st, 1996).

The CFTC is authorized to bring criminal, civil and injunctive proceedings in federal courts, or administrative proceedings before the CFTC's administrative law judges against persons who violate the CEA or CFTC rules.

SEC

The Commission's regulatory scheme is an oversight structure, i.e., the primary regulatory responsibility lies with the self-regulatory organizations ("SROs") under the supervision of the Commission. Each SRO monitors broker-dealer compliance with the financial responsibility rules by reviewing the reports and notices filed by, and by conducting periodic on-site inspections of, the broker-dealers for which the SRO is the designated examining authority. (These filings are discussed at 4 (b) and 7 (a) below.) In turn, the Commission supervises the SRO through periodic on-site inspections to ensure that the SRO is providing adequate supervision of the broker-dealers for which the SRO is the designated examining authority.

OCC's continuous monitoring of its members provides OCC with protection against the risk of loss in the event of member default or insolvency. OCC's membership standards are designed to assure OCC that its members have sufficient financial wherewithal to be an OCC member. OCC requires each member to file an annual audited financial report and monthly unaudited financial reports and to notify OCC if certain financial parameters are broken. OCC performs financial surveillance activities designed to identify clearing members whose financial or operational condition has been deteriorating and identify options related positions that pose unwarranted levels of risk to the clearing member and OCC. Based upon the information gathered, OCC may require more frequent reporting, higher margin levels or some other action by the clearing member.

SIB

In the context of Financial Compliance, there are no minima imposed in respect of financial resources for RIEs and RCHs. They must ensure that they have financial resources sufficient for the proper performance of their functions.

In respect of this and other Schedule 4 requirements, the recognising body (SIB) must be satisfied that they are met. Under the Notification Regulations, these bodies must submit to SIB their quarterly management accounts, annual audited report and accounts, and annual budget.

ROIEs and ROCHs must be subject to supervision, in the country in which their head offices are situated, which is such that UK investors are afforded protection at least equivalent to that provided by the FSA

in relation to RIEs (FSA, s. 40 (2)). Reliance is, therefore, placed on the overseas supervisors to ensure that all of the components of the regulatory regime in that jurisdiction, including the adequacy of financial resources to perform ROIE or ROCH functions, are addressed and where requirements are imposed, that these are respected.

Clearing firms are required to submit monthly financial returns to SIB (or the relevant SRO), non-clearing firms submit financial returns on a quarterly basis. All firms submit annual audited reports. The information is analysed and trends or unusual items are identified; if there is concern, a visit to the firm will be undertaken. Firms also provide information regarding commission / equity ratios and the amount of segregated funds which are held. This information is gathered for purposes of, *inter alia*, identifying indications of churning or other improprieties.

Where it appears to the relevant regulator that an authorised person is not a fit and proper person to carry on the investment business which he is undertaking, or proposing to undertake, he may withdraw or suspend authorisation (FSA, s. 28 (1) (a)). Authorisation may also be withdrawn or suspended in circumstances where, *inter alia* the rules and / or regulations of SIB or the SRO, as the case may be, have been contravened (FSA, s. 28 (1) (b)).

COB

In France, Financial Compliance programs have been made up by the clearing houses, which have a risk exposure vis-à-vis any failure of a market member.

MATIF S.A.'s risk management Department centralizes all open positions of all the clients and intermediaries. To achieve this purpose, the market members have to communicate to MATIF S.A. the name of all account holders. MATIF knows all the open positions of a client even if the client holds different accounts by different intermediaries.

The risk management Department monitors all traders and firms for compliance with the prudential rules. A score system facilitates the detection of any "high risk" situation which could threaten the firm's solvency.

In the case of high losses by a customer, MATIF S.A. immediately informs the customer's member. The latter also receives a monthly summarized report on its risk exposure.

MATIF S.A. is also in charge of the market surveillance on commodities market.

MOE

Every securities company is required to prepare a regular report for each month, and a business report for each business year. The monthly report shows the state of the firms business operation and property, and it must be submitted to the Securities Bureau of the Ministry of Finance.

The annual business report contains not only the state of the business operation and property of the firm but contains its state of income and outgo.

ASC

The exchanges are responsible, as co-regulators, for the monitoring of their members' financial compliance. For example the SFE's Department of Surveillance and Compliance requires:

- statements of NTA and client funds to be lodged with SFE monthly; and
- detailed quarterly statements to be lodged on a monthly basis where NTA is less than 150% of minimum NTA requirement.

Members must maintain such accounting records as correctly record and explain the transactions and financial position of the Member. Records are subject to random SFE inspection and external accountants appointed by the exchange.

However, on an annual basis the exchange must provide to the ASC its pro forma financial condition form for all of its members.

The ASC has no oversight responsibility but it does have ultimate power as, pursuant to s. 1140 of the CL, the ASC may request the Court to order that rules of the exchanges, clearing house or futures association be enforced or be given effect.

OSC

Continuous surveillance is carried out by the TFE and the Investment Dealers Association of Canada (the "IDA") which, like the TFE, has been recognized by the OSC as an SRO under the CFA.

Panel auditors appointed by a dealer are required to make an examination of the financial affairs of the dealer and its related corporations.

The TFE and the IDA may require any panel auditor to make a special examination of the affairs of a dealer, report upon the whole or any

aspect of the business or affairs of a dealer or to regulate and generally supervise the operations of any member.

CDCC may also require its auditor to examine the affairs of a clearing member.

CVMQ

The CVMQ has the power to make an inspection of the affairs of a self-regulatory organization (the exchange and the clearing house) to ascertain the extent to which it complies with the provision of the Securities Act, the regulations and the policy statements, and the manner in which it exercises the powers delegated to it. The CVMQ has also the power to make an inspection of the affairs of a registered broker / dealer or adviser in order to ascertain the extent to which he complies with the Act, the regulation and the policy statements.

SEC

SEHK and HKFE have a full range of procedures in place to ensure compliance with their rules and regulations. The compliance systems focus on, among other things, minimum capital requirements, appropriate segregation of customer funds, and compliance with collecting customer margins. The respective exchanges' Compliance Departments determine whether firms are in compliance by conducting a series of on-site audits of members on a routine basis. SEHK and HKFE rules also permit their respective Compliance Departments to conduct surprise audits. Both systems employ on-line updates on an intra-day basis to members' positions and risk exposures. SECH and HKCC and their own surveillance staff, but rely primarily on the Compliance Departments of the exchanges.

SVS

A firm must at all times have available the financial resources required by the SVS. Capital requirements are based on the risk level of the firm's operations.

Reporting:

- i. Financial statement and notes, on a quarterly basis. Once a year, they must be reviewed by external auditors.
- ii. Intermediaries must inform all their transactions, on a daily basis.
- iii. Other reports on capital adequacy are provided monthly by the intermediaries.

The SVS may at any moment direct an audit or investigation to be made in respect of the business or transactions of any firm under its surveillance.

ESA

The Stockholm (Sth) Stock Exchange, the VPC and the futures and options exchange OM is by law under the surveillance by the FSA. Investigations can be done by the FSA whenever needed. At the Sth Stock Exchange there is a special market monitoring department continually surveilling the trade.

At OM there is one person, so-called trade controller, watching the daily trade. This person is employed by the Swedish Securities Dealers Association.

NZSC

The primary regulatory responsibility for compliance and surveillance lies with NZFOE as the only current authorised futures exchange. NZFOE is required to report to the Securities Commission.

The Futures Industry (Client Funds) Regulations 1990 provide for annual audit by an auditor of all client records, with examination of client records for the purposes of the annual audit being carried out quarterly.

CONSOB

Legislative Decree no.415/96 provides that the supervision of investment firms and banks dealing in securities shall be carried out by Consob for matters regarding orderly market functioning, transparency and conduct of business rules and by the Bank of Italy for matters regarding financial stability. The purpose of this supervision is to ensure transparent and correct behaviour and sound and prudent management of the persons subject to supervision. Moreover, protection of investors and stability, competitiveness and proper functioning of the financial system should be ensured. Consob and the Bank of Italy may:

- a) require authorized persons to communicate data and information periodically or an ad hoc basis;
- b) undertake periodic and special inspections using officials enabled to require the exhibition of all documents and instruments they deem necessary for the performance of their duties.

CNMV

Financial compliance programs are conducted by the CNMV at three different levels. The first one consists on the analysis of monthly information sent by market intermediaries. That information includes financial statements (balance sheet, profit and loss and supplementary

statements), detail of investments and financing, portfolio inventory

and positions and fulfillment of financial risk ratios. Those surveillance activities are completed with routine periodical visits to market intermediaries.

At this level, the compliance on a daily basis with legal solvency and liquidity ratios and risk concentration limits has special significance.

On a second level, emphasis is placed on the annual audited reports and financial statements that intermediaries are required to submit to the CNMV at the end of each year.

The third level of control deals with the analysis of market trends and the detection of anomalous or potentially high risk situations which could negatively affect the firms' financial condition. The accomplishment of these investigations often requests further information collection and on-site visits to the firms involved.

Furthermore, the CNMV conducts discretionary investigations prompted either by customer complaints or by information provided by the exchange or the member itself concerning any significant modification in the financial position of a member. Such an event has to be notified immediately by the members to the CNMV or the relevant regulatory agency, as well as to the exchange (which in turn will inform the CNMV).

CNV

The Commission's regulatory scheme is an oversight structure where the primary regulatory responsibility lies with the exchanges that are authorized as self regulatory organizations (SRO). Each exchange monitors its members-brokers' compliance with their networth by reviewing the reports and notices filled by them and by conducting periodic on-site inspections. Also, the Commission supervises the exchanges through periodic on-site inspections to ensure that the SRO is providing adequate supervision of its members-brokers.

BAWe

DTB

Under the DTB Rules and Regulations, the Exchange Management Board of the DTB is responsible for monitoring (and having examined and / or audited) compliance with all laws, regulations, terms and conditions and other rules governing trading on the Exchange. For this purpose, it may at any time request any relevant information and evidence to be provided and review, either itself or through an auditor appointed by it, any or all business activities of any Exchange Participant. As part of such monitoring the Exchange Management Board must also satisfy itself that the conditions for admission have

been complied with. Furthermore, the Board of Governors must monitor compliance with any position limits it may have set pursuant to § 8 c of the Exchange Act in conjunction with the DTB Rules and Regulations. At present, it has used its power to set position limits for stock options.

To the extent that Exchange Members of the DTB are banks, they are in addition, subject to ongoing bank supervision as provided for in the Banking Act.

Options Trading on the Frankfurt Stock Exchange

The Rules and Regulations of the Frankfurt Stock Exchange likewise provide that the Exchange Management Board must monitor compliance with the laws, regulations and terms and conditions governing the Stock Exchange. To the extent that the Participants admitted to options trading have been admitted as brokers on the Frankfurt Stock Exchange, the Exchange Management Board may, pursuant to Section 8a (4) of the Exchange Act in conjunction with the Rules and Regulations of the Frankfurt Stock Exchange, limit commitments arising from principal transactions to a multiple of the collateral provided. See II.A.1 (d) above. Monitoring the collateral to be provided as well as compliance with the limits, if any set for principal transactions, is the responsibility of the market supervision unit (Handelsüberwachungsstelle / HÜST).

Brokers admitted to options trading are, moreover, pursuant to Section 8a of the Exchange Act, subject to supervision by the Exchange Supervisory Authority; such supervision includes both floor and off-the-floor trading. The Exchange Supervisory Authority may, in particular, issue requirements for the keeping of books and the preparation of records and may request information or the inspection of data generated by trading and the brokers' operations.

SC

Exchanges are responsible to ensure adherence by members to their rules and regulations. They are also required to maintain a continuing action programme of financial audit and surveillance to ensure compliance with the rules, and to maintain the financial integrity of the members.

The exchanges conduct:

- daily market surveillance of the markets they operate;
- surveillance of trading activities of members;
- periodic audits of members; and

- investigations into breaches of their business rules and undertake enforcement action. Where their investigations also reveal breaches of the FIA, the matter is referred to the Commission.

In the case of the MDCH, it is directly responsible for the supervision of the financial integrity of the markets for which it provides clearing facilities and conducts periodic financial audits of its members to ensure compliance with capital and other financial requirements. KLOFFE, MME and MDCH have also in place a joint audit arrangement for brokers which are common members. Under this arrangement, a lead SRO is appointed to audit particular brokers on the basis of a standardised audit checklist.

MFCC does not conduct financial audits on its members since the members are already subjected to the financial and surveillance programme of KLCE. However, it monitors its clearing members' financial strength to ensure that they will be able to fulfill their obligations to the clearing house.

ESB

This is achieved to a large degree by the surveillance systems built into the ATS. In terms of the Capital adequacy requirements, a member must comply on a continuous basis.

(b) Periodic Audits (by Regulatory and Self-Regulatory Organizations and / or by 3rd Party Experts)

CFTC

Rule 1.52 (c) allows an SRO to delegate audit and financial surveillance responsibility to a DSRO for any member-FCM which is a member of more than one SRO.

Under the rule, commodity exchanges may establish joint audit plans pursuant to which a single exchange may become the DSRO responsible for auditing the financial compliance of an FCM which is a member of more than one exchange. The Joint Audit Committee consists of representatives of all U.S. SROs established to coordinate audit and financial surveillance plans, policies and procedures, particularly with respect to FCMs that are members of more than one U.S. SRO. An FCM's DSRO must monitor and audit compliance with the minimum financial and related reporting requirements for that FCM and receive from the FCM the financial reports necessitated by the minimum financial and related reporting requirements.

Generally an SRO must conduct full scope audits of FCMs for which it is the DSRO once every two years, and a limited scope recordkeeping examination during the year a full scope examination is not conducted.

Audits must be started within two months of the "as of" date of the financial report being audited. Preliminary audit work is done on a surprise basis to assess the currency of the firm's recordkeeping and to assist in the scope-setting process.

The Division of Trading and Markets conducts periodic reviews of an SRO's programs and work product to evaluate the scheduling, quality, and disposition of an SRO's audit of member-FCMs and on-going surveillance work.

SEC

Compliance with the financial responsibility rules is monitored through the SEC's FOCUS reporting system which consists of monthly, quarterly, and annual financial reports; the annual report is audited. In addition, each broker-dealer is subject to inspection by the SRO designated as its examining authority for financial responsibility purposes and by the Commission (although the Commission generally engages only in oversight inspections).

The Commission, in its oversight role, performs periodic inspections of OCC. In addition, OCC engages outside auditors to perform a yearly audit of its financial condition and system of internal accounting control, for the period since the last report, the results of which OCC files with the Commission and makes available to its members.

SIB

Formal periodic audits of recognised bodies are not currently undertaken by SIB but rules, procedures and systems are subject to ongoing review. Through the Notification Regulations, and in accordance with provisions of Memoranda of Understanding, SIB maintains regulatory oversight of these bodies with a view to determining continued satisfaction of recognition requirements.

In line with the recommendations put forward by Sir Andrew Large Review (Financial Services Regulation: Making the Two Tier System Work) in May 1993 of how SIB carries out its regulatory responsibilities, SIB, through the Notification Regulations, requires all recognised bodies to provide it with an annual regulatory plan. This will include a statement of the recognised body's objectives and annual targets against which its regulatory performance can be judged.

The frequency with which periodic audits of firms are undertaken is at the discretion of the organization granting authorisation, i.e., either

SIB or the relevant SRO. In practice, firms will generally be subject to routine annual visits and may be subject to additional spot checks.

Schedule 2 to the FSA specifies that an SRO must have adequate arrangements and resources for the effective monitoring and enforcement of compliance with its rules and with any rules or regulations to which its members are subject under Chapter V of Part I of the FSA (including *inter alia*, Client Money Regulations (CMRs)) (FSA, Schedule 2, paragraph 4 (1)).

COB

See II.A.4. (a) above.

MOE

In Japan the Securities Bureau of the Ministry of Finance periodically inspects the state of the business operations of securities companies.

The periodic audits seek to ascertain, among others, the degree of compliance with the Securities and Exchange Law and ministerial orders, of the documents, which are filed at the Securities Bureau of the Ministry of Finance, furnishing information as to the method of providing business.

The periodic audits including the examination of futures and option transactions are usually conducted in every two to five years.

ASC

Under the CL all companies, other than exempt proprietary companies who have elected not appoint an auditor, must be audited annually.

A futures broker (other than an Australian bank) must appoint an auditor to audit the broker's accounts (s. 1215 (1) CL). Pursuant to s. 1221 of the CL, the auditor is under a statutory obligation to report to the ASC within 7 days of becoming aware of any matter which:

- has adversely affected, is adversely affecting or may adversely affect the ability of the futures broker to meet the broker's obligations as a broker;
- constitutes or may constitute a contravention of the segregated account provisions; or
- constitutes or may constitute a breach of a condition of a licence issued to the futures brokers.

Futures exchanges are under a similar obligation to report to the ASC any of the above matters of which they are aware and in addition any matter which constitutes a failure to make contributions to a fidelity fund.

A futures broker (other than an Australian bank) must submit on a yearly basis a profit and loss account and balance sheet together with an auditor's report (s. 1218 (2) CL).

The SFE has appointed a Committee for Inspection and Audit (CIA). SFE Art. B.1 provides that the CIA is responsible for:

- investigating all allegations of misconduct or breach of Business Rules;
- authorising random inspections and audits of records and procedures maintained by Floor, Associate and Local Members and by the Clearing House on behalf of Members, in particular for ascertaining whether deposits and margins are being paid or cover provided within the minimum time necessary; and
- ensuring that Members lodge with it statements of net tangible assets, liquid assets and secured creditors on the due dates (and verifying such where believed necessary).

The CIA receives a statement of net tangible assets, liquid assets and secured creditors and a summary of net tangible assets, including client funds in a form approved by that Committee on a quarterly basis.

The ASC conducts periodic reviews of SFE supervision of markets and members.

OSC

Periodic audits are carried out by auditors appointed by the TFE and the IDA and approved by the OSC.

CVMQ

See II.A.4. (a).

SEC

HKFE and SEHK rules require all members to submit audited annual accounts and monthly financial returns. Annual accounts must be accompanied by the auditors' declarations that the members concerned have complied with the SFC's financial resources rules. HKFE and SEHK conduct routine on-site inspections of their members

and visit each member approximately once every two years. In addition, the SFC inspects approximately 5% of HKFE and SEHK members each year.

Non-exchange member dealers must file annual audited accounts and quarterly financial returns with the SFC. The SFC inspects each such dealer approximately once every three years.

SVS

Periodic Audits

There are three types of audits, both for the clearinghouse and for the brokers:

- 1) Audits realized by the SVS.
- 2) Audits realized by the exchange.
- 3) Audits realized by external auditors.

ESA

There are auditors appointed by FSA to all such institutes. This way of auditing is now taken into consideration.

NZSC

The Exchange's Business Conduct Committee has responsibility for investigating all allegations of misconduct or breach of the Exchange's rules, ensuring that an investigation work programme is designed to ascertain whether Dealers are complying with all the provisions of the Rules and of the law, and authorising regular and random inspections and investigations of records and procedures maintained by Dealers and by the Clearing House on behalf of Dealers, and ensuring that the investigation work programme is followed.

CONSOB

See II.A.4 (a) above.

CNMV

As mentioned in II.A.4 (a) above, the CNMV conducts full scope periodical visits to market intermediaries.

In addition, both the exchanges and their members must to be audited annually by third party experts. The audited annual accounts and reports have to be submitted for examination to the CNMV.

CNV

There are three types of periodic audits both for exchanges or members-brokers:

- 1) audits realized by the CNV;
- 2) audits realized by the exchanges;
- 3) audits realized by external auditors.

BAWe

The Exchange Members of the DTB and the Participants in options trading on the Frankfurt Stock Exchange are not subject to any formal periodic audits by the DTB or the Frankfurt Stock Exchange (compare II.A.4 (a)).

On the other hand, Exchange Members admitted as brokers must, pursuant to Section 8a (2) of the Exchange Act, submit to the Exchange Supervisory Authority within four months after the end of each financial year annual accounts with an auditor's report. Moreover, at least twice a year the Exchange Supervisory Authority has an auditor appointed by it examine compliance with the exchange laws and regulations and with the brokers' solvency requirements which have to be met as a precondition for orderly trading.

Exchange Members which are credit institutions within the meaning of Section 1 (1) of the Banking Act are subject to bank supervision provisions.

SC

The exchanges are audited on an annual basis by an auditor appointed by the exchanges and approved by the Commission. The audit report is then submitted to the Commission. The exchanges also conduct routine audit on all of their members every year. In addition, KLOFFE reviews adequacy of the members firms' working capital through submission of monthly financial statement. Likewise, KLCE requires members to file unaudited reports on a quarterly basis to ensure that they meet the minimum financial requirements of the exchange and the clearing house.

ESB

Members are periodically visited for compliance audits by the SRO, and may also be inspected by the regulator. Members are also required to appoint auditors and submit audited financial statements to the SRO.

5. Customer Funds Protection

(a) Measures to Protect from Creditors of Carrying Intermediary (e.g., Separate Account, Segregation, Trust Fund, Other)

CFTC

§ 4d (2) of the CEA and Rule 1.20 thereunder state that an FCM and clearing organization must separately account for customer funds on their books and records, and segregate such customer funds from their own funds and funds of other persons. However, an FCM may pool all customer funds in a single account which must be clearly identified as belonging to customers. To be in compliance with the segregation requirement, an FCM must always have in segregation, free from claims, sufficient money to completely liquidate all commodity accounts which would have equities if the accounts were closed out at the market price at any point in time.

When customer funds are deposited in a bank, trust company, clearing organizations or another FCM, Rules 1.20 (a) and (c) require that the funds be deposited under an account name that identifies the account as containing segregated customer funds. Those provisions also require that the depository organization sign an acknowledgement that it was informed that the funds deposited therein are held in accordance with the CEA and regulations thereunder. The FCM and clearing organization must obtain and retain in its files for the period provided in Rule 1.31 each such acknowledgement.

The effect of the acknowledgement is that when the funds are deposited in a bank, for example, the bank cannot exercise its traditional right of setoff against those funds for the obligations of the FCM or any other person nor can it recognize the assertion of any claim, lien, or security interest against the customer funds for obligations of other persons.

Rule 1.22 provides that an FCM may not use the funds of one customer to purchase, margin, secure or extend the credit of any person other than that customer. Each FCM and clearing organization which invests customer funds must keep records of such investment in compliance with Rule 1.27.

In contrast to funds required to be segregated under § 4d (2) of the CEA, the Part 30 rules which govern transactions for or on behalf of U.S. customers on foreign markets provide for the protection of the "secured amount," which is defined generally in Commission Rule 1.3 (rr) to include the initial margin required in connection with a contract plus unrealized profits and less unrealized losses. See CFTC Rule 30.7.

The CFTC has issued orders which clarify the treatment of US customer funds when transmitted by firms operating under Rule 30.10 relief to intervening foreign depositories outside of the Rule 30.10 firm's home jurisdiction if authorized by the relevant Rule 30.10 order. See 61 Fed. Reg. 64985 (December 10, 1996) (New Zealand Futures Exchange), 62 Fed. Reg. 8875 (February 27, 1997), 62 Fed. Reg. 10445, 104476 and 10499 (March 7, 1997) (Sydney Futures Exchange, and The Securities and Futures Authority Limited and IMRO in the UK). These procedures were intended to be consistent with procedures applicable to the treatment of customer funds by U.S. FCMs under CFTC Rule 30.7 and thereby ensure the consistent treatment of U.S. customer funds transmitted by FCMs or Rule 30.10 firms to non-domestic depositories.

The orders provide that the firm must make reasonable inquiries and understand prior to the initiation of a trade the conditions under which its customers' funds will be held at subsequent intermediaries or clearing organizations so that it may determine whether a particular intermediary or clearing house is a good depository for U.S. customer funds under the Rule 30.10 orders (which essentially track the requirements of CFTC Rule 30.7, e.g., funds must be physically segregated from firm and proprietary positions). If the intermediary or clearing organization cannot provide the required acknowledgment that it will hold funds consistent with the Rule 30.10 order or if the Rule 30.10 firm becomes aware of facts leading it to conclude that customer funds are not being handled consistent with the requirements of CFTC Rules or the Rule 30.10 order, then the 30.10 firm may not count funds at the intermediary or clearing organization as meeting the secured amount requirement and instead must itself set aside sufficient funds.

In Advisory 87-5, the CFTC clarified the procedures for recognition of an FCM's overseas bank as a designated depository for a separate account containing "secured amount" deposits under CFTC Rule 30.7. Under the advisory, a bank or trust company may be recognized as a designated depository either by automatic recognition based on rating of debt or commercial paper or by application on a case-by-case determination by staff.

SEC

Rule 15c3-3 under the 34 Act protects customer funds and securities held by the broker-dealer. A "customer" is defined for purposes of Rule 15c3-3 as any person from whom or on whose behalf a broker-dealer has received, acquired, or holds funds or securities for the person's account. The term does not include, among other persons, general partners, directors, or principal officers of the broker-dealer or any other person who has contributed funds or property which are

either part of the broker-dealer's capital or subordinated to the claims of the broker-dealer's creditors.

Rule 15c3-3 has two parts. The first part, the requirement that the broker-dealer have possession or control of all fully paid and excess margin securities of customers, is discussed at 5 (d) below.

The second part of Rule 15c3-3 covers customer funds, and requires the broker-dealer to make a periodic computation (in accordance with a formula) to determine how much money it is holding which is either customer money or money obtained from the use of customer securities ("credits"). From that the broker-dealer subtracts the amount of money which it is owed by customers or by other broker-dealers relating to customer transactions ("debits"). If the credits exceed the debits, the broker-dealer must deposit the excess in a Special Reserve Bank Account. If the debits exceed the credits, no deposit is necessary.

SIB

The Client Money Regulations (CMRs) apply to authorised firms, subject to certain exceptions. Where they do apply, they apply equally regardless of the place of incorporation or location of the firm, and regardless of whether the business has been solicited or unsolicited. For example, if a foreign firm is exempted from the need to be authorised by virtue of paragraphs 26 and 27 of Schedule 1 to the FSA, the CMRs will not apply. If the firm is authorised, the CMRs will apply without variation, unless the firm falls into the categories of person to whom the regulations do not apply.

The regulations are in two parts: the Financial Services (Client Money) Regulations 1991, and the Financial Services (Client Money) (Supplementary) Regulations 1991. The latter contain provisions dealing with the settlement of transactions and relating to margined transactions. With effect from December 1st, 1994 SIB designated the Regulations, with certain exceptions (previously the regulations had been designated for members of SFA and IMRO). IMRO has adopted them largely unchanged, whilst SFA has made new rules, through retaining the key concepts in the Regulations.

The purpose of the CMRs is to ensure that in the event of the insolvency of a firm, client money is protected from the claims of general creditors and from any right of set-off by the depository where the money is held. To this end, an express statutory trust has been imposed on the funds covered by the regulations (CMR 3.02), and depositories are required to acknowledge to the firm that they have no right of set-off over client money (CMR 2.06). "Client Money" is defined in CMR 2.01 as money of any currency which, in the course of carrying on investment business, a firm holds in respect of any

investment agreement entered into, or to be entered into, with or for a client. However, there are certain exceptions, for instance money will not be client money where the money is immediately due and payable to the firm for its own account, or where the money is received in connection with transactions which are expected to settle within one business day of the receipt of the money by the firm (CMR 2.04). But, in the latter instance if such transactions remain unsettled at the close of business on the third day after receipt, the money must be treated as client money.

All authorised persons must comply with the CMRs which generally require a firm which holds client money to ensure that the money is held in a client bank account with an "approved bank" either in the UK or, with the consent of the client and subject to certain conditions, outside the UK (CMRs, 2.05 and 2.14).

In the context of margined transactions which are effected for a customer whose funds are segregated, funds may be withdrawn from the client bank account and paid to an intermediate broker or to an exchange in order to effect transactions. An intermediate broker is defined in the Glossary to the Supplementary CMRs, as a person through whom the firm undertakes a margined transaction. The intermediate broker or exchange must be notified by the firm that it is the firm's clients' money and should be credited to the firm's customer account, as opposed to the firm's proprietary account with the exchange (Supplementary CMR 3.04). If the broker does not acknowledge within twenty business days that he accepts the terms of this notification, the firm must withdraw the money from its client transaction account.

A firm must hold funds in respect of margined transactions in one or more margined transaction bank accounts, and operate each such account in accordance with the supplementary CMRs (Supplementary CMR 3.01). Funds in respect of on-exchange transactions must be segregated separately from those for off-exchange transactions, unless the latter transactions are part of a coordinated investment strategy with the former on behalf of a private customer, in which case the latter may be treated as on-exchange transactions, provided that the firm's regulator is notified of the firm's intention to do so and has confirmed receipt of that notification (Supplementary CMR 3.02.4).

Firms must comply with the segregation requirements for on and off-exchange transactions. In relation to the former, the firm must ensure that on each business day the **total** of:

- balance held in the firm's on-exchange client bank account; and
- the net aggregate of the firm's equity balance in relation to those segregated customers with exchanges, clearing houses and intermediate brokers; and

- the current value of approved collateral deposited with the firm;

is not less than the aggregate of:

- the amount of the segregated customers' initial requirement;
- the aggregate of the equity balance of segregated clients; and
- the value of the approved collateral deposited by those clients with the firm.

In relation to off-exchange margined transactions, the firm must ensure that, at least once every 5 weeks, the total of:

- balance held in the firm's off-exchange margined transaction bank accounts, and
- the net aggregate of the firm's equity balance on transaction accounts for those clients with counterparties in respect of off-exchange margined transactions is not less than the total amount due to its clients were the firm to liquidate all those clients' open positions.

In the event that the segregation requirement is not satisfied, a firm must use its own funds to "top up" any shortfall.

It is possible for certain types of customer to opt out of the segregation provisions of CMRs. In practice, therefore, these rules apply to business done for private customers (who, unless they are sufficiently experienced, are not able to opt out of the protection provided by the CMRs) and to those other customers who wish to accept the extra protection offered by segregation.

COB

MOE

Customer money (securities) is deposited to a securities company in the following four cases;

- 1) margins in relation with margin tradings and future tradings;
- 2) deposit in relation with accumulated investments;
- 3) deposit of securities, as a substitute of the margins, or as a collateral to the customer's debt to the securities company; and
- 4) Securities Trust Business.

Customer money as the "margins" and the "deposits with regard to the accumulated investments" are treated legally as general debts of the securities company. Securities companies are only required to book them separately. At the same time, however, the Ministry Ordinance requires the securities company to keep the margins in a safe and liquidated condition.

With regard to the deposited securities, a securities company must obtain a consent letter from the customer, before it puts its securities as a collateral to the companies debt, or lend the securities to others. In addition, it is prohibited for securities companies to use the deposited securities as collateral of a debt of which amount exceeds the amount of the credit to the customer (Article 51 of Securities and Exchange Law).

With regard to the Securities Trust Business, the securities company must act as a pure depository, and no investment / lending is allowed.

ASC

Section 1209 of the Corporations Law and SFE Articles both provide for segregation of client funds and property. The segregation of client funds ensures that any money the client deposits with the licensed futures broker, or that the broker otherwise receives for or on behalf of the client in connection with dealings in futures contracts is deposited in the client's segregated account.

Any property the client deposits with the broker must also be placed in safe custody to segregate it from other property.

Money and property must be deposited in a segregated account on or before the next day after the money or property is deposited with, or received by, the broker. Segregated account money must be placed on deposit with the Clearing House or another Exchange approved corporation.

OSC

Notwithstanding that a registered dealer who is a member of either the TFE or the IDA must segregate its clients' excess funds, all clients of such registered dealer are considered unsecured creditors. However, clients still enjoy the protection afforded by CIPF in the event of a shortfall resulting from the default of their dealer.

CVMQ

The Regulation specifies that the broker / dealer who keeps, on behalf of a customer, fully paid securities not assigned as security must separate them from other securities. On statements of account and in its registers, it must indicate clearly that such securities are on deposit.

SEC

Dealers must deposit clients' monies (less brokerage and other proper charges relating to the requirements of a clearing house) within four days after receipt into segregated accounts kept with registered

deposit-taking companies or licensed banks. Such monies in segregated accounts shall not be available for payment of debts of dealers or be liable to be paid or taken in execution under the order or process of any court, with the exception of certain specified claims and liens. HKFE's and SEHK's rules require members to deposit client monies into segregated accounts within two days after receipt.

SVS

The clearing house keeps separated accounts for each broker-dealer, which are divided into sub-accounts for each client.

Broker-dealers must additionally provide the clearing house with an initial guarantee of UF 2 000, to operate either in futures or in options, which can be used by the clearing house in case of a default. Furthermore, clearing houses must keep a contingency fund.

* (UF is an inflation indexed unit, by January 1996 1 UF was equivalent to \$30 dollars)

ESA

Customer funds deposited at securities firms are to be separated from the own funds of the firms. In consequence to the new legislation these firms have to apply for a special license in case of their aiming at capital management and not only depositing of customer's funds.

NZSC

Pursuant to Section 41 (1) of the Securities Amendment Act 1988, The Futures Industry (Client Funds) Regulations 1990 provide for the establishment and maintenance of client bank accounts and client funds accounts by dealers in futures and options contracts. These regulations require client money to be paid into or credited to client bank accounts and restrict the disbursements of client money from client bank accounts and the debiting of amounts to client funds accounts. They prescribe requirements relating to the deposit of client property in safe custody, restrict the availability of client money and client property to meet liabilities of the dealer or other persons and give further protection to client money and client property in cases where the dealer is insolvent.

CONSOB

Each individual clearing member holds two different accounts: a member own account and a customer account; general clearing members have, moreover, for each non-clearing member other two accounts: a non-clearing member own account and a non-clearing members' customer account.

CNMV

Spanish exchanges guarantee customer funds for any damage that may be caused by a failure of the member to fulfill any of its obligations with regard to transactions carried out on the market. Subsequently, the practical effects of that guarantee of the exchange are the same as those deriving from a segregation mechanism.

In addition, funds given by the customers to their intermediaries to comply with margin requirements have to be deposited in a bank account on behalf of the exchange and invested in repos on Spanish Government debt on a daily basis.

CNV

All exchanges are authorized as SRO entities. Each of them establishes the rules of the trading activity and the obligations and requirements that the intermediaries must fulfill in order to become members. According to CNV's General Resolution No. 227, Section 16, all SROs are responsible for the passing of an Ethics Code intended to protect customers and prevent and reprimand market manipulation and conducts that affect transparency.

BAWe

Customer protection, as far as securities are concerned, results largely from the Act on the Safe Custody and Acquisition of Securities. Thus, e.g., the customer retains title to the securities pledged as collateral. Customer funds and positions must be accounted for separately from the proprietary funds of a credit institution.

A bank must keep the securities of its customers physically separate from its own holdings. If such securities are held with a central depository bank in collective safe custody, the customers' securities will be accounted for in the books of the bank separately from the bank's own holdings.

SC

The FIA requires that all futures brokers to segregate funds or property that belong to a client from other property of the broker. Futures brokers are required to initially place client funds received into a client's segregated account. The aim of segregation is to ease identification of clients' funds, facilitate the transfer of clients' positions by the clearing house in the event of insolvency of a broker, and to protect funds claims of creditors of an insolvent broker. A futures broker is also required to keep separate accounting records with respect to their segregated account, which separately records the deposits and withdrawals with respect to each client. Again, separate

records must be kept with respect to property in safe custody. Segregated money or property is not available to pay the general creditors of a broker on liquidation or bankruptcy.

ESB

Management of Funds by the Clearing House

The clearing house shall separate the margins and other moneys, financial instruments and other corporeal and incorporeal things of any member of client from its own assets and shall manage and invest such margins and other moneys in a manner and subject to such terms and conditions as the executive committee shall decide.

The clearing house, on behalf of Safex, shall monthly in arrears, levy a margin management fee as determined by the executive committee of not more than 2% per annum on any margins held by it in respect of any position registered in the name of any person during the month.

Separation of Funds

A member shall:

- at all times separate a client's or other member's funds, including money, financial instruments and other corporeal and incorporeal things of the client or other member, from his own assets;
- not co-mingle the funds of any client or another member with his own;
- not allow the use of funds or financial instruments or corporeal or incorporeal things belonging to any client or other member to finance his own trades or the trades of any other person;
- not allow the use of funds or financial instruments or corporeal or incorporeal things of any client or other member to operate his own business; and
- in respect of the trades or positions of a member or client, not retain any money, financial instruments or other corporeal or incorporeal things given by such member or client or received by the member on behalf of any person other than additional margin contemplated in Rule 8.6.3 or retained margin contemplated in Rule 8.6.4.

Clearing Members' Bank Accounts

A clearing member shall at all times keep a separate bank account into which he shall deposit any additional margin kept by him in terms of Rule 8.6.3.1 and he shall at all times ensure that the correct amount of additional margin as required by his clearing agreement with the non-clearing member is held in respect of each non-clearing member

with which he has entered into a clearing agreement and his records shall at all times reflect the amount of additional margin held in respect of each such non-clearing member.

Members' Bank Accounts

A member shall keep a separate trust account with a bank into which he shall deposit all additional and retained margin held by him with respect to his resident clients and he shall at all times keep records that shall show the amount held in respect of each client with respect to additional margin and with respect to retained margin and he shall at all times ensure that the correct amount of additional margin as required in terms of the relevant client agreement is held in respect of each client's positions.

Relaxation or Indulgence Given by Members

A member who gives any relaxation or indulgence to a client regarding the payment of margin, whether initial margin, variation margin or additional margin, shall be deemed to have granted the client a loan repayable on demand in the amount of the shortfall for the period of the relaxation or indulgence at a rate of interest specified in the client agreement between them or, if no rate is specified, at the member's customary rate or, if there is no customary rate, at the rate determined in terms of the Prescribed Rate of Interest Act 55 of 1975 and the member shall, if such loan is for a period exceeding two business days, immediately inform the client thereof in writing.

(b) Insurance, Self-Insurance, Bonding, Other

CFTC

There is no central insurance program for the commodity futures industry governed either by the CFTC or any self-regulatory organization.

SEC

The Securities Investor Protection Corporation ("SIPC") was created by Congress pursuant to the Securities Investor Protection Act of 1970 ("SIPA") to provide protection to customers of broker-dealers and, thereby, promote investor confidence in the nation's securities markets. SIPC accomplishes this goal by providing specific, limited protection to customers of securities firms which are forced to liquidate. In the event of the financial failure of a SIPC member, SIPC protects each securities customer up to \$500 000 for claims for cash and securities, except that claims for cash are limited to \$100 000 per customer.

SIPC is a non-profit membership corporation of which all broker-dealers registered under Section 15 (b) of the 34 Act, with some minor exceptions, are members. If a member fails financially, SIPC may ask a federal court to appoint a trustee to liquidate the firm and protect its customers, or, in limited situations involving smaller firms, SIPC may protect the customers directly. In both cases, protection of securities customers is similar.

In addition, the rules of the SROs require their members doing business with the public to have fidelity bond coverage. See, e.g., New York Stock Exchange Rule 319.

SIB

The concept of segregation in the UK is supplemented by the existence of a compensation fund which was established pursuant to Section 54 of the FSA. In accordance with its responsibilities under that Section, SIB has promulgated rules and the Investors' Compensation Scheme is currently governed by the Financial Services (Compensation of Investors) Rules 1990.

The objective of the Compensation Scheme is to provide a final "safety net" for purposes of compensating investors who lose their funds as a result of an authorised business or individual being unable to satisfy, whether by reason of insolvency, fraud or otherwise, their civil liabilities to their clients incurred in connection with investment business. The High Court recently ruled that compensation may not be paid on a claim against a firm in default unless the claim is a claim in respect of a liability incurred in connection with the firm's investment business on or after December 18, 1986.

The Scheme does not though, cover all such claims and those, for example, in relation to negligent advice, can give rise to compensation only if the claim relates to a liability incurred on or after the start of the Scheme, August 28, 1988. The Scheme will compensate customers who are eligible investors, that is, not business or professional investors.

The administration of the Scheme is conducted by an independent management company (Compensation Rules, 1.03). Its Board of Directors includes representatives appointed by each SRO whose members are participant firms in the Scheme. The Scheme is intended to fund valid claims as follows: 100% of the first £ 30 000 and 90% of the next £ 20 000 (maximum £ 48 000 per investor claim) up to £ 100 million in the aggregate for all claims annually made in respect of an SRO 'contribution group'. The compensation costs will be recovered primarily by a levy on the members of the SRO in which the default occurred.

COB

MOE

All the securities houses make contribution and participate to the Entrusted Securities Compensation Fund. The fund shall compensate losses incurred to the customers, with regard to their deposits of securities and monies, in the case of insolvency of the securities houses. The upper limit of compensation is 2 billion Yen per securities house.

ASC

In Australia legislation does not require professional indemnity to be held. However, in respect to Floor Members and Associate Members, SFE Arts 3.6 (3) (f) and 4.6 (4) (f) respectively, require the Members to effect and maintain such form of indemnity as the Board of the Exchange may determine as appropriate to protect the interests of clients of the Members. In addition, s. 1228 (1) of the CL obliges a futures organization to keep a fidelity fund which the Board of the futures organization is to administer.

QSC

Dealers registered under the CFA must be members of the TFE. Customers of TFE dealer members enjoy the protection afforded by CIPF and the TFE contingency fund. The TFE and the IDA also require dealers to maintain insurance to cover misappropriation and fraud.

CVMQ

A broker / dealer which is a member of a self-regulatory organization (a Canadian exchange or the Investment Dealers Association) must participate in a contingency fund created by that organization and approved by the CVMQ. A broker / dealer which is not a member of a self-regulatory organization must participate in a contingency fund approved by the CVMQ.

The Regulation also specifies that a broker / dealer must subscribe for insurance or bonding giving it a coverage considered adequate by the CVMQ. Unless there is a decision by the CVMQ to the contrary, the minimum coverage is: (1) \$500 000 for each category of risks covered by the financial institution bond for a broker / dealer with an unrestricted practice (full service) or for a discount broker; (2) \$200 000 for each category of risks covered by the financial institution bond for an introducing broker. The category of risk are the following: Fidelity, Securities, On Premises, In Transit, Forgery and alteration.

SEC

SEHK and HKFE are required to contribute to statutory compensation funds that are available to meet claims of clients in the event of defaults by exchange members.

SEHK members all belong to a broker fidelity insurance scheme.

The SFC is considering instituting a mandatory fidelity insurance requirement for non-exchange member dealers.

SVS

For any of both derivatives markets: futures or options, a broker-dealer must provide the clearing house with an initial guarantee of UF 2 000.

The SVS demands from all securities intermediaries to contract an insurance of UF 4 000 to cover unpaid liabilities.

* (UF is an inflation indexed unit, by January 1996 1 UF was equivalent to \$30 dollars)

ESA

There is no central insurance program. However, banks and a securities firm which has been granted a permit to receive 'clients' funds on account.

NZSC

There are no statutory requirements in New Zealand for insurance or any central insurance programmes. NZFOE has established a fidelity fund which is available in the event a person suffers pecuniary loss because of a defalcation, or because of a fraudulent misuse of money or other property, by an NZFOE dealer, or an agent of an NZFOE dealer and the loss is suffered in respect of money or other property that was in connection with the dealer's dealings in futures or options contracts.

CONSOB

In 1993, a national guarantee fund has been set up to protect the claims of customers on securities investment firms and the other person authorized to engage in the financial intermediary activity that arise in connection with the performance of securities investment activities.

CNMV

Concerning banks, savings banks and credit cooperatives, there is a Guaranty Deposit Fund on behalf of their customers that covers up to 1.5 million pta. There is no such an insurance program, however, for the customers of brokers and broker-dealers, although it is planned to be established in the near future.

CNV

At present, all exchanges must set the guarantee amount that its intermediaries must fulfill in order to trade.

BAWe

To the extent that the intermediary whose services have been engaged by a customer is a bank which is a member of a deposit protection scheme, margin payments by the customer are protected by the deposit protection fund. Financial intermediaries other than banks are not allowed to conduct customers business.

SC

There is no insurance or self-insurance scheme for the futures industry.

However, the exchanges are required to establish and maintain a fidelity fund. The purpose of the fund is to compensate clients who suffers monetary loss because of a defalcation or fraudulent misuse of funds by the brokers. Section 64 of the FIA requires that a futures broker contribute MYR 30 000 to the fidelity fund upon being licensed. For the next five years, they are required to contribute an additional MYR 10 000 per year.

ESB

Capital Adequacy rules are applied to ensure a degree of financial protection.

(c) Investment Requirements and Restrictions

CFTC

§ 4d (2) of the CEA and Rule 1.25 permit FCMs and clearing organizations to invest customer funds in obligations of the U.S., general obligations of any State or of any political subdivision thereof, and obligations fully guaranteed as to principal and interest (i.e., backed by full faith and credit) by the U.S. Such investments must be

made through an account or accounts used for the deposit of customer funds. Proceeds from any sale of such obligations must be redeposited in such account or accounts.

An investment of customer funds in municipal securities must be highly liquid and readily marketable to be consistent with § 4d (2) of the CEA.

FCMs or clearing organizations that invest customer funds must, according to Rule 1.27, keep a record showing, among other things, the date on which investments were made and liquidated or otherwise disposed of and the amount thereof, the identity of the depositories or other places where such obligations are segregated, and the names of the persons through whom the investments were made or liquidated.

CFTC Rule 1.23 provides that § 4d (2) and Rule 1.20 thereunder which prohibit commingling of customer funds with those of an FCM should not be construed to prevent an FCM from having a residual financial interest in customer funds. (For example, an FCM may deposit its own money into the segregated customer account to provide a cushion.) Moreover, Rule 1.29 provides that interest or any increment resulting from an investment of customer funds may be retained by the FCM or clearing organization that invested those funds.

SEC

Rule 15c3-3 prevents a broker-dealer from using customer money to finance its business, except as related to customer transactions, since customer monies (the credits) can be offset only by customer related transactions (the debits). The balance must be deposited with a bank in a special reserve bank account for the exclusive benefit of customers and may not be used by the broker-dealer to finance the remainder of its business. (The broker-dealer may keep interest earned on the special reserve bank account.) The broker-dealer must therefore provide the capital to finance its firm activities and may not rely upon customers' monies left with the firm for such purposes.

SIB

In the UK, client money is held on trust on behalf of those customers who receive segregation in accordance with the regulations. The CMRs start from the premise that all customers are entitled to segregation, if they want it. But recognise that some clients may choose not to require it. CMR 2.02 sets out which clients can "opt out" or "be opted out" of segregation and how this is achieved. Client money must be held in an account with an "approved bank" (CMR 2.05).

Interest is generally payable to the client on the money held for him, at a fixed rate (CMR 4.01).

The regulations (CMR 4.02) provide that no interest need be paid:

- where the amount of money held is less than £ 10 000 and is held for less than 10 business days;
- on monies properly held in margined transaction, settlement or dividend claims accounts; or
- where the firm has agreed (in writing) with the client that it will not pay interest.

COB

MOE

See II.A.5. (a) above.

ASC

Section 1209 (5) (d), in relation to segregated accounts, provides that the futures broker may only invest the funds:

- in any manner that trustees are for the time being authorized by law to invest in trust funds;
- on deposit with a corporation that is declared by the ASC to be an authorized dealer in the short term money market;
- on deposit at interest with a banking corporation;
- on deposit with a clearing house for a futures exchange; or
- in the purchase of eligible prescribed interests.

OSC

Pursuant to subsection 35 (3) of the regulations made under the CFA, dealers, the only category of which are FCMs, shall only invest money, proceeds or funds segregated for the benefit of customers in bonds, debentures and other evidences of indebtedness:

- (a) of or guaranteed by the Government of Canada or any province of Canada or by the Government of the United States of America or any state thereof;

- (b) of or guaranteed by a bank listed in Schedule I to the Bank Act (Canada), a trust company or loan corporation registered under the Loan and Trust Companies Act or an insurance company licensed under the Insurance Act; or
- (c) of or guaranteed by a bank which is a member of the Federal Reserve System in the United States of America,

and maturing not more than one year from the date of purchase.

CVMQ

The rules of the exchange contain certain provisions concerning the clients free credit balance. Section 7502 mentions that each member must hold an amount at least equal to the amount of clients' free credit balances in excess of a predetermined amount either: (i) in cash segregated in trust for clients in a separate account or accounts with an acceptable institution; or (ii) segregated in trust and separate and apart from the member's property in bonds, debentures, treasury bills and other securities of or guaranteed by the Government of Canada or by any province thereof, the United Kingdom, the United States of the America and any other national foreign government (provided such other foreign government is a member of the Basle Accord) having a term to maturity of one (1) year or less.

SEC

As noted in II.A.5 (a) client funds must be paid into a trust account.

SVS

Broker-dealers may manage funds provided by a client only when there is a written authorization signed by the client.

ESA

Customer funds received with the obligation to account them are to be deposited at a bank in accordance with a written agreement.

NZSC

In New Zealand all client money must be paid into a client bank account.

Money may only be invested in specified client investments which include the following types of property:

- (a) government stock, treasury bills, and any other public security as defined in the Public Finance Act 1989;

- (b) stock, loans, investments, or securities issued by any local authority as defined in the Local Authorities Loans Act 1956;
- (c) transferable certificates of deposit or negotiable certificates of deposit which are issued by a registered bank or in respect of which a registered bank is liable for payment or redemption;
- (d) bills of exchange, promissory notes, bonds or other investments or instruments issued drawn or endorsed by a registered bank;
- (e) any other securities in respect of which payment or redemption is to be made by or is guaranteed by a registered bank or any local authority as defined in the Local Authorities Loans Act 1956.

CONSOB

CONSOB regulations require all brokers and dealers to deposit client's money in an authorized bank. No other investment requirements and restriction in respect of clients' fund is foreseen.

CNMV

As mentioned in II.A.5 (a) above, all funds given by the customers to their intermediaries to comply with margin requirements have to be invested in daily repos on Spanish Government debt. Furthermore, a liquidity ratio consisting in the obligation to maintain a 10% of the liabilities invested in very liquid assets is also required.

CNV

BAWe

There are no special investment requirements and restrictions in Germany due to the fact that only banks are entitled to carry out customer transactions. Normally, customer money is held in bank accounts and the customer has to pay for his transactions after they have been effected. In Germany, it is not usual for customers to give money to investment firms in advance. If they do so, it is at the clients discretion to stipulate the kind of custody and the interest rate.

SC

Under the FIA, the exchanges may invest any money which forms part of its fidelity fund. Such investments may only be invested in fixed deposits with licensed institutions or banking institutions, or in securities in which trustees are authorised by law to invest trust funds.

Financial Market

The business of the buying and selling of exchange contracts as contemplated by section 8 (2) of the Act shall be conducted both on the ATS and off-ATS. Trading in all exchange contracts shall be conducted by means of the ATS. Provided that:

- trading in option contracts or combinations of option and futures contracts and in futures in a number of contracts larger than the number determined by the executive committee may be conducted off-ATS until such time as the executive committee may determine;
- trading by a member with another member as principals pursuant to an order executed for the other member on the ATS may be conducted off-ATS, subject to Rule 7.16;
- trading on the AMD shall be conducted off-ATS until such time as the executive committee may determine.

Offers and Acceptances

Two members trading off-ATS or a member and a client shall have concluded a trade when a valid offer made by one of them is accepted by the other.

An offer in terms of Rule 7.2.1 may include the following specifications:

- the particular exchange contract;
- the number of exchange contracts to be bought or sold;
- a clear indication of whether the offer is to buy or sell;
- the price at which the offeror is prepared to trade expressed as:
 - the best price;
 - any price that is better than a specified worst price;
 - a specific price;
- a clear indication of whether the member to whom the offer is made is to exercise his discretion in terms of either Rule 7.2.2.4.1 or Rule 7.2.2.4.2;
- the period of time for which the offer will remain open. Provided that in the case of:
 - a verbal offer, if no such period is specified and if the offer is not accepted immediately, it shall be deemed to have been withdrawn on termination of the verbal communication;
 - a written offer, a period of time shall be specified;

- subject to Rule 7.2.2.10, a clear indication of whether the member is to trade with the client as an agent or as a principal provided that, if no such stipulation is made, the member shall trade with the client in the capacity specified in the client agreement or, if no such specification is made in the client agreement, then the member may trade with the client as a principal in terms of the rules;
- the date and precise time when the offer is made or varied;
- a clear indication of whether in the case of an order the member is allowed any discretion as to the number of exchange contracts more or less than those specified under Rule 7.2.2.2 that the offer shall be prepared to buy or sell;
- a clear indication of whether in the case of an order the member shall be entitled to fill the order in more than one purchase or sale in the market and whether or not such purchases or sales are to be concluded by the member as the offeror's agent or whether the contracts are to be aggregated in the member's proprietary account and bought or sold to or from it at an average price once the order has been completely filled or filled to the offeror's satisfaction;
- a clear indication of whether in the case of an order the acceptance of the offer shall be conditional upon the acceptance of an offer to buy or sell another exchange contract;
- the place where and / or telephone or telex or facsimile number at which the client is to be contacted to confirm the acceptance of the offer; and
- any other particular which the executive committee may require.

For an offer made in terms of Rule 7.2.1 to be valid to the terms contained in Rules 7.2.2.1, 7.2.2.2, 7.2.2.3, 7.2.2.4 and 7.2.2.8 shall be specified.

An offer may be made by a client to a member either telephonically or in writing; and:

- the member shall ensure that the requirements set out in Rule 7.2.3 are clearly and unambiguously confirmed to or by the client; and
- the member shall keep a tape recording of a telephonic offer in terms of Rule 10.2.4; and
- the member shall keep a written record of the offer for a period of not less than thirty days after the offer was made.

A member may make an offer in respect of a trade exempted in terms of Rule 7.1 of at least the standard lot size off-ATS by displaying, on the Reuters screen designated for that exchange contract, the price at which he is prepared to buy or sell, and any other member shall be entitled to accept the offer telephonically, unless:

- the member has, within a period of not more than two minutes, or such other period as the executive committee may decide, prior to the verbal acceptance, traded with another member at the same

- price or, with respect to the member making the offer, at a worse price; or
- for a period of not less than two minutes the offering member has been unable to remove its offer due to a technical fault of the screen.

Members may only address offers to clients with whom they have entered into client agreements or to other members.

When accepting an offer to effect an off-ATS trade, a member shall clearly and unambiguously state to the offeror and not to an intermediary that he has accepted the offer, and in the case of an order he shall repeat the following details:

- the particular exchange contract;
- the number of the exchange contracts being bought or sold;
- the price at which the exchange contracts are being bought or sold; and
- the date and the precise time when the offer was accepted.

If a member trades with a client pursuant to an order from the client, he shall, provided the client can be reached at the address or telephone number stated in the client agreement or at any other place or at any other telephone number given by the client at the time the offer was made, use his best endeavours to confirm the acceptance of the offer:

- within the period for the confirmation of the trade agreed upon; or
- if no time was agreed upon, within the period as specified in the client agreement; or
- if no such period is stipulated in the client agreement, within the period specified for the acceptance of the offer as contemplated in Rule 7.2.2.6.

Order Priority

A member shall not trade with another member if the trade could satisfy an order from a client.

Subject to Rule 7.3.1, a member shall not trade with a client if the trade could satisfy a previously received order from another client.

Subject to Rule 7.3.1, a member shall not trade with another member, if the trade could satisfy a previously received order from another member.

A member shall not trade for his own account or for the account of an affiliated officer of the member or any account in which the member,

or affiliated officer of the member has a beneficial interest if the trade could satisfy an order from a client or another member.

Trading Capacity

Where a member trades with a client (as agent or principal) or with another member:

- the member shall be liable to the client or other member for the due fulfilment of all obligations arising out of the trade; and
- any claims by the client or a member in respect of a trade shall be against the member with whom he traded and not against any other person with whom the member may have traded as contemplated by Rule 7.4.2.

The member may trade with his client as an agent or as a principal, as specified in Rule 7.2.2.7. Provided that, when trading with a client as an agent, he shall immediately before or after the trade with the client trade with another member or, in terms of Rule 7.4.4, with another client at the same price, but in the opposite direction.

Notwithstanding the provisions of Rule 7.4.2, if for any reason, after the member has reported an off-ATS trade to the clearing house, a mistake has occurred, the member may trade with the client as principal in order to correct the mistake.

Subject to Rule 7.1 a member who has an offer from one client to buy and an offer from another client to sell the same exchange contract may simultaneously trade off-ATS with both clients as agent. Provided that:

- offers to buy and sell the particular contract are reflected on the Reuters screen as contemplated by Rule 7.2.5; and
- if the price of the offer from both clients is as contemplated by Rules 7.2.2.4.1 or 7.2.2.4.2, the price at which the member shall trade with both clients shall be the midpoint between the prices reflected on the Reuters screen as contemplated by Rule 7.4.4.1; or
- if the price of one offer is specified as contemplated by Rule 7.2.2.4.3, the member shall trade with both clients at that price, provided it is better than or equal to the prices on the Reuters screen.

A member off-setting an off-ATS trade with another member with an equal and opposite off-ATS trade with a third member, shall not, for a valuable consideration, remove himself from the trades with the two members concerned, but shall, in order to receive any valuable consideration, trade with both members as a principal at different prices.

Affiliated Officers and Members Trading as Clients

An affiliated officer of a broking member may be a client of the broking member, provided that such client fulfils all his obligations in terms of these rules.

Except with the written approval of the executive officer:

- an affiliated officer of a member may not have a beneficial interest in another member;
- an affiliated officer of a broking member may not be client of or have a beneficial interest in a client of another member;
- a member may not be a client of another member or have a beneficial interest in a client of another member.

An official or employee of Saffex or the clearing house may not be a client of any member or have a beneficial interest in a client of any member.

Trading with Clients

Client Agreement

A member shall not trade with a client, unless he has entered into a client agreement, the minimum terms and conditions of which are prescribed in terms of section 14 of these rules.

Client Registration

A member shall not trade with a client until registration of the client has been effected.

To register a client, a member shall submit the following details:

- the full name and description of legal capacity and a clear indication whether the person is a resident, non-resident or emigrant client;
- the identity number, or registration number of a company or close corporation;
- the address;
- the telephone, facsimile or telex number;
- the duly authorized contact person;
- the name of the authorized bank at which the non-resident client has opened a non-resident account or, in the case of an emigrant client, the name of the authorized bank at which the emigrant client has opened an emigrant's blocked account and a non-resident account and the telephone, telex and facsimile numbers of the authorized bank concerned;

- where applicable, the numbers of the emigrant's blocked and non-resident accounts referred to in Rule 7.6.2.2.6;
- the name of the contact person at the authorized bank concerned where the emigrant's blocked and non-resident accounts referred to in Rule 7.6.2.2.6 are kept; and
- the margin category in respect of a non-resident client or emigrant client.

The clearing house shall maintain a record of the clients which are registered as clients of broking members and it shall keep a record of the particulars associated with each client as required under Rule 7.6.2.2.

A member shall ensure that the particulars relating to his clients are correct and up to date at all times.

The member shall ensure that clients, which have ceased trading with the member, are removed from the register as being the clients of the member.

The client's registration shall be retained by the clearing house for as long as it deems necessary, after the client has ceased trading.

Client Advice Notes

The clearing house may send a client advice note to the client confirming a trade with a member and may include such information in the advice note as the executive committee may require.

Automated Trading System

In accordance with the procedures set out in the *Safex User Manual* (the "user manual") as amended from time to time and / or as determined by the executive committee, other than in relation to the trades exempted in terms of Rule 7.1.1, a member shall make an offer to buy or sell either for his own account or for the account of a client.

Members Obligations in Relation to the ATS

A member shall be bound by all offers, acceptances or entries made in his name on the ATS regardless of whether or not such offer or acceptance or trade was authorized by the member and the member shall:

- by keeping all codes, passes, passwords or other security devices confidential and privy only to the compliance officer and the registered dealer for whom they are intended, control access to the ATS; and

- ensure that only the registered dealer to whom a valid password is allocated by the clearing house, or the compliance officer, shall use such password to gain access to the ATS.

Trading Times

Trading on the ATS shall take place between 07:30 and 17:30 on every business day or at such other times as the executive committee may determine.

The ATS shall be available for the allocation of trades, reporting of off-ATS trades or any other administrative purposes for 30 minutes after closing time.

The executive committee may suspend the ATS at any time by giving 5 minutes notice on the screen specifying the expected duration of suspension and alternative methods of trading, if any.

The executive committee may extend ATS trading times on any business day by giving 5 minutes notice on the ATS specifying the closing time for trading on that day.

Cross Trades

A member who has an order from one client to buy and an order from another client to sell the same exchange contract shall, where such orders are to be executed by means of offers that shall be made on the ATS, acting as the agent of the clients:

- first offer to buy or sell the particular contract for the client that first placed the order; and
- after a period of time determined by the executive committee, enter an offer for the second client in the opposite direction at the same price in order to ensure that the first client's order shall be fulfilled.

Pre-Arranged Trades

Two members shall not trade on the ATS pursuant to a prior agreement between them without a period of at least 30 seconds, or such other time as the executive committee may determine, having elapsed between entering the offer on the ATS and the acceptance thereof.

Solicitation of Offers

In the manner determined by the executive committee and / or as set out in the user manual, a member may solicit offers that will be made on the ATS from the other members to both buy and sell an exchange contract according to the terms and conditions determined by the

executive committee in relation to such futures or option contract. Such solicitation of an offer shall be referred to as a “request for a double”.

In the manner determined by the executive committee and / or as set out in the user manual a member may solicit offers to buy or sell an exchange contract where such purchase or sale is contingent upon the purchase or sale of another exchange contract or contracts. Such a solicitation of an offer shall be referred to as a “request for a quote”.

Delta Trades

A member may offer to buy or sell an option in combination with the underlying futures contract in a specific ratio and / or at a specific price. Such a combined trade shall be referred to as a “delta trade”.

Aggregation and Division of Trades

A member may:

- aggregate a number of trades that were done on the ATS by means of offers made by the member for his own account and, in terms of Rule 7.15, allocate such aggregated trade to a client or other member in terms of an order from the client or other member at a price, calculated by the ATS equal to the average price of the original trades; or
- divide a trade that was done on the ATS by means of an offer made by the member for his own account and, in terms of Rule 7.15 allocate such subdivided trades to two or more clients and / or other members in terms of orders from such clients or other members.

Trade Allocation

A member shall allocate a trade that has been done on the ATS on the particular business day for the account of the member to a client or another member:

- when the member acts as principal in terms of the order from a client or pursuant to a tripartite agreement that was executed by means of an offer made on the ATS by the member for his own account;
- when the member has aggregated or divided trades done in terms of an order from a client or another member as contemplated in Rule 7.14; or
- when a member trades with another member as a result of an order from the other member which has been executed on his behalf by means of the offer on the ATS. Provided that:

- the allocation of a single trade or a subdivided trade shall take place within a period of time determined by the executive committee; and
- the executive committee may determine that the original price or average of the original prices or the price prevailing at the time of the allocation shall be made known to the client or the member giving the order referred to in Rule 7.12.

Trading Restriction

It shall be a contravention in terms of Rule 19.1 for a member to:

- make or accept an offer on the ATS when he has placed an order with another member in terms of Rule 7.12 in the opposite direction in the same or a related exchange contract; or
- to place an order with another member in terms of the said rule if he has made an offer on the ATS in the opposite direction in the same or a related exchange contract.

(d) Good Depositories

CFTC

§ 4d (2) of the CEA and Rule 1.20 identify banks, trust companies, clearing organizations or another FCM as good depositories. The CFTC has generally required that segregated funds be maintained at a domestic bank or at a U.S. branch of a foreign bank. However, Financial and Segregation Interpretation No. 12, 1 Comm. Fut. L. Rep. (CCH) ¶ 7,122, permits FCMs to deposit segregated funds in banks located outside the U.S. if the customer is trading a U.S. contract denominated and cleared in a foreign currency. Among other things, such a customer must enter into an agreement subordinating his claim attributable to funds held offshore to the claims of customers whose funds are held in U.S. segregated accounts. The CFTC staff is considering amending this Interpretation.

SEC

The first part of Rule 15c3-3 requires the broker-dealer to have possession or control of all fully paid and excess margin securities of customers. The customer securities that are not within a broker-dealer's physical possession must be held free of liens at one of seven control locations specified in the rule, which under certain circumstances may include: a clearing corporation; a special omnibus account at another broker-dealer; an issuer or transfer agent; bona fide items of transfer; a foreign depository, clearing agency, or custodian bank; a bank (as defined under the rule); items in transit between broker-dealers, and locations designated by the Commission.

The broker-dealer must make a daily determination to ensure that it is complying with this aspect of the rule.

SIB

For purposes of the Client Money Regulations (CMRs), client money must be deposited with an "approved bank". This term includes the Bank of England, the central bank of another member state of the European Community (EC), any institution authorised under either the United Kingdom Banking Act 1987, certain building societies authorised under the Building Societies Act 1986, any overseas banking subsidiary or parent of an approved bank, or an authorised credit institution in another member state of the EC (CMRs, Glossary). United States banks which are authorised to conduct banking business in the UK, or which have subsidiaries or parents who are authorised to conduct banking business in the UK would be included within this definition.

Firms must obtain written acknowledgment from such depositories that funds held in these accounts are held by the firm as trustee, that the depository cannot exercise any right of set-off against that money, and that any interest payable will be credited to the account, or an account of that type (CMR 2.06).

Although the rules permit client money to be maintained in offshore depositories, CMRs 3.05 (3) and 3.06 (8) provide that where client funds are held in an overseas client bank account, and there is a shortfall on that account resulting from the refusal by the bank to recognise such funds as funds of customers, or that bank becoming insolvent, the claims of clients in relation to client money held in that overseas account shall be restricted, in the first instance, to the money in that account; and such clients will only be able to claim against money held in other accounts by the firm once all other claims of clients in relation to such money have been satisfied.

COB

MOE

ASC

Section 1209 (5) (d) of the CL permits a broker to invest:

- in any manner in which trustees are authorised by law to invest trust funds;
- on deposit with an eligible money market dealer;
- on deposit at interest with a banking corporation;
- on deposit with a clearing house for a futures exchange; or
- in the purchase of cash management trust interests.

OSC

"Acceptable securities locations" are defined in the JRFQR as entities considered suitable to hold securities on behalf of a dealer, for both inventory and client positions, without capital penalty, provided that the locations meet certain segregation requirements including the provisions that no use or disposition will be made of the securities without the prior written consent of the dealer.

CVMQ

The rules of the self-regulatory organizations specify what is recognized as Acceptable Securities Location. Those entities considered suitable must meet certain conditions including, but not limited to, the requirement for a written custody agreement outlining the terms upon which the securities are deposited and including provisions that no use or disposition of the securities will be made without the prior consent of broker / dealer and the securities can be delivered to the broker / dealer promptly on demand.

SEC

See II.A.5 (c) above.

SVS

All funds provided by the client to the broker-dealer for derivative transactions, may be stored at the clearing house, who is in charge of safeguarding those goods.

ESA

It is not more exactly noted in the Securities Business Act than it may be a securities business institute as depository.

NZSC

See II.A.5 (c) above.

CONSOB

CNMV

Spanish law states that margin funds must be held at an institution other than the operating member. Moreover, the Rules and Regulations of the exchanges set forth that only custodian clearing members can receive, accept and keep custody of the margins in the favor of the exchanges.

In addition to general requirements for clearing members, custodian clearing members must be registered as a Public Debt Book-Entry Management Institution with full powers to hold accounts for third parties (customers or other public debt management institutions). In order to be registered as such, it is required to have a minimum capital of 150 million pta. and additional equity in proportion to the activities carried out. Moreover, they have to maintain a minimum amount of 20 billion pta. in public debt assets on customers' accounts.

MEFF Renta Variable requires custodian clearing members to set up a minimum permanent guarantee higher than that applying to general clearing members (25 million pta., instead of 10 million pta.).

CNV

Each exchange organizes its own clearing house, in order to safeguard margins for all the operations carried out.

BAWe

See II.A.5. (c) above.

SC

Any licensed bank under the Banking and Financial Institutions Act 1989 ("BAFIA") would be recognised as good depositories.

ESB

Management of Funds by the Clearing House

The clearing house shall separate the margins and other moneys, financial instruments and other corporeal and incorporeal things of any member or client from its own assets and shall manage and invest such margins and other moneys in a manner and subject to such terms and conditions as the executive committee shall decide.

The clearing house, on behalf of Safex, shall monthly in arrears, levy a margin management fee as determined by the executive committee of not more than 2% per annum on any margins held by it in respect of any position registered in the name of any person during the month.

Separation of Funds

A member shall:

- at all times separate a client's or other member's funds, including money, financial instruments and other corporeal and incorporeal things of the client or other member, from his own assets;

- not co-mingle the funds of any client or another member with his own;
- not allow the use of funds or financial instruments or corporeal or incorporeal things belonging to any client or other member to finance his own trades or the trades of any other person;
- in respect of the trades or positions of a member or client, not retain any money, financial instruments or other corporeal or incorporeal things given by such member or client or received by the member on behalf of any person other than additional margin contemplated in Rule 8.6.4.

Clearing Members' Bank Accounts

A clearing member shall at all times keep a separate bank account into which he shall deposit any additional margin kept by him in terms of Rule 8.6.3.1 and he shall at all times ensure that the correct amount of additional margin as required by his clearing agreement with the non-clearing member is held in respect of each non-clearing member with which he has entered into a clearing agreement and his records shall at all times reflect the amount of additional margin held in respect of each such non-clearing member.

Members' Bank Accounts

A member shall keep a separate trust account with a bank into which he shall deposit all additional and retained margin held by him with respect to his resident clients and he shall at all times keep records that shall show the amount held in respect of each client with respect to additional margin and with respect to retained margin and he shall at all times ensure that the correct amount of additional margin as required in terms of the relevant client agreement is held in respect of each client's positions.

6. Default, Insolvency or Bankruptcy Provisions

(a) Priorities - (Clearing, Customers)

CFTC

In the case of an FCM bankruptcy, Chapter 7, Subchapter IV of the Bankruptcy Code, § 20 of the CEA and part 190 of the CFTC regulations provide for pro rata distribution of customer segregated funds among the public customers of the FCM in priority to all other claims except costs of administration. "Public customers" does not include the FCM with respect to its own trading account and its officers, directors or other affiliates with respect to their personal trading accounts.

For purposes of determining this ~~pro-rata~~ distribution, all property segregated on behalf of or otherwise traceable to, a particular account class is to be allocated to that class in conformity with Rule 190.08 (c) (1). All other property is allocated among all account classes using a formula intended to equalize the percentage of each claim for each class of accounts. See Rule 190.08 (c) (2). Specifically identifiable property may be returned or transferred on behalf of the customer, rather than liquidated, under certain circumstances. See Rule 190.08 (a) (1) (ii) (C).

If funds in the public customers' segregated accounts are insufficient to satisfy customer claims, the FCM's remaining assets will be used to satisfy the claims of public customers. Rule 190.08 (a) (1) (ii) (J). The FCM's remaining assets are then available for distribution to the FCM's general creditors.

In 1994, the CFTC adopted an additional appendix to its bankruptcy rules which specifically addresses property distribution in the context of cross-margining accounts. See II.A.3 (a) above.

SEC

SIPC protects the cash and securities of the customers of member broker-dealers that fail financially. Customers include persons with claims for securities received, acquired or held by the firm from or for the securities accounts of such persons for safekeeping, with a view to sale, to cover consummated sales, pursuant to purchases, as collateral security, or for purposes of effecting a transfer. Persons who have cash on deposit with a firm for the purpose of purchasing securities or as a result of sales thereof also are considered customers.

SIB

Generally, in the event of an insolvent default by a firm, those customers who have not opted out of segregation, by virtue of their funds being held for them on trust by the firm, will receive priority for their claims, before other customers and general creditors of the firm.

In circumstances where funds in the segregated accounts of a defaulting firm are insufficient to cover customer claims, recourse may be had by qualifying customers to the Compensation Scheme (see item II.A.5 (b)). The FSA contemplates in specific circumstances, an application by HMT to the court for an order requiring the person (e.g., defaulting firm) concerned to pay such sum as appears to the court to be just having regard to accrued profits, extent of loss or other adverse effect (FSA, s. 61).

In circumstances where customer funds are not segregated, those customers rank *pari passu* with other general unsecured creditors.

The Companies Act 1989 governs a number of areas: Part VII specifically addresses the question of insolvency in relation to financial markets. Part VII came into force in April 1991.

The provisions of Part VII of the Companies Act 1989 (Companies Act) are principally intended to protect the integrity of the market place; the legislation does not seek to protect individual brokers from the consequences of insolvent default of customers nor does it seek to protect customers in the event of insolvent default by their broker. The latter, in respect of customers who are not business, experienced or professional investors, is provided for by the Compensation Scheme. See II.A.5 (b) above.

Where a firm is a member of an exchange and that firm defaults or appears to be unable to meet its obligations, the operation of the new provisions regarding financial markets and insolvency in respect of market contracts serves to modify the general law of insolvency.

The provisions of the Companies Act may, at the option of the exchange, also apply to market contracts of participants in the market, other than members of an exchange, in relation to whom a failure to meet obligations in respect of those contracts would likely adversely affect the operation of the market (Companies Act, Schedule 21, paragraph 4). These significant participants in the markets are referred to as designated non-members.

The risk to the market, in the absence of provisions modifying the application of the general law of insolvency, flows from the powers of a "Relevant Office-Holder" (including, *inter alia*, the official receiver, a liquidator, trustee in bankruptcy or any person acting as administrator of an insolvent estate of a deceased person) to rely on the insolvency rules to "cherry-pick" in relation to the insolvent's market contracts, enforcing those which are profitable and leaving those which are not.

Part VII requires RIEs and RCHs to implement default rules which, in the event of a member of the exchange (and a designated non-member) appearing to be unable to meet his obligations in respect of market contracts, enable action to be taken in respect of unsettled market contracts to which he is party (Companies Act, Schedule 21, paragraph 1).

Under the default rules, an exchange or clearing house may arrange for the immediate closing out of open positions held by the defaulter and proceed with the netting down of profits and losses so as to produce a single net sum to be paid by or to the defaulter. The general law of insolvency does not apply to restrict the actions of the exchange or to render unenforceable those contracts which are entered into to close out positions.

The rules must provide for all rights and liabilities, between those parties as principal (one of the parties being the defaulter), to be discharged and for there to be paid by one party to the other such sum of money (if any) which is determined in accordance with the rules. This net sum is certified by the exchange or clearing house upon the completion of proceedings under the default rules.

COB

The French FM law, and for the MONEP, the law of January 22, provide that the full performance of all contracts recorded with the clearing house will be guaranteed by the clearing house. That means that the customers have an absolute priority. In the case of any market member's insolvency, initial and variation margin paid by its customers are repaid by the clearing house. Furthermore, as clearing houses, MATIF S.A., and SCMC are substituted as parties to all transactions. Therefore, the market member's "insolvency" has no effect on the other market members or on their customers. The practical effect of this guarantee is exactly the same as segregation of funds. The customers are sure to get back their funds and securities, even in the event of a firm failure. Funds received by commodities intermediaries are kept in a specific account in a bank. There is one account per intermediary. Commodities and valuables are transmitted to the bank where this account is opened. There cannot be any fusion of this account with any other account of the intermediary in this bank.

MOF

In Japan every securities company is required to set aside in reserve an amount of money which is used to offset losses incurred as a result of accidents relating to securities trading and other transactions. The amount of money required to be set aside is related to the volume of trading the firm does.

ASC

In Australia segregated accounts are in place to protect customers in the event that liquidation proceedings or bankruptcy occurs in respect of the broker.

A segregated account is in the nature of a trust account in that the broker has no right to mix the client's money with his own money or to use it, except as authorized by the client, to meet the client's margin calls or to deposit it on the short-term money market or in a cash trust on the client's account.

Generally in Australian insolvency law, a trust fund is not available to the creditors of the trustee. The provisions requiring futures broker to hold client money and property apart from their own assets and to

deal with it only on the client's account appear to have been intended to attract this principle.

If all margins are called and paid by both the client to broker and broker to the clearing member, no insolvency position should occur. However, should a broker default in paying margins to the Clearing House, the Clearing House guarantees to the market the positions held by the broker.

Section 1209 (14) of the CL ensures that money or property of the client which is subject to the segregated account provisions, is not available to pay the broker's debts.

The Fidelity Fund provisions provide for compensation to be paid to clients who "entrusted" money or other property to a broker, by whose fault the money or other property is lost.

Sections 1189A and 1190 of the CL give power to the ASC to revoke a licence by a natural person or a body corporate respectively if he / it becomes an insolvent under administration. SFE Art 3.8 (c) also gives the SFE Board the power to revoke a licence if it is of the opinion that the Member has been guilty of behavior prejudicial to the interests of the public, the Exchange, its Members or the conduct of any markets.

OSC

Customers are unsecured creditors and are treated as such in bankruptcy proceedings. Customers may be compensated from the CIPF or the TFE Contingency Fund for any shortfall.

CVMQ

National Contingency Funds

See II.A.1 (a) above.

TCO

No Exchange transaction shall be cleared by TCO for any clearing member at any time when such clearing member does not meet the minimum capital requirements prescribed by the TCO rules.

If the Board shall at any time determine that the financial or operational condition of a clearing member makes it necessary or advisable, for the protection of TCO, other clearing members or the general public, to impose restrictions on such clearing member's positions with TCO, the Board shall have the authority:

- to prohibit or to impose limitations on the clearance of opening purchase transactions or opening writing transactions by such clearing member;
- to require such clearing member to reduce or eliminate existing long positions or short positions in such clearing member's accounts with TCO; and / or
- to require such clearing member to transfer any account maintained by such clearing member with TCO, any position maintained in any such account, or any account carried by such clearing member, to another clearing member.

A clearing member that is unable to meet its obligations or is insolvent shall immediately notify TCO.

Upon receipt from a clearing member of the notice, or upon the suspension or expulsion of a clearing member from membership in an Exchange, or whenever it shall appear to the Board or to the chairman of the Board together with any two directors of TCO that a clearing member has failed to perform its obligations or is insolvent or is in such financial or operating condition that it cannot be permitted to continue in business with safety to its creditors, the Board, or the chairman of the Board together with any two directors of TCO, shall suspend the clearing member and TCO shall cease to act for it except as specified in Section A-403 to A-409 of the TCO rules.

Measures Taken by TCO

Creation of Liquidating Settlement Account (Section A-404).

Pending Transactions (A-405):

- with respect to open positions and accepted transactions in futures;
- with respect to options:
 - Open positions (A-406);
 - Exercised options and tender notices (A-407);
 - Amounts payable to the TCO (A-408);
 - Member claims (A-409).

SEC

Under the SF(CH)O, HKCC and SEOCH have a wide range of exemptions / priorities in relation to insolvency and bankruptcy laws, in particular in the event of a default by a clearing member.

SVS

See II.A.2 (c) above.

ESA

There is a legally determined order of priorities.

NZSC

Regulation 20 of The Futures Industry (Client Funds) Regulations 1990 provides that no client money, or specified client property is available for the payment of a debt, or for meeting any liability, of any dealer or any person with whom any client bank account or client funds account is maintained, investment is held, or other property is deposited or otherwise held. Additionally, no such client money is liable to be attached or taken in execution under the order or process of any Court at the instance of a person suing in respect of any such debt or liability.

Regulation 21 of these Regulations covers the protection of client money and client property where a dealer is insolvent and provides that money in or credited to a client bank account or client funds account is subject to a single trust in favor of all of the clients for whom or on whose behalf the money is being held in the account or from whom the money was received for payment to the account, as the case may be.

CONSOB

In case of a Clearing Member's insolvency, CCG suspends the member, verifies his current net positions and arranges, by the means of another clearing member, for the closing out of open positions registered in the insolvent proprietary account.

In order to cover insolvent debt, CCG may withdraw member available cash and, in case of inadequate assets, sell member's securities deposited as collateral. The clearing house rules provide for the transfer of insolvent open contracts registered in the customer account. The CCG can, in fact, transfer all open contracts into the name of another clearing member who has agreed to have the open contracts registered in its name.

CNMV

The first priority in the case of insolvency or bankruptcy of a firm is customer funds protection. As mentioned in II.A.5. (a) above, exchanges guarantee customer funds for any damage that may be

caused by a failure of the member to fulfill any of its obligations with regard to transactions carried out on the market.

Preservation of exchanges' solvency is also a priority for Spanish law. In this sense, it states that whenever a member or customer is subject to a creditors' meeting for insolvency, bankruptcy and other similar situations, official futures and options exchanges enjoy absolute right to draw a distinction between securities and the "near cash" assets which that member or customer has provided in favor of the exchange in the course of trading on the same exchange.

CNV

BAWe

In principle the bankruptcy laws apply as do the special banking regulations.

Nevertheless, emphasis must be placed on some peculiarities regarding DTB business.

All contracts concluded at the DTB are guaranteed by its Clearing House; this applies both to participants' trading for their own account and to the execution of customer orders. The Clearing House becomes a contracting party to every transaction.

Under the terms of his admission every Clearing Member must provide a third party bank guarantee (DM 2 000 000.- for Direct Clearers and DM 10 000 000. - for General Clearers). In the case of insolvency etc., first of all the margins put up by the Member in question are used. If these do not cover the claims, the guarantee (cf. above) is drawn upon. If this still does not cover the claim, first of all the Clearing House's reserves are called upon and then the entire Guarantee Fund (on a pro-rata basis if applicable).

All Clearing Members are required to restock the guarantee.

Eligibility as Clearing Members at the DTB is limited to banks with liable equity capital of DM 25 000 000 - (Direct Clearers) or DM 250 000 000 - (General Clearers). These are subject to the supervision of the Federal Banking Supervisory Office and of the Federal Securities Supervisory Office and, in addition, have to meet several special reporting requirements.

SC

There are no priorities set under the FIA. Section 106B (1) of the FIA provides that for the purpose of protecting its financial integrity or stability, a clearing house may take action against an affiliated futures

broker which: (a) is being wound up, (b) contravened financial, margining or payment requirements specified by clearing house rules, or (c) is an affiliate falling into prescribed circumstances. This action must be approved by the Commission and must be consistent with the clearing house's business rules. Insolvency laws pertaining to a company are provided for in the Companies Act 1965 and its attendant rules and regulations, in particular the Companies (Winding-Up) Rules. However, Section 106B (2) of the FIA prevents provisions of the Companies Act 1965 from invalidating a clearing house's action or preventing a clearing house from acting. In the case of an individual, the Bankruptcy Act 1967 will apply.

ESB

Default

For purposes of the rules in this section 12, time shall be of the essence for the performance of any obligation, and a member or client shall default if he fails to fulfill any of his obligations in terms of a trade or a position, in particular if he fails to comply fully and immediately with his obligation to make payment of margin when due or required in terms of these rules, or:

- if a party's membership is terminated in accordance with Rule 4.5;
or
- if the executive committee, in its sole discretion, considers that a member or client has defaulted; or
- if application is made for his liquidation, whether provisionally or finally, or for the sequestration of his estate, whether provisionally or finally.

Consequences of a Client's Default

Without in any way limiting or detracting from any other remedies and rights which a member may have against a client in terms of these rules, in the event of a default by a client, as contemplated in Rule 12.1, the member shall be entitled, without notice to the client, to:

- assume all of the client's positions or to assume some of such positions for his own account and to close out the other within two business days (or such other period of time determined by the executive committee) from the date of the default, provided that the member shall be deemed to have assumed all of the client's positions which are not so closed out within the time period stipulated in this Rule 12.2.1 at the best price available at the close of business on the day on which such period expires;
- if the member closes out any position pursuant to Rule 12.2.1, use any amount payable to the client or member, as the case may be, as a result of the closing out to settle the client's obligations to the

member, including any fees due to the member as a result of the closing out;

- if there remains any further obligations of the client to the member after the closing out of any position pursuant to Rule 12.2.1, apply any margin, retained margin, suretyships, cession, lien or any other money, investment or other security held by the member, for the account of the client to settle the client's obligations to the member;
- if there remains any shortfall after the provisions of Rules 12.2.1 to 12.2.3 have been applied, claim such shortfall from the client, provided that if there remains any balance it shall immediately be paid to the client.

Consequences of a Non-Clearing Member's Default

Without in any way limiting or detracting from any other remedies and rights which a member or client or the clearing house may have against a non-clearing member in terms of these rules, in the event of the default of a non-clearing member as contemplated in Rule 12.1 the following shall apply:

- the clearing member with whom the non-clearing member has concluded a clearing agreement shall assume all the non-clearing member's proprietary positions or assume some of such positions for his own account and close out the others within two business days (or such other period of time determined by the executive committee) from the date of default, provided that the clearing member shall be deemed to have assumed all of the member's positions which are not so closed out within the time period stipulated in this Rule 12.3.1 at the best price available at the close of business on the day on which such period expires;
- if the clearing member closes out any or all of the non-clearing member's proprietary positions as contemplated in Rule 12.3.1, any amount payable to the non-clearing member as a result of the close-out may be used to set-off the non-clearing member's obligations to the clearing member which shall include any fees due from the non-clearing member to the clearing member as a result of the closing-out;
- if there remain any further obligations of the non-clearing member to the clearing member after the provisions of Rule 12.3.2 have been applied, the clearing member may apply any margin, suretyships, cession, lien or any other money, investment or security held by the clearing member for the account of the non-clearing member to settle the non-clearing member's obligations to the clearing member;
- if there remains any shortfall after the provisions of Rule 12.3.2 and 12.3.3 have been applied, the clearing member may claim such shortfall from the non-clearing member, provided that if there remains any balance it shall immediately be paid to the non-clearing member;

- the clients of the non-clearing member shall, without notice to such clients, become the clients of the clearing member and the clearing member shall assume the non-clearing member's obligations in respect of any trades with or positions of any such client and any redress from the non-clearing member to which the client is entitled shall be made good by the clearing member;
- all clients who did not previously have client agreements with the clearing member shall conclude client agreements with the clearing member to cover the positions and obligations assumed by the clearing member in terms of Rule 12.3.5, and where the clearing member previously had a client agreement with any client of the non-clearing member, such positions and obligations and subsequent trades shall be subject to that agreement;
- if after all the remedies set out in this Rule 12.3 have been exhausted a shortfall still remains, the non-clearing member's seat may at any time be sold by the executive officer in terms of Rule 16.4.2 and the proceeds of the sale shall be utilized to settle such shortfall, provided that if there remains any balance it shall immediately thereafter be paid to the non-clearing member.

Consequences of a Clearing Member's Default

Without in any way limiting or detracting from any other remedies and rights which a member or client or the clearing house may have against a clearing member in terms of these rules, in the event of the default of a clearing member as contemplated in Rule 12.1 the following shall apply:

- the clearing house shall open a separate trust account with a financial or other institution it may determine, into which shall be paid all margin, the proceeds from the sale of the clearing member's seat, the proceeds from the suretyship referred to in Rule 4.2.9 and any other moneys, securities or investments held by the clearing house in favour or on behalf of or for the account of the clearing member, and the clearing house may appoint a trustee to manage the trust account and all the affairs of the clearing member arising from and relating to its membership of Safex, which trustee shall be another clearing member (hereinafter in this Rule 12.4 referred to as "the clearing member trustee");
- the clearing house or the clearing member trustee shall assume control of all money and other assets and securities held or administered by the clearing member on behalf of or for the account or benefit of any party, and, when requested by the executive committee, render such reports to the executive committee as the executive committee may require;
- the clearing house or the clearing member trustee shall be obliged, without prior notice to the clearing member, to close out all the clearing member's proprietary positions at the best price it can obtain when, in its sole discretion, it so decides;

- when the clearing house closes out the clearing member's proprietary positions as contemplated in Rule 12.4.3, any amount payable to the clearing member as a result of the closing out may be used to settle the clearing member's obligations to the clearing house, which shall include any fees due from the clearing member to the clearing house as a result of the closing out;
- if there remains any further obligation of the clearing member to the clearing house after the provisions of Rule 12.4.4 have been applied, the clearing house may instruct the clearing member trustee to apply any margin, suretyships, cession or any other money, investment or security held by the clearing house in terms of Rule 12.4.1 to settle such obligation, and if any shortfall remains thereafter the executive officer shall be entitled to sell the member's seat in terms of Rule 6.2 and the proceeds of the sale shall be utilized to settle such shortfall, provided if there remains any balance that balance shall be immediately paid to the clearing member;
- the clearing house shall transfer all clients' and non-clearing members' positions cleared through the clearing member to the clearing member trustee until such time as the provisions of Rule 12.4.7 have been complied with;
- within a period decided by the executive committee each non-clearing member with whom the defaulting clearing member had a clearing agreement shall conclude a clearing agreement with another clearing member;
- failing the conclusion of a clearing agreement as contemplated in Rule 12.4.7, a non-clearing member shall be deemed to be in default and his membership shall terminate in terms of Rule 4.5.1.7, whereupon the provisions of Rule 12.3 shall apply mutatis mutandis;
- the clients of the clearing member shall within a period determined by the executive officer:
 - enter into client agreements with other members and shall trade with the clearing house or clearing member trustee and such other members to transfer their positions to the other members; or
 - offer to trade with the clearing house or clearing member trustee as contemplated in Rule 7.2 in such manner that their positions will be closed out;
- after all liabilities of the defaulting clearing member have been settled, all amounts paid by any surety in terms of the rules shall be refunded from the trust account referred to in Rule 12.4.1 and any balance remaining in such account shall be paid to the defaulting clearing member;
- if, after the provisions of Rule 12.4.10 have been applied, there are insufficient funds in the trust account referred to in Rule 12.4.1 for

the clearing house to be able to fulfill its obligations to any party arising out of the clearing member's default, the clearing house shall, after claiming against any insurance it may have in respect of the default of a clearing member, call on all clearing members for an equitable contribution to make good any shortfall and if no clearing members are willing to so contribute or if, after contributions have been made, a shortfall still remains, the liquidation of the clearing house shall be considered by the clearing members.

(b) Position Treatment

CFTC

Under CFTC regulations the trustee in bankruptcy has the authority to, among other things, close out futures and option positions (Rule 190.03 (b)), to make margin payments and calls (Rule 190.02 (g)), to make or accept delivery on commodity contracts (Rule 190.05) and to deposit additional margin up to the amount of a customer's ~~pro rata~~ share of segregated property (Rule 190.02 (g)).

SEC

Under SIPA, if a transfer of customer accounts, as discussed below, is not feasible, protection will be afforded customers in the following manner: customers are entitled first to a return of all securities registered in their own names. If securities registered in customer name are not present in sufficient quantity to satisfy customer claims, customers are then entitled to their pro rata share of customer cash and securities held by the firm. To the extent that the foregoing is insufficient to satisfy customer claims, SIPA is authorized to make advances to the limits afforded by SIPA, currently \$500 000 (including no more than \$100 000 for cash claims). Finally, if a customer's claim still is not satisfied, the customer will become a general creditor of the estate.

SIB

The powers of Relevant Office Holders (ROHs) shall not be exercised in such a way as to prevent or interfere with any action taken under the default rules of an exchange or clearing house (Companies Act, s. 159 (2)). The exchange and clearing house will, upon the triggering of the relevant default rules, commence the transfer or the closing out of positions held by a defaulting member or designated non-member to discharge the rights and liabilities between those party as principal to unsettled market contracts and for there to be paid by one party to the other a net sum.

COB

In France the clearing house guarantees the customer's position in the case of a market member's insolvency.

MOE

ASC

In the event of a Member default either a Receiver, Receiver and Manager or liquidator would be appointed. The SFE under its rules also has power to appoint a member to manage client positions and to enable their transfer to another Member and the Chairman and Deputy Chairman of the SFE have power of attorney for this purpose. Otherwise a receiver and manager or liquidator appointed to a company would have all of the powers that the Member previously had, subject always to the segregated accounts requirements of the CL which protect client funds from the general creditors of the broker and subject to the right of clients to arrange for the transfer of positions.

SFE By-Law G 24 & G 3 give the Member the right to close out all or any existing futures positions in any market held by the member on account of the client without further notice when the client is in default by failing to pay a call.

OSC

A trustee in bankruptcy may close out futures and options positions. Recent case law suggests that a margin payment may be a fraudulent preference and therefore subject to challenge by creditors. A trustee in bankruptcy may make or accept delivery on futures contracts.

CMVQ

SEC

Under the SF(CH)O, HKCC and SEOCH are able to close out net positions of a defaulting clearing member, and liquidate collateral, without interference from insolvency or bankruptcy laws.

SVS

In Chile, the clearing house guarantees the client's positions in case of bankruptcy of a clearing member.

ESA

The domestic derivative clearing house, OM, enters as partner into every contract. That means that the clearing takes the responsibility for any obligations connected to the contracts.

NZSC

Where a client is in default by failing to pay a call or lodge Approved Securities, NZFOE rules provide the Dealer with the right to close out all or any existing client contracts or other futures or options positions held by that client with the Dealer without further notice.

The by-laws of the Clearing House provide that in the event of default by a Clearing Member, or appointment of receivers, managers, liquidators etc., the Clearing House may terminate open contracts registered in the name of the defaulting member.

CONSOB

See II.A.6 (a) above.

CNMV

The exchange is entitled to immediately close out or transfer a member's positions in case of default. In addition, the exchange may use any margin deposits or assets held to cover the amounts owing to it by the defaulting member.

CNV

The Clearing organization is the counterparty to every contract. The Clearing organization is responsible for all obligations regarding the contracts. Clearing House are authorized to close out a defaulting members' position.

BAWe

To begin with, the Clearing House may balance out the open positions to a net position. Then it is possible to close this net position, which may be done either by the Clearing House or by an Exchange Participant designated by the Clearing House.

The next step is the realization of all the money and securities collateral of the defaulting Clearing Member as well as the Clearing Guarantee; please refer to the procedure described above.

SC

In the event of a clearing member default, MFCC has the power to realise any non-cash collateral margin, close all house account positions, transfer if possible to another member all positions of non-defaulting clients. The MDCH is also authorised to take certain actions under the business rules in the event of a default including the power to liquidate open positions of a defaulting clearing member, utilise cash and collateral lodged by a defaulting clearing member towards satisfaction of any outstanding obligations or losses incurred by the clearing member or appoint other clearing members to liquidate a defaulting clearing member's open positions.

ESB

See II.A.6. (a).

(c) Position Transferability

CFTC

The trustee in bankruptcy is required under Rule 190.02 (e) to use his best efforts to transfer all customer accounts to another FCM.

Transfers of positions within four days of bankruptcy are protected from avoidance except for fraud, provided that the CFTC does not object. Bankruptcy Code § 764.

Rule 190.06 (e) provides that generally, all accounts are eligible for transfer except, among other accounts, house accounts, or if a partnership, the accounts of general partners, accounts which contain no open commodity contracts and accounts which are in deficit.

SEC

The trustee may arrange to have customer accounts of a failed firm transferred in bulk to another SIPC member. Customers whose accounts are transferred are notified promptly and permitted to deal with the new firm or subsequently transfer their accounts to firms of their own choosing.

In a SIPA liquidation, all exchange-traded securities option positions of customers will be closed with the exception of certain covered short positions. The account of the customer shall be credited or debited, as appropriate, based upon the nature of the options position on the filing date of the SIPA proceeding. See SIPC Rule 400.

SIB

See II.A.6 (b) above.

COB

In the event of member default, the clearing house MATIF SA transfers all opened positions to another market member's books. It repays the initial and variation margin to the credit of the customer's account by this new market member. The customer may designate the new market member which will hold its account. Otherwise the clearing house designates itself the new account holder among the market members.

MOE

ASC

In the case of default by an Exchange Member, the SFE Rules allow for the positions held for that Member on behalf of clients to be transferred to other Exchange Members.

In respect of SFECH, By-Law 72.1 permits, inter alia, the SFECH to close out all or any of the contracts of the clearing member in default. By-Law 72.1 (d) permits the transfer of positions to another clearing member

OSC

See II.A.6 (b) above.

CVMQ

SEC

HKCC can transfer any open contract registered in the name of a defaulting HKCC member into the name of another HKCC member who agrees to accept such transfer together with any initial margin or variation adjustment held by the Clearing House in respect of such contracts.

SEOCH may direct a defaulting, suspended or resigning member, or act on its behalf to give-up a stock options position to another SEOCH member who agrees to accept such give-up, together with any SEOCH collateral in respect of margin held by SEOCH in respect of such stock options position.

SVS

If a broker goes bankrupt, the clients may ask that their positions be transferred to other brokers, if and when these brokers agree to receive them.

ESA

The clearing house, OM, is entitled on behalf of a failing customer to buy or sell as many options and/or futures as are necessary to guard the rights of the house.

NZSC

The by-laws of the clearing house provide for the transfer of open contracts.

In the event of default the Clearing House may, after consultation with the Exchange (where practicable) transfer all open contracts into the name of another Dealer who has agreed to have the open contracts registered in its name.

There is a requirement for all client agreement forms acknowledging contractual terms between NZFOE members and their clients to contain a provision appointing the chairman of the Board of the Exchange to do all things necessary to provide for the transfer of open positions where a Dealer's trading rights have been suspended.

CONSOB

See II.A.6 (a) above.

CNMV

See II.A.6 (b) above.

CNV

The rules of the clearing house provide for the transfer of open positions to other brokers.

BAWe

The customers of the defaulting Participant may ask for their positions to be transferred to another Exchange Participant.

SC

In the case of a default by a clearing member, the clearing houses' rules allow for the transfer of open positions to another clearing member.

ESB

See II.A.6. (a).

7. Market Disruptions; Firm Financial Problems

(a) Early Warning or Increased Reporting Requirements

CFTC

The "early" warning provisions in Rule 1.12 (b) require that each FCM who knows or should have known that its adjusted net capital was less than 150% of the minimum amount required must file written notice with the CFTC within 5 days. See II.A.1 (d) above.

Rule 1.12 (d) requires that whenever an FCM discovers or is notified by an independent public accountant of a material inadequacy in its accounting system or procedures it must notify the CFTC within 3 days.

The Intermarket Communications Group (ICG) which consists of both securities and commodities exchanges, as well as the CFTC and SEC, has established a system called INFOE by which the exchanges may transmit price information during market declines.

On May 1st, 1996, the CFTC published final rules concerning early warning reporting requirements for FCMs. Among other things, the rules require reporting of a margin call that exceeds an FCM's excess adjusted net capital which remains unanswered by the close of business on the day following the issuance of the call and also would require reporting by an FCM whenever its excess adjusted net capital is less than six percent of the maintenance margin required to support proprietary and non-customer positions carried by the FCM unless the non-customer is itself subject to minimum financial requirements of the CFTC for an FCM or those of the SEC for a securities B/D. See 61 Fed. Reg. 19177 (May 1st, 1996).

SEC

Rule 17a-11 under the 34 Act sets forth the Commission's early warning system. The early warning system provides mechanisms by which the Commission and the SROs are made aware of those broker-dealers experiencing financial or operational difficulties. When a firm crosses one of the parameters of the rule, it is required to immediately notify the Commission and its designated SRO and the CFTC if the broker-dealer is registered with the CFTC. This notification is followed by appropriate reporting.

Several occurrences trigger the requirements of Rule 17a-11. Under certain circumstances, a broker-dealer which has failed to maintain its minimum required net capital; has "satisfactory subordination agreements" in excess of the maximum allowable amount; or has aggregate indebtedness in excess of 1200 percent of the firm's net

capital, total net capital less than 120 percent of the firm's minimum net capital, or net capital less than five percent of aggregate debit items is responsible for complying with the provisions of Rule 17a-11. Other events which implicate the provisions of Rule 17a-11 are a dealer's failure to deposit collateral in a specialist or market maker account; a broker-dealer's failure to make and keep current the books and records specified in Rule 17a-3; and the existence of a material inadequacy in the broker-dealer's accounting system, internal audit controls, or procedures for safeguarding securities. Additionally, violations of Rule 15c3-1 applicable to a broker-dealer that carries options specialists' accounts or whose net capital will reach the above parameters due to the expiration of certain subordination agreements create telegraphic obligations under Rule 15c3-1.

SIB / SFA

The clearing house and the exchanges monitor members' overall positions on a daily basis; this assessment includes a review of the potential risks associated with each firm's exposure.

The London Clearing House uses a direct debit system in respect of clearing members' accounts. Where the direct debit order cannot be satisfied, the firm is deemed to be in default and, pursuant to clearing house rules, and with the cooperation of the relevant exchanges, action may be undertaken to close out or transfer those members' positions to other clearing members.

SFA's financial rules require firms to notify SFA in a number of different circumstances. The most significant of these are: where the firm has reason to believe that it is, or will be, in breach of its financial resources requirement together with the details of the steps which the firm is taking, or has taken, to remedy or prevent the breach (SFA's FRs, 3-31 (1)); where the firm has reason to believe that there is a deficiency of net assets in its subsidiary (3-31 (2)); where the firm has reason to believe that it will be unable either to submit a financial reporting statement in due course or to make a payment to an exchange, clearing house by the due date thereby causing the default of the firm under the rules of that exchange or clearing house (3-31 (5)); where a firm becomes aware of any claim under a contingency which is likely to exceed the lower of £ 100 000 or 10% of the firm's financial resources (3-31 (6)); where the firm has reason to believe that any reporting statement previously supplied to SFA was or has become misleading in any material respect (3-31 (7)); and where a firm makes a claim on an insurance policy it holds relating to professional indemnity or any other policy required by the rules of an exchange or clearing house to which it is subject (3-31 (8)).

A firm which is a "broadscope" firm, such as a clearing firm, must also notify SFA if it has reason to believe that its liability in respect of

unsecured loans exceeds 10 times its tangible net worth (for these purposes, subordinated loans which qualify as eligible capital substitutes or loans which arise from money borrowed to finance the purchase of investments to the extent that the firm's position in those investments is a long position are excluded (SFA's FRs, 3-32 (4)).

A firm is required to notify SFA it has not carried out, or is not able to carry out reconciliations of safe custody investments and other assets belonging to third parties or if, having done so, the firm is unable to correct any differences or deficiencies or deficiency as required by the rules of SFA (SFA's FRs, 3-33 (5)).

COB

In addition to the ongoing prudential supervision by the Banking Commission, the clearing houses and the exchanges monitor member's overall positions on a daily basis. This assessment includes a review of the potential risks associated with each firm's exposure.

Each market participant on the financial futures market must promptly, inform the clearing house and the exchange of any circumstances. Or event regarding its financial conditions which may affect its solvency. It must also consent in advance to the disclosure of such information to the clearing house by their relevant prudential supervisors.

MOE

Stock exchanges can suspend a member if the member has become insolvent or is deemed likely to become insolvent.

ASC

Daily position reporting of significant client positions is reported to the SFE (known as "reportable positions") if a position held by a Member in an account which is, at the close of the trading on a business day is:

an open position which equals or exceeds:

- a predetermined number of bought or sold futures positions in a particular commodity in any one delivery month; or
- a predetermined number of open bought or sold options in a single options series as may be prescribed by the Board; or a position where:
 - the number of open futures contracts which are not covered by opposite positions in the same contract in the same delivery month; or

- the number of options which are not covered by opposite positions in the same option series equals or exceeds such number as may be prescribed in each case by the Board.

SFE Members are required to make a report to the SFE if their NTA requirements (currently \$A 1 million) fall below 150% of the minimum requirement. SFE monitors positions and undertakes investigations where necessary. SFE has wide powers to take action if any undesirable market situation arises.

OSC

Early warning systems have been instituted by the TFE and the IDA. Members may be suspended if a panel auditor, exchange auditor, the IDA or the TFE determines that the member is insolvent, undercapitalized or that its financial or operational condition is such that its continued operation would be prejudicial to the public interest.

CVMQ

The regulation specifies that a securities dealer / broker must inform the CVMQ immediately when it does not have the net free or working capital required by the regulation. The rules of the exchange and of the clearing house also contain provisions that specify a dealer / broker have to advise the exchange and the clearing house immediately if it has indication or suspicion that it may not meet the requirements prescribed by the rules of the self-regulatory organization (re: minimum capital adequacy requirements).

SEC

HKFE and SEHK members are required to report “large open positions” in relation to house and client accounts.

HKCC and SEOCH impose and monitor capital-based position limits for all clearing members. Early warnings are provided if a member approaches these limits.

Dealers must notify the SFC and, if relevant, the exchanges if their liquid capital falls below 150% of the required amount or drops by 20% from the prior reporting period.

The exchanges and clearing houses are authorized to impose increased reporting requirements on any member.

SVS

The securities exchanges may suspend a member broker if he goes bankrupt or if it is highly probable that he is about to go bankrupt.

Furthermore, in such cases, the SVS is authorized to suspend or cancel the broker's registration in the Superintendency.

ESA

Institutes supervised by the FSA have to report losses to the FSA.

NZSC

An electronic surveillance feed operates between NZFOE and the Clearing House for daily reporting of all clearing member positions and client positions.

There are currently no preset increased reporting requirements. However, NZFOE Business Conduct Committee may request increased reporting at any time.

CONSOB

The CCG monitors clearing member's overall positions on a daily basis; to this scope the clearing house reviews member's potential risks under differential hypothesis.

Moreover, each clearing member is required to notify immediately the CCG if its net capital no longer meets the capital requirements. In such case CCG must promptly inform CONSOB and Bank of Italy and the member is given 3 months limit to reestablish the net capital amount required.

CNMV

Financial intermediaries, as well as the exchanges, are obliged to inform the CNMV (or the relevant regulatory agency) immediately of any event regarding their financial condition which may affect their solvency. This is due to the continuous nature of the relationship between firms and the relevant supervisory body.

Additionally, the full scope inspections conducted by the CNMV through routine and discretionary on-site visits permit to foresee any event of insolvency or lack of liquidity.

CNV

Each exchange, as an SRO entity, must supervise the activity of its members / intermediaries. According to CNV Resolution No. 227 they must monitor intermediaries' potential financial problems, in order to protect customers and to preserve the market's financial integrity. The Commission must be kept apprised of all relevant information on this matter.

BAWe

Every Clearing Member is required to report to the Clearing House immediately if he is unable to fulfill his obligations arising out of transactions conducted at the Deutsche Börse AG. The Emergency Committee of the DTB may decide the expulsion of the Participant.

If a Non-Clearing Member defaults on payment, the competent General Clearing Member is required to report this to the Clearing House. At the request of the GCM the NCM may - by decision of the Emergency Committee - be excluded from trading.

SC

The exchanges are required to furnish to the Commission a weekly market surveillance report which contains information to address concerns such as concentration of position, front running, churning, marking and any abnormal trading patterns prior to contract expiry or company announcement (in the case of equity derivatives). The exchanges conduct real-time market surveillance, and the Commission maintains a supervisory role over their activities.

The exchanges conduct:

- daily market surveillance of the markets they operate;
- surveillance of trading activities of members;
- periodic audits of members; and
- investigations into breaches of their business rules and undertake enforcement action. Where their investigation also reveal breaches of the FIA, the matter is referred to the Commission for further action.

ESB

A member shall at all times have own funds equal to the greater of:

- the initial capital referred to in Rule 4.2.5, 4.2.6, 4.2.7 or 4.2.8 as the case may be; or
- thirteen weeks operating costs; plus
- the position risk requirement; and
- the settlement risk requirement; and
- the large exposure risk requirement; and
- the foreign exchange risk requirement; such that the following formula is satisfied:

ONF	≥	CAR
<i>and</i>		
CAR	=	(greater of ICR or AOC/4) + PRR + CRR + FXR + LPR
<i>where</i>		
ONF	=	Own funds
CAR	=	Capital adequacy requirement
ICR	=	Initial capital requirement
AOC	=	Annual operating costs
PRR	=	Position risk requirement
CRR	=	Counterparty risk requirement
FXR	=	Foreign exchange risk requirement
LPR	=	Large position risk requirement

Subject to Rule 4.6.7, a member shall submit the capital adequacy return monthly within seven days of the end of the month or within such other period that the executive officer may require. Provided that a member shall at all times comply with the capital adequacy requirement referred to in these rules.

A member may apply in writing to the executive officer for exemption from the requirement to submit the return referred to in Rule 4.6.6 and the executive officer may, in his discretion, grant such exemption. Provided that the member confirms that it shall submit a similar return to another financial exchange or stock exchange or to the Registrar of Banks and such other financial exchange, stock exchange or the Registrar of Banks confirms that it shall accept such returns and, in terms of an agreement between it and Safex, ensure the compliance by the member with its rules and any other requirements relating to the capital adequacy of the member.

(b) Price Limits, Circuit Breakers

CFTC

In general, each exchange determines the price limits for a particular contract traded at that exchange. At CME and NYMEX, for example, the daily price limits are contained in each contract and vary contract by contract. In most contracts, however, the limits do not apply on the final day of trading. Certain contracts do not have price limits: however, most agricultural commodities have price limits.

Most exchanges have rules permitting the limits to increase should there be successive days of trading at the limit. CBT Rule 1008.01 (B) provides, for example, that if three or more contracts within a contract year close on the limit for one business day, then the limit would be raised to 150% of its current level, where it would remain for two successive business days.

Subsequent to the market crash of October 1987, all commodity exchanges trading securities derivative products have adopted coordinated circuit breaker rules which are designed to become effective when stock indices fall by specified amounts. The circuit breaker mechanisms include price limits and trading halts of specified durations followed by coordinated reopening procedures across markets.

SEC

Neither the SEC nor the securities or options SROs have imposed limits on the amount by which the price of an individual stock or option may fluctuate in any given day. The Commission, however, has approved procedures (called "circuit breakers") by which options trading as well as securities and futures trading will halt when the Dow Jones Industrial Average ("DJIA") declines below certain pre-set limits.

Specifically, pursuant to rules of stock, options and commodities SROs, equities, options, and stock index futures will halt trading for 30 minutes if the DJIA declines 350 points below the previous day's closing value. Trading will resume at the conclusion of the 30 minutes halt. If the DJIA subsequently declines 200 additional points (total of 550 point decline) in the same trading day a one hour trading halt is called.

In addition, the Commission has approved NYSE Rule 80A that imposes certain conditions on the execution of index arbitrage orders when the DJIA advances or declines 50 points or more from its closing value. Specifically, when the DJIA declines by 50 points or more from its previous day's closing value, all index arbitrage orders to sell in the component stocks of the Standard & Poor's 500 Stock Index entered on the NYSE must be entered with the instruction "sell plus". Conversely, when the DJIA advances 50 points, all index arbitrage orders to buy must be entered with the instructions "buy minus."

SIB

Whilst exchange rules vary, some provide for the temporary cessation of trading on a specified price limit move after which trading is resumed generally without limit. The length of time during which trading may cease will vary according to the exchange. Price limits will vary according to the contract being traded. At the discretion of the exchange, these may be altered.

Exchange rules also provide for emergency measures including cessation of trading with a view to maintaining orderly conduct of business. In the context of exchanges and clearing houses, the FSA imposes strict requirements of cooperation through the sharing of

information and otherwise with any authorities, bodies or persons having responsibility for the supervision or regulation of investment business or other financial services (FSA, Schedule 4, and s. 39).

COB

Margining is the responsibility of the clearing houses. MATIF SA has the authority to make intra-day margin calls in case of wide intra-day market volatility.

MOE

Stock exchanges have price limits as shown below:

- JGB futures: approximately 2.0% of last closing price;
- T-bond futures: approximately 3.0% of last closing price of CBOT;
- Stock index futures: approximately 5.0% of last closing price;
- Stock index options: approximately 5.0% of last index value of the cash market.

Trading by prices over or under the price limit is not allowed till closing time.

Stock exchanges have circuit breakers. Futures trading shall be suspended for 15 minutes, when the futures price advances (or declines), and exceeds a specified price range and at the same time a specified point of intervals of the fair value.

Implementation or exercise of the emergency measures depends on the judgement of the market situation by the stock exchanges.

ASC

There are no price limits or circuit breakers.

OSC

The TFE has daily price limits on its contracts. In addition, the TFE has circuit breakers applicable to stock index futures which track

the circuit breaker provisions on the TSE and the New York Stock Exchange.

CVMQ

The rules of the exchange include provisions concerning circuit breakers to halt trading in certain circumstances and the Governing Committee of the Montreal Exchange establishes for each futures contract a maximum price limit with respect to the previous days settlement price.

SEC

HKFE maintains maximum fluctuation limits for HIS futures, HIS sub-index futures, and HIBOR futures. However, there are no limits for spot month contracts. There are also no fluctuation limits for HIS options, currency futures, and stock futures.

There are no price limits for SEHK stock options.

There are no circuit breakers in Hong Kong.

SVS

The maximum allowed variation for IPSA futures contracts is 15% of the contract's closing price on the previous day; 3.75% for the observed dollar. If these limits are exceeded, trading is stopped and the clearinghouse evaluates the positions. Later, trading may begin again, but operations will be subject to new maximum variations fixed by the clearinghouse, which if violated a second time may lead to a halt to trading for that day.

ESA

There are no such price limits. Off-exchange transactions have to be done within the current spread at the exchange.

NZSC

There are no price limits or circuit breakers.

CONSOB

At the present, there are no price limits or circuit breakers on the Italian derivative market.

CNMV

Each exchange determines the price limits for the contracts traded at that exchange. Both at MEFF RF and FCM price limits exist for futures contracts, varying according to the contract. In contrast, at MEFF RV, neither index futures and options nor individual stock option contracts have price limits.

Neither the CNMV nor the exchanges have adopted circuit breaker procedures.

In this sense, it is worth noting that trading halts in the underlying market do not necessarily imply cessation in futures and options trading. Nevertheless, during these halts market makers become discharged of any assumed obligation concerning quotation (frequency, maximum spread, etc.). In practice, the exchange is sufficiently empowered to take account of an emergency situation.

CNV

Each exchange determines the daily limits for all contracts traded on that exchange.

BAWe

No price limits in DTB trading are currently set by the Board of Governors. However, under the Exchange Rules, the Board of Governors has the option of employing all the available measures - including price limits - to maintain orderly market conditions. There exist no rules concerning circuit breakers.

SC

Price limits, position limits, and reportable positions are limits that can be, and are imposed by the exchanges and clearing houses under their respective business rules. Position limits and reportable positions can also be imposed by the Commission under the FIA.

ESB

There is no price limit, the transactors decide the price where they are willing to buy and sell respectively. The only limit is if the trade is not exempt from on-ATS trading, it must be at the best bid or offer price to trade automatically

(c) Super Margins

CFTC

Some exchanges have established rules for calling additional margins when market conditions and price fluctuations cause the responsible official to conclude that additional margins are required to maintain an orderly market or to preserve fiscal integrity. See, e.g., CME Rule 828A. KCBT has a similar rule.

NYMEX Rule 9.20 (C) permits a clearing member to have a position in excess of its aggregate position limits provided that the clearing member deposits with the clearing house two times the original margin or straddle margin required for a futures contract at the highest rate of original margin for any futures contract. CSC has a similar rule for expanding capital based position limits.

SEC

Broker-dealers and OCC have the authority to request the payment of increased margins on an intra-day basis on a firm-by-firm basis as conditions warrant. Generally, OCC will make an intra-day margin call to protect against extreme intra-day market volatility.

SIB

Additional margin requirements may be imposed across the board at the discretion of the exchange / clearing house during, for example, times of particularly high volatility.

An exchange / clearing house may determine that an individual clearing member firm is particularly at risk and may impose on that clearing member additional margin requirements in excess of those imposed on other clearing members.

COB

MOE

In case of emergency, stock exchanges can increase margin levels.

ASC

This is at the discretion of the Clearing Houses and the Members of the SFE.

Margining is the responsibility of the Clearing Houses. Any change to margining procedure is only implemented after full consultation with the Exchange.

OSC

The TFE and CDCC each have rules which enable them to increase margins as necessary in emergency situations. The OSC, pursuant to subsection 20 (2) of the CFA may, where it is in the public interest, to do so.

CVMQ

Rules of the exchange and of the clearing house establish minimum initial and maintenance margin levels for all products. The amount of margin which a broker / dealer may be required to deposit may be varied at any time and from time to time without advance notice whenever the Canadian Derivatives Clearing House, in its sole discretion, considers such variation necessary or advisable for the protection of the corporation, clearing member or the investing public. Clearing members may impose more stringent margin requirements than those imposed by the clearing house or the exchange.

SEC

HKCC and SEOCH may call for additional margins or intra-day margin. Intra-day margin calls are triggered by specified parameter breaks or at the discretion of the clearing house. Members are required to meet these calls within one hour. HKCC imposes a special additional margin requirement on members who have total net margin exceeding 30% of the total net margin requirement of all the members having the same kind of risk (i.e. either upside or downside risk) in the market.

SVS

The securities exchanges are authorized to increase the margins when market conditions so require; however, reducing margins requires authorization from the SVS.

ESA

The collateral margin can, according to the OM general conditions, be either positive or negative. A negative collateral margin means that the customer must provide additional collateral.

NZSC

This is at the discretion of the Clearing House with respect to Clearing Members and at the discretion of Dealers with respect to client positions.

The clearing house after consultation with the Exchange, may adjust initial margin rates at any time with immediate effect.

CONSOB

CCG may call intra-day margin in case of an unusual price movement occurred in one or more derivative instruments. The additional margin is equal to the difference between the amount of initial and variation margins owed with respect to all open positions valued at the last price before the margin call and the amount of global guaranties already deposited by each member.

CNMV

Market rules contemplate the possibility that the exchanges require under exceptional market circumstances, at their discretion, from their members and clients an extraordinary margin, consisting in an amount in addition to the daily margin. Such intra-day margin call implies only one-sided payments.

The extraordinary margin should apply whenever the price of the underlying asset gets outside the valuation interval considered for the calculation of the daily margin, so the guarantee deposits of the exchange are insufficient to properly cover any position in case of default.

In the particular case of the equity options contracts traded on MEFF Renta Variable, an additional mechanism for extra margin calls has been set up. The margin required for an account position is increased proportionally when the delivery obligations at settlement could represent a significant amount of the average trading volume in the underlying market.

Also, in agricultural contracts margins are doubled for short positions during the delivery period.

CNV

Exchanges may increase margin levels whenever market conditions so require. This is at the discretion of the exchange, and subject to the approval of the Commission.

BAWe

Besides the usual margins, pursuant to No 1.3.3 of the Clearing Conditions, the Deutsche Börse AG Clearing House may require larger or additional collateral. The General Clearers have the same right vis-à-vis the Non-Clearing Members.

SC

The clearing houses are able to vary the amount of initial margin that may be paid in respect of a particular contract and to call for the payment of variation margin on an intra-day basis. Under the business rules of the clearing houses and under the FIA, the clearing houses may close out or transfer the positions held by a clearing member in the event of a default by that member.

ESB

Clearing members may require additional margin from non-clearing members and non-clearing members may require additional margin from clients.

8. Recordkeeping (specify types and manner of financial records to be maintained (e.g., accounting records using GAAP)); retention period, availability, and confidentiality.

(a) Who Maintains, and Where

(b) Who has Access, and When

CFTC

Rule 1.31 requires all books and records to be kept for a period of five years and to be readily accessible during the first 2 years of the 5-year period. All books and records must be open to inspection by any representative of the CFTC or the U.S. Department of Justice.

Under Rule 1.31 (b) and (c), computer, accounting machine, or business machine generated records may be immediately produced or reproduced on microfilm or microfiche, or produced on an optical disk in conformity with the requirements of Rule 1.31 (d). For all other books and records, microfilm or microfiche copies may be substituted for the hard copy for the final three years of the five-year period. Such microfilm or microfiche records must be arranged and indexed and must be easily accessible.

Pursuant to Rule 1.18, FCMs and IBs (except for IBs operating pursuant to a guarantee agreement), unless also a B/D, must prepare and keep current ledgers which show each transaction affecting asset, liability, income, expense and capital accounts consistently with the form 1-FR (or the FOCUS Report if a B/D), and make a formal computation of their adjusted net capital and their minimum financial requirements as of the close of business each month.

Pursuant to Rule 1.27 each FCM which invests customer funds must keep a record which shows the details of the investment, including the size and type of investment, the date of the investment, and any disposition made of the investment.

Rule 1.32 requires an FCM to compute each day the customer funds in segregated accounts and the FCM's residual interest in those funds.

Under Rule 1.34 each FCM is to prepare a monthly balance of all open positions which brings to the closing or settlement price all open futures and option positions.

Rule 1.35 (a) contains the general recordkeeping requirements for FCMs and IBs with respect to futures, commodity options, and cash commodity transactions. FCMs and IBs must keep full, complete, and systematic records, together with all pertinent data and memoranda. Records to be kept include all orders (filled, unfilled, or canceled), trading cards, signature cards, street books, journals, ledgers, canceled checks, copies of confirmations, copies of statements of purchase and sale, and all other records, data and memoranda which have been prepared in the course of its business.

Rule 1.35 (a-1) (1) (4) requires FCMs and IBs to prepare written records of a customer order immediately upon receipt. The records must include the customer identification and order number, and must be time stamped to the nearest minute from the time the order is received. For option customers the record shall record to the nearest minute the time the order is transmitted for execution.

Rule 1.35 (b) requires FCMs and IBs to regularly prepare and maintain account ledgers and transaction journals which record, for each customer, charges and credits to an account, and detailed information about futures and option transactions.

Rule 1.36 (a) requires FCMs to maintain records of all securities and property received from customers to margin, purchase, guarantee, or secure a futures or exchange option transaction. The records must show where the property is deposited and any other disposition of the property.

Rule 1.37 (a) requires FCMs and IBs to keep a record of each account carried, the name and address of the customer, and the customer's principal occupation or business. The record must also show the name of any person guaranteeing the account or exercising any control over it.

Rule 1.37 (b) requires each FCM carrying a futures or option omnibus account for another FCM, foreign broker, or other person to maintain a daily record of the positions in each such account. See also records required by exchanges of large traders' gross positions which are used for financial as well as market surveillance, as discussed in II.B.5 (d) below.

SEC

Rule 17a-3 under the 34 Act requires broker-dealers to keep records relating to, among other things: (1) daily transactions and receipts and disbursements of money; (2) the firm's assets and liabilities, income and expense, and capital accounts; (3) each cash and margin account of every customer and each account of the firm and its partners that reflects all purchases, sales, receipts, and deliveries of securities for such accounts; and (4) the location of various securities for which the firm is responsible.

Rule 17a-4 under the 34 Act, contains the preservation requirements for the broker-dealer's records. Generally, records must be preserved for three or six years with the first two years in an easily accessible place. Rule 17a-4 permits a broker-dealer to substitute, in place of hard copy versions, microfiched or microfilmed copies of the records required to be maintained and preserved pursuant to Rules 17a-3 and 17a-4. Rule 17a-4 also permits a broker-dealer to employ electronic storage media that meets the conditions set forth in 17a-4 to maintain records pursuant to Rules 17a-3 and 17a-4.

The Commission and the SROs have access to registered broker-dealers' books and records. These books and records, which are treated as confidential, must be available for immediate examination on the firms' premises. Public access to such information is limited by Regulation § 200.80 (b) (17 C.F.R. § 200.80 (b)) adopted by the Commission under the Freedom of Information Act ("FOIA") (5 USC § 552 (1989)).

SIB / SFA

The financial records which a firm is required to maintain are identified in Rules 3-10 to 3-14 inclusive of SFA's financial rules.

The essential requirement relating to financial records is that such records must be sufficient to show and explain the firm's transactions and commitments (whether affected on its own behalf or on behalf of others) and in particular so that these records:

- (i) disclose with reasonable accuracy the financial position of the firm at any point in time within the previous six years when the firm was a member of SFA;
- (ii) demonstrate whether or not the firm is or was at that time complying with its financial resources requirement; and
- (iii) enable the firm to prepare within a reasonable time any financial reporting statement required by SFA as at the close of business of any date within the previous six years when the firm was a member of SFA, and such that the statement complies with the requirements of the rules of SFA.

A firm must ensure that its accounting records shall as a minimum contain:

- (i) entries from day to day of all sums of money received and expended by the firm whether on its behalf or on behalf of others, and the matters in respect of which the receipt and expenditure takes place;
- (ii) a record of all income and expenditure of the firm explaining its nature;
- (iii) a record of all assets and liabilities of the firm including any commitments or contingent liabilities;
- (iv) entries from day to day of all purchases and sales of investments by the firm distinguishing those which are made by the firm on its own account and those which are made by or on behalf of others;
- (v) entries from day to day of the receipt and dispatch of documents of title which are in the possession or control of the firm; and

- (vi) a record of all investments or documents of title in the possession or control of the firm showing the physical location, the beneficial owner, the purpose for which they are held and whether they are subject to any charge.

A firm must ensure that its accounting and other records contain details of exposure limits for trading positions, and for commitments under its adequate credit management policy, which are appropriate to the type, nature and volume of business undertaken and that the information contained in the records is capable of being summarised in such a way as to enable actual exposures to be measured readily and regularly against these limits (SFA's FRs, 3-12 (1)).

A firm must maintain its records in a manner such that they disclose, or are capable of disclosing, in a prompt and appropriate fashion, the financial and business information which will enable the firm's management to:

- (i) identify, quantify, control and manage the firm's risk exposures;
- (ii) make timely and informed decisions;
- (iii) monitor the performance of all aspects of the firm's business on an up-to-date basis;
- (iv) monitor the quality of the firm's assets; and
- (v) safeguard the assets of the firm, including assets for which the firm is responsible belonging to customers and other persons (SFA's FRs, 3-12 (2)).

A firm may keep a record in a form other than a document or copy of a document provided that the record can be reproduced in hard printed form. Where all the records relating to a counterparty are not kept together, a firm must ensure that each location where documents relating to that counterparty are retained contains an indication that other records relating to that counterparty exist and how access to them can be obtained. A firm may accept and rely on records supplied by a third party so long as those records are capable of being and are reconciled with records held by the firm.

A firm's records must generally be in English but may be in another language if the firm has facilities for producing a translation of the record into English within a reasonable time of any request for production of such a translation being made by SFA or the firm's auditor or reporting accountant (SFA's FRs, 3-13 (1)).

A firm must keep all records required by Rules 3-10 to 3-13 as well as any working papers necessary to show the preparation of any reporting statement or any other periodic return to SFA. A firm must keep these records and working papers for a period of six years after the date on which they are first made or prepared (SFA's FRs, 3-13 (4)).

A firm must produce any record, working paper or document required to be kept by Rules 3-10 to 3-13 to SFA or anyone nominated by SFA on demand at such reasonable time and place as may be specified by SFA or its nominee (SFA's FRs, 3-14).

COB

The following records and documents relating to a market member's business on the French futures market must be kept on a daily basis:

- Transactions for each customer's account (deposits and margins);
- Open positions by customers, for each contract's maturity; and
- Business day commissions and premiums.

Monitoring of the compliance with financial rules also has to be available as does every statement relating to relationships with customers. Market participants are required to maintain complete and accurate information about funds and transactions on a daily basis.

The relevant exchanges and clearing houses have access to these records as well as the professional body the CMF, and the prudential supervisor the Banking Commission.

Documents and data relating to transactions made on a regulated market, including a derivatives market have to be kept for a period of five years by the market member.

MOE

The accounts and trade records must be made and kept for at least ten years by every securities house. The detail of the record requirements are described by laws.

ASC

Section 1213 provides that a futures broker (but not a futures adviser) shall keep such accounting records, in such detail as required by s. 1213 (2) of the CL, as correctly record and explain the transactions and financial position of the business of dealing in futures contracts carried on by the broker. The records are to be kept in such a manner as will enable true and fair profit and loss accounts and balance sheets to be prepared.

Records of transactions entered on behalf of a client are to be kept separate from records of other transactions entered into by the broker (s. 1213 (4)).

The accounting and audit provisions of the CL in respect to futures brokers apply regardless of where the business is carried on (s. 1212 (1)).

If accounting or other records are kept by a futures broker at a place outside Australia, the broker shall cause to be sent to and kept at a place in Australia such particulars with respect to the business dealt with in those records as will enable true and fair profit and loss accounts and balance sheets to be prepared (s. 1213 (8)).

The ASC may require a corporation who is the holder of a futures broker license to give it specified information relating to the business of dealing in futures contracts that it is carrying on, or has carried on (s. 1154 (1) CL).

An auditor of a futures broker has a right of access at all reasonable times to the accounting records and other records, of the broker,

and is entitled to require such information and explanations as the auditor desires for the purposes of audit (s. 1219 CL).

Section 29 of the Australian Securities Commission Act ("ASCA") gives power to the ASC to inspect without notice any book that the CL requires to be kept. Sections 30 and 32 of the ASCA give power to the ASC to require the production of books in relation to the affairs of a body corporate and in respect to futures contracts upon notice being given. "Books" is widely defined and includes accounting records however stored.

Section 1274 of the Corporations Law limits public access to futures documents that are lodged subject to statutory reporting requirements. This includes auditors reports and profit and loss statements of futures brokers.

A broker must retain company records for a limit of 7 years.

OSC

The TSE, the TFE and the IDA receive audited financial statements annually from their members. The key financial filing is the monthly JRFQR, which includes a balance sheet (including a categorization of assets as "allowable" or "non-allowable") and a calculation of risk adjusted capital (a negative risk adjusted capital represents a capital deficiency). Dealers must notify the TSE, the TFE or the IDA if their risk adjusted capital falls below requirements. Auditors, appointed by the TFE, the TSE or the IDA and approved by the OSC, have unconditional access to all books and records of each dealer.

Dealers must maintain books and records necessary to record properly their business and financial affairs. Records may be kept by mechanical or electronic devices provided that the dealer takes adequate precaution to guard against the risk of falsification and provided that the dealer provides a means for making the information available in an accurate and intelligible form to any person lawfully entitled to examine the records.

Dealers must also maintain an itemized daily record of: all trades in contracts; all receipts and disbursements of cash; all other debits and credits; the account for which each transaction was effected; the date of the transaction; the exchange; the name of the dealer, if

any, used by the dealer to effect the trade; the commodity, the quantity bought or sold; the delivery month and year; the price at which the contract was entered into; and, in the case of options, the type and number bought or sold, the premium, the underlying interest, the delivery month, the year of the futures contract forming the underlying interest in the case of futures options, the declaration date and the strike price.

In addition, dealers must maintain a ledger for each customer setting out the property received from the customer and detailing all transactions involving such property. Dealers must also compile a commodity record showing separately for each commodity all long or short positions carried for its accounts and for the accounts of its customers.

Records showing each order or instruction received respecting trades in commodity futures contracts and commodity futures options (whether executed or unexecuted) must also be maintained as must copies of all statements sent to customers.

Documents relating to unexecuted orders or instructions, confirmations of trades, statements of purchase and sale and monthly statements must be maintained for a period of at least 2 years. Documents and instructions relating to executed orders or instructions must be maintained for a minimum of 5 years.

CVMQ

Securities Act (Quebec)

A dealer / broker must keep the accounting books and registers necessary to its activities and must retain them for a period of at least five years.

The accounting books and registers that a dealer must keep include:

- a register for primary registration in which are entered in chronological order purchases and sales of securities allocated according to the markets on which the transactions were effected, securities received and delivered, cash receipts and disbursements;

- a customer's ledger in which, for each separate account, are entered the buy and sell transactions, the securities received and delivered, and all the other transactions entered as debits or credits in the account;
- the books in which are entered:
 - the securities being transferred;
 - dividends and interests received;
 - securities borrowed or loaned;
 - sums borrowed or loaned, with identification of the security attached;
 - securities not received or not delivered by settlement date;
 - long and short positions for each security, both in customers' accounts and in those of the registered person, with identification of the account and the place in which the securities are kept or the position taken in compensation for the securities sold short;
- a register of buy and sell orders and the related instructions, in which are entered:
 - the description of the order;
 - the account to which it refers;
 - the name of the person who placed the order;
 - the date and the time of the order;
 - where applicable, the fact that the order was placed under a management contract;
 - the price at which the order was executed;
 - the date;
- a register containing the copies of the confirmation slips and the statements sent to customers;
- a file for each customer containing:
 - the name and address of the account holder and, where applicable, of his guarantor;
 - any proxy by which the account holder grants to another person power to place orders for him, with the address of that person;

- in the case of a joint account or an account opened in the name of a company, the name and address of the person authorized to place orders, with the document granting him such power;
 - where appropriate, a contract for a margin account, signed by the holder of the account, and, where applicable, by his guarantor;
- a register in which are entered the options bought, sold or underwritten by the dealer, with the value and number of the securities to which those options refer;
- books and registers showing in detail all the assets and liabilities, proceeds and expenses as well as capital;
- a monthly trial balance and a monthly computation of adjusted liabilities and net free or working capital;
- a register in which are entered details of the daily commissions of the representatives.

ME

Every member of the ME must comply with the provisions of the Securities Act.

TCO

Every clearing member shall keep records showing with respect to each exchange transaction:

- the names of the clearing members who are parties to the transaction;
- the trade date;
- the name of the client;
- if in respect of a future, the class and series of futures, the underlying interest, the number of contracts, the contract price, the delivery month and year, whether the transaction was a buy or sell transaction and whether it was an opening or closing transaction;

- if in respect of an option, the class and series of options, the underlying interest, the number of contracts, the premium, the exercise price, the expiry month, whether the transaction was a purchasing or a writing transaction and whether it was an opening or a closing transaction; and
- such other information as may from time to time be required by law, regulation, and Exchange or TCO.
- Such records and all other records required by these Rules of TCO, shall be retained readily accessible for at least 6 years from the end of the calendar year to which such records related in such form as TCO may authorize. TCO shall be entitled to inspect or take temporary possession of any such records at any time upon demand.

TCO shall issue to each clearing member who engage in one or more exchange transactions in options as reported to TCO by an exchange a report covering each exchange transaction made on that exchange during each business day and cleared through a clearing member. It is the responsibility of each clearing member to ensure that the report is correct.

IOCC

Each business day, the IOCC issues to every clearing member daily reports. Daily reports include:

- Daily position reports;
- Daily margin reports;
- Daily deposit statements;
- Daily settlement statements.

SEC

The SFC has statutory access to all dealers and advisors records at all reasonable times. HKFE, SEHK, and the clearing houses have access under their rules to their members' records on demand or via inspection with or without prior notice to the member.

SVS

The clearinghouse must maintain records of all operations, client margins, and daily account fluctuations. The brokers must maintain records of the operations they carry out and of the margins that their clients leave.

The SVS has access at any given moment to all existing information in the clearinghouses. It has access as well to external audits contracted by the clearinghouse. However, brokers have access only to the information relative to their own operations or their clients'.

FSA

The securities firms have to save settlement notes for ten years.

The FSA is entitled to get at any time information out of these notes. By delegation from the government the FSA may provide for the current recordkeeping, annual accounts and reports.

NZSC

Regulation 23 of The Future Industry (Client Funds) Regulations 1990 sets out the recordkeeping responsibilities of dealers with respect to client money and property, as follows:

1. Every dealer shall at all times keep, in relation to the clients of the dealer, in such manner as will enable the audit thereof to be conveniently and properly carried out, accounting and other records that are separate from any other records of the dealer and correctly record and explain:
 - (a) Particulars of all amounts deposited in, and of all amounts withdrawn from, each client bank account;
 - (b) Separately from, but in addition to, the particulars referred to in paragraph (a) particulars of all amounts deposited in, and of all amounts withdrawn from, each client bank account pursuant to regulation 18 of the regulations;

- (c) Particulars of all amounts credited or debited to each client funds account;
- (d) Particulars of all specified client investments of the dealer;
- (e) Particulars of all other client property deposited in safe custody or held by the dealer;
- (f) Particulars of all dealings of each client with the dealer, including details of all amounts credited or debited to each client in each client bank account and each client funds account;
- (g) Separately from, but in addition to, the particulars referred to in paragraph (f), where the client is another dealer who maintains a client funds account with the dealer, particulars of all amounts credited or debited by the dealer in respect of the client funds account of the other dealer.

2. Every dealer shall ensure that the client records of the dealer are available on request for inspection by its auditor and by any person authorised by any authorised futures exchange of which the dealer is a member.

NZFOE rules require Dealers to maintain internal records showing the time, date and nature of instructions received from, and trades executed for, clients and to maintain separate internal records showing the time, date and nature of its own orders and trading and the source of funds used for that trading. Such records are to be maintained for a period of not less than two years from the date of a trade.

Dealers are also required to maintain such accounting records as correctly recorded and explain the transactions of the Dealer and the financial position of the Dealer and as will enable compliance with these NZFOE Rules to be conveniently ascertained by the Business Conduct Committee and otherwise conveniently and properly audited.

NZFOE members are required to provide the Business Conduct Committee with such financial reports, within such time, as the Business Conduct Committee requires. Such information shall include true and correct statements of the following:

- (i) a monthly return of the Dealer's position with regard to clients' funds, within two working days of the last business day of the month;
- (ii) a monthly return of the dealer's financial position, within 10 working days of the last business day of each month;
- (iii) signed audited annual financial accounts, within three months of the Dealer's annual balance date.

Such statements are binding on the Dealer, and are to be signed by the Dealer, or by a partner or director of the Dealer, as the case may be, or by a person duly authorised by the Dealer to sign such statements.

CONSOB

Consob, after consulting the Bank of Italy, is empowered to issue a regulation on the information requirements with respect to trading (article 25 of Legislative Decree no. 415/1996).

Consob and the Bank of Italy, within the scope of their respective authority, may require investment firms and banks to communicate data and information and to transmit documents and records in the manner and within the time limits they establish.

Intermediaries have to comply with the following:

- a monthly report on their financial position describing liquid assets, investment portfolio, net assets and income statement items detailed for each activity carried out;
- an electronic recordkeeping of detailed data related to every single transaction carried out, and every single contract concluded with customers.

Intermediaries have to keep records of such data for at least a minimum of eight years (article 4, paragraph 1, of the regulation

implementing articles 6 and 7 Law no. 157/1991, adopted by Consob with resolution no. 5553/1991).

Pursuant to article 6 Law no. 157/1991, Consob may determine procedures for computerized registration, by each regulated market, of all securities transactions carried out on it.

This provision is intended to enable Consob to conduct investigations at any time on each security, each type of transaction and each authorized intermediary. Records must be retained for a period of at least eight years in order to make it possible to identify each transaction, as and when necessary:

- the parties of the transaction;
- the type of transaction;
- the securities involved;
- the quantity;
- the unit price;
- the date and time of execution of the transaction.

CNMV

Royal Decree 629/1993 and *Circular 3/1993* on registers of orders and transactions require all persons or institutions carrying out activities related to securities markets to keep all books and documents originally prepared on the course of their business of dealing in the securities markets.

These regulations state as well that every financial intermediary shall count on a registry of operations containing the information on the orders received from third parties relating to their activity of intermediation, entry and deposit on financial markets, as well as the information related to subsequent actions by the receiving institutions, with respect to the operations carried out referred to in the said orders.

In particular, it is binding to keep the following registries:

File of vouchers for orders: comprising the original copy of the order signed by the customer or authorized person when it is presented in writing, recording tape when communicated by telephone, or magnetic record in case of electronic transmission. In case of telephonic orders, it is

also necessary written confirmation. This registry has to be maintained at least for three years, except for recording tapes, that will be kept only for three months.

Registry of operations: containing all the information with regard to any order that the entity would have received, including date and time of reception, as well as other data connected to its execution and clearing thereof. Each entry in this registry shall be supported by an order from the file of vouchers. Lastly, it has to be managed by electronic means and has to be kept at least for five years.

The combination of all that information must permit the tracing of a customer order from the time the customer authorizes the transaction through its execution.

Finally, all these documents must be open to inspection by the supervisory authorities and submitted to them upon request.

The minimum period of maintenance of the information stored at the compulsory registers has been increased to six years.

CNV

Each exchange requires their members / intermediaries to maintain records of all operations they carry out. At the same time, each exchange maintains records of all operations, margins, and daily account fluctuations.

BAWe

- (a) The accounting rules in Germany are based on the regulations of the Commercial Code (Handelsgesetzbuch - HGB), namely on the regulations on bookkeeping and balance sheets pursuant to Sections 238 ff HGB for all businessmen, and, additionally, pursuant to Sections 264 ff HGB for incorporated enterprises. In addition, farther-reaching regulations apply to credit institutions under the German Banking Act (Kreditwesengesetz - KWG).

Each Participant's bookkeeping must correspond to the principles of proper bookkeeping and balance sheet preparation, which are modified principally in Section 252 HGB, and must consequently be:

- * complete;
- * correct;
- * punctual;
- * orderly;
- * clear and easily surveyed; and
- * verifiable.

Taking as an example share options, the bookkeeping must record the following information:

- * internal contract (voucher) number;
- * transaction date;
- * parties (customer / DTB Clearing House, GCM);
- * contract designation;
- * number of contracts;
- * expiration date (month);
- * option price; and
- * basic price.

Furthermore, it must be possible to classify the positions according to various aspects; in particular, it must be possible to see the difference between trading for own account and customer orders.

- (b) It goes without saying that the competent supervisory authority - in particular, the Federal Banking Supervisory Office as far as banks are concerned - has the right of inspection and examination. Pursuant to the Exchange Rules, the DTB also has the right to inspect the business transactions using an auditor.

Audit results are subject to special regulations regarding confidentiality.

SC

Section 36 of the FIA requires exchange companies, clearing houses

for exchange companies, futures brokers and futures fund

managers to keep accounting and other records and prepare and submit to the Commission profit and loss account and balance sheets. In addition, they also have a statutory duty under the Companies Act 1965 to maintain accounting and other records. Section 54 of the FIA further provides for the futures brokers to maintain records relating to receiving instructions from their clients. All futures brokers must keep separately from other records such records which correctly record and explain trading in futures contracts by the broker on the broker's own account. These records must be kept for five years. All other records pertaining to clients' details must be kept for seven years.

Section 95 of the FIA provides that an exchange company, a clearing house or a licensed person must produce such books, accounts and records kept by it or him in connection with or for the purpose of his business or in respect of any trading in futures contract as the Commission may require and provide such other information relating to its or his business or trading in futures contracts as the Commission may require.

ESB

The relevant exchange and all its members are to maintain records at their place of business as set out in the regulations made by the Minister of Finance.

The exchange and the regulator has access to such records.

See I.A.1. (a) and I.A.1. (b).

B. Fairness

1. Authorization, Qualification and Good Standing Requirements Other than Capital Adequacy (e.g., Probity, Competency) for:

(a) Exchange Members; Governing Members

CFTC

Exchange Members and Governing Members: - Current CFTC Rule 1.63 prohibits persons with the following disciplinary

histories from serving on any SRO's disciplinary committees, arbitration panels or governing board:

- any violation of the rules of an SRO except rules related to decorum and attire, financial requirements, or recordkeeping or reporting requirements which result in fines aggregating not more than \$5 000 in any calendar year;
- any SRO rule violation which involves fraud, deceit or conversion, or results in suspension or expulsion;
- any violation of the CEA or regulations promulgated thereunder;
or
- failure to exercise supervisory responsibility when such failure is itself a violation of the SRO's rules, or the CEA and the rules promulgated thereunder.

The FTPA of 1992 amended the CEA to require the CFTC to establish various standards with respect to the composition of SRO governing boards and disciplinary committees. Essentially, the FTPA of 1992 requires a greater diversity of representation on SRO governing boards and disciplinary committees in order to promote the integrity of the self-regulatory process. In order to implement these new requirements, CFTC Rule 1.64 requires various SROs to adopt rules establishing composition requirements for their governing boards and major disciplinary committees. In addition, Rule 1.63 prohibits persons with certain disciplinary histories from serving on any SRO oversight panel. These requirements are intended to assure representational diversity in decision-making, to foster integrity and impartiality in decision-making, and to prevent preferential treatment in disciplinary proceedings. See ~~58 Fed. Reg.~~ 37644 (July 13, 1993); corrected at ~~58 Fed. Reg.~~ 42361 (August 9, 1993).

The CFTC has published proposed Rule 1.69 which would implement the provisions of Section 217 of the FTPA of 1992, Prohibition on Voting by Interested Members. Proposed Rule 1.69 would require contract markets to adopt rules and procedures to avoid conflicts of interest in deliberations and voting by members of the governing board and disciplinary and other oversight committees. The proposed rulemaking among other things, provides guidelines on situations which would require committee

members to abstain from voting on a significant action because of a substantial financial interest in the outcome of the vote based on positions held personally or at an affiliated firm. In addition, the proposed rulemaking would require committee members to abstain from matters on which they have a close personal or financial relationship with the matter's named party in interest. Proposed Rule 1.69 was published for comment in May 1996. See ~~61 Fed. Reg.~~ 19869 (May 3, 1996). There is no statutory deadline for the completion of this rulemaking.

Floor Brokers:

See II.B.1 (c) below (registration required).

Floor Traders ("Locals")

See II.B.1 (c) below (registration required).

SEC

Registration as a broker-dealer generally is the only category of registration available to a person acting as a financial intermediary in derivative securities products. Persons limiting their activities to investment advice, however, may be required to register only as an investment adviser.

To register as a broker-dealer with the Commission, an applicant must complete and file an application form (Form BD) that specifies the applicant's proposed business activities, lists its officers, directors, control persons, and owners, and discloses the criminal and regulatory disciplinary history of the applicant and its control persons. Non-resident applicants must submit an irrevocable appointment of the Commission as agent for service of process. Within 45 days after a completed application has been filed, the Commission either will grant registration or institute proceedings on whether registration should be denied.

In addition to registering with the Commission, a broker-dealer must become a member of one or more appropriate self-regulatory organizations ("SRO"). If a broker-dealer effects transactions solely on a national securities exchange, that exchange is the appropriate SRO. All other broker-dealers must become members of the NASD. Every registered broker-dealer doing business in

derivative securities products (other than government securities) also must become a member of the Securities Investor Protection Corporation, unless the broker-dealer's principal business is conducted outside the United States.

Associated persons of a broker-dealer, such as partners, officers, directors, branch managers, and employees, must meet certain qualification requirements if their functions are not solely clerical or ministerial. These requirements include filing an application (Form U-4) that discloses the person's employment, personal, criminal and regulatory disciplinary history, and passing an SRO securities examination. In addition, associated persons of a broker-dealer generally must be fingerprinted, and these fingerprints must be submitted to the Attorney General of the United States.

As indicated above, non-resident applicants for broker-dealer registration must submit an irrevocable appointment of the Commission as agent for service of process. In addition, non-resident broker-dealers must either maintain copies of all required records in the United States or agree to furnish such records in the United States upon demand.

The Commission can bar, suspend, censure, or limit the activities of any broker-dealer if the Commission finds, on the record after notice and opportunity for hearing, that the broker-dealer or an associated person of the broker-dealer:

- (1) has willfully made or caused to be made in any application for registration or other report required to be filed with the Commission or any other appropriate regulatory agency a false or misleading statement or omitted a material statement;
- (2) has been convicted within the previous ten years of a felony or misdemeanor that involves, among others: (a) the purchase or sale of a security, making false statements, bribery, burglary, or conspiracy to commit any such offense; (b) arises out of the conduct of business of a financial intermediary; or (c) involves the misappropriation or forgery of funds or securities; or (d) involves financial fraud or extortion; or the foreign equivalent of any of the above;

- (3) has been enjoined preliminarily or permanently from acting as a financial intermediary, or has willfully violated or aided and abetted a violation of various investment-related laws; or
- (4) found by a foreign financial regulatory authority to have committed certain violations. (See Section 15 (b) (4) of the 34 Act.)

Probity: Any broker-dealer or associated person of a broker-dealer who is subject to a "statutory disqualification" as defined in section 3 (a) (39) of the 34 Act may be prohibited from entering or staying in the business. In addition, if an SRO adjudges a member guilty of violations of its rules or the 34 Act, it may bar, suspend, fine, censure, or limit the activities of the member.

Competency: The options SROs require that all registered representatives pass a general securities examination that includes options questions. Options supervisors must pass a general principal examination plus a separate options principal examination.

SIB

Authorisation may be obtained through membership of an SRO or from SIB. In either case the applicant is required to show that it is fit and proper to carry on the investment business and provide the service intended. The fit and proper standard is the cornerstone of the investor protection regime.

SIB and the SROs apply three main criteria to the assessment of fitness and properness -honesty, competence and solvency - and they take a broad view of the scope of each of these. They may take into account any matter relating to any person employed or to be employed by, or who is an officer or key member of staff of the applicant, or who is associated with the applicant, together with any matter relating to holding companies or other controllers of the applicant.

An applicant is required to demonstrate an understanding of and commitment to the rules relevant to its proposed business and that it has established and will maintain procedures enabling and

securing compliance with these rules and the standards set by the ten Statements of Principle issued by SIB under the FSA.

Authorised firms are monitored for compliance with the Principles and rules applicable to their business. This process is carried on both internally and by visits to the firms e.g., by scrutiny of returns, appraisal of systems, examination of procedures in practice and of client records.

There are available to SIB under the FSA and to the SROs under their rules, powers of enforcement and discipline together with the power to revoke a firm's authorisation or membership.

COB

On the financial futures market the employees of market participants designated by their employers as floor traders must be approved by MATIF SA after completion of an investigation regarding their integrity and moral character. All traders are required to pass a qualifying examination demonstrating their ability in trading practices.

On the commodities market, members must be at least 25 years old and must have at least three years' experience in futures markets.

On the MONEP, traders and market-makers must hold a professional card delivered by the SBF after examination. Candidates are presented by brokerage firms.

MOE

Stock exchanges review the overall business results and competency of persons applying for membership.

ASC

To be licensed, futures brokers are required to hold membership of a class which the Exchanges authorise to deal with the public which means either Floor Membership, Full Associate Membership with an authorisation to deal with the public, or Introducing Broker Associate Membership. Representatives are also to be registered with the SFE and are required to have passed the Exchange's own examinations.

SFE Article 3.1 (d) provides that in determining whether to approve an applicant the Board of the SFE is entitled to consider the character, business integrity, financial probity and standard of training and experience of the applicant. Prior to election, the Board uses its best endeavors to ensure that the applicant is of good character and high business integrity and, where the applicant is a corporation, that its directors, those concerned in its management and those who have control or substantial control over the corporation are of high business integrity.

OSC

No person may be granted registration as a partner or officer of a registered FCM under the CFA unless such person has successfully completed the Canadian Futures Examination (Parts I and II), which is administered by The Canadian Securities Institute. Applicants must also meet minimum work experience requirements and disclose prior criminal convictions, suspensions or refusals of exchange membership, bankruptcy and litigation proceedings and work history for the previous 10 years. The OSC typically conducts police checks of individuals applying for registration. Registration will be granted except where: the applicant's financial position suggests that he or she will not be financially responsible; the past conduct of the applicant affords reasonable ground for belief that his or her business will not be carried on in accordance with the law or with integrity and honesty; or the applicant is or will be carrying on activities that are in contravention of the CFA or the regulations.

FCMs must be members of the TFE in order to be registered in Ontario. The TFE requires that directors and officers of dealer members may not be a member, officer, employee or shareholder of any other member. No undischarged bankrupt may be a director or officer of a dealer member of the TFE.

No person may trade options recognized pursuant to RORO unless such person has successfully completed the Canadian Options Course or has been grand-fathered from the requirement by the OSC. Registration as a dealer under the SA is generally required to trade options recognized pursuant to RORO on equities and on other securities for which registration for trading such underlying securities is generally required under the SA. Persons trading

options recognized pursuant to RORO other than those referred to above may register as a dealer under either the CFA or the SA.

CVMQ

Securities Act (Quebec)

An individual who intends to act as a senior executive, other than in the capacity of director, for a dealer with an unrestricted practice (full service) or a discount broker must have passed the examination for partners / directors / senior executives given by the Canadian Securities Institute and have at least three years' experience in the securities field.

ME

- *The Governing Committee*

The Governing Committee consists of the President, six Public Governors and eleven Member Governors.

- *Public Governors*

At the time of his election and throughout his term of office, a public governor:

- shall not be a member, shareholder, partner, director or officer of a member nor be engaged in the securities business;
- shall not own directly or indirectly more than 1% of the voting securities of an affiliated company of a member and the entirety of his voting securities of affiliated companies of members must represent less than 10% of his portfolio;
- shall not be an officer of an affiliated company of a member; and
- may be an outside director of an affiliated company of a member. However, the number of such governors shall not exceed 50% of the total number of public governors on the Governing Committee.

A Public Governor must disclose his interests in an affiliated company of a member at the time of his election to the Governing Committee.

Qualification of Member Governors

Each member governor at the time of his election and throughout his term of office shall be either a member or a membership representative of a member, or a partner in a member firm, or a director of a member corporation, or any employee of a member.

Each director of a member corporation at the time he first becomes a director of such member corporation and throughout his term of office:

- shall have been approved as such by the ME, which such approval may be revoked by the Governing Committee;
- shall not be in a position where he should make an assignment under the Bankruptcy Act and shall not have a receiving order made against him; and
- shall not be engaged in any business which has been disapproved by the ME.

TCO

The affairs of TCO are managed by its Board. The number of directors is twelve (12) of whom seven (7) constitute a quorum for the transaction of business.

Qualification: No person shall be qualified as a director if he is less than 18 years of age; if he is of unsound mind and has been so found by a court in Canada or elsewhere; if he is not an individual; or if he has the status of a bankrupt. A director need not be a shareholder. A majority of the directors shall be resident Canadians, and at least two directors shall not be officers of employees of the Corporation or its affiliates.

SEC

All exchange members, clearing members, registered dealers, registered advisers and registered representatives in Hong Kong

must satisfy initially and continue to satisfy "fit and proper" criteria. The burden for initial registration is upon the applicant. This essentially involves satisfying the Commission on the following elements:

- ~~Financial Status~~: The person is not a bankrupt, not been subject to any bankruptcy proceeding nor failed to meet any judgment debt. (For a corporation, the company should not be in liquidation, in the hands of a receiver or administrator, or have failed to meet any judgment debt.)
- ~~Educational or Other Qualifications or Experience~~: The person has to have a relevant degree or professional qualifications and three years' directly relevant experience; or, five years' directly relevant experience.
- ~~Ability to Perform Functions Efficiently, Honestly and Fairly~~: The person has to have adequate business systems and personnel to ensure that relevant laws, regulations and rules applicable to his business can be conformed with and that unacceptable conflicts of interests do not arise.
- ~~Reputation, Character, Financial Integrity and Reliability~~: The person must be of sound mental health; not have a previous criminal record of direct relevance to the person's fitness and properness; not been found guilty of fraud; not been censured or reprimanded by, or denied / disqualified from membership of a professional or trade body; not had a regulatory license, registration or similar approval refused or revoked; not been disqualified by a Court from being a director; not been found guilty or culpable of insider dealing or failed to abide by any Code of Conduct or guidelines promulgated by a relevant regulator; be able to comply with any financial resources requirements on an on-going basis; and not considered as having committed incompetence, negligence or mismanagement (indicated by any censure or reprimand by a professional, trade or regulatory body or dismissed or requested to resign from any position or office for negligence, incompetence or mismanagement).

SVS

In order to become a securities intermediary, i.e. broker dealer or OTC agent, one must comply with the requirements stated in articles 24, 25 26, 27, 28, 29, 30, 31 and 32 Law No. 18,045.

ESA

An exchange shall do business so that the public confidence for the securities market will be maintained and the capital of the investors not unduly will be risked and otherwise so that the exchange activities be fair.

To that purpose the exchange shall apply the principles of:

- ~~free access~~: meaning that everyone fulfilling the requirements according to new exchange act and decided by the exchange may be an exchange member;
- ~~neutrality~~: meaning that rules decided by the exchange shall be applied in an equal manner towards all exchange members; and
- ~~good transparency~~: meaning that the exchange members will get a rapid, simultaneous and correct information of the trade and that the public will get opportunities to be well informed.

It should be added that on an ~~authorized market place~~, in difference to an exchange, the access requirements are decided only by the market place itself.

NZSC

In determining whether to approve an application the Exchange must be satisfied that the person:

- (a) has business integrity, financial probity and good character,
- (b) may reasonably be expected to comply with the rules of the Exchange and with the spirit of the rules.
- (c) meets any other requirements for the time being specified by the Exchange for the purposes of the rules.

Dealers must also be authorised by the Securities Commission.

CONSOB

In addition to the net capital requirements, the clearing house requires clearing members minimum standards of operational and organizational capability.

CNMV

For a firm to be authorized and registered as a financial intermediary able to offer or sell financial futures and options (broker-dealer or broker), it must fulfill, in addition to the conditions regarding minimum capital requirements, sufficiency of technical resources, other minimum standards concerning the professional experience and the honorability of its board members and employees.

Article 66 of the Securities Act states the following requirements to obtain and keep approval as a broker or broker-dealer:

- no member of its board of directors and none of its General Managers or similar officers shall have been declared bankrupt or insolvent at a creditors' meeting without having been reinstated;
- neither may they be undergoing prosecution or have a criminal record for offenses of fraud, against the Treasury, of breach of duty in the custody of documents, of violation of secrecy, of misappropriation of public funds, of discovery and disclosure or secrets, or against property;
- and they shall not have been disqualified, due to criminal or administrative offenses, from holding public office or offices for the administration or management of financial institutions.

Similar statutory disqualification laws apply to other types of financial intermediaries, such as banks, savings banks, and so on.

Common requirements of experience for the managers of the financial intermediaries are also set out by regulations. A person is considered to have suitable knowledge and experience when he has performed, for a period of no less than two years, high managerial, control or advisory tasks for financial entities or similar functions related with the securities market in other governmental or non governmental entities. In order to check it, any person wanting to perform such tasks has to submit his signed

Curriculum Vitae to the relevant authorities. Valuation is often done in relative terms, comparing with the experience of other entities already functioning.

Specifically, according to article 15.3. of the Royal Decree 1814/91, the condition of member of a futures market must be conferred by the exchange in accordance with the procedures provided in the Market Regulations (Exchange Article 4). In this sense, CNMV has to issue a certificate proving that the applicant has fulfilled all the necessary conditions (minimum capital requirements, experience, availability of technical resources, etc.).

As far as qualification and good standing requirements are concerned, the applicant must specify the number of persons employed (staff, dealers, administrative and other personnel) and their average experience in derivative products. Past history of the firm is also considered in an application to become member of a market. A minimum level of experience is, indeed, a *sine qua non* requisite to get the certificate. CNMV also demands MEFF's opinion on the proficiency of the personnel.

In case that the applicant firm is under the supervision of the Bank of Spain, the CNMV certification process for exchange membership requires to show that it has been licensed by the Bank of Spain. As it occurs with CNMV, the licensing procedure with respect to the Bank of Spain involves a review of the applicant's integrity. An informal contact between the CNMV and the Bank of Spain also takes place to verify the applicant's appropriateness.

On the other hand, CNMV does not have any defined licensing procedure or criteria applicable to personnel of the financial intermediaries and does not require these persons to pass any proficiency examination. Firms are considered responsible of and have to monitor the fitness of their personnel. Thus, financial intermediaries can be liable and subject to CNMV disciplinary action for misconduct by their employees.

Additionally, a defined training is compulsory to become a market trader and the exchange has a register and controls the persons that can operate the trading systems.

Finally, conduct rules that are required to be drawn by each entity include general requirements of fairness and honesty applicable to every employee.

In 1995 a new requirement of suitability applicable to any shareholder with more than 5% of the capital of a credit institution has been introduced. The suitability condition will be evaluated basically on the basis of:

- commercial and professional honesty and fairness;
- economic resources to attend assumed obligations;
- level of transparency of the group's structure;
- possibility of inappropriately expose the entity to the risk of non-financial activities or to extremely risky financial activities of their promoters.

Additionally, MEFF RV has introduced new rules requiring the personnel of all its members to pass a proficiency examination to be able to carry out front and back-office activities. It is also compulsory for members to have a minimum number of employees who have passed such examination.

CNV

Each exchange determines the qualification and good standing requirements for their members / intermediaries.

BAWe

(a) Exchange Member:

The Board of Governors decides upon admission of an applicant firm. The applicant must name in its application the person or persons who are to be given authority to enter into options and futures transactions at the Exchange.

Admission shall granted if:

- the owner or manager of the firm in question, or the person designated by statute, charter documents or contractual arrangements to engage in options and futures trading on behalf of such firm and authorized to enter into options and futures

- transactions at the Exchange, has the requisite reliability and professional qualification for trading at the Exchange;
- the orderly settlement of options and futures transactions at the location of the Exchange is assured;
 - the technical requirements for linkage to the EDP-System of the Exchange are fulfilled;
 - the applicant has provided such security as may be required by law.

Employees are only required to fulfill the conditions referred to in paragraph 1 no. 1.

An Exchange Participant may apply for admission as a Market Maker for one or more products. The Board of Governors will grant any applicant a Market Maker License if the persons named in the application for such form of trading have the requisite trading experience to act as Market Makers.

SC

All exchange members must satisfy the fit and proper test including good business standing and integrity, and satisfy the Management Board that the persons to be responsible for its trading on the exchange have sufficient knowledge and experience in futures trading.

ESB

As they are elected from the body of membership, they must fulfill the membership requirements (see (I.B.2. (a)).

(b) Clearing Members; Governing Members

CFTC

CFTC rules do not set qualification requirements for clearing members and governing members. There are no exchange rules which establish any requirements other than financial competency for clearing members and the governing members of clearing houses.

SEC

In addition to minimum financial requirements (see II.A.1 (c) above), OCC requires clearing members to meet standards of operational capability, experience and competence. A clearing member must maintain books and records in accordance with the 34 Act, demonstrate the ability to reconcile unmatched and advisory trades on a timely and efficient basis (if it is a member of an exchange), and be able to discharge its clearing member functions in a timely and efficient manner at current and anticipated volume levels. In addition, a clearing member, or any person associated with it must have substantial experience in clearing securities transactions, not engage in acts or practices inconsistent with just and equitable principles of trade, and not be subject to a statutory disqualification as defined in Section 3 of the 34 Act.

SIB

See II.B.1 (a) above.

COB

See II.B.1 (a) above.

MOE

ASC

Pursuant to SFECH General Clearing By-Law 4.1, a Floor Member or Associate Member of the SFE may apply for membership of the SFECH. By-Law 4.4 (a) (b) sets out the financial and good standing requirements and 4.4 (h) sets out the requirement to be a fit and proper person.

OSC

There are no requirements for clearing members in the CFA or the SA.

CVMQ

SEC

See II.B.1 (a) above.

SVS

To become a clearing member one must previously be accepted as a broker-dealer in a stock exchange. To this end, the intermediary must buy a share of the exchange. The requirements to become a broker-dealer, were answered in II.B.1. (a).

ESA

The clearing house shall apply the principles of:

- **free access:** meaning that everyone fulfilling the requirements according to the new exchange and clearing act and decided by the clearing organization may be a clearing member.
- **neutrality:** meaning that rules decided by the clearing house shall be applied in an equal manner towards all clearing members.

The requirement for becoming a so-called account operator to fulfill the SFSA requirements.

NZSC

The by-laws of the Clearing House provide that all applicants for clearing membership shall satisfy the Clearing House that the applicant has an acceptable standard of business integrity and financial probity, is of good standing and is a fit and proper person to become a clearing member.

CONSOB

An individual who intends to be authorized as a trader on the Italian Derivative Market must:

- a) be an employee of an authorized broker / dealer (Sim or individual stockbroker).
- b) pass an examination that includes questions on derivative market rules and regulations.

CNMV

See II.B.1 (a) above.

CNV

All members / intermediaries are also considered clearing members. See II.B.1. (a) above.

BAWe

Clearing licenses shall only be granted to domestic banks within the meaning of Section 1 of the Banking Act (Kreditwesengesetz). A Clearing License shall be granted a foreign company for its domestic branch within the meaning of Section 53 of the Banking Act.

A bank is eligible for a General Clearing License if its liable equity capital, as defined in Section 10 of the Banking Act, is at least DM 250 million. A bank is eligible for a Direct Clearing License if its liable equity capital, as defined in Section 10 of the Banking Act, is at least DM 25 million.

A bank applying for a Clearing License must meet the prerequisites for a Clearing Membership and must provide to the DTB a Clearing Guarantee as a contribution to the Guarantee Fund.

Every Clearing Member must use appropriate technical equipment as well as sufficient personnel (back office facilities).

SC

The applicant must demonstrate or provide evidence of business integrity and financial probity as well as have an adequate level of product knowledge and knowledge of the risks and obligations of trading in exchange-traded derivatives contracts.

ESB

As they are elected from the body of membership, they must fulfill the membership requirements (see I.B.2. (a)).

(c) Other Financial Intermediaries - Principals, Employees

CFTC

Categories of Registrants

§1a of the CEA describes, among other things, the following categories of registrants: Futures Commission Merchants (FCMs), Introducing Brokers (IBs), Commodity Pool Operators (CPOs), Commodity Trading Advisors (CTAs) and Floor Brokers (FBs) and Floor Traders (FTs).

- A "futures commission merchant" is defined as any person who solicits or accepts orders to buy or sell futures or option contracts, and who, in connection with the order, accepts any money or other property (or extends credit) to margin, guarantee, or secure the contracts resulting from the order.
- An "introducing broker" is any person who solicits or accepts orders to buy or sell futures or option contracts, but who does not accept any money or property (or extend credit) to margin, guarantee or secure the contracts.
- A "commodity pool operator" is any person who solicits funds from others for the purpose of pooling the funds for use in investing in commodity interests.
 - CFTC Rule 4.5, however, excludes from the definition of "commodity pool operator" certain "otherwise regulated persons" such as an investment company registered under the Investment Company Act of 1940, or an insurance company subject to regulation by any state. The entity seeking the exemption must represent that it will use the futures or option contracts for hedging purposes. Non-hedging transactions also may qualify under the rule as long as the aggregate initial margins and premiums required to establish such non-hedging positions do not exceed five percent of the liquidation value of a qualifying entity's portfolio. See 58 Fed. Reg. 6371 (January 28, 1993).

- A "commodity trading advisor" is any person who, for compensation or profit, is engaged in the business of providing commodity interest advisory services to others.
- A "floor broker" is any person who on the floor of an exchange buys or sells futures or option contracts for any other person. At a minimum, an FB must have trading privileges on the floor of the exchange in order to be and remain registered as such.
- A "floor trader" is any person who, in or surrounding any pit, ring, post or other similar place provided by a contract market, purchases or sells futures or option contracts solely for such person's own account and also includes persons required to register as floor traders because of their participation in electronic trading systems.

Any person associated with, among other registrants, an FCM, IB, CPO or CTA who solicits or accepts customer orders or who supervises persons who do so is required under § 4k of the CEA to register as an "Associated Person" (AP). The AP is the person who solicits business from, and deals directly with, the customer with respect to his account.

Registration Under the CFTC Rules

Part 3 of the CFTC's rules contain the general registration requirements and procedures for FCMs, IBs, CPOs, CTAs, and their APs, FBs and FTs. The CFTC has delegated to NFA a majority of the registration processing function.

The CFTC adopted rules, consistent with the FTPA of 1992, requiring the registration of floor traders. See 58 Fed. Reg. 19575 (April 15, 1993). The rules incorporated floor traders within the existing framework of registration rules applicable to other categories of registrants as described below.

- A person registered as an FCM, IB, CPO or CTA will continue to be registered until the registration is suspended, revoked, terminated or withdrawn. See CFTC Rule 3.10. In the case of an FB or FT, in addition to the foregoing, registration will terminate if the FB no longer has trading privileges on any exchange. See CFTC Rule 3.11.

- A person registered as an AP and whose registration has neither been suspended or revoked will continue to be so registered until the cessation of the association of the registrant with, or the revocation, suspension, lapse or withdrawal of the registration of, the AP's sponsor. Specifically, an AP must be sponsored by an FCM, IB, CPO or CTA. Registration as an AP will cease upon the termination of the registration of the sponsor. See CFTC Rule 3.12.
- The basic registration application form required of FCMs, IBs, CPOs, and CTAs is the Form 7R. The Form 7R requires disclosure of the applicant's name, address, branch offices, and principals, as well as detailed information about the disciplinary and criminal history of the firm.
- Each application must be accompanied by a Form 8R executed by each natural person who is a principal of the applicant, along with the fingerprints of each principal on a card provided by NFA. The Form 8R requires disclosure of information on the employment, residential, and educational history of the applicant, and requests detailed information about the disciplinary and criminal history of the principal. A "principal" is defined under Rule 3.1 as any officer, director or general partner or any person occupying a similar position who exercises a controlling influence over the regulated activities of the firm, any holder or beneficial owner of 10% or more of the outstanding shares of stock in the firm, or any person who has contributed 10% or more of the firm's capital.
- The basic registration application form required of FBs and FTs is the Form 8R, which also includes the fingerprint requirement.
- APs also are required to file a Form 8R and fingerprint card. The NFA also requires that all APs pass a proficiency examination administered by the National Association of Securities Dealers.

Requirements Applicable to Transactions on Non-U.S. Exchanges for U.S. Customers

Rule 30.4 (a) requires that persons who act in the capacity of an FCM with respect to a foreign futures or option customer must register as an FCM.

Rule 30.4 (b) requires that persons who act in the capacity of an IB with respect to a foreign futures or options customer must register as an IB.

Rule 30.4 (c) requires that persons who act in the capacity of a CPO with respect to a foreign futures or option customer must register as a CPO. However, Rule 30.4 (c) permits an exemption from CPO registration for an investment trust or similar form of enterprise located outside the U.S. which is registered as an investment company under the Investment Advisers Act of 1940 and whose securities are registered in accordance with the Securities Act of 1933, or which is exempt from such registration requirement. The exemption is only available if no more than ten percent of the participants in, and the value of the assets of, such investment trust or similar form of enterprise are held by or on behalf of foreign futures or options customers.

Rule 30.4 (d) requires that only those CTAs who solicit or enter into an agreement to direct or to guide a foreign futures or foreign option customer's account by means of a systematic program that recommends specific transactions in any foreign option or foreign futures contract register with the CFTC as a CTA. Thus, the scope of who is required to register as a CTA for purposes of foreign futures and option transactions is more narrow than for transactions on U.S. exchanges.

Persons who act in the capacity of an AP with an FCM, IB, CPO or CTA in connection with foreign futures or option customers are required to register as APs. See CEA § 4k.

Persons located outside the U.S. who act in the capacity of an IB solely with respect to foreign products are exempt from having to register in the appropriate capacity if such persons otherwise qualify to do business by entering into an agreement, filed with NFA, with an appropriate agent for the purpose of receiving communications from the CFTC, the Department of Justice and their customers. See Rule 30.5. Under Rule 30.5 (c), IBs exempted under Rule 30.5 must still comply with the disclosure provisions of Rule 30.6 which also includes the requirement to provide customers with the options risk disclosure statement in Rule 33.7 in connection with foreign option transactions. See II.B.3. (c) below. Under Rule 30.5 (d) such persons are required to provide their books and records to any representative of the CFTC or the

Department of Justice within 72 hours of receipt of notice of the request. Under Rule 30.3 (b), such persons must carry all accounts of foreign futures and option customers by or through an FCM on a fully-disclosed basis.

Rule 30.10 contains an exemptive provision which permits persons located outside the U.S. who solicit or accept orders from foreign futures and option customers, and who are subject to a comparable regulatory scheme in the jurisdiction in which they are situated, to apply for an exemption from the application of certain of the Part 30 rules. The CFTC would accept, for example, an appropriate offshore registration or capital requirement, enforced by the offshore jurisdiction, together with information exchange with respect to the status of an offshore firm's compliance therewith, as "substituted compliance" for the comparable CFTC requirement. At a minimum, a condition of such an exemption would be consensual submission to the CFTC's jurisdiction via appointment of an agent in the U.S. for service of process, notification to the NFA of the commencement of activities here and the existence of mechanisms for information sharing between appropriate regulatory authorities.

The CFTC's Part 30 rules do not require that the foreign regulatory regime be identical to the United States regime. The CFTC expects to determine whether, as a whole, the foreign regulatory regime adequately addresses the concerns reflected in the CFTC's regulatory regime. In issuing exemptive relief, the CFTC has on a case-by-case basis imposed additional requirements in the areas of:

- status of firm personnel, including required representations that neither the principals nor the sales personnel would be disqualified under § 8a (2) of the CEA;
- additional capital requirements, for example, where the foreign regulator permits the use of letters of credit to satisfy capital requirements; and
- protection of customer funds where the foreign regulator does not impose such a requirement.

Statutory Disqualification Provisions

§§ 8a (2) and (3) of the CEA provide objective criteria for making determinations regarding registration, such as refusal to register, conditional registration, suspension or restrictions on registration, or revocation of registration. The objective criteria upon which such determinations may be made include, among others:

- suspension or revocation of a prior registration;
- prior registration refusal within the past five years;
- applicant enjoined by court from acting as an FCM, IB, FB, FT, CTA, CPO or AP or as a securities dealer or investment dealer;
- applicant convicted within the past ten years of a violation of the Securities Acts or Foreign Corrupt Practices Act involving embezzlement, theft, extortion, fraud, etc.;
- applicant subject to a CFTC order denying trading privileges or revoking membership in any U.S. exchange or futures association;
- applicant made a false statement in his application; or
- where refusal, suspension or revocation of the registration of any principal of such a person would be warranted.

Suspension of Registrants Charged with Felonies: § 8a (11) of the CEA, added by the FTPA of 1992, authorizes the CFTC to adopt rules permitting the CFTC to suspend or modify the registration of any registrant who is charged with the commission of or participation in a crime involving a violation of the CEA or any other provision of Federal or State law that would reflect on the honesty or the fitness of the registrant.

Rule 3.56 establishes the procedural framework for suspension of the registration of Commission registrants prior to conviction where a registrant is charged with the commission of or participation in certain specified crimes if the Commission determines that the registrant's continued registration poses a threat to the public interest or to confidence in any market regulated by the CFTC. See 58 Fed. Reg. 19575 (April 15, 1993).

Ethics Training for Registrants: The FTPA of 1992 requires ethics training for all CFTC registrants. Rule 3.34 requires new Commission registrants to attend four hours of ethics training within six months of initial registration and periodic one-hour refresher courses every three years thereafter. Certain special phase-in rules apply with respect to registrants registered as of April 26, 1993 and registrants who attended qualifying ethics training courses since April 26, 1991. See 58 Fed. Reg. 19575 (April 15, 1993).

The CFTC has adopted a rule providing guidance on: certification of ethics training providers, permissible representations by these providers, use of videotape and electronic presentations, and maintenance of attendance records. See 60 Fed. Reg. 63907 (December 13, 1995). The CFTC also has adopted a rule requiring ethics training providers to pass a proficiency examination and have three years of relevant experience. See 61 Fed. Reg. 20127 (May 6, 1996).

SEC

See II.B.1 (a) above.

SIB

See II.B.1 (a) above.

COB

See II.B.1 (a) above.

MOE

Directors engaged in the management of executive affairs of a securities company (managing director) are prohibited to act as a managing director of another company, or to have his own business.

Furthermore, directors and auditors of a securities house are prohibited to double directors of parent and subsidiary companies.

As they are prescribed to the employees of a securities company, prohibition on inappropriate trade practices are also applied to the directors.

ASC

The CL provides for two categories of licensee-futures brokers and futures advisers (s. 1142, s. 1143).

Either a natural person or a body corporate may apply for a licence which must be granted if the applicant is not insolvent under administration, in respect to a futures brokers licence is a member of a relevant futures organization, and the ASC is satisfied the applicant has adequate qualifications and experience for the duties, is of good fame and character and has no reason to believe that the person will not perform efficiently, honestly and fairly (CL s. 1144A, 1145).

Principal licensees may authorise representatives. The representative must hold a proper authority issued by the futures broker or futures adviser licensee (CL ss. 1172, 1173, 87). A body corporate may not act as a futures representative (CL s. 1175). Principals are liable for the conduct of their representatives (CO s. 1183). A licence is subject to the condition that licensees ensure their representatives are adequately supervised and sufficiently trained for the duties they are to perform (CL 1148 & Reg. 8.3.03). Employees of a futures broker or futures advising business are deemed futures representatives under s.73 (3) (c) of the CL.

Licensees are at liberty to set the requirements for their own representatives subject to the above. Exchanges set further criteria for membership and allow only competent, honest and financially sound entities to gain membership.

The SFE also has rules which require representatives to be registered with it (Art. 37). SFE Arts. 3.6 (3) (r) and 4.6 (4) (o) require Floor Members and Associate Members respectively to ensure that any director, partner, employee or representative of the Member who advises, or solicits instructions from, persons or corporations in relation to the sale or purchase of futures or options contracts is registered with the SFE as a Registered Representative at the time of engaging in such activities.

OSC

See II.B.1 (a) above.

CVMQ

SEC

See II.B.1 (a) above.

SVS

OTC agents, are broker-dealers who can only trade off-exchange; therefore, they cannot be clearing members. The requirements demanded by the SVS for OTC agents were answered in II.B.1. (a).

FSA

Licenses for securities activities of the kinds mentioned above are granted by the FSA and may be given to firms with limited liability if the company statutes are in accordance with the new Securities Business Act and other relevant acts, if the company is fit to do business of such a kind, if the business is assumed not to hurt public interests and if the company otherwise corresponds to the legal requirements.

A license for a bank to become a securities dealer may be granted if the bank suits the requirements for doing such business and if it may be assumed that the business of the bank will not hurt public interests. The license is granted by the FSA.

No one but a firm licensed to do securities business may act as an OTC market maker. Otherwise, there are no legal claims on the one who wants to do market making in Sweden. But acting as a market maker in the money market is not permitted without a license from the National Debt Office and the Central Bank.

This market maker task is regulated in a special contract between the National Debt Office and the market maker. A corresponding situation is valid for the one who wants to do market making for the OM.

Mutual funds are not permitted in Sweden unless they are approved by the FSA. Fund operations may not take place without a license from the FSA. Such a license may only be granted to a company if it is registered with limited liability, if the rules of the mutual fund have been approved and if the company is not unfit to operate a mutual fund.

NZSC

Rules similar to those applying to Dealers apply in respect of Introducing Brokers. Introducing Brokers also require authorisation by the Securities Commission.

CONSOB

CNMV

See II.B.1 (a) above.

CNV

BAWe

See II.B.1 (a) above.

SC

See II.B.1(a) above.

ESB

Requirements for Membership

Members who are natural persons and affiliated officers of members shall, in the opinion of the executive committee, be of good character and high business integrity and shall not in the five years or whatever longer period the executive committee may decide, prior to the date on which the membership is considered by the executive committee have been:

- convicted of a criminal offense;

- expelled, whether as a member or otherwise, from any financial exchange as defined in the Act or stock exchange as defined in the Stock Exchanges Control Act, 1985 (Act No. 1 of 1985), or from any similar institution or association in the Republic of South Africa or elsewhere;
- employed by or associated with a member of any financial exchange as defined in the Act or stock exchange as defined in the Stock Exchanges Control Act, 1985 (Act No. 1 of 1985), or similar institution or association in the Republic of South Africa or elsewhere who was expelled as a member of that exchange and where the person or affiliated officer has, in the opinion of the executive committee, contributed to the act which led to the expulsion of such member;
- dismissed from the employment of any member of any financial exchange as defined in the Act or stock exchange as defined in the Stock Exchanges Control Act, 1985 (Act No. 1 of 1985), or similar institution or association whether in the Republic of South Africa or elsewhere where, in the opinion of the executive committee, the act or omission that led to such dismissal would exclude such person as a member or affiliated officer under these rules.

A member who is a natural person shall be at least twenty-one years of age and of full legal capacity and a citizen or permanent resident of the Republic of South Africa.

A member which is a body corporate or partnership shall:

- not employ, register or permit an affiliated officer to be in any way associated with it in contravention of Rule 4.2.1 without the prior approval of the executive committee;
- have, in the opinion of the executive committee, a good reputation and high business standing.

2. Order Execution Requirements

(a) Competitive Execution Requirements / Priorities

CFTC

Competitive Execution

Rule 1.38 (a) mandates that all futures and option contracts which are subject to the rules of an exchange shall be executed openly and competitively by open outcry or other methods, such as posting of bids and offers, which are open and competitive.

Rule 1.38 (b) requires that every person handling any non-competitive transaction clearly identify such transaction on every record pertaining thereto.

The open outcry system is used at most exchanges; however, the CFTC has approved trading systems which differ from this system. The PBOT conducts trading through a Board Broker system. In sum, the Board Broker is an individual member or nominee of a member who is registered with the exchange for the purposes of: (1) maintaining the book with respect to orders left with him for execution by other members on the floor, (2) effecting proper executions for such orders, (3) announcing bids and offers having priority on his book, (4) providing quotations for dissemination over the market information network, and (5) ensuring that trades are executed openly and competitively.

A CME rule establishes a category of market makers with affirmative responsibilities to post both a bid and an offer in specified contracts for a specified percentage of a Globex session.

Priorities

Rule 155.2 (g) requires exchanges to adopt rules which prohibit FBs from allocating trades among accounts except in accordance with exchange rules.

Exchanges set forth priority rules with varying degrees of specificity. For example, CBT Rule 350.05 (k) requires only that trades be allocated in an equitable manner. CME Rule 548 requires that non-discretionary customer orders be filled in the order

received by a broker. ACC Rule 615 gives priority to public customer market orders over all other types of orders.

Rule 155.3 (a) is referred to as the "customer first rule". Under this rule each FCM is required to ensure that customer orders which are executable at or near the market price are transmitted to the floor of the exchange before any order in the same commodity for the FCM's account or for the account of any person affiliated with the FCM. See also, Rule 155.4 (a) with respect to IBs and Rule 155.2 (a) and (b) with respect to FBs.

In addition, each FCM is required to prevent APs from placing orders with another FCM in a manner designed to circumvent the "customer first rule".

SEC

In general, Section 11 (a) of the 34 Act prohibits members of a national securities exchange from effecting any transaction on an exchange unless the transaction: (1) is effected in compliance with the rules of the Commission; (2) is consistent with the maintenance of fair and orderly markets; and (3) yields priority, parity, and precedence in execution to orders for the accounts of non-exchange members. In addition, the rules of the options exchanges generally require that the highest bid and lowest offer for a security shall have priority. Brokers also have an obligation to obtain best execution of orders entrusted to them.

SIB / SFA

The FSA does not mandate the method by which exchange-traded futures and option contracts are executed.

Where a firm deals with or for a private customer, it must provide best execution (SFA's CBRs, 5-39 (1)). However, the firm must also provide best execution where it fulfills an order from a non-private customer unless the customer has waived this requirement (SFA's CBRs, 5-39 (2)).

In determining whether or to a firm has provided best execution the firm must show that it has taken reasonable care to ascertain the price which is the best available for the customer in the relevant market at the time for transactions of the kind and size concerned.

It is recognised that, in certain circumstances, it may be in the interests of the customer to deal at a price which is different from that which might otherwise appear to be the best price and also notice is taken of the conventions of the relevant market (SFA's CBRs, 5-39 (4)).

With respect to rules regarding the priority of execution of orders, see items II.B.2 (d) and II.B.2 (b).

COB

For two orders transmitted at the same time on behalf of a customer and on behalf of the firm, the customer's order gets priority.

MOF

Price priority and time priority are ensured under the so-called "auction system".

ASC

Section 1266 (2) of the CL requires a futures broker to transmit instructions to deal in the sequence in which they are received by the broker, with the overriding condition that client's instructions take priority over dealings in futures contracts on the broker's own account (s. 1266 (3)).

A member of a futures exchange who is concerned in the execution of instructions to deal in futures on the trading floor is required to execute instructions to deal in the order in which they are received by the member (s. 1266 (5)).

QSC

TFE rules give priority to executable client orders over all other types of orders. Priority among client market orders and executable client limit orders shall be established in accordance with the times such orders are received by the futures floor trader. Priority among client limit orders shall be established by price, and in the event a futures floor trader is holding limit orders at the same price, in accordance with the times such limit orders were received by the futures floor trader. There is a separate section in

the TFE rules which deals with priority rules for bids and offers on the TFE options floor.

TSE rules also require that members give priority to client orders. The priority rules respecting bids and offers on the TSE's options floor are as follows:

- (i) at the opening, all market and better-priced limit orders must be filled before the option class is opened;
- (ii) good-till canceled limit orders entered on prior days for client or non-client accounts are filled next, pro rata by order;
- (iii) all remaining client and non-client account limit orders are then filled at the opening price, pro rata by order; and
- (iv) firm, market maker and competitive options trader limit orders are filled last, with priority to good till canceled limit orders entered on prior days.

During regular sessions, orders for a bid at the highest price and an offer at the lowest price shall have priority regardless of the time of entry. Client and non-client accounts have priority during these sessions and where there is more than one such order, time priority will apply. Once all client and non-client orders are filled, time priority applies to all professional orders.

CVMQ

Options

- Priority of Orders for Execution

A client order entered in the Book is always executed before an order at the same price which is represented in the trading crowd.

Orders are filed according to price and time of acceptance in the Book.

Priority of bids and offers shall be determined by price and if two or more orders for customers are at the same price, then priority

shall be by time of acceptance; unless the Retail Order Policy provides otherwise.

Orders for professional accounts shall stand behind orders for customers at the same price, but priority as between professional orders at the same price shall also be accorded by time of acceptance.

- *Priority at the Opening*

The priority sequence, top priority first, is as follows at the opening of the market:

- client market orders in the Book;
- client market orders in the crowd;
- client limit orders in the Book;
- client limit orders in the crowd.

Futures

- *Execution of Orders*

All orders must be executed by "open outcry" in the appropriate trading pit. Traders may not execute transactions by any other means nor in any other place.

- *Priority to Client Orders*

Each member is responsible for insuring that, at the same price and time-stamp, it gives priority to client orders over its own professional orders. In the pit however, client orders of one member do not have priority over professional orders of another member.

Quebec Securities Act

With respect to the Regulation respecting securities, the registered representative of a dealer must see that orders are executed at the best price available on Canadian Exchanges, unless he is instructed otherwise.

SEC

HKFE's trading rules provide that all transactions shall be conducted in a publicly competitive auction manner. All bids and offers have to be made openly and competitively. HKFE rules prohibit members trading for their own account if a client order remains unfilled. A member is also not allowed to withdraw or withhold orders for his own convenience or for the convenience of any other person.

SEHK's Options Trading Rules require all transactions to be executed through the TOPS system, which matches orders on a strict time and price priority algorithm.

Pursuant to the Code of Conduct for each exchange, SEHK and HKFE members must execute orders at the best possible price in the best interests of their clients. Members must handle orders of clients fairly and in the order they are received. Client orders have in all cases priority over orders of the member. A members shall, where he has aggregated an order for a client with an order for another client, or with an order for his own account, give priority to satisfying orders of clients, in any subsequent allocation if orders are partially filled.

SVS

Order priority has been regulated in the SVS General Regulation N° 12. It should be noted that priority is based on price and time. Likewise, when the broker-dealer wants to trade for his own account, and there is a client's order with the same price, the client's order must be executed first.

ESA

At the Sth Stock Exchange trade is automated and screen based (the so-called SAX system, that is The Stockholm Automated Exchange). In this system the members themselves register their orders for buying and selling and the business transactions are as well noted electronically. The transactions are reported at once to the computerized information system of the Stock Exchange (SIX).

At OM the trade is arranged either directly in the computerized order book or via the block order function of the OM. In the order

book contracts are automatically registered concerning small orders. Customers directly connected to the OM are capable themselves of entering their buy and sell orders into the computer. Then automatically the orders are combined after the criterions of best price and time of registration.

Trade on the OM block order market is initiated by connected dealers over the telephone. Orders arrived in this way are noted on a wall board including time. Best buy and sell prices are at once distributed via most of the prevailing electronic information systems.

Sell and buy orders in accordance with each other are certified as contracts by the personnel at the OM. What is done by the personnel thus is to combine equal sell and buy orders noted on the boards. This combination is arranged following the criterions of best price accompanied by time.

Orders combined to a relation between several parties are prioritized to straight orders. The OM personnel sometimes contacts customers concerning even these combined orders. Such contacts follow rules decided in advance. These contracts are immediately registered in the information system and distributed to the market.

The end customers act anonymously. The block order system can be entered by a telephone que. The first one to the phone will also be the first one to the trading system.

NZSC

Orders received from clients and orders for a Dealer's own account shall be executed by a Dealer in the sequence in which they are received and recorded, unless it would be fair and equitable to allocate contracts obtained in respect of similar orders on the same day on a different basis; provided that where a different basis is used the Dealer shall clearly define that basis and apply it to all instructions and orders without giving any preference to any order for the account of the Dealer.

The offering or allocation to a client of any contract related to a contract already obtained on the Market, other than pursuant to instructions previously received from that client is prohibited.

Each offer to buy or sell shall be open to the Dealer or local Dealer first accepting it for the whole or any part of such offer.

When a Dealer has an order to buy and an order to sell, at the same price, for the same commodity and in the same month, the Dealer may only make a Market Contract with itself if the Dealer has complied with the procedures for such transactions as approved by the Board from time to time.

CONSOB

IDEM - "Fib30", MIBO30" and "ISOa"

The priority of order execution is determined, for each side of the book, by price and, for orders at the same price level, by time of their acceptance into the system.

MIF - "BTP Future" and MTO - "BTP Future Option"

The priority of order execution is determined by price and, for orders with same price, priority is given to: a) orders already input by the same intermediary, b) customer orders, c) time of acceptance into the system.

CNMV

Securities Market Act states that all persons or entities acting on a securities market, both receiving and executing orders and advising on security investments, shall give absolute priority to their customers' interests. Should there be any conflict of interest between various clients, they would not afford any privilege to any one customer in particular.

Market Rules and Regulations establish the following criteria of priority for the execution of the accepted orders:

first, the best price;
for equal prices, the oldest standing order shall be executed first;
combined orders which require simultaneous purchases and / or sales, shall have priority over simple market orders and shall be executed irrespective of the time that the order has been standing.

CNV

All orders must be executed by open outcry in appropriate trading pit. Exchanges are required to determine that all floor trading practices are fair and properly supervised. CNV rules ensure that trading is conducted in a competitive market.

BAWe

The priority of orders in the DTB-computer system shall be determined by price and if two or more orders are at the same price, then priority shall be by time of acceptance of the orders in the system. Market Orders have the highest priority in the DTB system. If there are several market orders in one series of a product, then priority between market orders shall be by time.

SC

The FIA provides that the futures market is to be conducted in an orderly and fair manner. The FIA also provides for client orders to be given priority.

ESB

Order Priority

A member shall not trade with another member if the trade could satisfy an order from a client.

Subject to Rule 7.3.1, a member shall not trade with a client if the trade could satisfy a previously received order from another client.

Subject to Rule 7.3.1, a member shall not trade with another member, if the trade could satisfy a previously received order from another member

A member shall not trade for his own account or for the account of an affiliated officer of the member or any account in which the member, or affiliated officer of the member has a beneficial interest if the trade could satisfy an order from a client or another member.

(b) Capacity Restrictions (e.g., Restrictions on Dual Trading or Insider Trading)

CFTC

Insider Trading

CEA §9 (d) states that it shall be a felony for any Commissioner of the CFTC or any employee or agent thereof to participate in an investment transaction for a commodity if any non-public information is used in the investment decision.

CEA § 13 mandates that any person who willfully aids, abets or controls a violator of the CEA shall be liable to the same degree as the principal violator.

CEA §§ 9 (f) prohibits exchange and registered futures association employees and officials from wilfully and knowingly trading in futures or options on or disclosing material, non-public information obtained through special access related to their duties. Also, a person who knows such information was obtained in violation of this statutory provision would be prohibited from trading based on that information. Violations are punishable by penalty of up to \$500 000 plus the amount of any profits realized from such trading or disclosure and imprisonment of up to 5 years, or both, together with the costs of prosecution. See CFTC Rule 1.59 (containing these provisions).

Dual Trading

CFTC Rule 155.2 requires each exchange to adopt and to submit to the CFTC a set of rules which, among other things, prohibit an FB from trading ahead of a customer.

Currently, certain futures exchanges restrict dual trading. The CME has a rule which limits access to the top step of its S&P 500 futures pit to FBs and prohibits those brokers who are standing on the top step from trading for their own accounts. PBOT Rule 342 (a) contains identical rules prohibiting dual trading. However, PBOT is not actively trading futures.

Dual Trading Rule: The CFTC adopted Rule 155.5 which prohibits "dual trading" by floor brokers in contracts with an average trading

volume of 8 000 contracts or more that have not been exempted. See 58 Fed. Reg. 40335 (July 28, 1993).

Broker Association Rules

The Part 156 regulations define entities commonly known as "broker associations" and require that such associations register with their respective contract markets pursuant to contract market rules. The regulations prohibit a member from receiving or executing orders unless the broker association is registered with its respective contract market and also require each contract market to prohibit such conduct under its rules. In addition, each contract market is required to implement procedures necessary to ensure that registration procedures are followed and to integrate the data collected from registration into the contract market's affirmative compliance programs. See 58 Fed. Reg. (31167 (June 1st, 1993)).

Other

Under Rule 155.3 (b) (1) an FCM and any of its affiliated persons are generally prohibited from disclosing that they are holding an order of another person. Disclosure may be made if necessary to effectively execute the order, or if made at the request of the CFTC, the exchange, or the NFA. See also, Rule 155.4 (b) (1) with respect to IBs.

Under Rule 155.3 (b) (2) an FCM is prohibited from knowingly taking the other side of an order of another person revealed to the FCM or any of its affiliated persons as a result of their relationship with the other person without that person's consent. The FCM may take the other side of an order if it has the other person's prior consent, and if it does so in conformity with exchange rules approved by the CFTC. See also, Rule 155.4 (b) (2) with respect to IBs.

SEC

The options exchanges prohibit floor traders (with the exception of the specialists on the options exchanges employing a specialist system) from acting as both broker and dealer in the same options class on the same day.

Trading options on the basis of material non-public information obtained as a result of a fiduciary relationship or otherwise on a confidential basis is a violation of the 34 Act and Rule 10b-5 thereunder, giving rise to civil and criminal sanctions and private lawsuits for money damages.

SIB / SFA

In the UK, there are no statutory restrictions on dual trading. The Criminal Justice Act 1993 implements the EC Insider Dealing Directive and applies to dealings in certain financial derivatives as well as to securities dealing.

The majority of UK exchanges do not prohibit dual trading, however, rules vary (under the rules of OMLX market makers may only deal for their own account). SFA's CBRs impose restrictions where the firm is trading for its own account; these rules are designed to prevent a firm from taking advantage of a customer's order, whether for its own benefit or for that of another customer.

COB

An employee of a market participant who is in charge of trading on a specific contract is not allowed to trade that contract for his own account.

On the MATIF, the "négociateurs-courtiers" are not allowed to trade for their own account. Conversely, the locals (négociateurs individuels de parquet) only trade for their own account.

On the MONEP, the same person cannot act as market-maker and trader.

MOE

Although dual trading is not prohibited, the "auction system" leaves little or no room for arbitrary trade execution. Insider trading is prohibited under the Securities and Exchange Law. However, futures trading is exempt from this regulation, since futures trading is based only on government bonds and large baskets or indices of stocks.

ASC

The legislation prohibits insider dealing in futures contracts concerning a body corporate if the person has inside information in relation to that futures contract by virtue of being connected with the body during the previous six months (Part 8.7 Div. 1CL).

In respect to dual trading, see response to B.2 (a) immediately above.

OSC

The CFA does not, at present, prohibit insider trading or dual trading.

The TFE prohibits dual trading by providing in its by-law that no floor trader may buy or sell for his or her own account (or for any account in which he or she has an interest) any series of a TFE futures contract while holding an order for a client account for the same class which is executable at the market price or at the price at which a transaction can be made for the floor trader's own account or the account in which he has an interest. The TFE also prohibits floor traders from taking the other side of a transaction while holding an order from a client.

The SA prohibits any person or company in a special relationship with a reporting issuer from purchasing or selling securities of the reporting issuer with the knowledge of a material fact or material change with respect to the reporting issuer that has not been generally disclosed. The SA further provides that no person or company in a special relationship shall inform, other than in the necessary course of business, another person or company of a material fact or a material change with respect to the reporting issuer before the material fact or material change has been generally disclosed. Securities of a reporting issuer include, in such cases, a put, call, option or other right or obligation to purchase or sell securities of the reporting issuer or a security, the market price of which varies materially with the market price of the securities of the issuer.

TSE and TFE by-laws prohibit members, approved persons or persons associated with a member from "frontrunning" or trading ahead of their client's orders in the same or a related market.

Trading ahead in the options or futures markets in order to profit from knowledge of non-public information concerning imminent transactions in equities, options, or futures is also prohibited.

CVMQ

Securities Act (Quebec)

The Securities Act specifies that no insider of a reporting issuer having privileged information relating to securities of the issuer may trade in such securities. The insider may not disclose the privileged information except if he must disclose the information in the course of business, having no ground to believe it will be used or disclosed contrary to the Securities Act. No person prohibited from trading in securities of a reporting issuer may use the privileged information in any other manner unless he is justified in believing that the information is generally known to the public. Thus, no such person may trade in options concerning the securities of the issuer. Nor may the person trade in the securities of another issuer, in options or in futures contracts concerning an index, once their market prices are likely to be influenced by the price fluctuations of the issuer's securities.

ME

No member, person associated with a member or a permit holder shall engage in transactions in Exchange listings based in whole or in part on non-public information concerning pending transactions in options, futures contracts or securities, which are likely to affect market prices of any other option, futures or security unless such transactions are made solely for the purpose of providing a benefit to the client who is engaged in or proposing the pending transactions to which the non-public information pertains.

The rules of the ME also specify that no member, person associated with a member, or a permit holder shall use or knowingly participate in the use of any manipulative or deceptive method of trading in connection with the purchase or sale of any Exchange listing which creates or may create a false or misleading appearance of trading activity or an artificial price for the said listing.

SEC

There are no specific restrictions on dual trading.

Insider trading is prohibited in Hong Kong under the Securities (Insider Dealing) Ordinance (“S(ID)O”). The definition of securities in the S(ID)O includes derivatives (e.g. warrants, stock options, and stock futures) thereon.

SVS

In Chapter XXI of the Securities Market Law, N° 18.045, the regulator has ruled the use of insider information, and the persons which are subject to penalties by using this information.

ESA

A special Insider Trading Act has been implemented on February 1st, 1991.

NZSC

The rules of the Exchange contain explicit prohibitions on certain types of trading including dual trading, insider trading and excessive discretionary trading.

CONSOB

IDEM

In the Italian Derivative Market securities firms and banks can act as both brokers and dealers, while individual stock brokers for customers account only.

MIF and MTO

In MIF and MTO market securities firms and banks can act as both broker and dealer, individual stock brokers only for customers account and investment funds exclusively for their own book.

CNMV

Securities Act prohibits insider trading in financial markets. In respect to dual trading, it is not prohibited in Spanish markets, although it is subject to some restrictions. For example, as mentioned in point II.B.2 (a) above, financial intermediaries are required to give absolute priority to their customers' interests.

CNV

CNV Resolution No. 227 governs the use of insider information in trading activity.

BAWe

§ 14 of the Securities Trading Act (WpHG) prohibits insiders to trade in the insider security for their own account or the account of any other person. Disseminating insider information to another person without authorization or recommending the acquisition or dispose of insider securities on the basis of inside information is prohibited as well. Secondary insiders and tippees are included by the Insider Trading-Prohibition. §§ 12 and 13 WpHG define insiders and insider securities, respectively. Under § 31 WpHG insider trading violations are punishable by imprisonment of up to five years.

Under § 8 WpHG and § 2b of the Exchange Act (BörseG) employees of the Exchange Supervisory Authority (BAWe), the Trading Supervisory Offices (HÜSt) and the exchanges are prohibited from disclosing or using confidential information obtained through special access related to their duties without authorization.

Dual trading is not prohibited by law or exchange rules. However, under the General Rules of Conduct of the WpHG (§ 30) all Investment Services Enterprises (ISEs) are obligated to avoid conflicts of interest and in the event of unavoidable conflicts of interest to put customer interest first. The General Rules of Conduct specifically prohibit frontrunning ahead of customer orders.

SC

Generally, there is no prohibition on dual trading. However, it is required by law that a client's trades be given priority over broker's own account trading. The law also prohibits the brokers from knowingly taking the opposite side of a client's order unless the client is aware of this fact and has consented to it.

In relation to insider trading, an officer or staff of the Commission is not allowed to participate or trade in the futures market. Under the FIA, an employee of an exchange company or a clearing house, including the Executive Chairman of the Board, is prohibited from engaging directly or indirectly in trading of futures contract. The FIA also provides that any person who, in relation to trading in futures contracts, has any information which, if generally known might reasonably be expected to affect materially the price of the subject-matter of such trading and which:

- a) he holds by virtue of his official capacity or former official capacity;
- b) it would be reasonable to expect a person in his official capacity or former official capacity not to disclose except for the proper performance of the functions attached to that official capacity; and
- c) he knows is unpublished price-sensitive information in relation to an underlying instrument which is the subject of a futures contract or in relation to the trading in a futures contract,

shall not make improper use of such information to gain, directly or indirectly, an advantage for himself or for any other person.

ESB

Trading Capacity

Where a member trades with a client (as agent or principal) or with

another member:

- the member shall be liable to the client or other member for the due fulfillment of all obligations arising out of the trade; and
- any claims by the client or a member in respect of a trade shall be against the member with whom he traded and not against any other person with whom the member may have traded as contemplated by Rule 7.4.2.

The member may trade with his client as an agent or as a principal, as specified in Rule 7.2.2.7. Provided that, when trading with a client as an agent, he shall immediately before or after the trade with the client trade with another member or, in terms of Rule 7.4.4, with another client at the same price, but in the opposite direction.

Notwithstanding the provisions of Rule 7.4.2, if for any reason, after the member has reported an off-ATS trade to the clearing house, a mistake has occurred, the member may trade with the client as principal in order to correct the mistake.

Subject to Rule 7.1 a member who has an offer from one client to buy and an offer from another client to sell the same exchange contract may simultaneously trade off-ATS with both clients as agent. Provided that:

- offers to buy and sell the particular contract are reflected on the Reuters screen as contemplated by Rule 7.2.5; and
- if the price of the offer from both clients is as contemplated by Rules 7.2.2.4.1 or 7.2.2.4.2, the price at which the member shall trade with both clients shall be the midpoint between the prices reflected on the Reuters screen as contemplated by Rule 7.4.4.1; or
- if the price of one offer is specified as contemplated by Rule 7.2.2.4.3, the member shall trade with both clients at that price, provided it is better than or equal to the prices on the Reuters screen.

A member off-setting an off-ATS trade with another member with an equal and opposite off-ATS trade with a third member, shall not, for a valuable consideration, remove himself from the trades with the two members concerned, but shall, in order to receive any valuable consideration, trade with both members as a principal at different prices.

Affiliated Officers and Members Trading as Clients

An affiliated officer of a broking member may be a client of the broking member, provided that such client fulfills all his obligations in terms of these rules.

Except with the written approval of the executive officer:

- an affiliated officer of a member may not have a beneficial interest in another member;
- an affiliated officer of a broking member may not be a client of or have a beneficial interest in a client of another member;
- a member may not be a client of another member or have a beneficial interest in a client of another member.

An official or employee of Safex or the clearing house may not be a client of any member or have a beneficial interest in a client of any member.

(c) Special Procedures for Large or Small Orders

CFTC

CFTC Rule 1.39 (b) establishes an exemptive procedure for contract markets with proposed large order execution (LOX) rules.

Rule 1.39 (a) provides that a contract market member must expose both buying and selling orders of different principals to the market prior to a crossing of those orders. Amendments to Rule 1.39 (b), however, permit members to execute buying and selling orders of different principals directly between these principals in compliance with LOX rules that have been approved by the CFTC. To qualify for this Rule 1.39 (b) exemption, the contract market must petition for an exemption from the requirements of Rule 1.39 (a).

Rule 549 of the CME establishes a large order execution procedure at the CME. This procedure allows a member to solicit interest in the opposite side of a Standard & Poor's 500 Stock Index (S&P 500) or the Nikkei Stock Average futures order for 300 or more contracts before execution of the order on the floor. During these negotiations, the initiating party and counterparty would determine a maximum quantity and an intended execution price at which the two orders could be executed. Before the initiating party and counterparty could trade opposite each other, the initiating

party's bid or offer would have to be exposed to the pit. The intended execution price would operate as a price floor or ceiling for the LOX order.

SEC

In order to facilitate the execution of large options orders, the options SROs have adopted procedures that permit a floor broker holding an options order for a public customer and a contra-side order to execute such orders as a facilitation cross. Among other things, these procedures require that the order be exposed to the trading crowd and executed between the prevailing bid and offer quotes. The majority of options SROs also have developed and implemented small order execution systems for the facilitation of small options orders. In general, such systems provide for the automatic execution of market and marketable limit options orders of up to ten contracts, although some markets have established higher guarantees. In addition, the options SROs have established rules which require the SROs' floor traders to ensure that public customer orders are filled to a minimum depth of ten (or twenty) contracts, at the best bid or offer in the market.

SIB / SFA

There are no specific provisions in SFA's CBRs which provide special procedures for orders of different sizes.

COB

No general distinction exists between large and small orders on French futures and options markets.

However, STAMP, the MONEP's automated trading system is used only for introduction and cancellation of small orders (less than 50 contracts). Those orders get priority over the orders transmitted on the floor.

MOE

No such procedures exist.

ASC

There are no procedures differentiating large and small orders.

OSC

There are no special procedures for large and small orders with respect to futures contracts traded on the TFE. Orders for ten (10) or less options traded on the TFE can be, at the election of the member or the customer, traded in an automated fashion utilizing the Market Order System of Trading ("MOST"). If the election to utilize MOST is not made, then the order will be treated in the traditional floor trading fashion.

CVMQ

Retail Order Policy (ME)

Two levels (10 or 20 options contracts) have been established for the (guaranteed minimum) number of trading units which will be executed automatically in options. The size (10 or 20 contracts) of order which is served automatically under the Retail Order Policy varies with the liquidity and price level of listing.

SEC

In the stock options market operated by the SEHK, market maker quotes must be made for a minimum size of 10 contracts. In the HIS options market operated by the HKFE, registered trader quotes must be made for a minimum size of 1 contract. There are no other special procedures relating to large or small orders.

SVS

The SVS has given stock exchanges the possibility of implementing their own rules for wholesales transactions. However, the exchanges have still not published any rule yet.

FSA

There are no FSA exchange rules governing procedures for orders of different sizes. The derivative market place itself, however, has implemented a differentiation at 50 contracts so that small orders

are electronically manipulated but large orders over the phone block order market.

NZSC

There are no procedures differentiating large and small orders.

CONSOB

No such procedures exist in MIF, MTO and IDEM markets.

CNMV

There are no specific procedures for orders of different sizes in Spanish futures and options exchanges.

CNV

There are no special procedures for large or small orders.

BAWe

The prearranged crossing of large orders at the DTB is permitted under special circumstances set forth by 1.3.3 of the Conditions of Trading. When orders to be crossed exceed a certain size depending on the product, the initiating party or the counterparty must signal the upcoming cross trade to the market place and wait for the passage of a minimum period of time before execution, allowing the market to participate in the trade.

SC

There are no special procedures differentiating large and small orders.

ESB

May be traded off-ATS, but must be booked through ATS to allow SRO scrutiny.

(d) Other Trade Practice Requirements or Prohibitions Including Anti-Fraud Rules

CFTC

CEA § 4b prohibits any exchange member or agent thereof or any other person in connection with any order to make, or the making of, a contract of sale of a commodity for future delivery for or on behalf of any other person to engage in a variety of fraudulent transactions, including cheating another person, attempting to deceive any person regarding the disposition or execution of an order, or to "bucket" an order.

Similarly, CEA §4c prohibits fictitious trading or trading which would cause the market to reflect a price that is not "true and bona fide".

CEA § 4h prohibits false representation of contract market membership and CFTC registration status.

CEA § 4o states that it is unlawful for a CTA or CPO and their APs to engage in any course of conduct or to employ any device which may operate as a fraud upon any actual or prospective client or any participant.

Rule 1.35 contains rules which limit the opportunity for the fabrication or alteration of trade records, assure accountability for trading cards, and enhance exchange audit trail and trade surveillance. See II.B.5 (a) below.

Rule 155.2 requires that contract markets promulgate trading standards for floor brokers. In addition, the regulation indicates minimum standards of conduct for floor brokers which should be reflected in the rules. Examples of the requirements are as follows:

- a floor broker is prohibited from making prearranged trades;
- a floor broker is prohibited from trading ahead of a customer order; and
- a floor broker is required to confirm promptly execution of a trade with the opposite floor broker or trader and the

confirmation shall include price or premium quantity, future or commodity option and respective clearing members.

Rules 155.3 and 155.4 specify those internal standards which an FCM and an IB shall, at a minimum, establish and enforce. For example, Rule 155.3 (a) requires that the FCM adopt rules which insure that customer orders which are "executable at or near the market price" are transmitted to the floor of the exchange before any order in the same commodity for the FCM's account, a proprietary account of the FCM, or any account in which an affiliated person has an interest or has discretionary trading authority. In addition, Rule 155.3 (b) requires that an FCM adopt rules which prohibit an FCM or AP from taking the opposite side of a customer order. The procedures for IBs are substantially similar to those applicable to FCMs.

Rules 32.9 and 33.10 proscribe fraud in connection with a domestic exchange-traded commodity option transaction. The rules state that it shall be unlawful for any person directly or indirectly: (1) to cheat or defraud or to attempt to cheat or defraud any other person; (2) to make or cause to be made any false report or statement; or (3) to deceive or to attempt to deceive any other person "by any means whatsoever" in connection with an offer to enter into, the entry into, or the confirmation of, any commodity option transaction.

Rule 33.9 outlines a number of unlawful activities in connection with a domestic exchange-traded commodity option transaction. It shall be unlawful for:

- any registered person to imply that by virtue of registration the CFTC has approved that person's actions;
- any person to imply that compliance with the regulatory structure constitutes a guarantee of fulfillment of the commodity option transaction;
- any person, upon acceptance of an order, to fail unreasonably to secure prompt execution of an order or upon rejection of an order to fail to notify the customer that the order has been rejected; or

- any person to manipulate or to attempt to manipulate the market price.

SEC

In addition to restrictions on dual and insider trading, the federal securities laws prohibit the manipulation of security prices and the employment of manipulative or deceptive devices in the offer or sale of securities through the facilities of a national securities exchange. See Sections 9, 10 (b), and 17 (a) of the 34 Act. In addition, Sections 15 (c) (1) and 15 (c) (2) of the 34 Act make it unlawful for broker-dealers to effect transactions in the OTC market through fraudulent, manipulative, or deceptive acts or practices.

In accordance with the anti-fraud provisions of the federal securities laws, the options SROs have adopted rules and issued circulars prohibiting the practice of frontrunning. As it pertains to index options, frontrunning is the practice of trading in index options by members or persons associated with members while in possession of material, non-public information concerning imminent block transactions in one or more of the securities underlying the index, with the intention of taking advantage of the attendant price changes in the securities involved in the block transaction.

SIB

A person who:

- i) makes a statement, promise or forecast which he knows to be misleading, false or deceptive or dishonestly conceals any material facts; or
- ii) recklessly makes (dishonestly or otherwise) a statement, promise or forecast which is misleading, false or deceptive commits an offense if the person makes the statement, promise or forecast or conceals the facts for the purpose of inducing, or is reckless as to whether it may induce, "another person" to enter or offer to enter into, or to refrain from entering or offering to enter into, an investment agreement or to exercise or refrain from exercising any rights conferred by an investment (FSA, s. 47 (1)).

Supplementing the provision on misleading statements is a prohibition relating to misleading acts and courses of conduct. Broadly, a person "who does any act or engages in any course of conduct which creates a false or misleading impression as to the market in or the price or value of any investments" commits an offense. The necessary mental element is satisfied if the person does the act (or engages in the course of conduct) for the purpose of creating the false or misleading impression and "thereby inducing another person to acquire, dispose of, subscribe for or underwrite those investments or to refrain from doing so or to exercise or refrain from exercising, any rights conferred by those investments" (FSA, s. 47 (2)).

In this case, it is a defense for the person concerned to prove that he reasonably believed that his act or conduct would not create an impression that was false or misleading as to the price or value of the investments (FSA, s. 47 (3)).

A person who is found guilty of an offense under Section 47 of the FSA is liable, on conviction on indictment, to imprisonment for a term not exceeding seven years or to a fine (or to both). On summary conviction, a person is liable for imprisonment for a term not exceeding six months or to a fine (or to both), (FSA, s. 47 (6)).

SFA's CBRs provide specific trade practice requirements relating to the execution of orders. Rules 5-36 to 5-46 inclusive deal with: restrictions on a firm dealing for its own account ahead of publication by it of recommendations to its customers; customer order priority; timely execution; best execution; timely allocation; the aggregation of orders; fair allocation of orders; churning and switching; off-exchange market makers; and insider dealing. In addition Rule 5-51 sets out restrictions on personal account dealing by officers and employees of a firm together with requirements for personal account notices to be given by those officers and employees.

COB

The following four criminal offenses exist on every French market whatever the product:

- insider dealing;

- price manipulation;
- misleading information;
- communication of non-public information.

MOE

Articles 157-166, and 201 of the Securities and Exchange Law prohibit fraudulent and other undesirable trade practices.

ASC

It is an offence to carry out the following activities in relation to futures:

- * futures market manipulation (s. 1259);
- * false trading and market rigging (s. 1260);
- * making false or misleading statements likely to induce persons to deal in futures contracts or have an effect on the price for dealings in futures contracts (s. 1261);
- * fraudulently inducing a person to deal in futures contracts (s. 1262);
- * dissemination of information about a change in prices due to the effect of illegal transactions (s. 1263);
- * engaging in fraud in connection with dealing in futures contracts (s. 1264).

In addition, SFE General By-Law G-8 sets out the procedure for trading, inter alia, a prohibition on front-running, trading against a customer order, entering into pre-arranged trades and withholding client orders. Section 1264 of the CL prohibits fraud in connection with dealings in futures contracts.

OSC

The OSC is empowered to ensure that the floor trading practices of the TSE and the TFE are fair and properly supervised and that adequate measures have been taken by the exchanges to prevent manipulation.

The TSE requires that all transactions are effected in accordance with just and equitable principles of trade. The TSE prohibits

options floor traders from using or knowingly participating in the use of any manipulative or deceptive method of trading in connection with options trading which creates a false or misleading appearance of trading activity or an artificial price for the option. A similar rule exists on the TFE.

The TFE requires that all trading is conducted in a competitive market and prohibits, among other things, pre-arranged trades, the withholding of orders, disclosure of client's orders and trading against client's accounts.

CVMQ

ME

Without in any way limiting the generality of the foregoing, the following are deemed conduct inconsistent with just and equitable principles of trade:

- Unreasonable quotations;
- Unreasonable transactions;
- Abuse of orders;
- Front running;
- Manipulative or deceptive trading;
- Corners.

SEC

HKFE and SEHK rules contain a full range of trade practice requirements and prohibitions. Hong Kong legislation also contains a variety of trade practice requirements and prohibitions, including market manipulation prohibitions and anti-fraud rules.

SVS

Artificially fixing prices and fictitious trading are penalized by Law 18.045; those who commit these activities may receive a jail sentence.

ESA

A client must not distribute misleading or wrong information or take any other measures in order to manipulate the price of derivatives or the underlying property.

New legislation concerning market manipulation entered into force on January 1st, 1997. The legislation implements a new crime into Swedish law, namely market manipulation i.e. performances on the securities markets with the sole purpose of manipulating the market price of financial instruments. The legislation states the following agreements which usually shall be considered to be market manipulative:

- fictitious agreements,
- agreements with secret conditions regarding repurchase commitments at an agreed lowest price or with clauses which restrict the purchaser's right to dispose of the instrument or in some other way aims at not making the instrument available for the market.

Furthermore, it is also prohibited to conclude a purchase or selling agreement, make an offer about such agreement, take any other similar measure or make someone do any similar action with the intention to manipulate the market price and mislead the market.

According to the new legislation, anyone who undertakes measures in accordance with above shall be sentenced for market manipulation to a fine or imprisonment for up to two years. If the circumstances are aggravating, the penalty shall be imprisonment determined for a period between six months and four years. If the offence is considered to be trivial, the person concerned shall not be convicted at all.

NZSC

The general rules of law relating to anti-competitive activity and to fraud apply. In addition the Business Conduct Committee has jurisdiction to act in respect of undesirable situations and practices.

CONSOB

Law no. 157/91 prohibits a person who has inside information obtained by means of an interest in a company's capital or of his public or other duties, profession or office, to purchase or sell or engage in other transactions involving securities, including the related pre-emptive rights, directly or through a nominee, and to disclose the above information to third parties or to advise others to carry out the above operations.

CONSOB, with decision no. 5553/91, has set up the procedures for the disclosure of information, statistics and studies of value to made available to investors.

CNMV

Both Securities Act and Royal Decree 629/93 establish sales practice standards applicable to any type of firms regarding their securities markets activities. Article 10 of exchange Rules and Regulations also states some principles on which trading between members of MEFF must be based. In general terms, fraudulent and manipulative practices, frontrunning customers, fictitious transactions and, in general, any trading activity aimed at causing artificial price movements for own benefit or for that of third parties are prohibited.

Royal Decree 629/93 sets out as well that "the information given to the clients has to be clear, correct, precise, sufficient and given on time, to avoid incorrect interpretation and emphasizing the risks of any transaction, very especially in relation to the financial products with high risk, in a manner that the client knows precisely the consequences of the transaction he is contracting. Any forecasting has to be reasonably justified and has to go with any necessary explanation to avoid misunderstandings".

Moreover, pursuant to Article 8.12. of exchange rules, a generic risk disclosure statement explaining the nature of the risks associated with trading futures and options has to appear in a prominent and visible place of the contract to be signed between the members and their customers.

In 1995 some aspects of the relationship between intermediaries and their customers have been further regulated. On the one hand,

it has been stated the obligation of signing a contractual agreement to represent any commercial relation between an intermediary and its client. In particular, funds delivery by a client to the intermediary must be supported by a contractual written agreement. Additionally, it is compulsory to use standard contracts to regulate activities such as portfolio management and deposit and management of securities. Such contracts should be forwarded to the CNMV before their application.

On the other hand, it has been established the obligation for the intermediary to deliver information to the client whenever a settlement is completed, with the following minimum contents:

- total amount of the transaction;
- rate of return expressed in terms of annual equivalent rate, if applicable;
- fees and other applicable expenses, giving details for each concept (accrual, period and basis);
- in general, any data which could be considered relevant for the client to understand the outcome of the settlement and the transaction financial conditions.

For long term contractual agreements, it is required to deliver quarterly clear and precise information of the client portfolio situation and deposited securities and funds.

CNV

No other prohibitions.

BAWe

Cross trading and pre-arranged trading at the DTB is only permitted under special circumstances set forth in 1.3.3. of the Conditions of Trading. These exchange rules require depending on size and product a mixture of signaling the upcoming cross-trade and exposing one side of the trade to the market place for a minimum period of time before execution. Wash sales are generally prohibited.

Trade practice requirements and prohibitions as provided under the FIA include:

- *Trading Against the Client (Section 50)*
A broker cannot take the other side of a client's order without the prior consent of the client.
- *Know your Client and Know your Product Rule (Section 52B)*
Requires recommendations made by licensed persons to clients to have a reasonable basis, in that sufficient enquiry is made into the financial standing of the client and his risk appetite, as well as into the subject matter of the recommendation.
- *Priority of Clients' Orders (Section 54)*
A broker is to give priority to the instructions of a client to execute a trade in futures contracts, ahead of that of his own trades or that of his associates.
- *False Trading (Section 79)*
A person must not create a false or misleading appearance of active trading in a futures market.
- *Bucketing (Section 80)*
A person must not hold out that he has executed a trade in a futures contract without having effected a bona fide transaction on the market in accordance with its rules or practices.
- *Price Manipulation and Cornering (Section 82)*
A person must not:
 - a) manipulate the price of a futures contract or of the instrument that is the subject of a futures contract; or
 - b) corner the underlying instrument.
- *Devices to Defraud (Section 83)*
A general prohibition against fraudulent conduct and false

statements.

- *False or Misleading Statements (Section 84)*
A person must not make a false statement for the purpose of inducing another to trade in futures contracts.
- *Abuse of Information (Section 86)*
Prohibition of the use of information obtained in an official capacity for personal gain.

Administrative action is taken under the business rules (in which is contained provisions similar to that of the FIA, as listed above) by the exchanges through the imposition of fines, reprimands, and suspension and expulsion from membership. Further administrative action may be taken by the Commission, for example by revoking the licences of brokers, trading advisers, or fund managers, or of those of their representatives.

ESB

Trading Restriction

It shall be a contravention in terms of Rule 19.1 for a member to:

- make or accept an offer on the ATS when he has placed an order with another member in terms of Rule 7.1.2 in the opposite direction in the same or a related exchange contract; or
- to place an order with another member in terms of the said rule if he has made an offer on the ATS in the opposite direction in the same or a related exchange contract.

POSITIONS

Reporting

Within ten minutes of trading, or such other time as the executive committee may decide, a member shall report his off-ATS trade to the clearing house through the ATS in the manner and form prescribed by the clearing house.

Off-ATS trades concluded after 16:30, or such later time on a business day as the clearing house may determine, shall be reported to the clearing house in such manner no later than 09:00 on the

following business day.

In the event of a failure of the ATS or in circumstances beyond the control of the member preventing him from complying with the provisions of this Rule 8.1, the member may, with the prior written approval of the executive officer and for the duration of such failure or circumstances, report his off-ATS trades to the clearing house by fax or other means acceptable to the executive officer.

Matching

Off-ATS trades involving two members shall be matched by the clearing house in terms of the date and time of the trade, the name of the counterparty, the particular exchange contract and the price at which the trade was done.

If an off-ATS trade with another member is reported and does not match all the particulars referred to in Rule 8.2.1, or if no counterparty trade is reported, the clearing house shall report the mismatched or unmatched trade as soon as possible to both members nominated in the report and both members shall correct the details causing the mismatch or the party which failed to report the counterparty trade, shall do so.

In the event of any off-ATS trade not being matched by 16:30 or such later time that the clearing house determines on the day it is reported, it shall be reported anew by both members on the following business day.

ETHICS AND CONDUCT

Conduct

No member or affiliated officer of a member shall directly or indirectly commit any act or engage in any conduct likely to bring Safex into disrepute, and in particular shall not:

- cheat, defraud, deceive or attempt to cheat, defraud or deceive any client or any other member;
- make or cause to be made to a client a report which they know (or ought reasonably to know) to be false or misleading in connection with any exchange contract;
- disseminate or cause to be disseminated any information or report which they know (or ought to reasonably know) to be

- false or misleading, or which affects or tends to affect unfairly the price of any exchange contract;
- engage in manipulative or misleading acts or practices regarding the price of an exchange contract or trading in that exchange contract;
 - submit information to Safex or the clearing house or any of their employees or agents, which they know (or ought reasonably to know) to be false or misleading;
 - behave in a manner prejudicial to the interest of the public, Safex members or clients;
 - act contrary to the usages or practices of Safex;
 - commit or attempt to commit any act which the executive committee considers to be dishonest, fraudulent or dishonourable; or
 - be a party to or facilitate or enter into a trade which is fictitious or which has a dishonest or unlawful motive.

Advertising by Members

No member shall make any communication with the public or use any promotional, or advertising material which:

- is false or misleading in any material respect;
- makes the statement or suggests that trading on Safex is appropriate for all persons;
- refers to the possibility of profit unless accompanied by an equally prominent statement of the risk of loss;
- includes a reference to either hypothetical results or to actual profits without stating that these profits or results are not necessarily indicative of future profits or results;
- compares one member or the performance of one member with another member or the performance of another member; and
- refers to an opinion without identifying it as such and without setting out the facts on which it is based.

In the event that the executive committee considers that a member has failed to conform to any of the advertising requirements published by the executive committee under Rule 16.2.1, it may at its discretion (without prejudice to its other powers under these rules) require that no further advertising material or other promotional or marketing material shall be published by or on behalf of such member unless it has been submitted to the executive committee in advance and the executive committee has

notified the member that the material is not suitable for publication.

Contravention to be Reported

Every member shall report to the executive officer any contravention of the rules, the Act and the directives and resolutions made in terms of these rules that comes to his attention.

Insider Trading

A person bound by these rules shall not trade for his own account or an account in which he has a beneficial interest in an exchange contract on the basis of information likely, if generally known, to affect the price or value of that exchange contract, if:

- such person knows that the information was obtained by virtue of a relationship of trust or contract, whether or not the person is a party to that relationship, or through espionage, theft, bribery, fraud, misrepresentation or any other wrongful method; and
- the information is not generally available to the reasonable investor and includes information that some other person intends to trade in the exchange contract or a related exchange contract or the underlying instrument of the exchange contract or related exchange contract or any component of such underlying instrument on Safex or on any other exchange or market.

3. Sales Representations and Disclosure - Required and Restricted

(a) Price and Volume Dissemination Requirements and Other Transparency Requirements

CFTC

The antifraud provision in Section 4b of the CEA generally prohibits any person with respect to a customer from providing any false or misleading information, or from failing to provide any information that can have a material effect on a customer's investment decision.

Part 16 of the CFTC rules requires contract markets to publish each day information on the trading volume, open contracts, and prices on futures and options. The information is to be made readily

available to the news media and the general public no later than

the business day following the day to which the information pertains. See also the discussion in III.A.1 below regarding publicly available information.

SEC

The options SROs require that all order tickets state the time of execution of the order (to the nearest minute). Transactions also must be reported immediately to floor reporters for entry into the SROs' transaction reporting system. The SRO's transaction reporting systems, in turn, transmit options transactions and quotation information to the Options Price Reporting Authority ("OPRA"). OPRA is operated by the options exchanges under a plan approved by the Commission under Rule 11Aa3-2 under the 34 Act. OPRA is responsible for collecting from the options exchanges last sale and quotation information for all standardized options and disseminating that information to private vendors. Specifically, for last sale reports, each exchange is to transmit such reports to OPRA at least within two minutes of execution. For quotation information, the markets are required to transmit to OPRA bids and offers in sufficient number and timeliness to reflect the current state of the market for each option it trades. The OPRA system, in turn, provides for the uniform dissemination of last sale and quotation information on fair and reasonable terms and on a current basis.

SIB

Schedule 4 to the FSA provides that exchanges must require issuers of investments dealt in on the exchange to comply with such obligations as will, so far as possible, afford to persons dealing in the investments, proper information for determining their current value. It also provides that an exchange must either have or secure the provision on its behalf of satisfactory arrangements for recording the transactions effected on the exchange.

The exchanges vary in the manner in which they satisfy the Schedule 4 requirement, however, all RIEs have arrangements in this regard which are deemed to be adequate.

COB

The exchanges are required to provide the market with price information in real time and to provide at least daily volume and open position information.

MOE

Price and volume information is disseminated on a real time basis through quotation systems of information vendors.

ASC

The SFE collects price information from the Trading Floor and disseminates such information through all major quote vendors including Reuters and Telerate. Market information is also available via price reporting vendor services i.e., JECNET, AAP REUTERS, VIATEL, BRIDGE and EQUINEET.

OSC

The criteria for OSC registration of exchanges includes the requirement that adequate provision be made to "publish details of trading including volume and open interest". TFE rules require that the highest bid and lowest offer be posted for each contract.

CVMQ

The charter of the Montreal Exchange specifies that the exchange must compile records, and publish statistics respecting the business of the member of the exchange and of other person authorized to trade on the exchange. Exchange rule state that all bids and offers must be made in accordance with the Exchange requirement, all trades executed on the exchange must be recorded in the form prescribed by the exchange, all trades shall be published on the tape forthwith after their execution.

SEC

HKFE and SEHK disseminate last sale information on-line to numerous information vendors and to the press media at the end of each trading day.

SVS

Information concerning prices and volumes are given in real time, as well as all other operations in other markets within the exchanges. This constitutes a service offered by the Chilean exchanges, since there is no regulation that obligates them to do so.

ESA

From the derivatives market there is disseminated - while trade and registration ongoing - information about buy and sell prices for options and futures transpiring supply and demand but neither for equity and index options on the expiration day, nor at a halt of the exchange.

NZSC

NZFOE disseminates its price information through all major quote vendors including Reuters and Telerate.

CONSOB

IDEM

The CONSOB market rules and regulations provides that the following information are disseminated by the trading system:

- on a real time basis:
 - a) best bid and ask price and related quantity;
 - b) price and quantity of each trade concluded;
 - c) daily maximum and minimum price;
 - d) number of deals;

- at the end of the trading day:
 - a) settlement price;
 - b) maximum and minimum traded price of the day;
 - c) weighted average traded price;
 - d) total number of deals;
 - e) open interest.

MIF and MTO

Dissemination of transaction prices and volumes is restricted to market participants.

CNMV

Exchange rules state that information relative to the market, orders received and prices shall be distributed by technically appropriate means with the aim of the maximum possible information being available in real time and being accessible under equal conditions to all members.

Real time market information is disclosed through the terminals connected to the central market computer and through professional vendors of financial information and include the following items:

- best bid and offer prices;
- number of contracts offered for said prices;
- the price of the last transaction;
- total number of contracts exchanged in the session to a given moment;

for futures contracts, the daily settlement price applied at the last daily settlement of gains and losses and the highest and lowest prices of the transactions of the market session in course.

In addition, market information is periodically disclosed through the exchanges' daily bulletins, the press and other media.

See also II.B.2 (d) above for regulation concerning information to customers.

CNV

CNV rules require exchanges to publish information on the trading volume, open contracts, and prices on futures and options.

CNV Resolution No. 227 generally prohibits providing customers with false or misleading information. Also, each exchange has its own "Ethics code" that governs members / intermediaries conduct.

BAWe

According to § 11 (2) of the Exchange Act all exchange prices and the underlying turnover shall be reported to the trading participants without undue delay. Prices shall be determined through the EDP system of the Exchange Process and execution times are documented in the EDP system of the exchanges. Pursuant to the stock exchange rules, prices shall be published in the Börsen-Zeitung (newspaper) too. In addition, all stock exchange transactions including price, time and volume have to be reported to the Bundesaufsichtsamt (BAWe) (§ 9 of the Securities Trading Act).

SC

The information is disseminated on a real time basis through financial data service providers such as Reuters, Bloomberg, etc.

ESB

Make or cause to be made to a client a report which they know (or ought reasonably to know) to be false or misleading in connection with any exchange contract;

disseminate or cause to be disseminated any information or report which they know (or ought reasonably to know) to be false or misleading, or which affects or tends to affect unfairly the price of any exchange contract;

engage in manipulative or misleading acts or practices regarding the price of an exchange contract or trading in that exchange contract.

See also I.B.2. (d) above.

(b) "Know your Customer", "Suitability"

CFTC

Each FCM, IB and member of a contract market is required by Rule 1.37 to keep for each commodity futures or option account the name and address of the person for whom such account is carried and the principal occupation or business of such person.

The CFTC has required NFA to adopt a "know your customer" rule which has industry-wide applicability. NFA's "know your customer" rule, Rule 2-30, requires each NFA member, with the exception of CPOs whose pool solicitations are subject to related state and federal requirements, to obtain from each customer his age, occupation, income, net worth and previous investment experience and to then provide special risk disclosure where it appears necessary. See NFA Interpretative Notice Compliance Rule 2-30, NFA Manual ¶ 10 060. An account can be opened if the customer declines to provide the information requested but the customer must indicate each waiver in writing.

SEC

No member of an options exchange may accept an options order from a customer unless the customer's account has been approved for options transactions. In approving a customer's account, a broker-dealer must exercise due diligence to learn the essential facts as to the customer and his investment objectives and financial situation. Specifically, broker-dealers are to seek at a minimum the following information about a customer: investment objectives, employment status, estimated annual income from all sources, estimated net worth, estimated liquid net worth, marital status, age, and investment experience and knowledge. Background and financial information of customers who have been approved for options transactions shall be maintained at both the branch office serving the customer's account and the principal supervisory office having jurisdiction over that branch office. Copies of account statements of options customers must be maintained for the most recent six-month period.

The options SROs also have options suitability rules that prohibit member firms from recommending to any customer any options transactions unless they have reasonable grounds for believing that the entire recommended transaction is not unsuitable for the customer, based on information furnished by the customer after reasonable inquiry concerning the customer's investment objectives, financial situation and needs, and any other information known by the member or associated person. The suitability rules also prohibit broker-dealers from recommending opening transactions unless the person making the recommendation has a reasonable basis for believing that the customer has such knowledge and experience in financial matters that he reasonably

may be expected to be capable of evaluating the risks of the recommended transaction, and is able to bear the financial risks of the transaction.

In addition to the suitability requirements, the options SROs have established specific written sales practice requirements and standards concerning uncovered short options transactions. Specifically, the options SROs require that members and member organizations establish a minimum net equity requirement for approving and maintaining customer accounts for uncovered short options transactions. The options SROs also require that members and member organizations furnish customers a written description of the risks involved in uncovered short options transactions, in addition to the Options Disclosure Document, at or prior to the customer's initial uncovered short options transaction.

SIB

A firm must take reasonable steps that it does not make a recommendation to a private customer or effect or arrange a discretionary transaction with or for any customer, unless the recommendation or transaction is suitable for that customer (SFA's CBRs 5-31 (1)). In order to comply with this rule, a firm must first have received sufficient information from that customer in order to decide whether it is private or non-private. Similarly, for any recommendation or transaction to be suitable for a customer, the firm must have obtained sufficient information from the customer to be able to ascertain the suitability of the recommendation or transaction.

A firm must take reasonable steps, including the establishment and maintenance of procedures, to ensure that sufficient information is recorded and retained about its business and customers for it to be able to justify its categorisation of its customers and the suitability of any advice given to private customers or discretionary transactions entered into on behalf of any customer (SFA's CBRs, 5-54).

COB

The market members must have the identification of customers (i.e. names and addresses) and communicate this to the risks centralizing organization.

Initial margins paid by a customer must not exceed 20% of his net capital. In order to monitor the compliance with this rule, market members are required to collect on a quarterly basis the level of customers' capital.

If the customer is a natural person, the initial margin he pays must not exceed two million Francs.

MOE

"Know your customer" or "suitability" is stipulated in Article 54 of the Securities and Exchange Law. And, every securities company shall make rules which require examination of customers, standards for beginning transactions with a customer, prevent excessive trading of securities, and others. The securities companies shall comprehend accurately the state of customers' trading of securities and other transactions and the state of employees' business operation.

ASC

There is no futures suitability requirement in the Corporations Law. However there is a suitability requirement for SFE managed discretionary accounts. By-law g.32 (a) (iii) states that a Member shall not operate a Managed Discretionary Account unless:

"the Member has reasonable grounds for believing that the Managed Discretionary Account is suitable for the client, having regard to the facts known, or which ought reasonably to be known, about the Managed Discretionary Account, the client's other investments and his personal and financial situation".

QSC

Dealers trading with Ontario residents are obliged to establish the identity, creditworthiness and reputation of their clients and to ensure the suitability (and continuing suitability in the case of futures and futures options) of each client trade in view of the markets in which the client intends to trade, the scale of trading and the general financial needs and objectives of the client.

CVMQ

The client's interest must be the foremost consideration in all business dealings.

All information concerning clients' transactions and their accounts must be considered confidential and must not be disclosed except with the client's permission or by order to the proper authority.

A diligent and business-like effort must be made to learn the essential financial, personal and investment circumstances of each client.

All recommendations must be based on a careful analysis of both the client information obtained and the information related to the particular transaction.

All methods of soliciting and conducting business must be such as to merit public respect and confidence.

All clients entering unsolicited orders which appear unsuitable based on the client information supplied should receive appropriate cautionary advice.

A thorough knowledge of the Securities Acts of the province or provinces in which registration is held and the requirements of the approving self regulating agencies must be maintained.

All personal business affairs must be conducted in a responsible manner, so as to reflect credit on the profession.

A continuous effort should be made to maintain a high standard of professional knowledge through reading and study.

SEC

HKFE members are required to have each client complete and sign a "Client Information Statement". The Member is required to deliver to the client a written statement giving the name of the member, the category of membership, the name of the employee handling the client's account and registration particulars of the member and the employee. HKFE members must take all reasonable steps to establish the true and full beneficial identity of

each of their clients, and of each client's financial situation, investment experience, and investment objective. Having regard to information disclosed by a client and other circumstances relating to the client which the member is or should be aware of through the exercise of due diligence, the member must, when making a recommendation or solicitation, ensure the suitability of such recommendation or solicitation for that client as is reasonable in all circumstances. Members must assure themselves that the client understands the nature and risks of a futures / options contract and has sufficient net worth to be able to assume the risks and bear the potential losses of trading in such futures / options contracts.

Before entering into an options client agreement with any person, SEHK option trading rules require that an options trading member obtain sufficient information in respect of that person's beneficial identity and financial situation, investment experience and investment objectives to enable the options trading member to assess the type of stock option contract suitable for that person.

An SEHK stock options trading member must complete a client information checklist and maintain a record of the information. The options trading member must approve in writing the entry of each options client agreement and must provide each client with the SEHK's booklet "Understanding Stock Options (and their Risks)". Each options trading member must maintain full and up-to-date records of the name, addresses, contact individuals and contact numbers of each client and of any person authorized and designated by that client to act for that client.

SVS

There is no "know your customer" or "suitability" rule. However, broker-dealers must keep a file for each client with some basic information.

ESA

The intermediary is entitled to represent the end customer in all of his options and futures contracts covered by the opening and collateral documents as well as at delivery and settlement. The intermediary has to act in his own name but on behalf of the end customer and stating the account number of the end customer.

NZSC

The broker's credit risk is managed by way of initial margin requirements.

All clients are required to complete prescribed client agreement forms detailing the identity of the client.

CONSOB

Investment firms and banks providing investment services in Italy must acquire the necessary information from customers and operate in such a way that they are always adequately informed (article 17 of Legislative Decree no. 415/1996).

CNMV

Royal Decree 629/93 determines the obligation of all institutions involved in securities markets activities to request from their customers the information necessary for their correct identification, as well as information on their financial situation, investment experience and objectives, whenever the latter is relevant to the services they are going to render. Customers' identification must be communicated to the exchange and, upon request, to the CNMV.

CONSOB

Law no. 1/91, art. 6, provides that in carrying on their activities securities investment firms must act so that customers are adequately informed about the nature and risks of transaction, their implication and any instrument, facts or circumstances that customers need to know in order to make informed investment and disinvestment decisions.

CNV

There are no rules for this matter.

BAWe

Exchange participants must require collateral and daily settlement payments from their customers in an amount which is at least equal to the amount determined on the basis of the formula

applied by the DTB. Member banks have to get their private customers to sign a form to assure their "Termingeschäftsfähigkeit" (risk disclosure statement).

In addition, rules of conduct are set down in the new securities trading act (WpHG). Section 31 (2) obliges the investment firm to require from its customers information about their experience in or knowledge about transactions which are contemplated to be the subject of security services, about their goals pursuant to such transactions and about their financial situation and to provide all information useful for the purpose to its customers and in view of the type and volume of the proposed transaction.

SC

Section 52B of the FIA places a legal duty on all intermediaries when giving advice to clients. The provision requires a futures intermediary to have a reasonable basis for recommendations made to its clients, in that sufficient enquiry is made into the financial standing of the client and his risk appetite, as well as into the subject matter of the recommendation.

ESB

Client Registration

A member shall not trade with a client until registration of the client has been effected.

To register a client, a member shall submit the following details:

- the full name and description of legal capacity and a clear indication whether the person is a resident, non-resident or emigrant client;
- the identity number, or registration number of a company or close corporation;
- the address;
- the telephone, facsimile or telex number;
- the duly authorized contact person;
- the name of the authorized bank at which the non-resident client has opened a non-resident account or, in the case of an emigrant client, the name of the authorized bank at which the emigrant client has opened an emigrant's blocked account and a

- non-resident account and the telephone, telex and facsimile numbers of the authorized bank concerned;
- where applicable, the numbers of the emigrant's blocked and non-resident accounts referred to in Rule 7.6.2.2.6;
 - the name of the contact person at the authorized bank concerned where the emigrant's blocked and non-resident accounts referred to in Rule 7.6.2.2.6 are kept; and
 - the margin category in respect of a non-resident client or emigrant client.

The clearing house shall maintain a record of the clients which are registered as clients of broking members and it shall keep a record of the particulars associated with each client as required under Rule 7.6.2.2.

A member shall ensure that the particulars relating to his clients are correct and up to date at all times.

The member shall ensure that clients, which have ceased trading with the member, are removed from the register as being the clients of the member.

The client's registration shall be retained by the clearing house for as long as it deems necessary, after the client has ceased trading.

(c) Risk Specific Disclosure

CFTC

The CFTC requires written disclosure of the risks of futures and options trading to ensure that potential customers are aware of these risks and are not otherwise misled. Before a futures commission merchant or an introducing broker may open a commodity account for any customer, the customer must be provided with:

- The written risk disclosure statement in CFTC Rule 1.55 which sets forth the risks, costs and mechanics of futures trading. Each FCM or IB must obtain from each customer an acknowledgement, signed and dated by the customer, stating that the customer received and understood the disclosure statement. The acknowledgement and all other acknowledgements referred to herein must be retained in

accordance with Rule 1.31. Rule 1.55 (d) clarifies that this section does not relieve an FCM or IB from any other disclosure obligation it may have under applicable law.

- The written risk disclosure statement in CFTC Rule 33.7 sets forth the risks, costs and mechanics of domestic exchange-traded commodity option transactions.
- The written risk disclosure statement in Rule 190.10 (c), which states that before accepting property other than cash from or for the account of a customer to margin, guarantee or secure a commodity contract, an FCM must first provide a written disclosure statement which sets forth in abbreviated form the distribution scheme for such property in the event the FCM becomes insolvent. The FCM must obtain from such customer an acknowledgement, signed and dated by the customer, stating that the customer received and understood the disclosure statement.

An FCM or IB must provide a foreign futures and options customer either in the customer account agreement or on a separate form a written disclosure statement containing the language set forth in Rule 1.55 (b). See Rule 30.6.

The Commission's 1993 rule amendments simplified and rendered more effective the risk disclosure process which included, among other things: (1) a consolidated risk disclosure statement applicable to domestic futures and foreign futures and options transactions, (2) a rule that permits the CFTC to authorize FCMs and IBs to use a risk disclosure statement approved by a foreign jurisdiction or foreign SRO instead of the CFTC's risk disclosure statement, and (3) simplified and clarified procedures for bulk transfers of customer accounts. See ~~58 Fed. Reg.~~ 17495 (April 5, 1993); corrected at ~~58 Fed. Reg.~~ 22020 (April 26, 1993).

The CFTC has approved the alternative use of a generic risk disclosure statement in lieu of the above-referenced individual disclosure statements. The generic statement potentially could be used in multiple participating jurisdictions to meet the risk disclosure requirements for both domestic and foreign commodity futures and commodity option products. See ~~59 Fed. Reg.~~ 34376 (July 5, 1994). To date, the generic disclosure statement has been approved for use in the U.K. and Ireland.

Disclosure obligations applicable to commodity pool operators and commodity trading advisors are set forth in Part 4 of the CFTC regulations. See IV.C.2 (b) below.

SEC

As the issuer of exchange-traded standardized options OCC registers its options under the 33 Act by using a Form S-20 registration statement which is tailored specifically to standardized options. In conjunction with using a FORM S-20, OCC also prepares for Commission approval an Option Disclosure Document ("ODD") pursuant to Rule 9b-1 of the 34 Act that describes the uses, mechanics and risks of options trading. The S-20 and ODD are designed to enhance investor understanding of standardized options by separating information about the issuer from information relating to options and the risks and characteristics of trading options. Rule 9b-1 also requires broker-dealers to furnish customers with a copy of the ODD before approving a customer's account for trading options or accepting a customer order to purchase or sell a standardized option contract. The broker-dealer's records for each options account must also contain the date the ODD was provided to the customer.

The disclosure requirements for publicly offered standardized options contracts traded on a foreign exchange that want to be registered in the U.S. are the same as the disclosure requirements for standardized options contracts traded on a U.S. exchange.

SIB

In respect of private customers a firm must not recommend a transaction, arrange or execute a transaction or act as a discretionary manager in respect of warrants or derivatives, unless it has sent that private customer the prescribed form warning notices and obtained a copy of those notices signed by the customer in circumstances where the firm is satisfied that the customer has had a proper opportunity to consider their terms (SFA's CBRs, 5-30 (2)). A firm must not recommend to a private customer a transaction on an investment which is not readily realisable unless it has given the private customer the required warning and disclosure (SFA's CBRs, 5-30 (5)).

COB

Before opening any futures or option account, firms are required to provide their customers with a prospectus about MATIF or MONEP, approved by the COB (visa).

In that prospectus there is risk disclosure about derivative markets. A new COB regulation (90/09 for the contracts traded on the MATIF and 92/01 for the options traded on the MONEP) requires members to procure customer signatures on the prospectus.

See II.B.3 (b) above.

MOE

When a securities company signs an agreement for any transactions listed below, it must deliver in advance to the customer (excluding securities companies, banks, trust companies, and other institutional investors) a written statement furnishing an outline of such transaction: provided, that this shall not apply to cases where the securities company had delivered such statement to the customer within one year prior to signing such agreement.

- 1 futures, index futures, option;
- 2 foreign futures and option transaction.

ASC

A futures broker must provide risk disclosure documents to prospective clients (under section 1210). This includes:

- information about the nature of futures contracts and client obligations assumed when instructing a futures broker to enter into a futures contract;
- risk disclosure statement in the prescribed form (Form 804); and
- specifications and essential details of futures contracts in which the broker deals on behalf of clients.

The risk disclosure statement prescribed by Form 804 of the Corporations Regulations requires the prospective client to give consideration to their objectives, financial situation and needs

before they form the opinion that dealing in futures contracts or option contracts is suitable for their purposes.

The risk disclosure statement also highlights the risks and benefits of trading in futures contracts. This differs from the "know your client" rule in the securities industry.

All licensed futures brokers must also ensure that clients sign a client agreement form which contains minimum requirements as determined by the SFE Business Rules. An SFE Member must obtain the appropriate written acknowledgments from their client before dealing in futures contracts on the client's behalf. The SFE Articles of Association, First Schedule Part B detail the relevant minimum inclusions in a Client Agreement Form.

OSC

Dealers are required to provide each client with a risk disclosure document which includes standardized risk disclosure language prescribed by the OSC. At present, separate risk disclosure statements exist for commodity futures, commodity futures options and options transactions. No transaction can be entered into prior to receipt by the dealer of a signed copy of the disclosure statement indicating that the client understands the risks involved in trading such product.

CVMQ

The dealer must deliver to the client before the first trade made by that client, the current disclosure document for commodity futures contracts, for options traded on a recognized market and for exchange-traded commodity futures options. The receipt of the document shall be evidenced in writing. The document shall present the following information:

- Nature of an option (futures);
- Specifications of options (futures);
- Exercising options;
- Trading of options (futures);

- Costs of options trading;
- Risks in options (futures) trading;
- Tax consequences;
- Margin requirements;
- Contracts specifications;
- Etc.

SEC

SEHK and HKFE members are required to have a risk disclosure statement signed by their clients before trades are effected.

SVS

The characteristics of the futures and options markets are stated in the respective contracts, as well as the conditions, which must be accepted in order to participate in these markets. The client must sign the contracts, proving recognition and acceptance of the conditions.

ESA

The FSA has required that the end customers will be well aware of the specific risks connected to the derivative trade. That's why every such customer shall sign the opening and pledge documents.

Besides what has been mentioned in section I.A.1 above FFFS 1996:33 contains a rule implementation with the following text of Chapter 1 § 5 concerning a risk disclosure statement (RDS):

A customer intending to conduct transactions with derivative instruments shall, before he is allowed for the first time to undertake any transactions, be provided by the securities institution with clear written information about the specific risks which transactions with derivative instruments can involve.

If manifestly unnecessary such information need not be provided.

NZSC

All dealers must obtain prescribed written acknowledgements from clients.

Clients are required to sign an agreement form acknowledging that they have read and understood the Risk Disclosure Statement required to be presented.

CONSOB

Article 7, paragraphs 5 and 6, of Consob Regulation no. 8850 adopted with Resolution of December 9, 1994, states that the contracts for investment services, when dealing with derivatives instruments, shall contain the following warnings:

- the value of these contracts is subject to great fluctuations;
- the investment on these contracts could give rise to a risk of deep losses;
- the investment on these contracts could give rise to losses greater than the initial amount of invested capital;
- the customer may be asked to deposit initial margins, whose value is subject to daily review;
- the ways of payment of these margins;
- the powers of the intermediary in case of customer's refusal to pay the margins.

CNMV

As mentioned in point II.B.2 (d) above, a generic risk disclosure statement explaining the nature of the risks associated with trading futures and options has to appear in a prominent and visible place of the contracts to be signed between the members and their customers. Moreover, the exchange is required to put special care to verify that these contracts include clearly the risks that these type of transactions entail.

CNV

There are no rules that require specific risk disclosure.

BAWe

Private customers have to sign a risk disclosure statement according to § 53 Borsengesetz, but this is of no concern of the DTB.

SC

Section 53 of the FIA requires futures brokers to give their clients information that explains the risks associated with trading in futures contracts. This information includes a *risk disclosure statement* that is prescribed in Schedule 3 of the Futures Industry Regulations 1995 (“FIR”). In addition, the broker must give the client a copy of the proposed *client agreement* which contains the minimum terms that are prescribed in the business rules of the exchange. These provisions ensure that a client, and in particular a speculative client, is fully aware of its obligations in relation to futures trading.

ESB

Advertising by Members

No member shall make any communication with the public or use any promotional, or advertising material which:

- is false or misleading in any material respect;
- makes the statement or suggests that trading on Safex is appropriate for all persons;
- refers to the possibility of profit unless accompanied by an equally prominent statement of the risk of loss;
- includes a reference to either hypothetical results or to actual profits without stating that these profits or results are not necessarily indicative of future profits or results.

(d) Promotional Material

CFTC

CFTC Rule 166.3 requires each registrant to diligently supervise the activities of all APs. Such supervision includes the use of all promotional material. NFA Compliance Rule 2-29 (e) requires all NFA members to have written supervisory procedures for the review of all promotional material for compliance with Rule 2-29.

See also NFA Compliance Rule 2-29 (g), which states that NFA may require any Member for any specified period to file copies of all promotional material with NFA after its first use.

§ 4b prohibits any person, in connection with any order or contract of sale of any commodity for future delivery, from making false or misleading statements in connection with a transaction. Thus, the CFTC may bring an action to enjoin misleading advertising or an administrative complaint based on the use of such material.

Rule 4.41 prohibits a CPO, CTA or any principal thereof from advertising in a manner which employs a devise, scheme or artifice to defraud a client or prospective client or involves any transaction, practice or course of business which operates as a fraud or deceit upon a client or prospective client.

NFA has staff in its Compliance Department who review national and regional newspapers to determine whether advertising complies with the standards set forth in NFA 2-29. For clarification of Rule 2-29, See Interpretive Notices, May 23, 1985, November 19, 1985, May 1st, 1989 and February 1st, 1996 and the compliance guide entitled "Communications with the Public and Promotional Material".

NFA further conducts a "pitch program," whereby it exchanges market information with 25 states, a voluntary pre-publication advertising submission program which operates to screen advertising, and a telephone client solicitation program to test oral sales pitches.

SEC

The rules of the options SROs establish detailed standards concerning the content and manner or presentation of options advertisements, educational material and sales literature. All advertisements, educational material, and sales literature must be approved in advance by a firm's Compliance Registered Options Principal. Broker-dealers also are required to submit advertisements and educational material to options SROs for approval or review prior to their use.

In general, the rules adopted by the options SROs provide that sales and advertising material must: (1) not be false and

misleading; (2) not promise specific results; (3) not contain exaggerated or unwarranted claims, opinions, or forecasts; (4) not contain clauses disclaiming responsibility for its content; (5) when discussing the uses or advantages of options, contain a warning that options are not suitable for all investors; (6) balance statements that describe potential opportunities and advantages with appropriate reference to the corresponding risks; or (7) when discussing the uses or advantages of options, reflect the special risks and complexities of options transactions.

SIB

A firm which issues promotional material to the general public must apply appropriate expertise and be able to show that it believes on reasonable grounds that the advertisement is fair and not misleading (SFA's CBRs, 5-9 (1)).

Where the advertisement relates to a specific investment SFA's CBRs 5-9 (7) and 5-9 (8) set out general contents requirements and specific contents requirements which will apply depending upon the nature of the advertisement. In addition Rule 5-9 (9) sets out risk warnings which will need to be included depending on the nature of the investment being advertised.

The above general contents requirements, specific contents requirements or risk warnings need not be included where a firm issues an advertisement which: is issued only to non-private customers; clearly states that the investment or investment service, which is the subject of the advertisement, is not available to private customers; is contained in a newspaper or periodical publication circulating principally outside the UK and which is directed to persons outside the UK; or is a short form advertisement. (SFA's CBRs, 5-9 (6)).

COB

There is no specific provision concerning this point.

MOE

Any securities company which wishes to put in advertisements shall report to the Japan Securities Dealers Association.

ASC

Section 1205 of the CL provides that where the ASC considers that, having regard to conduct that a person has engaged in, is engaging in, or proposes to engage in, it is in the public interest, it may prohibit the person from publishing statements relating to futures contracts or to the carrying on or proposed carrying on of businesses involving dealing in futures contracts on behalf of other persons, unless the form and content of the statements have first been approved by the ASC.

"Publish", in relation to a statement, means:

- insert the statement in a newspaper or periodical or cause it to be so inserted;
- publicly exhibit the statement or cause it to be publicly exhibited; or
- include the statement, or cause it to be included, in a document that, whether or not in response to a request, is sent or delivered to a person, or thrown or left upon premises in the occupation of a person.

"Broadcast" means broadcast the statement by wireless transmission or television or cause it to be so broadcast.

Further, SFE Art. 3.6 (3) (q) and Art. 4.6 (4) (n), in respect to Floor Members and Associate Members respectively, prohibits the issuing of any written unsolicited business communication to any person other than a client without first obtaining approval from the SFE.

OSC

The OSC is empowered under both the SA and the CFA to review all advertising and sales literature proposed to be used by dealers in connection with trading derivatives where, based upon a dealer's past conduct, the OSC is satisfied that such a review is necessary for the protection of the public.

The TSE and the TFE by-laws require that all advertisements and sales literature issued by a member are approved by: in the case of

the TSE, a designated partner, director, branch manager, or officer so authorized by the member; and, in the case of the TFE by-law, by the Designated Registered Principal, an alternate or other approved person.

No advertisement or sales literature may be issued which:

- (i) contains an untrue statement of a material fact (or omits to state a material fact that is required to be stated in order to make a statement not misleading);
- (ii) contains an unjustified promise or misleading statistics;
- (iii) uses unrepresentative or misleading statistics;
- (iv) contains any opinion or forecast not clearly labelled as such;
- (v) fails to present fairly the potential risks to the client;
or
- (vi) is detrimental to the interests of the public, the TSE, the TFE or their members.

CVMQ

No ME member shall issue any circular, market letter, bulletin, broadcast or telecast unless a partner, director or officer of the member has approved thereof and signed an exact copy thereof as evidence of such approval.

No ME member or approved person shall advertise or promote, either a product or their own service, using material which:

- contains any untrue statement or omission of a material fact or is otherwise false or misleading;
- contains an unjustified promise of specific results;
- uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions;

- contains any opinion or forecast of futures events which is not clearly labeled as such;
- fails to fairly present the potential risks to the client; or
- is detrimental to the interests of the public, the Exchange or its members.

SEC

At HKFE, all promotional material must be approved by the HKFE and filed with the SFC. In addition, any HKFE member who knowingly disseminates false, misleading or inaccurate reports concerning market information or conditions that affect or tend to affect the price of any HKFE contract or any commodity underlying an HKFE contract shall be liable to disciplinary proceedings.

An SEHK member would face disciplinary action by the SEHK if he or it knowingly disseminates or carelessly allows it to be disseminated, false, misleading or inaccurate market information which affects or tends to affect the price of any issue of securities.

Promotional material is also subject to statutory anti-manipulation and anti-fraud provisions.

SVS

The SVS has no specific requirements regarding the standards of such material.

ESA

There are no specific requirements by the FSA concerning the standards of such material. Generally spoken there is a common requirement for a fair and trustworthy shape of this material.

NZSC

A Dealer may not disseminate or permit the dissemination of any advertisement or unsolicited business communication in writing which is false or misleading.

The Commission is empowered to prohibit promotional material.

CONSOB

The distribution of promotional material is regulated when:

- (i) public offer of securities is made;
- (ii) investment services are offered to potential customers;
- (iii) such material consists in statistics or studies concerning listed securities, their issuers or the person who control them, or it contains accounting data on the activity of issuers of listed securities.

Sub (i): Articles 1/18 Law no. 216/1974 requires any person who intends to buy or to sell securities - including derivatives products - by means of a public offer or other means entailing an appeal to the public - including distribution of promotional material - to inform CONSOB and to draw up a prospectus.

Such a prospectus has been deemed to be published once it is deposited with CONSOB. This prospectus (or an abridged form of it) is delivered to each prospective customer by the investment firm. Prospectuses are at disposal of potential investors by the Council of the Stock Exchange (when companies are listed), by the underwriters and issuers' headquarters. The subscribers of the prospectus (i.e. issuers, proposers and underwriters) are liable toward customers for the completeness and the accuracy of the information contained in it.

Sub (ii): Securities business can only be carried on by investment firms (and other authorized intermediaries) listed in a register kept by CONSOB.

Furthermore, in order to supply their services away from their legal head offices or secondary establishments and whenever they provide these services, securities investment firms must only use the services of financial salesmen listed in a national register instituted at the CONSOB.

As a consequence, it is deemed to be restricted to such persons (securities investment firms and financial salesmen) the mere

customer research, the publicity and the description of investment business by means of every instrument, including the distribution of promotional material.

Sub (C): Regulation implementing articles 6 and 7 of Law no. 157/1991, adopted by the CONSOB by its resolution no. 5553/1991, provides that issuers of listed securities, authorized intermediaries, persons belonging to a group to which issuers of listed securities or authorized intermediaries belong as well as persons engaged by them may distribute statistics and studies concerning listed securities or their issuers or the person who control such issuers to the public, even if distribution is limited to the member of a group of companies or the customer of the authorized intermediary, provided that such statistics and studies:

- a) are sent to the CONSOB not later than the day on which their distribution to the public began;
- b) are deposited in copy, within the same time limit, with the authorities of the market where the securities involved are admitted to trading, responsible for the management and distribution of data relating to them, with the obligation to provide a copy upon request;
- c) bear a warning indicating that the material has been prepared by a person - specifying whether an issuer of listed securities, an authorized intermediary, a person belonging to a group to which an issuer of listed securities belongs or a person specially engaged - who may have a special interest related to the person, securities or operations analyzed in the statistics or studies.

CNMV

Provisions contained in Royal Decree 629/93 concerning the information given by firms to their customers and mentioned in II.B.2 (d) above apply to promotional material.

CNV

The CNV has no specific requirements regarding the standards of such material.

BAWe

DTB has a series of informative brochures about the DTB itself, methods of Risk-Based Margining and all DTB-products.

SC

Under Section 48A of the FIA, if the Commission considers that, having regard to the conduct that a person has engaged in, is engaging in, or proposes to engage in, it is in the public interest to do so, it may, by written order given to the person, prohibit the person from publishing or broadcasting statements about:

- a) futures contracts;
- b) business carried on, or proposed to be carried on, by persons and involving trading in futures contracts on behalf of other persons;
- c) futures fund management business or proposed futures fund management business; or
- d) futures advice business or proposed futures advice business,

unless the form and content of the statements have been approved by the Commission. The person in relation to whom the Commission proposes to make the order is first given an opportunity to appear at a hearing before the Commission and make submissions and give evidence to the Commission in relation to the matter.

ESB

Advertising by Members

No member shall make any communication with the public or use any promotional, or advertising material which:

- is false or misleading in any material respect;
- makes the statement or suggests that trading on Safex is

appropriate for all persons;

- refers to the possibility of profit unless accompanied by an equally prominent statement of the risk of loss;
- includes a reference to either hypothetical results or to actual profits without stating that these profits or results are not necessarily indicative of future profits or results;
- compares one member or the performance of one member with another member or the performance of another member; and
- refers to an opinion without identifying it as such and without setting out the facts on which it is based.

(e) Fees, Cold-Calls - Any Restrictions?

CFTC

The CFTC has no regulations governing fees or cold calls.

However, the FTPA of 1992 requires registered futures associations to establish supervisory guidelines for telephone solicitation. The guidelines may require that a member may not enter an order for a new customer solicited by telephone until three days after the opening of the account and receipt of a customer signed risk acknowledgement statement. On January 19, 1993, the CFTC approved an amendment and interpretative notice to NFA's Compliance Rule 2-9 which authorizes NFA's Board of Directors to require member firms which meet certain criteria established by the Board to adopt specific supervisory procedures designed to prevent abusive telemarketing sales practices. NFA has indicated it may impose a "cooling off" period as a sanction. NFA has proposed enhancements to Compliance Rule 2-9 which would lower the thresholds governing when specific supervisory procedures must be implemented as well as add certain additional procedures.

Neither regulatory nor self-regulatory organizations have regulations that limit the amount of commission that can be collected. However, if commission fees exceed eighteen percent of the equity in the account in any given month, NFA auditors will examine the pattern of commission charged by the firm for potential churning or other abuses.

NFA has adopted guidelines under its Rule 2-4 (a general rule that mandates "just and equitable principles of trade") that require FCMs and IBs who charge fees other than on a per-trade or

"round-turn" basis to provide a customer with a complete written explanation, including examples, of any unusual fees.

SEC

There are not any specific restrictions imposed on fees that broker-dealers can charge investors relating to options transactions. Broker-dealers, however, among other things, must satisfy their obligation of fair dealing and adhere to "just and equitable principles of trade" when imposing fees. Broker-dealers also are required by Rule 10b-10 to disclose the amount of the commission charged in agency trades, and mark-ups and mark-downs charged in certain principal trades. The Commission has prohibited SRO-imposed minimum commission rates.

The Commission has adopted several rules aimed at addressing abuses associated with cold calling in low-priced securities; however, the rules do not apply to options contracts issued by OCC. The Commission granted this exemption because of the specific safeguards provided investors of OCC options contracts and the absence of reported abuses. As described in our original response in II.B.3 (b), (c) and (d), there are safeguards in place governing suitability, risk disclosure, and communications with customers.

SIB / SFA

There is no restriction on the amount which a firm may charge its customers. However, a firm's charges to a private customer for the provision of investment services must not be unreasonable in the circumstances (SFA's CBRs, 5-33 (1)).

Section 56 of the FSA provides that, ~~except as permitted by the regulations~~, no person shall enter into an investment agreement with a person, or procure a person to enter into an investment agreement, as a result of an unsolicited call made on a person in the UK, or made from the UK to a person elsewhere. The Common Unsolicited Calls Regulations (UCRs) 1991 state what is permitted in relation to cold calling. Contracts entered into as a result of an unsolicited call in contravention of the UCRs are unenforceable and the customer may rescind the agreement and recover any property transferred thereunder together with compensation for any loss.

COB

Fees are freely negotiated between the dealer and the customer.

Cold-calling on futures and options is authorized for persons holding an appropriate card attributed by the CMT. These persons cannot accept orders of funds through cold-calling before expiration of a time-limit of 7 days after the delivery of a prospectus which provides information on the operations of the stock options market and the risks involved in trading thereon.

No restrictions.

MOE

In order to protect investors from extremely high fees, the stock exchanges fix maximum levels of brokerage fees for futures and options. (In the case of futures transactions with physical delivery (JGB futures, Stock futures 50, etc.), brokerage fee schedules are fixed by the stock exchanges.)

ASC

There are no restrictions on fees or cold calling.

OSC

Fees are not regulated. However, the regulations made under the CFA and the SA do not permit managed account fees to be based on performance without client agreement or to be based on the value or volume of transactions. The OSC has the authority to restrict or condition the right of dealers to cold-call potential customers.

CVMQ

There is no fixed rate of commissions in Quebec.

There is no specific legislation respecting cold-calls in the Securities Act but the ME rules specify that indiscriminate or improper solicitation of orders either by telephone or otherwise and high pressure or other salesmanship of character considered undesirable shall be deemed conduct unbecoming a member.

SEC

The Codes of Conduct of HKFE and SEHK require their members to provide clients with a description of any remuneration (and the basis for payment) that is to be paid by the client to the member, such as commission, brokerage, and any other fees and charges. The Codes also require that the general course of dealing concerning a client and the charges, mark ups, or fees affecting a client be fair and reasonable under the circumstances and be characterized by good faith.

SEHK and HKFE rules provide that a member shall charge commissions for all trades executed on behalf of clients at a rate not less than the rates prescribed by the respective exchanges (HKFE also prescribes the maximum commission which an HKFE member may charge its clients for currency futures contracts).

Hong Kong legislation prohibits cold calling.

SVS

Commissions are freely negotiated between the broker-dealers and their clients.

ESA

There are no restrictions on the commission level. In a self-regulatory way there are observations of the development of the fees as to both the level and the total amount per annum by the Securities Dealers Association.

NZSC

No restrictions on fees - "house to house" offers prohibited.

CONSOB

There are no legal restrictions on the commission level.

CNMV

Securities Market Act empowers financial intermediaries to fix freely their fees. Nevertheless, publication and notification to the

CNMV or the Bank of Spain of the maximum chargeable levels is a prerequisite for their application. Those maximum fees have to be included in a leaflet, drafted in a clear and specific manner and according to the models established by the relevant authorities, that may raise objections or make recommendations. Under no circumstances may firms charge fees or expenses higher than those included in the leaflets.

CNV

Fees and commissions are freely negotiated between the intermediaries and their clients. There is no rule regarding cold calls.

BAWe

DTB, as the exchange, charges certain fees differentiated between agent and principal orders and between products. Thereby, the exchange does not have any requirements on the size of these fees. It does not dictate any requirements or the fees charged to customers by DTB members either.

In Germany cold-calls are prohibited according to § 1 of the German Unfair Competition Act (Gesetz gegen den unlauteren Wettbewerb).

SC

The fees imposed by futures brokers on clients are as provided in the business rules of the exchanges.

There are no specific regulations that prohibit a broker from making cold-calls to potential clients.

ESB

Fees, Levies and Charges

In addition to the fees referred to in Rule 8.8.1, the executive committee may for the purposes of carrying out its duties, including the administration of Safex, impose fees, levies and charges to be paid by members, either to Safex or to the clearing

house in such amounts and on such terms as the executive

committee may determine. The executive committee shall give members at least twenty-eight business days' notice of proposed fees, levies and charges or changes to them.

A member who fails to pay any fees, levies or charges or any other amount of money due to either Safex or the clearing house within thirty days after the due date thereof, shall be notified in writing by the executive officer of the arrears. If the arrears, together with interest thereon calculated at the rate of interest earned by the clearing house on moneys invested by it in terms of Rule 11.1.1, are not paid within ten business days, the executive officer may decide that the member is in contravention of the rules as contemplated in Rule 19.3 and refer the matter to the disciplinary tribunal for consideration of a penalty as contemplated in Rules 19.6 and 19.7.

(f) Other Sales Practice Requirements, Including Supervision of Orders and Sales Personnel and Anti-Fraud Rules

CFTC

CFTC Rule 166.3 and NFA Compliance Rule 2-9 require the "diligent supervision" of all conduct by sales personnel related to their activities subject to regulation by the CFTC.

§ 17 (p) of the CEA requires NFA to submit for CFTC approval rules that establish minimum standards governing members' sales practices. These include training standards and proficiency testing, among other things. § 17 (q) of the CEA mandates the development of a comprehensive program to implement this section.

NFA, in compliance with §§ 17 (p) and (q) of the CEA has established sales practice standards. NFA conducts full scope financial and sales practice audits of all FCMs carrying customer funds once every two years, with a limited scope audit in the off year for FCMs for which it is the designated self-regulatory organization. NFA also conducts sales practice audits of all other membership categories including IBs, CPOs, CTAs and their branches.

Part 33 of the CFTC's regulations requires any exchange which seeks designation as a "contract market" for options to adopt rules regarding options sales practices and supervision thereof. In

particular, Rule 33.4 (c) requires each exchange to conduct sales practice audits of member FCMs.

Thus, NFA and the exchanges have sales practice audit responsibilities and the scope of such audits includes: proper order handling; the handling of discretionary accounts; adequacy of internal supervision; fraudulent or high-pressure sales communications; compliance with disclosure requirements; proper handling and disposition of customer complaints; determining whether promotional materials are fraudulent, and in the case of options, submitted for review; and also in the case of options, that the firm enforces written supervisory procedures for option accounts.

The CFTC relies on individual registrants and SROs, i.e., NFA and the exchanges, to provide for direct supervision of industry sales practices.

The CFTC's role is that of an overseer and in that capacity, the CFTC's staff conducts regular reviews of the SROs' sales practice audit program to determine whether SRO programs meet CFTC standards and to ensure the adequacy and proper coordination of SRO efforts. See Interpretation 4-1, discussed in II.A.1 (d) above.

The CFTC stated in connection with its adoption of the ethics training rules that a firm's supervisory duties include the obligation to assure that its APs have attended ethics training and the failure of an AP to do so could subject both the AP and the sponsoring firm to enforcement action. Similarly, the CFTC stated that contract markets have an affirmative obligation under Rule 1.62 to assure that their floor brokers (FBs) and floor traders (FTs) receive appropriate ethics training and the failure of an FB or FT to fulfill his / her ethics training obligation could result in enforcement action against the FB or FT and the contract market. See ~~58 Fed. Reg.~~ 19575, 19587 (April 15, 1993).

On December 7, 1995, the CFTC adopted amendments to its ethics training rules. The new amendments provide for the NFA to undertake a greater role with respect to ethics training, outline a certification procedure for training providers, and permit a wider use of video tape or other electronic presentation. See ~~60 Fed. Reg.~~ 63907 (December 13, 1995). The CFTC also has adopted a rule

requiring ethics training providers to pass a proficiency examination and have three years of relevant experience. See 61 Fed. Reg. 20127 (May 6, 1996).

SEC

The options SROs require that all registered representatives pass a general securities examination that includes options questions. Options supervisors must pass a general principal examination plus a separate options principal examination.

The 34 Act explicitly authorizes the SEC to discipline a broker-dealer or an associated person who has failed reasonably to supervise another person subject to that person's supervision with a view towards preventing violations of the federal securities laws and the rules and regulations thereunder. In addition, the options SROs require that: (1) member firms develop and implement a written program for the supervision of their options business; (2) those options programs be under the overall supervision of a designated senior registered options principal; (3) compliance responsibilities be under the supervision of a designated compliance registered options principal; and (4) all branch offices (except those with less than three options representatives) be supervised by a principal-qualified branch office manager.

The anti-fraud provisions of the securities laws prohibit abusive trading practices. The principal anti-fraud provision is Section 10 (b) of the 34 Act, which makes it unlawful to use or employ, in connection with the purchase or sale of any security, any manipulative or deceptive devices in contravention of Commission rules. The courts have implied private rights of action for violation of Section 10 (b) of the 34 Act. In addition, several provisions of the federal securities laws grant investors express causes of action (e.g., Sections 9 (e) and 18 (a) of the 34 Act) against securities professionals in certain circumstances. Section 29 (b) generally provides investors with the ability to bring actions to rescind contracts made in violation of the Exchange Act or the performance of which violates the Exchange Act. Finally, investors may pursue remedies under state general anti-fraud statutes as well as state "blue sky" laws.

Options SRO members also are required to adhere to "just and equitable principles of trade". The SROs have used the just and

equitable principles standard to issue stated policies, practices, and interpretations to prohibit specific conduct. For example, the SROs have issued interpretations and policy statements noting that frontrunning is conduct inconsistent with just and equitable principles of trade. In addition, this standard has been used in a variety of situations to discipline unethical conduct. See also SEC response at II.B.7 (b) above.

SIB / SFA

SFA requires that all individuals who engage in the UK in investment activities on behalf of a firm must be registered with SFA. A firm must take reasonable steps, including the establishment and maintenance of procedures to ensure that its officers and employees, and officers and employees of its appointed representatives, act in conformity with their and their employer's relevant responsibilities under the regulatory system and the general law (SFA's CBRs, 5-51 (1)).

A firm must also undertake, annually, a review of its business including the business of its appointed representatives to enable it to determine the effectiveness of its compliance and monitoring procedures, and must report to SFA the main conclusions of this review within four months of its annual accounting reference date or other review period previously agreed with SFA (SFA's CBRs, 5-53).

COB

Individuals in charge of trading must hold an appropriate card delivered upon request of the firm for which they work. To obtain this card these individuals must pass a professional examination and prove that they have never committed a criminal offense before.

MOE

Other than mentioned at II.B.1 (b) above, the Securities and Exchange Law prohibits unfair trading (Article 157), manipulation of securities price (Article 159), inappropriate sales practices of broker / dealers (Article 50) and others.

ASC

The Corporations Law requires all futures brokers and advisers sale personal to be recognised under the Law. A person is a futures representative if they are employed by or work in connection with a futures broking or futures advice business; or they act for or by arrangement with a broker / adviser in their futures broking or futures advice business. The Law requires that all futures representatives must hold a 'proper authority'.

It is the responsibility of the licensee to ensure their representatives have proper authorities. A proper authority is a copy of the brokers or advisers licence held by the representative and certified as a true copy. It states that the representative is employed by the broker or adviser, or acts for you or by arrangement with you. The authority must be signed and dated.

The ASC considers that a person must hold a proper authority if he or she is involved with the physical execution of a futures contract; takes orders in relation to futures contracts; or advises people regarding futures contracts.

Floor operatives such as flashers, clerks or runners do not have to hold proper authorities.

If the representative acts for more than one licence holder, a proper authority must be obtained from each licensee. All authorities must then be endorsed by each licensee for whom the representative acts (under section 87 of the Law).

It is an offence to carry out the following activities in relation to futures:

- * making false or misleading statements likely to induce persons to deal in futures contracts or have an effect on the price for dealings in futures contracts (s. 1261);
- * fraudulently inducing a person to deal in futures contracts (s. 1262);
- * dissemination of information about a change in prices due to the effect of illegal transactions (s. 1263);
- * engaging in fraud in connection with dealing in futures contracts (s. 1264).

OSC

The SA requires that every registered dealer establish procedures for dealing with its clients that conform with prudent business practice and that enable it to deal with its clients adequately. Dealers are also required to take whatever steps are necessary or appropriate to supervise such procedures properly. These procedures must be in writing and must designate a partner or director who shall be responsible for approving the opening of new accounts and the supervision of trades made for clients.

The CFA requires that dealers file, for TFE or IDA approval, supervisory procedures respecting the conduct of their business. Such procedures must include descriptions of sales practices and supervision of orders and sales personnel. The CFA, in addition, prohibits representations that:

- (a) a person or company will refund all or any portion of margin or premium paid; or
- (b) assume all or any part of the obligations of a person or company under the contract.

CVMQ

The Montreal Exchange has adopted a policy concerning account supervision. The detailed policy specifies that a dealer / broker must establish and maintain procedures which are supervised by qualified individuals.

The dealer / broker must appoint designated principals who have the necessary knowledge of industry regulations and member policy to properly perform the duties. To comply with the "Know Your Client" rule each dealer / broker must establish procedure to maintain accurate and complete information on each client.

Each branch manager must undertake certain activities within the branch for purposes of assessing compliance with regulatory and the member's requirements.

A two-tier structure is required to adequately supervise client account activity. While the head office or regional area level of

supervision by its nature cannot be in the same depth as branch level supervision, it should cover all the same elements.

Each dealer / broker dealing in options must have approved registered options principal.

Each dealer / broker dealing in futures must have approved registered futures principal.

Each member of the exchange must establish procedures to deal effectively with client complaints.

SEC

The Codes of Conduct at HKFE and SEHK require members to ensure at all times that they have adequate resources to supervise diligently and do supervise diligently their employees and other persons appointed by them to conduct business. Exchange members must also have written policies concerning dealings by their employees. Where dealings are allowed, specific supervision and recordkeeping rules apply. Exchange members acting on behalf of a client are also required to ensure at all times that any representatives made and information provided to the client are accurate and not misleading.

Anti-fraud legislation in Hong Kong is noted in Section II.B.2. (d) above.

SVS

See II.B.2 (d) above.

FSA

At the Sth Stock Exchange there is a special department for market supervision of the daily trading and this department intervenes if suspicions of misuse arise. Insider trade suspicions are reported to the FSA. See II.B.2. (d).

NZSC

The general rules of law about fair trading also apply.

CONSOB

Legislative Decree no. 415/1996 provides for specific regulations on financial sales activities. Door-to-door selling means the promotion and placement with the public of financial instruments and services; authorized intermediaries must use financial salesmen for door-to-door selling.

Consob has issued a regulation (adopted with Resolution no. 10629 of April 8, 1997) on:

- the procedures for compiling the public register of financial salesmen;
- the activities incompatible with that of financial salesmen;
- the arrangements for entry in the register;
- the rules of presentation and conduct which salesmen must comply within their dealings with customers;
- the manner of keeping records of the activity performed;
- the sanctions for the violations.

CNMV

As mentioned in II.B.1 (a) above, firms are considered responsible of and have to monitor the fitness of their personnel, so financial intermediaries can be liable and subject to CNMV disciplinary action for misconduct by their employees.

In particular, according to Royal Decree 629/93, firms are required to establish the mechanisms for the communication or authorization of the operations carried out for their own account by their employees, directors and representatives, guaranteeing compliance with the action rules contained in the regulations of the securities. In any case, those orders given by directors, employees and representatives must be made in writing.

Besides, all firms are obliged to seek information from their employees about any possible conflicts of interest to which they may be subject due to their family relations, their personal assets or any other reason, as well as maintain the said information updated.

CNV

See II.B.2 (d) above.

BAWe

At the Exchange there is market supervision department for the daily trading. If suspicions of misuse or fraud arise this department will examine the respective cases.

According to § 32 (1) WpHG an investment firm or any enterprise associated with it shall not:

1. recommend to customers of the securities services enterprise the purchase or sale of securities or derivative instruments, if and to the extent such recommendation is not in the interest of the customers;
2. recommend to customers of the securities services enterprise the purchase or sale of securities or derivative instruments for the purpose of directing the prices in connection with transactions for its own account of the securities services enterprise or an associated enterprise in any particular direction;
3. based on its knowledge of an order of a customer of the securities services enterprise for the purchase or sale of securities or derivative instruments, enter into any transactions for its own account which may be detrimental for the customers.

According to § 32 (2) WpHG the proprietors of security services enterprise conducted in the form of a sole proprietorship (Einzelkaufmann) and, in case of other securities services enterprises, the persons who pursuant to law or the articles of association are charged with the management of the enterprise and entitled to represent it, as well as the employees of any securities services enterprise charged with the handling of transactions in securities or derivative instruments, securities analysis or investment consulting, shall not:

1. recommend to customers of the securities services enterprise the purchase or sale of securities or derivative instruments under the prerequisites of paragraph (1) no. 1;

or for the purpose of directing the prices of securities or derivative instruments for transactions for its own or a third party's account in any particular direction;

2. based on its knowledge of an order of a customer of the securities services enterprise for the purchase or sale of securities or derivative instruments, enter into any transactions for its own or a third party's account which may be detrimental for the customer.

These provisions apply also to enterprises having the registered office abroad, if they render securities services to customers with a domestic domicile or management.

SC

Section 54 of the FIA governs the sequence in which a broker is to send and carry out instructions of its clients, in which trades are to be allocated. Where an instruction is received ahead of other instructions, that instruction must be carried out (or sent, as the case may be) first. Equally, trades must be allocated in the sequence in which they were matched and in which the instructions effecting the trades were sent.

ESB

See I.B.2. (d) above.

4. Product Design - Delivery Procedures, Settlement Prices

CFTC

Guideline No. 1 (set forth in Appendix A of Part 5 of the Commission's rules) requires in the case of contracts providing for physical delivery that the justification for an individual contract's terms and conditions contain specific information regarding delivery procedures. These are set forth in II.C.1 (a) and (c) below.

Guideline No. 1 also requires the justification to include, in the case of contracts where cash settlement is possible, evidence that the cash settlement of the contract price is at a price reflecting the underlying cash market, will not be subject to manipulation or distortion, and must also include an analysis of the price series

upon which the settlement will be based and an analysis of the potential for manipulation or distortion of the cash-price series.

Guideline No. 1 contains revisions which have streamlined the application for contract market designation by reducing unnecessary or redundant materials. See II.C.1. (a) and (c) below.

The CFTC has adopted rules providing for “fast track” to-day review of certain cash-settled and foreign currency contracts, and 45-day review for physical delivery contracts and cash-settled contracts on certain agricultural commodities. The criteria of Guideline No. 1 will continue to apply.

Under CFTC Rule 5.2 any contract market in which no trading has occurred in any futures or options expiration for a period of six calendar months (or has otherwise been certified by a board of trade to be dormant) may not list additional months or expirations or permit trading to recommence without prior CFTC approval. In order to obtain such CFTC approval, the board of trade must submit an economic justification, which shall include an explanation of the conditions which have changed subsequent to the time the contract became dormant.

SEC

Stock index options are settled by the payment of cash, rather than the delivery of stock. The assigned writer of an index option is obligated to pay the exercising holder cash in an amount equal to the difference between the exercise settlement value of the underlying index and the exercise price of the option, multiplied by a specified index multiplier. Index options presently trading utilize either American or European style exercise provisions. While American-style options may be exercised at any time before expiration, European-style options may be exercised at expiration only. Currently, the majority of stock index options traded in the U.S. settle on the basis of opening expiration day prices for the underlying index stocks. Other settlement methods for index options can include setting on the basis of closing expiration day prices or volume weighted average settlement pricing.

The Commission has no specific guidelines that govern the product design of index options. In general, however, the exchanges must comply with Section 6 of the 34 Act, which requires that the rules

of an exchange be designed to prevent fraudulent and manipulative acts and practices, and to promote just and equitable principles of trade. See also response to I.A.1 (c) above.

SIB

The relevant legislation does not impose requirements in respect of product design except in so far as it limits an exchange to dealings in investments in which there is a proper market (FSA, Schedule 4, paragraph 2(2) (a)). The legislation does not provide a definition of "proper market" but in April 1993 SIB issued two guidance releases, "Proper Trades in Relation to On-Exchange Derivatives" and "Proper Markets in Relation to On-Exchange Derivatives", with a view to assisting derivatives RIEs and others in their understanding of those concepts. The legislation is also silent on delivery procedures and the determination of settlement prices.

Product design and delivery procedures are established by the relevant exchange. The rules and practices of the exchange must ensure that business conducted by means of its facilities is conducted in an orderly manner and so as to afford proper protection to investors (FSA, Schedule 4, paragraph 2 (1)).

Settlement prices are determined daily by exchanges and will take into account the risks associated with holding positions in the market. The determination of settlement prices, which are calculated on a daily basis and which are used for establishing the margin requirements, is a component of the arrangements which the exchange must have for ensuring the performance of transactions effected on the exchange (FSA, Schedule 4, paragraph 4).

COB

See II.C.1 (a) below.

MOF

Delivery procedures and the procedures for determining settlement prices are stipulated by stock exchange rules. Contracts must be approved before they can be traded on an exchange. Dormant or low-volume contracts do not receive any special regulatory treatment.

ASC

All products of the SFE have to be approved by a Committee of the exchange. New products are added by way of amendments to the By-Laws. The proposed amendments may be disallowed by the Minister.

There are currently two deliverable contracts, being deliverable Bank Accepted Bills and the Greasy Wool Contract. As at 31/12/95, the SFE was seeking regulatory approval to introduce another category of deliverable contracts, namely deliverable share futures contracts. These are deliverable contracts over individual shares. Subject to regulatory approval, we anticipate the deliverable share futures contracts will be introduced in early 1996.

The SFE uses the Austraclear system for electronic delivery of the bank accepted bill contract. The greasy wool futures contract has delivery procedures in accordance with the Australian Wool Exchange procedures. The proposed mechanism for delivery of individual share futures will be in accordance with CHESSE procedures, the Clearing House Electronic Sub-Register System used for clearing by the Australian Stock Exchange.

All other contracts on the SFE are cash settled. Settlement prices are determined by a Committee of the SFE utilising spot prices on physical markets in accordance with the By-Laws of the contract. Settlement prices are determined by a Committee, however ultimate discretion rests with the Clearing House.

OSC

The criteria for OSC registration or recognition of an exchange includes the requirement that the OSC be assured that the exchange, its clearing house and its members are able to meet all obligations arising out of contracts entered into on the exchange. CDCC and the TFE have detailed rules and procedures respecting delivery and settlement prices.

CVMQ

Before issuing a new type of contract the Canadian Derivatives Clearing House must file with the CVMQ the information regarding the new contract; it can issue the new contract when the

Commission agrees thereto or does not raise any objection within 10 days of receiving the information.

Delivery procedures and the procedures for determining settlement prices are stipulated by stock exchange rules.

SEC

All HKFE products are cash settled. Settlement prices vary by product. For example, the final settlement price for HIS products is based on the average of the HSI taken at five-minute intervals during the last trading day.

SEHK stock options are American style. Exercise triggers settlement on exercise date plus two with stock delivery and receipt occurring between SECH and its members in the central securities clearing system.

SVS

Products, procedures, settlement prices and contracts are defined in the exchange's internal regulation which is proposed to the SVS for its approval.

ESA

A customer who wants to buy (call option) or sell (put option) contract equity due to an option contract has to communicate a delivery order on a form decided by the clearing house. Concerning time for delivery of and settlement amount for contract equity as well as the right of dividend and issue the same rules are valid as if a contract of buying or selling of equity had been registered at the stock exchange on the day that the derivative market place noted the use of the option.

NZSC

All rules of the Exchange must be approved by the Securities Commission. Delivery and settlement procedures are also approved by the Clearing House.

CONSOB

In the new legislation product design activity, carried out until now by Consob, will be handled by the exchange itself.

IDEM - "MIBO30" (Stock Index Option)

The contract is cash settled on the first exchange working day after the last trading day. The settlement price is calculated as opening price of the stocks in the MIB30 index on the last trading day.

IDEM - "ISO"" (Individual Stock Option)

The contract is settled by physical delivery of the underlying stocks.

MIF - "5 Years BTP Future" (Government Bond Future):

The members holding a short position in the deliverable series, may deliver any fixed rate Italian Government bonds (BTP) whose maturity is more than 3 years and 6 months and less than 5 years as from the settlement day, having a 6 months coupon rate and an aggregate nominal value of at least 3 billion Liras. Members must inform the clearing house, within 3 hours from the closing of the market on the last trading day, indicating the bonds to be delivered.

MIF - "10 Years BTP Future" (Government Bond Future):

The members holding a short position in the deliverable series, may deliver any fixed rate Italian Government bonds (BTP) whose maturity is more than 8 years and less than 10 years as from the settlement day, having a 6 month coupon rate and an aggregate nominal value of at least 3 billion Liras. Members must inform the CCG, within 3 hours from the closing of the market in the last trading day, indicating the bonds to be delivered.

CNMV

Both delivery procedures and settlement price determination methods are determined by exchange rules. In any case, all contract terms (including those previously mentioned) have to be approved by the Ministry of Economy and Finance or by CNMV before they can be traded at the exchange. That approval requires a

report by the bodies governing the underlying markets.

CNV

Futures and Option Contracts terms and conditions are designed by the exchanges and approved by the CNV. Delivery and settlement procedures are also approved by the CNV.

BAWe

Under § 50 of the Exchange Act (BörsG) futures and options transactions shall require admission by the Board of management in accordance with the provisions of the exchange rules. Shares of a domestic company may be admitted to options or futures trading on the Exchange only with the consent of the company. Further, admission of securities to options or futures trading on the Exchange may be granted only if the aggregate amount of the securities in which the options or futures trading shall occur amounts to a par value of at least ten million Deutsche Marks.

Under exchange rule § 23 of the DTB admission of a specific product to trading shall not be permitted unless the maintenance of fair and orderly trading conditions in the futures and options contracts and adequate market-making performance can be anticipated.

Pursuant to the Clearing Conditions of the Deutsche Börse AG - Clearing House (Deutsche Börse AG is the legal body of the DTB) the Deutsche Börse AG shall be counterparty to deliveries and payments arising out of the settlement procedure of futures and options contracts. Clearing Members must fulfill their obligations in accordance with the instructions set forth in the Clearing Conditions.

SC

Product design is effected through amendment to the exchange's business rules, and that in turn requires approval of the Commission. In considering it, the Commission would take into account such criteria as the Commission thinks appropriate including economic justification, protection of public interest, manipulation issue and justification for individual contract terms.

ESB

See II.B.2. (d) above.

5. Recordkeeping - Maintenance, Retention Period, Availability and Confidentiality (See also II.A.8 above)

(a) Transaction Audit Trail

CFTC

General

CEA § 4 (b) states that the CFTC shall be authorized to promulgate rules and regulations in a variety of areas, including "the keeping of books and records".

Pursuant to CEA § 5 (2), an exchange cannot be designated as a contract market until the governing board of the exchange provides for the making and filing of reports showing the details and terms of all transactions entered into by the exchange.

Pursuant to CEA § 4g (a), every person registered as an FCM, IB or FB or FT shall make reports, in the form as prescribed by the CFTC, and shall keep such reports available for inspection by the CFTC and the Department of Justice.

CEA § 4g (b) requires that clearing houses and contract markets maintain daily trading records. Moreover, § 4g (c) requires FBs, IBs and FCMs to maintain trading records for each customer so that they are identifiable with the trades referred to in subsection (b); pursuant to § 4g (d), these records must be kept in a form suitable to the CFTC.

Rule 1.31 requires all books and records to be kept for a period of five years and to be readily accessible during the first two years of the five-year period. All books and records must be open to inspection by a representative of the CFTC or the U.S. Department of Justice.

Under Rule 1.31 (b) and (c), computer, accounting machine, or business machine generated records may be immediately produced or reproduced on microfilm and kept in that form. For all other

books and records, microfilm copies must be substituted for the

hard copy for the final three years of the five-year period. Such microfilm records must be arranged and indexed and must be easily accessible.

CEA §4n (3) (A) mandates that every person registered as a CTA and CPO keep books and records as prescribed by the CFTC. Rules 4.23 and 4.33 contain the recordkeeping requirements for CPOs and CTAs, respectively. In general, these rules require CTAs and CPOs to keep books and records which identify the client, required acknowledgements, powers of attorney, written agreements, a list of all client accounts and transactions effected for such accounts, copies of the confirmation slips and account statements received from an FCM, all reports, letters or other literature given to clients, an itemized daily record of each transaction and books and records of all other transactions.

Rule 1.35 prescribes the scope of recordkeeping for FCMs, IBs, and members of exchanges for all cash commodity, futures and option transactions. This regulation sets forth those recordkeeping criteria which are instrumental in the recreation of a sequence of trading events. The records required to be kept are as follows:

- Each FCM, IB and exchange member on the floor of the exchange upon receipt of a customer order shall immediately prepare a written record of such order, including the account identification number and shall record the date and time to the nearest minute that the order is received and is executed or transmitted for execution.
- Each FCM, IB and exchange clearing member shall as a minimum requirement prepare: (1) a financial ledger record which will show charges and credits to each customer account; (2) a record of all futures and options transactions noting the details of the transactions, including price and quantity; and (3) a record of all details regarding the futures and options transactions executed on that day, including the FCM if the person required to keep the record is an IB.
- In the daily record required in the preceding paragraph, each clearing member is required to note the FB or trader, the opposite FB or trader and the opposite clearing member to the transaction.

- Each exchange member who participates in purchases or sales of commodity transactions is required to prepare, in non-erasable ink a pre-printed sequentially-numbered trading card which is unique to each exchange member showing the quantity, price or premium, transaction date or time, the delivery month or expiration date, the clearing member, the opposite FB or trader and the opposite clearing member. The purchases and sales must be recorded in exact chronological order of execution on sequential lines of the trading card without skipping lines between trades. Any lines remaining after the last execution recorded must be marked through.

- Rule 1.35 requires that the trading cards prepared by the exchange member must be time-stamped to the nearest minute upon collection, and must be collected by the exchange within 15 minutes of designated intervals not to exceed 30 minutes. The opening and closing periods must be designated on the trading card. An exchange may petition the CFTC for an exemption from these requirements based upon the demonstrated current availability of hand-held terminals or other automated means for trade recordation which can eliminate improper alteration or fabrication of such records. The newly-adopted provisions impose obligations directly upon exchange members with regard to the content, completion, collection, and timestamping of trading records. Each exchange is required to implement rules to that effect.

The provisions of Rule 1.35 which address the preparation, submission and correction of trading cards were made applicable to all trading records in 1996. The Rule 1.35 provisions which require the use of non-erasable ink and addresses the correction of errors also has been amended to require that the correction of erroneous information on trading records will be accomplished in such manner that the originally recorded information must not be obliterated or otherwise made illegible. Rewritten trading cards are required to be submitted to contract market personnel or the clearing member in accordance with exchange rules. 61 Fed. Reg. 42999 (August 20, 1996).

- Each exchange is required to maintain a single record which contains all identifying information regarding the transaction. The major difference between the information contained on this record and the other previously mentioned records is that the

exchange record must contain a customer type indicator, which indicates the type of account for which the person executing the trade is trading.

- In all of the records of this section required to be kept by exchanges, each exchange is required to provide for identification of floor brokers, traders and clearing members by non-variable designation.
- Each exchange is required to identify the actual time of execution of a transaction in increments of one minute or less if the contract market identifies and records the time of the transaction or must obtain the actual times of execution of each side of a transaction.
- Each exchange must obtain a record of all changes in the price of futures and options transactions executed on the floor of the exchange to the nearest ten seconds.
- An exchange is required to demonstrate continued compliance with the regulations with effective use of the information required to be obtained. It may also be required to submit to the CFTC reports concerning all of the information collected.

Rule 32.7 establishes the books and recordkeeping requirements for commodity option transactions. This requirement applies to all persons who accept "money, securities or property (or extend credit in lieu thereof)" as payment of the purchase price in a commodity option transaction. The records required to be kept are essentially all data and memoranda relating to an option transaction. As in similar transactions, any person who accepts an order is required to make written record of the order and must record the time, to the nearest minute, that: (1) the order is accepted, (2) the order is transmitted and (3) the order is executed. All records generated are subject to the recordkeeping requirements of Rule 1.31.

Section 5a (b) of the CEA requires contract markets to maintain and utilize a system to monitor trading to detect and deter violations of the contract market's rules and regulations committed in the making of trades and the execution of customer orders on the floor or subject to the rules of such contract market and establishes specific criteria for such systems which, among other things, must accurately record the times of trades in increments of no more than

one minute in length and the sequences of trades for each floor trader and broker. Under § 5a (b) (3), by October 1995, each exchange must have a trade monitoring system which cannot be altered, provides data to the market on a continuous basis, and identifies, to the extent practicable, the time of a trade independently of the person making the trade and the sequence in which customer orders are received and reported from the exchange floor by members, except to the extent the Commission determines that circumstances beyond the control of the contract market prevent compliance despite the contract market's affirmative good faith efforts to comply.

Rule 1.35 implements the mandate of the FTPA of 1992 by requiring that a contemporaneous written record be made, to the extent practicable, of all orders for execution on the floor or subject to the rules of each contract market placed by a member of the contract market who is present on the floor at the time such order is placed. See 58 Fed. Reg. 31162 (June 1st, 1993).

SEC

The options SROs have been required by the Commission to maintain, and have in place, audit trails designed to permit each SRO to capture complete information about each options transaction effected, including the time, price and size of transactions and the floor broker and clearing firm on each side of a trade. Specifically, transactions reported over OPRA (see II.B.3.a. above) are matched with transactions submitted for clearing by the buying and selling firms. At less active options exchanges, "locked-in" trade reporting matches the buyer's and seller's clearing tickets at the same time that the transaction is reported to OPRA. At more active option exchanges, trades are matched electronically.

The SROs are required under Section 6 (b) of the 34 Act as a condition of exchange registration to have, among other things, the capacity to enforce member firm compliance with the 34 Act, the rules thereunder, and the SRO's own rules. To meet this responsibility, the SROs have developed and implemented audit trail systems designed to surveil for member firm compliance. Each SRO has promulgated rules requiring member firms to supply timely, accurate information to the SRO for both special reviews, such as examinations or investigations, and routine functions, such as trade reporting and clearing operations that form

the basis of audit trails. The Commission requires the SROs, pursuant to the recordkeeping provisions of Section 17 (a) of the 34 Act, to retain audit trail records.

SIB / SFA

The exchange must either have or it must secure the provision on its behalf of satisfactory arrangements for the recording of transactions effected on the exchange (FSA, Schedule 4, paragraph 2 (5)). The manner in which this is achieved by the relevant exchange may vary.

A firm which effects a sale or purchase of a derivative with or for a customer must ensure that he is sent, with due despatch, a note containing the essential details of the transaction. SFA's rulebook sets out minimum contents for such confirmation notes (SFA's CBRs, 5-34).

Appendix 18 to SFA's rulebook sets out the details of a firm's transactions which must be retained by the firm for three years. Inter alia, those details include the date and time when an order was received by the firm (which must be recorded promptly on receipt), details of the investment and the size involved, the price and any other significant terms, the date and, if known, the time of execution as measured in the place where the transaction was executed, and the name of the counterparty if known to the firm.

SFA has full access to all such records kept by a firm; private customers or discretionary non-private customers have a right to see copies of any written material and records which relate to that customer which the firm has sent or is required to send to that customer under SFA's CBRs together with copies of any correspondence received from that customer under SFA's CBRs together with copies of any correspondence received from that customer relating to regulated business (SFA's CBRs, 5-54).

COB

Internal statements and records which must be maintained include:

- daily ledger of all transactions;

- daily account summary per customer, indicating open positions, deposits and margins (cash or treasury bonds) and account balance;
- daily summary of open positions per customer and per contract, indicating number of contracts, delivery dates, date of trade, trading slip references, closing quotation price and margins;
- daily account activity report, indicating daily profits and losses on closed positions, premiums paid or received, brokerage commission and VAT paid.

MOE

All the data are retained by the stock exchanges. Although, some aggregate data are publicly available, specific individual data are kept in strict confidence.

Daily recording of transactions are automatically done by computers of stock exchanges. And other information reported by stock exchange members are also kept in the stock exchange.

Transaction recording procedures are a prerequisite to recognition of an exchange.

Original trading records (time, price, volume, etc.) must be kept for 10 years, and open interest records for 3 years.

ASC

Section 1266 (7) of the CL requires a futures broker to maintain records that set out particulars of:

- instructions by a client to deal in futures contracts;
- the date and time of receipt, transmission and execution of those instructions;
- the person by whom those instructions are received, the person by whom they are transmitted and the person by whom they are executed;
- the date and the time of receipt, transmission and execution instructions to deal in futures contracts on the broker's own account; and

- the person by whom instructions of the kind referred to in the previous paragraph are received, the person by whom they are transmitted and the person by whom they are executed.

A futures broker must keep instruction by a client to deal in futures contracts separately from instructions to deal in futures contracts on the broker's own account (CL Reg 8.7.01)

The above records are required to be retained for a period of 7 years (CL Reg 8.7.01).

SFE Article 3.6 (3) (j) (i) states that it is the responsibility of a Floor Member "to maintain internal records showing the time, date and nature of instructions received from and trades executed for clients and to maintain separate internal records showing the time, date and nature of its own orders and trading and the source of funds used for that trading.

The SFE and ASC have access to all transaction records when conducting compliance inspections or investigations. The ASC can request this information pursuant to its powers under the ASC Law. These records may be produced under notice to the ASC and will be subject to statutory confidentiality requirements.

OSC

The regulations made under the CFA and the SA require that dealers maintain such books and records as are necessary to properly record their business transactions and financial affairs. Dealers must, among other things, maintain daily trading records (including copies of confirmations or other records of all purchases and sales), monthly statements, copies of all other debits and credits, property and proceeds of loans and other items for the accounts of customers. These regulations also require that such records be maintained in a form such that they are easily reproducible in a timely fashion by those entitled to review them. Documents relating to unexecuted orders or instructions, confirmations, statements of purchase and sale and monthly statements must be maintained in a readily accessible location for at least two years and kept for a minimum of five years. The regulations also require that dealers, with head offices outside of

Ontario, maintain such records in Ontario as are necessary to properly record its business transactions and affairs in Ontario.

In addition, the TFE and the TSE have detailed rules respecting client records in their by-laws.

CVMQ

A broker / dealer must keep the accounting books and registers necessary for its activity and must retain them for a period of at least five years. The accounting books and registers that a broker / dealer must keep include a register for primary registration in which are entered in chronological order purchases and sales of securities allocated according to the markets on which the transactions were effected, securities received and delivered, cash receipts and disbursements. They also keep a register of buy and sell orders and the related instructions.

SEC

HKFE and SEHK rules and applicable legislation require dealers' records to be kept in a manner that will enable them to be conveniently and properly audited. See also answer to II.A.4. above. The HKFE employs audio / video monitoring of open-outcry trading on its floor, and both exchanges capture and retain all order and transaction data. Receipt of customer orders and origination of house orders must be time stamped immediately.

SVS

All information on trading is kept by the exchange and given daily to the SVS. Parts of this information is public, and other parts are private, which are treated confidentially. Brokers must keep information for 5 years. The clearinghouse maintains registers of the open positions and positions of each client and broker, which are given to the SVS daily. A large part of this information is used as a means of control and, therefore, is not divulged to the market if it is of a confidential nature.

ESA

The following records shall according to OM rules be maintained by an exchange member:

- all transactions entered into by brokers / market makers including copies of settlement notes issued to customers;
- all entries, credits and debits on each customer account;
- diskette license information on collateral calculation.

NZSC

Dealers are required to maintain internal records showing the time, date and nature of instructions received from, and trades executed for, clients and to maintain separate internal records showing the time, date and nature of its own orders and trading and the source of funds used for that trading. Such records are to be maintained for a period of not less than two years from the date of a trade.

The SYCOM Trading New Zealand system used by NZFOE allows the printing of a live trading log which records in real time all trades which have occurred and all other activities (i.e. order entered, messages sent and received) which have occurred from the particular Trader Workstation.

Dealers are also required to print and retain the daily trade detail report which prints a list of all trades executed during a selected session and lists the trade details in order of trader and contract.

CONSOB

Securities investment firms must keep, and retain for at least 5 years, appropriate records regarding transactions. CONSOB and Bank of Italy may have access to data recorded.

CNMV

Internal records must be maintained at the exchange and daily send to the CNMV, including the following:

- daily activity per account and per contract, contract month and exercise price, specifying traded volume, whether it is a buy or sell position, price and execution time;

- daily open interest per account and per contract, contract month and exercise price;
- daily account summary, indicating margin deposits, realized and unrealized daily profit and losses, premiums paid or received and fees;
- transfers among accounts (if any), specifying the accounts involved, number of contracts transferred, type of instrument, expiration date and exercise price; and
- off-exchange trades, specifying volume, price, buying and selling account, contract, contract month and exercise price.

CNV

All exchanges must provide for the making and filing of reports showing the details and terms of all transactions entered into in their trading pits. All intermediaries must keep reports available for inspection by the exchanges, the CNV, and other government authorities. The Clearing House maintains daily trading records. The CNV has access to these reports.

BAWe

§ 9 of the Securities Trading Act (WpHG) states that credit institutions must report to the Federal Securities Supervisory Office (BAWe) all transactions not later than the working day following the day on which they were executed.

In addition, § 34 WpHG requires every Investment Services Enterprise (ISE) to record all detail information on customer transactions and to maintain these records for at least six years. These records must be produced upon request of the BAWe. Pursuant to § 35 WpHG the BAWe is authorized to require the ISEs to keep additional records to the extent necessary for the BAWe to monitor the obligations of ISEs.

Pursuant to § 1b of the Exchange Act (BörsG) the market supervision units of the exchanges (HÜSt) shall systematically and completely record all data regarding exchange trading and the settlement of exchange transactions.

At the DTB's fully electronic trading system a complete and exact audit trail of all exchange transactions is automatically recorded

and documented. All statistical market data is recorded and documented as well (§ 28 of the Exchange Rules).

Pursuant to § 22 of the Exchange Rules the data received by exchange participants through the EDP system may only be used for their own purposes, including the provision of advice to customers. All data entered by exchange participants into the EDP system, as well as all reports and information that the exchange receives from exchange participants or persons conducting reviews, shall be treated confidential. The Board of Governors shall publish trading figures relating to options and futures transactions. It may also publish other information in a manner that is suitable for informing the public on market developments. The identity of individual exchange participants shall not be revealed without their prior consent.

SC

Under the Companies Act 1965, a futures broker has a duty to keep accounting and other records to accurately reflect its business. In addition, they have a statutory duty under Section 36 of the FIA to maintain accounting and other records.

A futures broker also has an obligation under Section 54 of the FIA to maintain records in relation to receiving instructions from clients. The records must set out particulars relating to the receiving and carrying out of clients' instructions. Furthermore, the broker must maintain records relating to its own account trading.

ESB

Records of transactions are kept by the exchange and the members for a period of 3 years in terms of Rule 10.2. For a period of 2 weeks, members are required to keep telephone recordings of their trades in terms of Rule 10.2.4.

(b) Price, Volume, and Open Interest Records

CFTC

CEA § 4g (e) states that before the beginning of each day, the exchange shall make public the volume of trading for each type of

contract for the previous day and other information as the CFTC shall deem necessary.

Rule 16.01 requires that each exchange publish for each business day a variety of information regarding price, volume and open interest, including the total volume of trading, the total quantity of futures for cash transactions included in the total volume of trading, the total gross open contracts and the total number of option contracts exercised and unexercised. With respect to prices, the information generally includes among other things the highest and lowest price of a sale and offer and the settlement price.

Rule 17.00 requires that each FCM, clearing member and foreign broker shall submit a report to the CFTC for each business day for all Special Accounts (i.e., those accounts for which there is a reportable position, such as large traders) showing various details regarding the reportable futures position. These reports are filed on a series of 01 forms. The first day an account carried by an FCM or foreign broker becomes a Special Account by attaining a reportable position, the FCM or foreign broker must describe the account on a Form 102.

Pursuant to Rule 1.33 (a), an FCM must prepare a statement for each futures or options customer which shows the open contracts acquired or pertinent options transactions and their prices, the net unrealized prices in all open contracts marked to the market, any customer funds carried with the FCM and a detailed accounting of all credits and charges to the customer's account for the month. If there is no activity in an account, an account statement need only be prepared every three months.

SEC

As discussed above, the price and volume of each transaction is disseminated publicly on a real-time basis. Records of transactions on options exchanges, including price and volume, must be kept and preserved by their members. Specifically, national securities exchanges are required by Rule 17a-1 to maintain books and records made or received by them in the course of business and in the conduct of self-regulatory activity, for a period of five years, the first two years in an easily accessible place, subject to the destruction and disposition provisions of Rule 17a-6.

SIB

An RIE is required to ensure that it has (or secures the provision of) satisfactory arrangements for recording the transactions effected on the exchange. Information is to be available so as to enable market users to determine the current value of investments. (FSA, Schedule 4, paragraph 2 (2) (b)). The FSA does not impose specific requirements regarding the recordkeeping obligations of an exchange.

An ROIE, in order to satisfy the requirements imposed by the FSA (s. 40), must be subject to supervision which shall ensure that UK investors are afforded protection in relation to that exchange at least equivalent to that provided by an RIE. The maintenance of records regarding transactions effected on the exchange, as an identified requirement for RIE status, would be an element of investor protection to be considered in a review for ROIE status.

COB

See II.B.5 (a) above.

MOE

See II.B.5 (a) above.

ASC

The exchanges do make, price, volume and open interest information available to the public on a daily basis and upon request will provide historic information.

OSC

The TFE and the TSE make price, volume and open interest information available to the public on a daily basis. Historical data is also available.

CVMQ

The Montreal Exchange make price, volume and open interest information available to the public on a daily basis. The exchange compile records and publish statistics respecting the business of the

member of the exchange and of other person authorized to trade on the exchange.

SEC

There are no specific statutory requirements in this regard, but both exchanges keep detailed records of price, volume, and net / gross open interest data. Rules of the exchanges require members to keep records concerning time of receipt of orders and particulars of open positions for the member and separately for clients.

SVS

See II.B.5 (a) above.

ESA

The Sth stock exchange and the OM exchange store historical information about the trade.

NZSC

NZFOE supplies an electronic end of day feed of market information to the New Zealand Press Association which supplies information to daily newspapers which publish price, volume and open interest records for the previous day.

All price, volume and open interest statistics are kept by NZFOE and are available for purchase.

CONSOB

See II.A.5 (a) above.

CNMV

See II.B.5 (a) above.

CNV

See II.B.5 (a) above.

BAWe

See II.B.5 (a) above.

SC

Exchanges maintain a record on prices, volume and open interest on a daily basis and disseminate such information to their members and the general public.

ESB

See II.B.5. (a) above.

(c) Confirmation of Transactions

CFTC

Rule 1.33 requires an FCM to prepare monthly and confirmation statements. Rule 1.33 (b) requires that each FCM must furnish no later than the next business day: (1) a written confirmation of each futures transaction; or (2) a written confirmation of an options transaction containing the account identification number, a statement of the commission, premium or other applicable option charges, the strike price, the underlying futures contract or physical, the final exercise date of the option and the date the transaction was executed. In addition, if an option expires or is exercised, an FCM must send a confirmation notice by the end of the next business day. The CFTC's Division of Trading and Markets has issued an Advisory permitting FCMs to transmit daily confirmation statements solely by facsimile transmission to customers who are either: (1) "eligible swap participants", as defined by Commission Rule 35.1 (b) (2); or (2) "institutional customers", as defined by Federal Reserve Board Rule 225.2 (g), subject to certain conditions. FCMs also may transmit confirmation and purchase-and-sale statements, subject to certain conditions, solely by facsimile to account controllers, irrespective of whether customers meet the criteria for institutional customers or eligible swap participants, or have elected to receive daily confirmations by facsimile. Advisory No. 22-96, [1994-1996 Transfer Binder] Comm. Fut. L. Rep (CCH) ¶ 26,679 (May 2nd, 1996).

SEC

Rule 10b-10 of the 34 Act requires broker-dealers to provide customers with a written confirmation of a securities transaction that includes, among other things, the identity, price and number of shares or units of a security purchased or sold by the customer and the commission (or mark-up or mark-down in specified trades) charged by the broker-dealer.

SIB / SFA

A firm which effects a sale or purchase of an investment with a former customer must ensure that it is sent, with due dispatch, a note containing the essential details of the transaction (SFA's CBRs, 5-34 (1)).

In respect of derivatives, the confirmation note must contain the details set out in the table to Rule 5-34 (3). The details of the confirmation note must include, inter alia, the date of the transaction and either the time of execution or that the customer will be notified of that time on request, the amount of the firm's charges to the customer in connection with the transaction, the amount and basis of any remuneration which the firm has received or will receive from another person in connection with the transaction or the fact that this will be made available on request, the amount or basis of any charges shared with another person (except employees), or the fact that this will be made available on request.

In respect of any futures transaction which closes out an open position, a confirmation note must be sent to the customer for each contract comprised in the open position and each contract by which it was closed out; this must contain the usual details together with the profit or loss arising to the customer out of the closing out of that position (SFA's CBRs, 5-34 (4)). Confirmation notes must also contain additional information where an option has been exercised by or against a customer (SFA's CBRs, 5-34 (5)).

COB

Market members are required to send a written trade confirmation for each transaction, not later than 24 hours after the transaction has been executed. This confirmation must include the number the

transaction has been recorded by the clearing house. If the counterparty of the customer is the customer's firm the confirmation must so indicate.

MOE

See II.B.5 (a) above.

ASC

Section 1206 (1) of the CL provides that, as soon as practicable, after execution of an acquisition or disposal of a futures contract order, the broker must confirm to the client by means of a contract note. The legislation also states the information which is to be included in the contract note.

Section 1207 of the Corporations Law requires futures brokers to furnish clients with monthly statements. Where a member has at any time during a month, held money or property on the account of a client, or a client holds an open position as at the end of the month, the futures broker must send a written statement to the client within seven days after the end of the month specifying certain information. This information includes, amongst other things, cash balances at the beginning and end of the month and deposits, credits, withdrawals.

OSC

The CFA and the SA both require that dealers "promptly" provide customers with detailed written confirmations. The CFA also requires that dealers provide their customers with monthly statements describing, among other things, all open contract positions, all deposits, credits, withdrawals and debits to their accounts. Such documents are subject to the retention requirements set out in II.B.5 (a) above.

CVMQ

On carrying out an order a broker / dealer must without delay send to his client a confirmation slip in the form prescribed by regulation. In addition, he shall send to him a statement of account in the form and at the times prescribed by regulation.

SEC

The law requires that a commodity dealer, in respect of every contract for the purchase or sale of futures contracts, make out a contract note not later than the end of next trading day after the transaction date. Further, where the dealer is acting as agent, he / she is required to deliver the contract note to the client not later than 5 days after such transaction date. Contract notes must be retained for a minimum period of 2 years.

The law requires a securities dealer to make out a contract note no later than the end of the next trading after the transaction date. Further, where the dealer is acting as agent, he / she must deliver the contract note to the client no later than the end of the next trading day after the transaction date.

Notwithstanding the above mentioned legislative requirements, the respective Codes of Conduct of the SFC, the SEHK and the HKFE specify that dealers / members shall promptly confirm to clients the particulars of transactions effected on their behalf.

SVS

See II.B.5 (a) above.

ESA

Settlement notes for the purchase or sale of options and/or futures contracts are prepared by the clearing house with the account number and its fees indicated. The clearing house forwards a settlement note to the broker showing the transactions registered with the clearing house by the broker during the day. The broker in turn prepares a settlement note for the customer.

NZSC

All orders keyed into the trading system may be recalled and monitored via the open orders screen. The details of all matched trades may be monitored via the confirmed trades screen.

Upon receipt of the data the system will attempt to execute the order.

Transacted deals are shown on the trader workstation and the live trading log lists all deals transacted. Information displayed includes deal numbers, commodity, price, lots, counter party to the trade and deal times.

Dealers are required to provide each client written confirmation of each trade executed for that client on a daily basis.

CONSOB

CONSOB Decision no. 8850/94 prescribes that firms must provide customers, within 7 days from the order execution, with a note including information regarding the executed order (day and time of execution, instrument traded, price and quantity, fees and stamp duties, etc.).

CNMV

Royal Decree 629/93 obliges every person or institution accepting customer orders to keep the original copy of the order signed by the customer or by a person formally authorized to that effect, when it is presented in writing. If not, written confirmation is binding.

MEFF does not require explicit confirmation of the transactions carried out. It is understood that the member or customer agree with the characteristics of the transactions disclosed by the exchange, unless there is a communication of the discrepancy.

CNV

See II.B.5 (a) above.

BAWe

Each trader can see the trades online on a certain trading review screen and on several position reports, which are provided next day. The trader can get a Printed Trade Confirmation directly after each trade, which will be printed in his office. The trader can choose the contract size from which he wants to have the PTC.

SC

Under Section 49 of the FIA, a broker is required to give a contract note for every transaction that it undertakes on behalf of a client. The contract note must comply with Regulation 13 of the FIR, which requires among other things, that the contract note be given within two days of trade execution. The contents of the contract note are specified in subregulation 13 (3) and 13 (4) and include:

- name and address of the client;
- name of the futures exchange on which the contract was executed;
- date of the transaction;
- a description of the futures or option contract, including the underlying instrument, the contract price, month and year;
- the number of contracts traded;
- the total number of commission, trading and other fees charged;
- whether it is a buy or sell order;
- in the case of an option, the amount of the premium and the exercise price.

ESB

Section 10.2.2 of the rules specifically requires confirmation of trades to clients at time of reporting (10.2.2.2) and monthly a report of trades done during the period (10.2.2.1).

See II.B.5. (a) above.

(d) Position Reporting

CFTC

See II.C.2 for a discussion of speculative limits and hedge exemptions.

CEA § 4i states that it is unlawful for any person to enter into the purchase or sale of a futures contract if that person's long or short position exceeds those limits set by the CFTC or if that person enters into a number of contracts which exceed those limits set by

the CFTC unless the person files the appropriate report with the CFTC and unless the person maintains complete records regarding

all such transactions and related material and keeps these records open for inspection at all times for representatives of the CFTC or the Department of Justice.

Rule 16.00 requires that each exchange submit to the CFTC a report for each business day showing for each clearing member by proprietary and customer account and by future or underlying futures contract for options on futures contracts or by underlying physicals for options on physicals information such as the total long and short open contracts carried at the end of the day covered by the report and the quantity of contracts bought and sold during the day covered by the report.

Rule 16.02 states the requirements for large option trader reports which, in sum, require each exchange to submit a weekly report on options that are settled in cash and daily report on all other options on physicals, containing information for each option trader controlling a reportable option position. In July 1996, the CFTC proposed to eliminate the requirement that exchanges submit large option trader reports to the CFTC and instead require FCMs, clearing members and foreign brokers to report daily option positions of large traders to the CFTC in addition to the reporting of futures positions required by Rule 17.00. See 61 Fed. Reg. 37409 (July 8, 1996).

Rule 17.00 requires each FCM, clearing member and foreign broker to submit to the CFTC a daily report (Form 102) with respect to all reportable futures positions on their books.

Rule 18.00 outlines the information which is required to be submitted by traders. Every trader who holds or controls a reportable futures or options position shall after a special call by the CFTC file reports with the CFTC concerning transactions or positions in the futures or options. Each such report shall be filled out on the Large Trader Reporting Form (Form 103) on a separate sheet for each commodity or option and shall contain information pertaining to open contracts, purchases and sales, delivery notices issued and stopped, and options exercised.

Rule 18.04 requires that each trader who holds or controls a reportable position shall file after a special call a "Statement of Reporting Trader" on a Form 40. Each trader shall file the form at the direction of the CFTC. The Form 40 essentially requires all

identifying information regarding the transactions. The rule also imposes a duty on the trader to update the form.

Rule 18.05 requires a trader to maintain books and records with respect to the reportable futures position and to furnish these records upon request to the CFTC.

Rule 19.00 requires reports from: (1) those persons who have reportable futures an options positions and any part of which constitutes a bona fide hedging position as defined in § 1.3 (z), (2) merchants, processors and dealers of cotton holding reportable futures positions in cotton, and (3) those persons holding reportable positions who have received a special call from the CFTC. Rule 19.01 sets forth the informational requirements for reports pertaining to futures positions in wheat, corn, oats, soybeans, soybean oil, soybean meal or cotton and Rule 19.02 sets forth the informational requirements for reports pertaining to call cotton.

SEC

The options SROs require that their members file daily a report providing information, including name, address and social security or tax identification number of any customer who, on the previous business day, held an aggregate long or short position of 200 or more options contracts of any single class of options on the exchange.

SIB

Position reporting is not an FSA requirement for exchanges. However, SIB may require an RIE or RCH to provide such information as it may reasonably require for the exercise of its functions under the FSA (FSA, s. 104 (2)). Section 104 provides that a person who is authorised to carry on investment business by virtue of section 22 (insurance companies), 24 (operators and trustees of recognised schemes), 25 (directly authorised persons) and 31 (persons authorised to carry on business in another Member State of the EC) may be required to provide information which HMT may reasonably require (FSA, s. 104 (1)). SROs and recognised professional bodies may also be compelled to provide information (FSA, s. 104 (2)). The combination of these provisions

may provide the authority to compel individual traders and firms to provide position information.

COB

On the financial futures market, MATIF SA recommends that general information statements, including open positions, be sent at least weekly to customers.

On commodities markets, market members are required to send complete financial statements at least weekly to customers.

MONEP requires its members transmit to their customers statements with the same information they receive from the clearing house.

MOE

See II.B.5 (a) above.

ASC

The SFE By-Law G-16 (g) (16-19) requires members with a deemed reportable position to inform the Exchange (See II.A.7. (a)).

A reportable position is a position held by a Member in an account which, at the close of trading on a business day is:

- (a) an open position which equals or exceeds:
 - such number of bought or sold futures positions in a particular commodity in any one delivery month; or
 - such number of bought or open sold options in a simple options series as may be prescribed by the Board; or
- (b) a position where:
 - the number of open futures contracts which are not covered by opposite positions in the same contract in the same delivery month; or

- the number of options which are not covered by opposite positions in the same option series equals or exceeds such number as may be prescribed by the Board.

The Member must furnish a daily report to the Exchange by no later than 12:00 noon on every business day where a Member holds a reportable position. The report must include the name and address of the holder of the position and information regarding the position for each delivery month or option series and bought and sold positions. Exceptional reporting can be requested by the Board and the Committee of Inspection and Audit where information is requested regarding the identity of beneficial owners of a reportable position.

OSC

The TSE and the TFE have position limits with respect to the maximum number of options and contracts that may be directly or indirectly owned, controlled or carried during or at the close of any business day by any person, either acting alone or in concert with others.

The TFE rules require members to report instances where client holdings in TFE futures contracts on the previous day exceeded TFE and / or CDCC reporting limits and to report, on a monthly basis, the greater of the total long position or total short position held in client and non-client accounts for each contract.

TSE and TFE members are also required to file weekly reports identifying clients who, on the last business day of the week, held aggregate long or short options positions in excess of the prescribed limits. Members are also required to promptly notify exchange officials of any instance where it is believed that a client, acting alone or in concert, has exceeded or is attempting to exceed position limits.

Where a client holds, controls or is obligated in respect of an options position (whether long or short) in excess of applicable position limits, the TSE and the TFE may order all members carrying a position in such class of option for such client to liquidate sufficient positions in order to put the account back within applicable position limits.

The CFA provides the OSC with the power to set position limits, trading limits and price limits with respect to futures and futures options where it appears to be in the public interest to do so.

CVMQ

Each member of the Montreal exchange must file with the exchange, no later than three business days following the last business day of each week, a report in such form as may be prescribed, giving the name and address of any client who, on the last business day of any week, held aggregate long or short positions in excess of a predetermined number of contracts. The dealer / broker must also submit to the exchange a report of the total uncovered short position in each option contract open for trading showing: (i) the position carried by such member or restricted permit holder for its own account; (ii) the positions carried by such member for the account of clients.

SEC

HKFE rules require members to report the holders of large positions, which currently are set at 500 for HSI and HIBOR contracts 50 for Hang Seng Sub-indices contracts, 500 net long or short for currency futures contracts and 200 net long or short for stock futures contracts.

Position reporting requirements in relation to stock option contracts traded on the SEHK are 1 000 gross contracts per expiry month for options classes included in Tier 1 and 5 000 gross contracts per expiry month for options classes included in Tier 2. (The referenced Tiers are intended to take into account disparities in notional value resulting from price differentials in the respective underlying stocks.) SEHK options trading members are required to aggregate positions held by clients, their family members and other related parties and affiliates. Special position reporting requirements apply to options market makers.

SVS

Daily informed to the SVS by the clearing house.

ESA

For options and / or futures contracts a collateral balance is calculated for each customer's account. At any time the customer's account shows the customer's position in options and futures etc.

NZSC

NZFOE monitors all clearing member positions daily via an electronic data feed from the Clearing House. Reportable position rules are currently in force for Share Option contracts only.

CONSOB

No position reporting system is in place for the moment. Nevertheless, the CCG is required to inform CONSOB and the Bank of Italy of any open position upon request.

CNMV

As mentioned in point II.B.5 (a), exchanges are required to submit daily to the CNMV information including open interest per account and per contract, contract month and exercise price, as well as margin deposits, realized and unrealized daily profit and losses, premiums paid or received and fees.

CNV

See II.B.5 (a) above.

BAWe

There are numerous online screens in the DTB system which show the position of the respective DTB member. Corresponding to the online screens, there are several reports which show the position next day.

SC

Under Section 55A of the FIA, the Commission may fix or vary by notice in writing the size of aggregate long or short positions, or any combination of long and short positions, in relation to a class or classes of futures contracts which may be assumed by a person,

or by a person and any of his associates, and in excess of which the person or the person and his associate or associates shall report particulars of their positions to the Commission in the prescribed form and manner.

ESB

See II.B.5. (c) above.

(e) Confidentiality

CFTC

§ 8 (a) provides that except as otherwise specified in the CEA, the CFTC may not publish data and information that would separately disclose market positions, business transactions, trade secrets or names of customers.

Such information may be disclosed in connection with a congressional proceeding, an administrative or judicial proceeding brought under the CEA, a receivership proceeding or a bankruptcy proceeding. See § 8 (b). Similarly, section 8 (a) of the CEA provides for limited disclosure of data or information obtained by the CFTC from a foreign futures authority.

§ 8 (e) generally provides that the CFTC may disclose any information it possesses to any department or agency of the United States government or a foreign government acting within the scope of its jurisdiction. However, such information generally may not be disclosed by such agency or department except in connection with a proceeding to which the agency or department is a party.

The FTPA of 1992 enhances the CFTC's ability to provide information to a wider range of authorities (i.e., "foreign futures authorities" and to protect the confidentiality of information received from such authorities.

The Part 145 rules govern the confidentiality of CFTC records. As a general rule, all documents which are classified as "public" documents must be made available for inspection and copying by the CFTC. These documents are listed in Rule 145.1 ("Information Published in the Federal Register") and Rule 145.2 ("Records

available for public inspection and copying; documents published

and indexed"). Appendix A to Part 145, entitled "Compilation of CFTC Records Available to the Public" is a compilation of CFTC records routinely available to the public.

Rule 145.5 provides that the CFTC may decline to publish or make available to the public any "non-public" records as defined in Rule 145.0 (d) and if the records fall within the categories detailed in this section. In sum, the types of information concern trade secrets, national policy concerns, personal privacy, various financial statement forms and pending investigations. Moreover, Rule 145.9 outlines the procedures by which a person submitting information to the CFTC may request the non-disclosure of that information. Generally, the grounds for non-disclosure of information pursuant to this rule are substantially similar to the criteria for classifying documents as "non-public".

Rule 145.7 outlines the procedures to be followed in order to review documents held by the Commission.

SEC

See SEC response to II.A.8 (b) for a discussion of confidential treatment of information provided to the SEC.

SIB

Information obtained by regulators in the course of the discharge of their duties under the FSA where the information does not relate to an 'investment firm' (that is, a firm whose regular occupation in business is the provision of one or more of the investment services listed in Section A of the Annex to the Investment Services Directive (93/22/EEC)) is regarded as restricted information unless it falls into one of the exceptions of s. 180. The main restrictions on disclosure in the FSA are found at s. 179. Information is "restricted information" if it was obtained by the primary recipient for the purposes of, or in the discharge of his function under, the FSA or any rules or regulations made under the FSA.

Restricted information which relates to the business or other affairs of any person shall not be disclosed by, *inter alia*, HMT, SIB, the DGFT, the Bank of England or any officer or servant of such person without the consent of the person to whom it relates, if different (FSA, s. 179).

A person who contravenes these restrictions and who cannot avail himself of one of the exceptions in s. 180, is guilty of an offence and may be liable, on indictment, to two years imprisonment or to a fine or both; and on summary conviction, to three months imprisonment or a fine or both (FSA, s. 159 (6)).

Primary recipients do not include SROs, professional bodies, investment exchanges and clearing houses. These entities and their agents and officers have no powers to obtain information under the FSA so that the restrictions on disclosure can usually be determined on general principles of law in relation to confidentiality and on the relevant constitutions and rules.

Where the information does relate to an 'investment firm' different rules apply. They are set out in Regulation 48 of the Investment Services Regulations 1995 (SI 1995/3275), which implements Article 25 of the Investment Services Directive. In this case, the general restriction on the disclosure of confidential information will apply to 'competent authorities', which includes the SROs and certain of the recognized exchanges. The general restriction is subject to certain (limited) exceptions, notably to allow confidential information to be passed to other competent authorities and supervisory bodies.

COB

MOF

See II.B.5 (a) above.

ASC

The ASC has a statutory duty to take all reasonable measures to protect from unauthorised use or disclosure information given to it in confidence in or in connection with the performance of its functions or the exercise of its powers (section 127 ASC Law). Thus, record keeping information provided under notice would be subject to this confidentiality requirement.

The SFE acknowledges that Member Open Position information and Reportable Position information is confidential to that Member (By-law G.19A). Certain conditions apply to the subsequent use and disclosure of this information which are detailed in the

By-law. SFE will for example provide the information to the ASC for the purpose of discharging obligations under the Corporations Law.

Section 1266 (4) prohibits a futures broker, a director, partner, officer or employee of a futures broker from disclosing instructions of a client.

OSC

Specific market information obtained by the OSC is treated as confidential. Information obtained by the OSC pursuant to an investigation is confidential pursuant to section 10 of the CFA and section 14 of the SA.

The OSC is subject to the ~~Freedom of Information and Protection of Privacy Act~~ ("FOIPPA") which requires that personal information held by an institution such as the OSC be protected from unauthorized use and disclosure. However, FOIPPA mandates the release of certain kinds of information.

CVMQ

Pursuant to Section 297 of the Securities Act investigation reports, inspections reports and supporting evidence may be inspected only with the authorization of the CVMQ, notwithstanding Section 9 of the Act respecting Access to documents held by public bodies and the protection of personal information.

SEC

Pursuant to § 59 of the Securities and Futures Commission Ordinance the SFC is required to preserve the confidentiality of information obtained in the furtherance of its regulatory functions. There are, however, various exceptions to this requirement which enable the SFC to share certain information otherwise deemed confidential e.g. with the Hong Kong exchanges and clearing houses, and with other regulatory bodies including overseas regulators pursuant to appropriate information sharing agreements.

Information in the possession of HKFE and persons employed or engaged by HKFE relating to a Member or his Clients must

generally be kept confidential by the HKFE Chief Executive and all other persons having access to the same, except that:

- (i) those persons may disclose such information to their immediate senior officer of HKFE or to the Chief Executive;
- (ii) the Chief Executive may disclose such information to any person engaged by HKFE, who in the opinion of the Chief Executive needs to know the information;
- (iii) HKFE may disclose any information at any time to HKCC; and to the SFC at the discretion of the Chief Executive, or upon request from the SFC, or if it is ordered by a Court of competent jurisdiction;
- (iv) no breach of confidentiality shall arise by reason only that information shall appear in any registers and records maintained by HKFE.

Information in the possession of the SEHK in relation to options trading members and their clients shall be kept confidential. The SEHK, however, may disclose such information at any time:

- (i) to SEOCH;
- (ii) to the SFC;
- (iii) to HKSCC;
- (iv) to any insurer, insurance broker or banker in connection with arranging coverage for the Reserve Fund;
- (v) to any professional advisers or consultants of the SEHK;
- (vi) as required by the laws of Hong Kong; or
- (vii) to any other exchange, clearing house or regulatory authority with whom the SEHK has an agreement which provides that the SEHK may, in its discretion provide such information,

provided that, in any such case, the confidentiality of the information is made known to the recipient thereof.

SVS

See II.B.5 (a) above.

ESA

By specific legislation confidentiality is protected. What kind of information that is treated by the SFA is of great importance for the assessment of confidentiality.

NZSC

Market information supplied by the clearing house to NZFOE is protected by confidentiality provisions.

CONSOB

CONSOB has determined which information has to be disseminated to both dealers and the general public by means of the computerized trading system for the trading of futures on financial instruments related to securities or securities index. See II.B.3 (a) above.

At the Stock Exchange Council it will be possible to consult the archive which, for each future and option product, will report in a chronological order the contracts which have been closed.

CONSOB is the only organization which has access to the data stored in the market system. These are data regarding the closed contracts and the proposals which were not executed and also those which were revoked or modified. This archive is made available to CONSOB for a period of eight years following the end of the year in question.

CONSOB and the Bank of Italy are also able to gain access to the records stored on the files of the intermediaries. This is done by conducting a physical inspection, or by means of a request to the intermediaries to forward them with the information required.

Such information obtained by CONSOB, as well as other information in its possession, are protected by official secrecy except when required by the Minister of the Treasury.

CONSOB employees are subject to confidentiality obligation.

However, the information obtained by CONSOB may be disclosed in connection with judicial proceeding.

CNMV

According to article 90 of the Securities Market Act, confidential information or particulars that the competent authorities may have received when carrying out their functions of surveillance and supervision provided for in this Act, are subject to professional secrecy and may not be disclosed to any person or authority, without prejudice to the provisions of law to the contrary. Such obligation to keep secrecy is also binding upon all the personnel of the CNMV even though such persons may have left the Commission's service. The confidentiality is deemed to have been lifted when the parties concerned make public the facts to which it refers.

Securities Act foresees however that, without prejudice of the preceding paragraph, the CNMV shall cooperate with similar agencies of surveillance in other countries, exchanging the pertinent information. In the event that such information is confidential or reserved, the furnishing thereof shall be conditional upon the existence of the principle of reciprocity and the fact that the agencies concerned are subject to professional secrecy under conditions comparable to those laid down in Spain.

CNV

Records obtained by the CNV are kept confidential.

BAWe

See II.B.5 (a) above.

SC

Any information which has been obtained in the course of his duties and not published in pursuance of the Securities Commission Act 1993 (“SCA”) by a member of the Commission or any of its committees or any officer, servant, agent of the Commission or any person attending any meeting of the Commission or any of its committees is regarded as confidential and not to be disclosed.

Every director, officer or employee of an exchange company or a clearing house has a statutory duty to preserve, and aid in preserving, secrecy with regard to all matters coming to his knowledge in the exercise or performance of his duties.

FSB

All client information must be kept confidential, except where access is given to the SRO or Regulator for supervision purposes.

6. Market Disruption Programs

(a) Position Limits, Special Call Procedures, Other

CFTC

Position limits: See II.C.2 below.

Special Call Procedures: Part 21 of the rules sets forth the means by which the CFTC can obtain specific information from certain participants in the commodities markets through special calls.

Rule 21.02 provides that upon special call, FCMs, members of contract markets, IBs, and foreign brokers must provide information concerning futures and options carried by the FCM or foreign broker, except for accounts carried on a fully disclosed basis by another FCM, as may be specified in the call. The information specified in the call includes the name and address of the person for whom each account is introduced or carried as well as his principal business or occupation, the type of each such account, the name, address and principal business or occupation of any person controlling the trading of each account, the name and address of

any person having a financial interest of at least 10% in

each account, the number of open futures and / or option positions as specified in the call and any applicable identifying information as set forth in subsection (g) of Rule 21.02.

Pursuant to Rule 21.03 (c), an FCM, IB, or foreign broker must respond as required to a special call of the CFTC for a report of "relevant information" concerning the threat of market manipulation, corner, squeeze, or other market disorder unless the books and records of the FCM, IB, or foreign broker are open at all times to the CFTC for inspection. See Rule 21.03 (a).

Rule 21.03 (e) specifies the information that the FCM, IB, foreign broker or trader must provide to the CFTC when a special call is made. Subsection (2) of this rule further specifies information to be provided by traders to the CFTC.

Rule 21.03 (f) provides that if an FCM, IB, or foreign broker fails to respond as required, the CFTC may impose sanctions by directing the appropriate exchange to prohibit execution of, and no FCM, IB, or foreign broker shall accept an order for, trades on the exchange and in the delivery months or options expiration dates specified in the call, unless such trades offset existing open contracts of the person named in the call. Rule 23.03 (g) provides that a person affected by such action may request a hearing before the CFTC.

SEC

All options exchanges impose limits on the number of options contracts that any person, or persons acting in concert, may hold on the same side of the market, and on the number of long contracts that may be exercised within any five consecutive business days. The position and exercise limits for broad-based stock index options are not identical among the options exchanges, although each exchange has adopted limits for the contracts it trades.

Section 17 (a) of the 34 Act provides the Commission with broad authority to request information from broker-dealers. In addition, the Market Reform Act of 1990 added Section 13 (h) to the 34 Act in order to enable the Commission to monitor trading activity in the securities markets more effectively by authorizing the Commission to create a large trader reporting system. In August 1991, the Commission proposed rules that provide for a large trader reporting system. See Securities Exchange Act Release No. 29593,

56 Fed. Reg. (August 14, 1991). In February 1994, the Commission re-proposed rules for this system. See Securities Exchange Act Release No. 33608, 59 Fed. Reg. 7917 (February 17, 1994).

SIB

Position limits are not an FSA requirement and exchange rules currently do not impose them.

Exchange and clearing house rules may vary regarding provision for special call procedures; generally, an exchange or clearing house will reserve the right to make special margin calls during the day.

Where there is a threat of manipulation, corner, squeeze or other market disorder, exchange rules authorise exchanges to require firms and brokers to provide information on customer accounts. Generally, this is by virtue of the contractual arrangements between exchanges and their members.

COB

Position Limits on the MATIE

The aggregate initial margins paid by a firm for its own account must not exceed 20% of its net capital.

- The aggregate initial margins paid by one customer to a firm must not exceed 100% of the firm's net capital.
- The aggregate initial margins paid by all customers to a firm must not exceed 200% of the firm's net capital.
- No customer can hold more than 20% of the first term total open position.

Position Limits on the MONEP

The gross position of each member's clearing account (i.e., principal account including market-maker account, direct customer account and customer account whose orders are transmitted by a bank or another intermediary) should not exceed 30% of the total market gross position.

MOE

In normal situations, stock exchanges impose no position limits to their members. (The Securities Bureau of the Ministry of Finance imposes position limits to securities companies etc. in order to maintain their financial soundness.)

ASC

There are no position limits, however, there is a general requirement of the SFE that members not be over exposed to any one client at any time.

SFE Articles provide that a Member must not allow any one client (in which context the expression 'client' shall include all persons, firms and corporations related to, associated or affiliated with the client or otherwise financially dependent upon the client) to represent such a percentage of the trading by the Member as may prejudice or diminish the ability of the Member to meet its obligations. (Art. 3.6 (3) (n) in regard to Floor Members and Art. 4.6 (4) (k) in regard to Associate Members respectively.)

In respect to special call procedures, the member may call further margins at his discretion from his client; the SFECH, pursuant to By-Law 45.2 may call, at its discretion, an extra margin to cover open positions.

OSC

See II.A.7 (b) and II.B.5 (d) above. In addition, the OSC requires the TFE to have price limits on its contracts.

CVMQ

The rules of the Montreal Exchange impose position limit. No member of the exchange shall make for any account in which it has an interest, or for the account of any client, an opening transaction if the member or the restricted permit holder has reason to believe that as a result of such transaction the member or its client, acting alone or in concert with others, directly and indirectly, hold, control or be obligated with respect to a position on the same side of the market relating to the same underlying interest (whether

long or short) in excess of the position limits established by the Montreal Exchange.

Each member of the Montreal exchange must file with the exchange, no later than three business days following the last business day of each week, a report in such form as may be prescribed, giving the name and address of any client who, on the last business day of any week, held aggregate long or short positions in excess of a predetermined number of contracts. The dealer / broker must also submit to the exchange a report of the total uncovered short position in each option contract open for trading showing: (i) the position carried by such member or restricted permit holder for its own account; (ii) the positions carried by such member for the account of clients.

SEC

See II.A.7 (a) & (b) above.

SVS

See II.A.3 (a) above.

ESA

To the extent deemed necessary by the clearing house to avoid an unbalanced risk exposure for the clearing it reserves the right to generally stipulate limits - on the same account or for the same customer - on the total number of registered options and futures contracts in one or several options and / or futures contracts series.

NZSC

There are no position limits for futures or futures option contracts. Position limits exist for share option contracts.

CONSOB

There are no position limits on the derivative markets. For special call procedures see II.A.3 (a) above.

CNMV

Market rules establish the following limits:

The positions for which a member is responsible (proprietary, client and non-clearing members' positions) may only be, at the most, those which suppose callable margins equivalent to 40% of that member's shareholders' equity.

The aggregate amount of margins deposited in one custodian clearing member may not exceed 40% of that custodian clearing member's shareholders' equity.

No member or customer may hold a position such that the margins paid exceed 25% of aggregate amount of margins required by the clearinghouse from all members and customers of the exchange.

FCM has established also speculative limits to the amount of futures positions for all commodities traded on that exchange. Exemptions from those limits are granted on a case-by-case basis to hedgers.

Securities Market Act entitles the CNMV to request from individuals and firms such information as it may deem necessary regarding securities markets and to carry out inspections in order to check the veracity of that information. Those individuals and firms are obliged to place at the disposal of the CNMV such books, records and documents as the CNMV may deem to be necessary.

CNV

According to CNV Resolution No. 194/92 all exchanges must determine the limits on the positions for their members / intermediaries for each type of contract.

BAWe

The Board of Governors shall determine position limits for options and futures positions held by firms admitted to trading and Exchange Participants and to monitor compliance with such limits. Position limits are set to ensure orderly options and futures trading and to avoid risks for the spot market (§ 6 and §§ 30-33 of the Exchange Rules).

SC

Section 55 of the FIA states that the Commission, or an exchange company with the approval of the Commission, may, by notice in writing from time to time, establish, fix or vary such limits as it considers necessary on the amount of trading which may be done or futures positions which may be assumed by any person on an exchange company or subject to the business rules of the exchange.

The clearing houses' rules also specify special margin call in the event of an emergency which threatens the financial integrity of the market.

ESB

In terms of section 10.1.1 [II.B.5. (a) above] limits may be set in terms of financial capacity of clearing and non-clearing members. In terms of section 10.3 below, special emergency actions may be taken in consultation with the registrar. In terms of section 8.5.2 below, a special intra day margin may be called.

(b) Trading Halts, Circuit Breakers

CFTC

See II.A.7 (b) above.

SEC

For a discussion of circuit breakers, see II.A.7 (b) above.

In addition, the options SRO rules provide that trading in index options shall be halted whenever trading in a significant portion of the underlying stocks of the market index is halted. For example, trading in an index option is halted on the CBOE whenever trading in underlying stocks representing 20% of the index's value is halted. Officials at the options SROs also may otherwise halt trading in index options whenever necessary to maintain fair and orderly markets and to protect investors and the public interest.

SIB

See II.A.7 (b) above.

COB

See II.A.7 (b)-(d) above.

MOE

Stock exchanges have circuit breakers. Futures trading shall be suspended for 15 minutes, when the futures price advances (or declines), and exceeds a specified price range and at the same time a specified point of intervals of the fair value.

ASC

Section 1137 of the CL places an obligation on futures exchanges and clearing houses to ensure an orderly and fair market.

Section 1138 empowers the ASC to take various actions in order to ensure an orderly market if it is of the opinion that s. 1137 is not being complied with or it is in the interests of the public, or in the interest of person or persons on whose behalf a futures contract is being dealt with, to do so.

SFE General By-Law G-13 provides that in the event that an undesirable situation is developing or has developed the Board of the SFE may take the following steps:

- suspend or curtail trading on a market for any one or more delivery months for such period as it specifies;
- limit trading on any market to closing out of open contracts;
- defer settlement of contracts and / or extend the date for delivery under any contract for such period as it determines;
- direct that any contract be closed out forthwith or be invoiced or be invoiced back to a fixed date and / or at a price determined by it;
- permit any merchantable lot of a particular commodity or financial instrument equal to or superior to the commodity or the financial instrument as specified in any

contract to be tendered subject to appropriate conditions as to compensation;

- fix an amount of compensation payable pursuant to the above paragraph;
- direct that contracts be settled at a price other than that determined in accordance with the Market By-Laws, as determined by the Board;
- give directions to Members to act in such a manner as will in its opinion correct or assist in overcoming the situation or practice.

OSC

See II.A.7 (b) above.

CVMQ

The rules of the exchange include provisions concerning circuit breakers to halt trading in certain circumstances.

SEC

See II.A.7 (a) & (b) above.

SVS

See II.A.7 (b) above.

ESA

The derivative trade depends on the information from the stock exchange. Trading halts at this exchange are decided by the exchange board in accordance with special law. Such halts lead to corresponding OM equity options trading halts.

NZSC

There are no trading halts or circuit breakers. NZFOE may suspend trading or withhold from Members the facilities for trading on any day, and for any period of time, either generally or

in any class or classes of contract. The Exchange is required to consult with the Securities Commission prior to taking such action.

CONSOB

There are no circuit breakers or automatic trading halt systems. Circuit breakers exist on electronic trading system for individual equities traded on the cash market.

CNMV

See II.A.7 (b) above.

It is worth noting also that both the exchange and the CNMV may decide to halt trading momentarily and even definitely if it is deemed necessary to guarantee orderly trading, for the protection of the market or of its participants or in cases of force majeure.

In the event that the exchange decides a trading halt, it must immediately inform the CNMV, that will ratify or make void the suspension by the end of the second business day after its adoption.

CNV

Exchanges may suspend trading in emergency cases. They must consult with the CNV.

BAWe

See II.B.6 (b) above. In the theoretical case of technical problems, several or all Exchange Participants access to the EDP system of the Exchange, regardless of whether such technical problems occur at the Exchange itself or at the location of one, several or all Exchange Participants. If the Exchange believes that orderly trading will take place, it may continue or, after an interruption, resume trading even if one or more Exchange Participants do not have access to the EDP system of the Exchange. If the EDP system of the Exchange is out of order for an extended period of time, the Board of Governors shall declare a "technical state of emergency" and, if appropriate, shall provide for alternative means of trading and clearing (§ 5 of the Exchange Rules, Appendix).

SC

See II.A.7 b) above.

ESB

See II.B.6. (a) above.

(c) Emergency Procedures

CFTC

For purposes of exchange action, the term "emergency" is defined in Rule 1.41 (a) (4), in part, as "[a]ny occurrence or circumstance which, in the opinion of the governing board of the contract market, requires immediate action and threatens the fair and orderly trading in, or the liquidation of or delivery pursuant to, any contract on such contract market."

Emergency actions taken by an exchange are governed by §§ 5a (a) (12) (A) and 5a (a) (12) (B) of the CEA and CFTC Rule 1.41 (f). These provisions permit an exchange by a two-thirds vote of its governing board or an authorized committee thereof, to impose temporary rules for an initial period of 30 days without prior CFTC approval "in the event of an emergency" subject to certain procedural guidelines, including a proper finding of an emergency pursuant to exchange rules which previously have been approved by the CFTC. Rule 1.41 (f) (3) provides that temporary emergency rules may authorize "actions necessary or appropriate to meet the emergency, including, but not limited to ordering the liquidation of contracts, the fixing of a settlement price or the reduction of positions"

An exception to the requirement that temporary emergency rules must be adopted by two-thirds of the governing body is that a contract market official may act alone in the event of "physical emergencies", such as fire or substantial inclement weather. Rule 1.41 (g).

Pursuant to the statutory mandate of the Futures Trading Practices Act of 1992, the CFTC amended Rule 1.41 to establish new procedures for reviewing contract market emergency actions. The

new rules include a requirement that an exchange make every

effort practicable to notify the CFTC of its intention to implement, modify or terminate an emergency rule. See 58 Fed. Reg. 26229 (May 3, 1993).

The CFTC, consistent with the provisions of § 8a (9) of the CEA, can take emergency action when it finds that there is a threatened or actual manipulation or corner or "other major market disturbance which prevents the market from accurately reflecting the forces of supply and demand" Such CFTC action would be subject to review in the U.S. Court of Appeals.

Coordination of regulatory and self-regulatory activities has increased in recent years through the establishment, or augmentation, of groups designed to foster coordination of specific intramarket or intermarket regulatory or self-regulatory activities. See III.A.1 below.

Moreover, in response to significant volatility in the crude oil markets following the Iraqi invasion of Kuwait, the CFTC recommended to all U.S. futures exchanges and their clearing organizations various contingency planning activities: including that "what-if" analyses be undertaken to test the potential effects of any unusual price volatility, to determine which firms would be most affected by such price moves, and to aid in emergency planning; that a special review of margin levels be made in the context of current events; that increased margin compliance work at member firms be undertaken; that the accounts and financial positions of large traders be reviewed to determine that the carrying firms had adequate assurances of their customers' capabilities to meet their obligations; and that wire transfer arrangements be in place for all of a firm's large accounts, given the potential size of margin calls. CFTC staff also recommended that price limits and trading pauses be considered on a temporary or emergency basis; that lines of communication be maintained with certain cash markets closely connected with U.S. energy futures markets; and that the exchanges review their contingency plans, volatile market procedures and lists of contact persons.

SEC

The options SROs rules permit the exchanges to halt trading in an option whenever an exchange deems such action to be appropriate

in the interests of a fair and orderly market and the protection of investors and the public interest.

Moreover, each options SRO has developed contingency plans for limited market emergencies such as electrical black-outs or computer difficulties. Moreover, the Commission specifically has requested that the options SROs ensure that their automated systems have the capacity to accommodate current and reasonably anticipated future trading volume levels adequately, and are reasonably immune to external and internal physical threats.

The SROs' rules do not specifically define the term "emergency". The SROs, however, have enumerated factors that may be considered by exchange officials before deciding to halt trading in a stock index options contract in the interest of a fair and orderly market. Among the factors that an options exchange may consider when deciding to halt trading in a particular stock index option are whether: (1) the current calculation of the numerical index value derived is unavailable; (2) trading in one or more of the underlying stocks comprising the index has been halted under circumstances which indicate that such stock or stocks will likely re-open at a price(s) significantly different from the price(s) at which the stock(s) last traded; and (3) trading has been halted or suspended in stocks accounting for a significant percentage of the value of the index.

Section 12 (k) of the 34 Act provides the SEC with power to act in an emergency situation. Specifically, it provides that, if in the Commission's opinion the public interest and the protection of investors so require, the Commission is authorized summarily to suspend trading in any security (other than an exempted security) for a period not exceeding ten days. The provision amended by the Market Reform Act of 1990 also provides the Commission the authority to suspend summarily all trading on any national securities exchange or otherwise, in securities other than exempted securities, for a period not exceeding ninety days. Specifically, the Commission must notify the President of its decision and the President, in turn, must notify the Commission that "the President does not disapprove of such decision". The President subsequently can override any Commission-imposed trading halt.

SIB

All exchange rules provide for emergency situations including cessation of trading; the objective of exchange rules in this regard is to ensure that trading is conducted in an orderly manner. Trading by means of the exchange facilities must continue to afford proper protection to investors (FSA, Schedule 4, paragraph 2 (1)). The Financial Services (Notification by Recognised Bodies) Regulations 1995 require an RIE to notify SIB immediately upon the occurrence of any event or where circumstances arise which make it impossible or impracticable for the exchange to discharge any of its functions as an RIE (Notification Regulations, 2.12). SIB will also be made aware of developments in relation to the treatment of a firm which has triggered the application of the default rules of an exchange or clearing house pursuant to the provisions of Part VII of the Companies Act 1989 (see item II.A.6., above).

COB

MOE

Stock exchanges can take such measures as trading halts, strengthening of price limits, shortening of time limits for margin payments, increase of margin levels, position limits etc.

ASC

SFE General By-Law G-6 (a) sets down the procedure for physical emergencies. This includes the power to suspend or delay the opening of trade in any or all markets.

The SFE and SFECH By-laws deal with emergency procedures. Undesirable market situations, namely those which threaten the fair, orderly or proper trading in or liquidation, settlement, exercise or delivery of any futures or options contract are the subject of General By-law 13. A special investigatory Sub-Committee will be appointed where the Board or Chief Executive suspects or anticipates the development of an undesirable market situation. The Sub-Committee shall investigate the situation without delay.

A physical emergency occurs when a situation arises where the physical functions of the Exchange are threatened to be severely and adversely affected by an event external to the trading of the Exchange.

The SFECH also has powers under Part-8 of the Clearing By-Laws regarding market emergencies and force majeure. A market emergency will include an undesirable situation which refer to General By-Law 13. Force Majeure refer to physical emergencies where the Clearing House may exercise certain powers to ensure orderly market activity, including compulsory settlement of some or all open contracts at a price determined by the Exchange or Clearing House.

OSC

The TFE's rules permit the TFE to declare emergencies and to take appropriate action. Emergencies include: manipulative activity; actual, attempted or threatened corners, squeezes, congestion or undue concentration; any circumstance which may adversely affect the performance of TFE listed contracts; government actions which might have a direct impact on trading on the TFE; the bankruptcy or insolvency of a member; or the imposition of an injunction and any other unusual, unforeseeable and adverse circumstance (including physical emergency). Should an emergency be determined to exist, the TFE may suspend trading, limit trading to the closing of open positions, extend or shorten the period of trading, alter conditions of delivery, fix a settlement price, alter the amount of capital charged to members or the amount of margin required or require cash settlement.

(The OSC can also vary or revoke any prior decision made by it under the CFA and to make any decision with respect to trading on a commodity futures exchange.)

Trading on the TSE's options floor may be delayed, halted or suspended in the interest of a fair and orderly market. For example, trading in equity and stock index options may be halted or suspended where the underlying interest has been suspended on a stock exchange, or because the public interest or special exigency so requires.

CVMQ

When urgent circumstances warrant it, the Chairman, or the Vice-Chairman, or the President, or in the absence of all of them, the acting President, may suspend trading for one trading session or any part of a trading session and shall, if so directed by a resolution of the Governing Committee, close the exchange for such number of consecutive trading session not exceeding twenty-one as may be specified in such resolutions.

SFC

Under relevant Hong Kong law, the SFC has the authority to suspend operation of or close the markets where a determination is made that such markets are not functioning in a fair and orderly manner or where such action is otherwise in the interests of the investing public or the public interest. No exhaustive definition of “Emergency” exists under existing legislation. Fluctuations, however, in market prices alone are not considered circumstances affecting fair and orderly market operation.

Hong Kong exchanges and clearing houses, pursuant to their respective rules, regulations and procedures, have developed various programs for responding to certain emergency situations. Areas covered include natural disasters and electronic systems failures. Any action taken by one of these self-regulatory bodies in response to an emergency may occur only after consultation with the SFC.

SVS

See II.A.7. (b) above.

FSA

During the previous year the Sth Stock Exchange - as a consequence of a FSA investigation - decided to fix a back-up to its computer configuration. OM has decided a similar up-dating.

NZSC

If the company, the Business Conduct Committee or the Clearing House suspects or anticipates the development or possible

development of an undesirable situation the Business Conduct Committee in consultation with the Clearing House shall appoint a special committee to investigate the matter. An undesirable situation includes among other things manipulative activity, a corner or squeeze, an excessive position or unwarranted speculation. If in the opinion of the special committee an undesirable situation is developing or has developed the company may in consultation with the Business Conduct Committee take whatever steps are considered appropriate including:

- (a) suspending or curtailing trading generally, or trading in any class of contract, for any one or more delivery months for a specified period,
- (b) deferring completion of contracts and / or extending the date for delivery under any contract for a specified period,
- (c) directing that any contract be closed out at a specified price, or otherwise settled in accordance with the regulations of the Clearing House.

CONSOB

IDEM

CONSOB may temporarily suspend trading in the interest of a fair and orderly market. In particular, on the IDEM market, CONSOB may halt transactions:

- a) when anomalous trading activity occurs, also related to the underlying market halt;
- b) when technical problems occur;
- c) upon the clearing house request in order to call intra-day margins;
- d) every time it is necessary in order to ensure the protection of investors and of the public interest.

MIF and MTO

The Management Committee may halt trading when a technical problem occurs and whenever the clearing house calls intra-day margins.

CNMV

Exchange rules provide for emergency situations, including trading halts (see II.A.7 (b) above) or even extraordinary extensions of the market session. The exchange must immediately inform the CNMV of such situations and the decisions taken thereon.

CNV

All exchanges establish rules regarding emergency situation in order to ensure that trading is conducted in an orderly manner, and to afford proper protection to investors. In emergency cases, they can suspend trading, reduce price limits, increase margin levels, limits on open positions, etc.

BAWe

See II.B.6 (b) above.

There are two emergency procedures existing:

1. On-Behalf-Of-Transactions for one or several Exchange Participants, who cannot trade through the EDP system for a limited period of time.
2. DTB-HAS-Handel for all participants. No trading through the EDP system of the DTB is possible, however, organized trading via phone lines takes place, after HAS-Handel is officially announced by DTB.

SC

The FIA empowers the Minister, in the event that a fair and orderly market may be threatened by an emergency situation, to temporarily close that futures market. More specific powers are available to the Commission in the event of an emergency or where an exchange or clearing house has contravened the FIA, failed to enforce its business rules or has acted in a manner which likely to prejudice the public interest. These powers include, but are not limited to, the ability to suspend trading in any particular class of futures contracts, to limit trading to the liquidation of positions, to

defer completion of a contract, and to order the closing out of a contract by the matching with a corresponding contract.

The exchanges have rules regarding emergency situations in order to ensure that trading is conducted in an orderly manner, and to afford proper protection to investors. In emergency cases, they can terminate or suspend trading, limit trading to liquidation of contracts only, modify trading day or hour, etc.

The clearing houses also have rules regarding emergency situations whereby certain actions can be taken such as taking offsetting positions in any other markets which in its opinion would assist to preserve its financial integrity, suspend or terminate the membership of any clearing member whose financial condition or business conduct jeopardises or may jeopardise the financial integrity or the reputation of the clearing house.

ESB

These are in terms of section 10.3 of the rules.

See II.B.6. (a) above.

7. Compliance Programs; Enforcement

(a) Market Surveillance

CFTC

Rule 1.51 (a) (1) requires each exchange to maintain a continuing affirmative action program to secure compliance with the CEA and exchange rules and by laws. Such program must include a surveillance of market activity for indications of possible congestion or other market situations conducive to possible price distortion.

Guideline No. 2, [1975-1977 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 20,042 (May 13, 1975), states that an adequate market surveillance program should include surveillance of: (1) price movements; (2) changes in price relationships (among futures, between markets, futures vs. cash); (3) open interest and changes in

open interest; (4) concentrations of positions among clearing

members; (5) volume of trading and changes therein; (6) trading liquidity and the magnitude of successive price changes; (7) deliverable supplies; (8) deliveries (is there any apparent concentration in the making or taking of deliveries?); and (9) market news and gossip.

Each exchange establishes its own committees responsible for market surveillance. Compliance staff assumes the daily market surveillance activities; however, the CFTC does have the power to perform market surveillance functions.

Rule 1.51 (a) (7) requires each exchange to establish a procedure which results in the taking of prompt, effective disciplinary action for any violation which is found to have been committed.

§ 16 of the CEA authorizes the CFTC to conduct regular investigations of the commodity markets. As part of its routine rule enforcement reviews of the exchanges, the CFTC reviews the SRO market surveillance programs.

SEC

In the options markets, the SROs have the primary responsibilities to perform day-to-day surveillance for trading abuses. The Commission staff routinely conducts inspections of SRO surveillance systems, as well as related SRO investigatory, examination, and disciplinary programs. In addition, the Commission staff uses its own surveillance capabilities to test SRO systems and analyze specific trading situations.

In addition to monitoring trading patterns for possible insider trading, prearranged trading, and market manipulations, the surveillance systems and complaint-based inquiries programs in place at the nation's options exchanges also seek to detect various forms of stock / option trading abuses (involving both equity options and index options) such as frontrunning, mini-manipulation, and capping / pegging. In addition, if new options products are multiply-traded, surveillance seeks to detect instances of "chumming". Conduct known as "chumming" may occur at an exchange when market makers in order to present an appearance of activity engage in trading among themselves to an excessive degree. Finally, surveillance systems also detect apparent violations of various exchange rules such as position or

exercise limits and dual-capacity rules (prohibitions on acting as broker and dealer in the same options class in the same trading session). Additionally, complaint-based inquiries and routine examinations of specialist and market maker records are used to determine if trading was inconsistent with the parties' market making obligations.

Each SRO maintains rules and procedures governing the imposition of formal disciplinary action. Generally, SROs initiate formal disciplinary actions by issuing a complaint stating the specific charges and rules alleged to be violated. Accused members or persons may answer the charges against them or initiate a settlement. In the event a settlement is not reached, the case is presented before a hearing committee which receives the evidence from each side before reaching a decision. Members of the hearing panel are to be impartial, with no interest in the outcome of the case against the member or associated person. Following the initial decision, a respondent has the right to appeal to the SRO board, to the SEC, and ultimately to the federal courts.

SIB

It is a requirement of recognition that an exchange has adequate arrangements and resources for the effective monitoring and enforcement of compliance with its rules and any clearing arrangements made by it (FSA, Schedule 4, paragraph 3 (1)). The arrangements for monitoring may make provision for that function to be performed on behalf of the exchange (and without affecting its responsibility) by any body or person who is able and willing to perform it (FSA, Schedule 4, paragraph 3 (2)). In practice, UK exchanges fulfil their own compliance obligations through exchange staff and market committees.

SIB, as the authority which grants recognition to domestic investment exchanges, monitors the continued compliance by exchanges with the requirements of Schedule 4. This would include continued compliance with, *inter alia*, paragraph 3 (1). The manner in which an exchange determines its own surveillance is a matter for the exchange.

As regards ROIEs, arrangements are made with the home country regulators to ensure that their compliance and monitoring procedures are not only adequate, but also extend to the

investment business undertaken in the UK by that overseas exchange.

COB

Enforcement of laws and regulations governing the functioning of the derivative market is organized at two main levels: at the exchange level *i.e.*, at the MATIF and MONEP levels; and at the supervisory level *i.e.*, at the COB level.

- MATIF and MONEP are in charge of maintaining primary controls on the floor, at the members' facilities, and through the trading data.
 - On the floor, the clerks of the MATIF and MONEP observe the trading practices and make sure that all the participants abide by the rules of the open outcry defined in the "General Regulations", (timely time-stamping, prearranged trading, etc.)
 - At the members' facilities inspectors of the MATIF and of the MONEP will ensure that trades have been fairly allocated in the members' books, examine the way the front office and back-office are organized, the efficiency of the controls exercised by the members themselves, the risks taken by the members and their customers, the accuracy of the accounting etc.
 - The trading data are processed through powerful computers in order to analyze the strategy of the main participants to the market, to find out any unusual profit or loss, etc.
- The COB in order to ensure its supervisory function relies upon its Enforcement Division. This division has two different Departments: Market Surveillance and Market Investigations. The investigations conducted fall under three main types.
 - Investigations initiated when a breach of the law is suspected: The Division of Enforcement can be alerted by different sources:

- its market surveillance Department has different programs to detect unusual price movement and / or trading activity, discrepancies between the prices of the futures contracts or options and the underlying asset, heavy buying or selling preceding an important announcement etc.
- Some facts or conduct may be reported by the market authorities.
- The COB is empowered to ask for the reports written by MATIF.
- Frequent meetings are organized at the enforcement level between the Bank of France, The Commission Bancaire, the Conseil du Marché à Terme, the Conseil des Bourses de Valeurs, the Paris Bourse and the MATIF.
- Thematic Investigations

The purpose of these procedures is to study the conduct of a given category of professionals, or the features of a given category of operations or products and determine if they are not as such a cause of dysfunction in the market. These investigations may lead to proposals to amend the regulations involved.

- Customer Protection

When a discretionary account is involved the COB ensures that the customer has given to the manager the appropriate mandate to do so.

When a mutual fund is conducting operations on futures or options markets, the manager must comply with specific COB regulations in order to limit the risk exposure and to keep the customer informed of the risks taken.

MOE

Stock exchanges perform surveillance of the markets and trade practices every day, and inform the Securities Exchange

Surveillance Commission upon detecting any abuses or other problems.

ASC

The SFE monitors the market on a daily basis and receives reports from each of its members. The SFE conducts a daily review of the day's trading. The emphasis in market surveillance is on co-regulation with the SFE conducting periodic inspections of members. The ASC has power to conduct independent reviews of market activities and members and power to monitor all open positions of Members of the exchange by virtue of s. 29 and 32 of the ASCA.

The ASC and the SFE signed an MOU in June 1994 where the SFE and ASC formalising arrangements for the supervision and surveillance of the futures markets. The MOU promotes cooperation between the two organisation by:

- (a) providing for mutual referral of "serious market matters"; and
- (b) establishing a framework for joint planning of surveillance activities.

OSC

Market surveillance is conducted primarily by the TFE and the TSE. The TFE and TSE are responsible for ensuring that:

- trading practices are fair and properly supervised;
- adequate measures have been taken to prevent manipulation and excessive speculation; and
- adequate provision has been made to record and publish details of trading including volume and open interest.

Staff of the TFE and the TSE have access to completed trade tickets and records of all quoted markets and are therefore able to investigate complaints respecting market manipulation and / or trading irregularities.

CVMQ

The Montreal Exchange performs surveillance of the markets every day. The Floor Committee - Options shall enact from time to time such floor trading rulings for options as may be required to ensure proper trading practices and procedures which shall be binding on all members.

The CVMQ may prescribe a course of action to a recognized organization if it considers it necessary for the proper operation of the organization or the protection of investors.

SEC

The HKFE, SEHK and SFC perform continuous market surveillance to monitor the operation of the markets. In respect to certain of the markets operated by the exchanges, such surveillance can be accomplished on a real-time basis.

SVS

The SVS supervises transactions in real time, and furthermore uses a data base of accumulated transactions. With this information it carries out investigations concerning the prices and the persons involved in said transactions.

ESA

As mentioned above, there is at the Sth stock exchange a special supervision department following the daily trade.

At the OM all telephone calls are recorded from the OM block order table. It is also recorded at what time the call arrived. At the OM there is as well one trade controller watching the daily trade. This one is employed by the Swedish Association of Securities Dealers but the costs are paid by the OM.

NZSC

The Clearing House conducts market surveillance of clearing members:

- historical movement in the prices of contracts;

- historical movement in the volatility of contracts;
- relationships between relevant contracts and their underlying markets;
- general economic and political factors;
- availability of the physical commodity where relevant.

NZFOE also conducts daily surveillance with the objective of ensuring the integrity of its markets for end users. The following types of surveillance are conducted:

- dual trading and dealer employee trading analysis;
- cross trade and wash trading analysis;
- open positions per entity;
- deltas per member;
- exposures against member capital;
- fortnightly delta trends;
- fortnightly profit trends;
- deal scan trading analysis, etc.

CONSOB

IDEM

At the moment, market surveillance is performed by Consob and by the Stock Exchange Council, which was delegated by Consob in January 1995. Upon the full implementation of Legislative Decree 415/96, market surveillance will be carried out by the exchange, and Consob shall supervise the activity of the exchange to ensure the transparency of the market, the orderly trading and the protection of investors. Consob shall also adopt any measures required for these purposes and act in the place of the management company of the market.

MIF and MTO

Market surveillance is performed by CONSOB, Bank of Italy and by the "MIF and MTO Management Committee", which includes CONSOB's and Bank of Italy's representatives.

CNMV

Royal Decree 1814/1991, governing official futures and options markets, states that, without prejudice of the supervision,

inspection and enforcement powers of the CNMV, exchanges must supervise the protection of investors' rights, the correctness and transparency of price formation, the market safety and the weighing of the risks assumed thereon, the strict observance of the rules regarding trading and other market activities and, in general, the correct market progress. The exchanges are required, additionally, to provide the necessary means for the performance of their surveillance and enforcement functions.

CNMV, on the other hand, as the authority which grants authorization to the exchanges, is responsible for assessing the fulfillment of these obligations by them. For this purpose, the CNMV is entitled to demand such information as it deems necessary. Likewise, the CNMV is empowered to establish obligatory rules for the performance of the surveillance activities of the exchanges.

CNV

The CNV rules require each exchange to establish a market surveillance program and a disciplinary procedure for any violation which is found to have been committed. The CNV reviews the SRO market surveillance program and conducts investigations of the commodity exchanges.

BAWe

On exchange level trading supervisory units collect and evaluate exchange trading and settlement data and carry out necessary investigations. They have to report any abuses or violations identified to the state supervisory authority and the stock exchange management. The state supervisory office has to enforce the laws governing the stock exchanges, it will be responsible for supervising stock exchange dealings and their settlement.

Under § 16 WpHG the BAWe shall monitor all exchange and non-exchange trading in insider securities in order to detect violations of the Insider Trading Provisions. In the event of suspected violations the BAWe is empowered to demand detailed information regarding the transactions in the insider securities from the parties involved.

§ 35 WpHG replicates the above mentioned provisions for the BAWe in regard to compliance of the investment Services Enterprises with the Rules of Conduct set forth in §§ 31 and 32 WpHG.

In addition to federal monitoring the DTB also conducts surveillance of exchange trading pursuant to Exchange Rules §§ 6 and 27 in order to secure compliance with the law and the exchange rules and regulations.

SC

The exchanges are required to furnish to the Commission a weekly market surveillance report which contains information to address concerns such as concentration of position, front running, churning, marking and any abnormal trading patterns prior to contract expiry or company announcement (in the case of equity derivatives). The exchanges conduct real-time market surveillance, and the Commission maintains a supervisory role over their activities.

The market surveillance activities are carried out by the exchanges on authority derived from their business rules. The exchanges are also responsible under the FIA to maintain fair and orderly markets, and one way of carrying out this function is by conducting surveillance on the markets and members.

The exchanges conduct:

- daily market surveillance of the markets they operate;
- surveillance of trading activities of members;
- periodic audits of members; and
- investigations into breaches of their business rules and undertake enforcement action. Where their investigation also reveal breaches of the FIA, the matter is referred to the Commission.

ESB

See I.A.1. (a) and I.A.1. (b).

(b) Trade Practice Surveillance

CFTC

CEA § 5 (6) requires that each exchange must, as part of its application for designation as an exchange (*i.e.*, contract market) provide for compliance with all of the requirements applicable to exchanges under the CEA.

CEA § 5a (a) (8) states that each exchange shall enforce its own bylaws, rules, regulations, and resolutions that have been promulgated pursuant to CFTC rule or have been approved pursuant to CEA §5a(a)(12) relating to terms and conditions in contracts of sale to be executed on or subject to the rules of the exchange.

CEA § 6 (c) provides that the CFTC may commence proceedings against any person (other than an exchange) if the CFTC has reason to believe that the person has or is attempting to manipulate the market, has made material misrepresentations in a registration statement or is otherwise violating the CEA or the rules promulgated thereunder.

CEA § 8 authorizes CFTC investigations of the operations of the boards of trade as "it deems necessary to ascertain the facts regarding the operations of the boards of trade and other persons subject to the provisions of the CEA".

Compliance Programs

Rule 1.50 states that, upon CFTC request, an exchange shall be required to establish continued compliance with the requirements of exchange designation. Any failure to comply shall be the basis for CFTC action.

Rule 1.51 obliges each exchange to use due diligence to maintain a "continuing affirmative action program to secure compliance" with various portions of the CEA.

Enforcement

Rule 1.53 requires that each exchange enforce each "by-law, rule, regulation and resolution" issued by the exchange or its governing

board and which relate to the terms and conditions in contracts of sale to be executed on or subject to the rules of the exchange.

Rule 8.05 mandates that each exchange establish an adequate enforcement staff to investigate, to prepare reports and to prosecute possible rule violations within the disciplinary jurisdiction of the exchange.

Exchange investigations are conducted pursuant to Rule 8.06. Each exchange must maintain disciplinary procedures which require the enforcement staff to investigate potential rule violations. Each investigation should be completed within four months unless good cause exists to extend the period.

Pursuant to Rule 8.07, the staff shall prepare an investigation report outlining the reasons for the investigation, the relevant facts and the staff's conclusions and recommendations. If the staff concludes that no reasonable basis exists for a rule violation, the staff may recommend that the exchange disciplinary committee issue a warning letter or may prepare and maintain an investigation file.

Rule 8.08 requires each exchange to establish one or more disciplinary committees to review any investigative reports, to consider settlement actions and to levy penalties where appropriate. Regulation 8.09 prescribes the procedures to be used in evaluating the reports.

Rules 11.1-11.8 govern the conduct of investigations taken pursuant to CEA § 6 (c) and § 8. In general, Rule 11.2 gives the Director of the Division of Enforcement and staff members acting pursuant to his authority the power to investigate current or potential violations of the rules.

CEA § 5a (b) requires exchanges to provide for enhanced surveillance of trading practices, including the implementation of comprehensive systems to facilitate the review of trading data and enhanced audit trail procedures. In addition, CEA § 8e (a) requires the CFTC to assess the trade monitoring systems at each contract market at least once every 2 years, to the extent practicable.

SEC

The securities SROs also have the primary responsibilities to perform surveillance for sales practice violations. As with market surveillance, Commission staff reviews SRO examinations of sales practice activities and, in certain cases, investigates specific sales practice conduct.

The SROs surveillance program is bifurcated between examinations of specific sales practice conduct that is brought to its attention and ongoing examinations of the sales practices of broker-dealers. There are generally four catalysts by which an SRO will commence a specific, targeted investigation of an alleged sales practice abuse: (1) when a broker begins employment with a member of an options SRO that member must submit a Form U-4 to the SRO on behalf of the broker disclosing, among other things, the brokers disciplinary history; (2) when a broker terminates employment with a member of an options SRO that member must submit a Form U-5 to the SRO disclosing, among other things, the reason why the broker is leaving the firm as well as any disciplinary action taken by the firm against the broker or any pending investigations against the broker; (3) when a broker is disciplined by its employer or another SRO, named as a defendant in a civil proceeding which was disposed of for more than \$15 000 if involving an individual or \$25 000 if involving the firm, or the subject of any claim for damages greater than \$15 000 if involving an individual broker or \$25 000 if involving the firm, then the employer must disclose this to an SRO; or (4) when a customer has complained directly to an SRO about a broker. After conducting an investigation, the SRO may impose an appropriate sanction on the broker and / or the member firm including, among others, a censure, fine, suspension or bar. In addition, the Commission may investigate and prosecute sales practice cases involving brokers-dealers and their associated persons.

Additionally, the SROs have an ongoing program to examine sales practices of broker-dealers. The sales practice examination of a selected broker-dealer includes a review of, among other things, its supervisory procedures and the adequacy of its options documentation. Typically, a sales practice examination will include the selection of a number of customer accounts for an in-depth sales practice review, including but not limited to, an

options suitability review. See also SEC response to II.b.7 (a) above.

SIB / SFA

A firm must undertake annually a review of its business including the business of its appointed representatives to enable it to determine the effectiveness of its compliance and monitoring procedures, and must report to SFA the main conclusions of this review within four months of its annual accounting reference date or other review period previously agreed with SFA (SFA's CBRs, 5-53). In addition, the principles issued by SIB which apply to all firms regulated by SFA state at number 9 that a firm should organise and control its own internal affairs in a responsible manner, keeping proper records, and where the firm employs staff or is responsible for the conduct of investment business by others, should have adequate arrangements to ensure that they are suitably, adequately trained and properly supervised and that it has well-defined compliance procedures. Appendix 38 to SFA's rulebook sets out standards for compliance with the regulatory requirements imposed by SIB's principle 9 and includes guidance on the compliance review which firms are obliged to conduct under SFA's CBR 5-53. The appendix deals, inter alia, with: the prime responsibility for compliance resting with a firm's Board and in particular with the person that the firm has nominated as its senior executive officer; the organization of compliance work (including structure, reporting lines, independence of compliance officers and adequate resources); and compliance activities (including staff training, operating procedures, in-house rules, advisory services, regular monitoring, customer complaints and notification requirements). Every firm regulated by SFA must nominate a person to each of the positions of senior executive officer, compliance officer and finance officer (SFA's Rules, 2-28).

COB

See II.B.7 (a) above.

MOE

See II.B.7 (a) above.

ASC

The exchange performs most of the trade practice surveillance. In addition the ASC investigates all complaints that have been lodged with it or referred to it by the SFE pursuant to the MOU. The ASC also conducts periodic surveillance of Member's. The ASC is entitled at all reasonable times to full and free access to the trading floor of an exchange (s. 1139 (4)).

Section 1137 of the CL requires the SFE to maintain an orderly and fair market. The Exchange in monitoring markets is looking for any price or trading aberrations suggestive of market manipulation, pre-arrangement, wash trading, front-running or any other abuses.

OSC

Every dealer seeking registration in Ontario, whether under the SA or the CFA, is required to establish procedures for dealing with its clients and for supervising the conduct of its business. Member firms are required to appoint a "Designated Registered Futures Principal" with respect to trading in futures or futures options contracts and a "Designated Registered Options Principal" for trading in exchange-traded options. These individuals are responsible for establishing procedures for the supervision and control of trading in futures, futures options and options.

The IDA, TFE and the OSC each may undertake compliance audits, investigations and enforcement. This provides a check and balance to the member firm's supervision of its own activities.

CVMQ

The rules of the Montreal Exchange specify that the Floor Committee - Options must govern the trading and conduct of restricted permit holders, individual members, floor attorneys and any other person associated by employment or contract with member or permit holder. A committee called the "Pit Committee" governs the trading of derivative products on financial instruments and the conduct on the floor of permit holders, individual members, trading attorneys and any other persons associated by employment or contract with a member or permit holder for the trading in the pits of derivative products on financial instruments.

The Pit Committee shall recommend to the Governing Committee floor trading regulations as may be required to ensure proper trading practices and procedures.

SEC

The HKFE, SEHK and SFC perform continuous and periodic on site trade practice surveillance to detect potential trading irregularities and market malpractices. Such surveillance focuses on ensuring the compliance by market participants with applicable law and the rules of the exchanges.

SVS

See II.B.7 (a) above.

ESA

The FSA has a section especially dedicated to surveil trade practices among the securities firms. In recent times self-regulatory measures have been undertaken in order to engage the firms themselves by risk managers and by rules and recommendations issued by the Securities Dealer Association.

NZSC

NZFOE performs trade practice surveillance, through monitoring of price trends, daily deal scan analysis etc. Monitoring of prices shows up any trading aberrations suggestive of market manipulation, pre-arrangement, wash trading, front-running or any other abuses.

Additionally, regular and random compliance inspections are carried out at Dealers' offices. A full work programme designed to ensure compliance with the Exchange's regulations is carried out and includes such aspects as the monitoring of discretionary account activity, off market trading, insider trading, EFP transactions, churning, bucketing, etc.

Trends in the market prices of underlying securities and comparisons of actual prices with theoretical forward prices are constantly monitored with particular emphasis leading up to mandatory settlement dates, particularly for contracts for which

the mandatory settlement price is determined by reference to dealer quotations.

CONSOB

See II.B.7 (a) above.

CNMV

According to Royal Decree 1814/1991, members of official futures and options markets are obliged to fulfill every decisions the exchanges may adopt within the framework of the legislation currently in force or their by-laws and market regulations, in the performance of their functions of management, administration, registration and clearing and settlement.

When such decisions have the purpose of ordering some aspects relating to trading or market activities or intend to establish the requisites and criteria pursuant to a provision contained in the market or other rules, they should be published and reported to the CNMV within 24 hours of their adoption. The CNMV may make them void when it considers that they are in breach of Securities Act or damage the correctness and transparency of price formation mechanisms or the investors' protection.

The exchange may decide the suspension of a member in its activities if it has committed violation of the relevant rules and regulations. If the violation is committed by a member with its customers, the exchange may transfer to other members the positions of these customers.

CNMV supervises the correct implementation by the exchanges of the legislation currently in force, the market rules and the decisions aforementioned. For this purpose, it may require the modification of the exchanges' resolutions.

In the context of futures and options markets, CNMV's enforcement powers extent to the following institutions and individuals:

- Governing bodies of the markets;
- Brokers and broker-dealers members of the markets;

- Individuals and corporations as regards their business on the markets; and
- Other individuals and corporate bodies to the extent that they are affected by the provisions regulating those markets.

That means that the CNMV is empowered to inspect and, if applicable, penalize all the activities of institutions and persons related to the securities markets.

As far as CNMV's surveillance duties are concerned, investigating facts or situations entailing a potential breach of the principles or rules of markets operation represents a significant part of its supervisory activities. In most of the cases approached in the course of routine supervision, the elements of information available to the CNMV allow it to determine whether performance has abided by market regulations and, therefore, they do not require further attention. However, in a number of cases it becomes necessary to seek further elements in order to issue a positive judgment; in others, sufficient symptoms are appreciated which, should they be confirmed, would lead to the conclusion that actions performed have entailed irregularities or breaches of compulsory compliance rules.

When these cases arise, the CNMV has the avail of a number of instruments and powers allowing it to act on market participants, to obtain the necessary information and, if applicable, proceed to levying penalties.

Referring concretely to sales practices, it is worth noting that customers' claims constitute the main information source to evaluate the level of compliance of the intermediaries. The CNMV has organized various departments and internal committees to deal with those claims.

CNV

Exchanges, as SRO entities, have the primary responsibility to undertake surveillance of sales practice violations. The CNV reviews the SRO practice activities and investigates specific sales practice conduct.

BAWe

See II.B.7 (a) above.

SC

See II.B.7 (a) above.

ESB

See I.A.1. (a) and I.A.1. (b).

8. Customer Dispute Resolution Procedures and Other Forms of Customer Redress

CFTC

Arbitration

§ 5a (a) (11) of the CEA requires each exchange to provide a procedure, such as arbitration, for the settlement of customer claims or grievances against exchange members and their employees. This procedure must be fair and equitable. Its use by a customer (who is defined not to include another member of the exchange) must be voluntary, but it is compulsory for any exchange member named as a respondent in a customer-initiated proceeding.

§ 17 (b) (10) of the CEA and Rule 170.8 similarly mandate the availability of an arbitration program for customer disputes through the NFA. NFA's program must be consistent with the provisions of Part 180 of the rules, which establish the standards for arbitration programs of the exchanges.

Each exchange and NFA have established rules for customer-member arbitrations which the CFTC has found to be consistent with § 5a (a) (11) of the CEA and Part 180 of the rules.

A predispute arbitration agreement is generally prohibited by Rule 180.3 (b) unless it is in writing and contains specified warnings. The predispute agreement must be specifically

endorsed by the customer and may not be made a precondition to the customer obtaining the firm's services.

On November 17, 1988, NFA's Board of Directors adopted rules governing arbitration of disputes between United States customers and non-member foreign firms. In essence, this international arbitration program permits an "on the papers" hearing unless the foreign firm requests otherwise. NFA has clarified in a policy statement that it will reject requests for arbitration involving a claim arising primarily out of exchange floor practices.

Reparations

Section 14 of the CEA and Part 12 of the rules thereunder address the CFTC's reparations procedure. Reparations proceedings are actions brought by customers against a CFTC registrant (the respondent) in a forum provided by the CFTC. Reparations proceedings may be brought by customers who are either residents or nonresidents of the United States. Reparations rules do not allow class actions against registered persons. Part 12 of CFTC Regulations.

The complaint for reparations must be filed no later than two years after the cause of action accrues. It must allege a violation of the CEA or any rule, regulation or order thereunder, for example, misrepresentation, unauthorized trading or failure to disclose material facts. As with arbitration, damage awards typically are compensatory in nature. *Id.*

The length of time in which a respondent is permitted to respond to a reparations complaint is 25 days. The Director of the Office of Proceedings can extend the filing deadline by 10 days. Discovery requests must be served by 30 days after the Proceedings Clerk notifies the parties of the commencement of a proceeding. Filing fees vary for voluntary decisional procedures, summary decisional procedures, and formal decisional procedures. The rules also permit Judgement Officers to order a telephonic hearing on their own motion, require a 15-day notice period for telephonic hearing and 30 days for in-person hearings, and make it clear that failure to appear at telephonic and in-person hearings or to provide correct telephone numbers is subject to sanctions.

Courts

Section 22 of the CEA creates an express private right of action under the CEA, enabling customers to file suit in federal district court for alleged violations of the CEA.

Customers may initiate action in state court on claims including common law fraud or violation of state consumer protection laws. State courts cannot exercise jurisdiction over a claim alleging violation of the CEA or regulations thereunder if that claim arose on or after January 11, 1983.

SEC

The options SROs have established uniform arbitration procedures for the handling of investor grievances against broker-dealers. In this connection, most broker-dealers have adopted mandatory pre-dispute arbitration clauses as pre-conditions to the opening of an options account.

An SRO rule approved by the Commission in May 1989 contains several restrictions applicable to pre-dispute arbitration clauses. First, broker-dealers using pre-dispute arbitration clauses are required to place immediately before the clause highlighted introductory language informing customers that: (1) they are waiving their right to seek remedies in court; (2) arbitration is final; (3) discovery is generally more limited than in court proceeding; (4) the award is not required to contain factual findings or legal reasoning; and (5) the arbitration panel typically will include a minority of arbitrators associated with the securities industry. Second, SRO members are prohibited from having agreements with customers that: (1) limit or contradict the rules of any SRO; (2) limit the ability of a customer to file any claim in arbitration; or (3) limit the ability of the arbitrators to make any award. Third, SRO members are required to exclude class action claims from their pre-dispute arbitration clauses.

If the customer's account with the broker-dealer is not governed by a pre-dispute arbitration clause, then the customer may pursue his dispute with a broker-dealer through litigation in court. The customer and broker-dealer also could agree, after a dispute has arisen, to submit their disputes to a non-SRO affiliated arbitration forum such as the American Arbitration Association ("AAA"). In

addition, a number of broker-dealers include the AAA within their arbitration clauses as an alternative to SRO arbitration.

A customer generally may initiate an arbitration proceeding at any SRO at which his broker-dealer is a member. The SROs have rules covering such procedures as the selection of arbitrators, the prehearing exchange of information and other procedures to promote the fair, expeditious and economical administration of arbitrations.

SIB / SFA

An exchange is required to have effective arrangements for the investigation of complaints with respect to business transacted by means of its facilities (FSA, Schedule 4, paragraph 4). Each exchange is required to have complaints procedures and, in practice, each also has arbitration facilities.

SROs are required to have effective arrangements for the investigation of complaints against the organization or its members (FSA, Schedule 2 6 (1)). The procedures in relation to investigation of complaints include, in most circumstances, dispute settlement arrangements including the ability to arrange for an independent review of the matter.

Under SFA's rules a firm must have procedures to ensure: that the proper handling of complaints from customers relevant to its compliance with the regulatory system; that any appropriate remedial action on those complaints is promptly taken; and that where the complaint is not properly remedied, the customer is informed of its rights to contact SFA's Complaints Bureau (SFA's Rules, 6-1).

The function of SFA's Complaints Bureau is to conciliate between members and their customers. Where conciliation is not possible, the customer or the firm, may pursue ordinary legal remedies. However, SFA provides a Consumer Arbitration Scheme which is entitled to make awards up to £ 50 000. Where a private customer wishes to refer a claim against a firm to SFA's Consumer Arbitration Scheme, the firm in question must submit itself to that arbitration (SFA's rules, 6-5). SFA also operates a non-compulsory arbitration scheme for claims in excess of £ 50 000.

COB

The new general regulation established by the CMT provides the possibility of an arbitration procedure between clients and market-makers. An arbitration procedure plan has been adopted by the CMT on May 23, 1990, which is to offer a solution to disputes arising in connection with operations carried out on the Futures and Options Market, between market members or between market members and principals. The arbitration proceeding apply only to facts preceding the date of the arbitration request by less than two years.

An arbitration tribunal receives arbitration requests formulated by virtue of an agreement that lays down the object of the dispute or litigation. The dispute is settled by a single arbitrator if the amount in question is less than or equal to 1 000 000 Francs, or by three arbitrators if the amount involved in the dispute is greater than that amount. The arbitrator or arbitrators are chosen from a list drawn up by the Conseil du Marché à Terme. Arbitrator(s) is (are) designated by joint agreement of the parties. If the parties fail to agree, the CMT President shall designate the arbitrator and inform the interested parties of his name.

The arbitrator appointed by the CMT president may not be rejected by the parties.

Investigation of the dispute follows the rule that the proceeding must take place in the presence of both parties.

The arbitration verdict is handed down by the single arbitrator or by majority vote when three arbitrators have been designated. It may not be appealed.

MOE

When any dispute arises with respect to a securities transaction or other transaction effected by any securities company, the parties to such dispute may apply to the Finance Minister for mediation to resolve such dispute.

When a dispute arises on the securities market the parties may apply to the exchange for mediation of the dispute.

ASC

Article 39 of the SFE contains arbitration procedures for dispute resolution which are compulsory for members and, in respect of which all decisions are binding and must be implemented (subject to any right of appeal). Article 40 details procedures for the arbitration of disputes involving non-members.

The client's right of access to the court system is not restricted. Remedies are available under the CL to enable the courts to grant injunctions and award damages (s. 1323 CL). The ASC has power to apply for such remedies (s. 50, ASCA).

OSC

There are no arbitration or other "alternative" customer dispute resolution procedures available in Ontario pursuant to rules of the CFA or the SA.

The IDA rules provide that each member shall participate in or become a member of an alternative dispute resolution programme or approved organization which provides for the mandatory submission to an alternative dispute resolution process by the member of any dispute, claim or controversy between a member and a client on request by the client.

CVMQ

In accordance with the Quebec Securities Act, the CVMQ has delegated to the Montreal Exchange the surveillance of its members so the complaints must be firstly examined by the exchange. If a client is not satisfied with the action taken by the exchange or the explanations forwarded to him then the client can make a request to the CVMQ for a review of the complaint. The CVMQ has the power to investigate and deal with complaints against the exchange members and their employees.

The Montreal Exchange and Investment Dealers' Association of Canada has signed, in February 1996, an agreement with the Quebec National and International Arbitration Centre under which small investors will have the option of sending disputes with brokers to binding arbitration, instead of going to court. The arbitration of any claim will not prevent an aggrieved investor

from lodging a complaint about misconduct involving the broker with either the Montreal Exchange or the Investment Dealers' Association, both self-regulating organizations.

SFC

The SFC administers statutory compensation funds relating to both exchanges, which provide money compensation to customers who suffer a loss due to a dealer default. The exchanges and SFC also investigate complaints initiated by customers.

SVS

In case of a dispute between client and broker, a complaint may be made before the SVS, which will investigate and pronounce judgment. If the broker is found guilty, sanctions may be applied. If the client is guilty, the broker may bring suit against the client in the Chilean courts.

ESA

Disputes between the end customer and the market place / clearing house shall be resolved by Swedish courts. How disputes between a member and the market place shall be resolved is stated in the contract between these parties.

NZSC

The Business Conduct Committee of the Exchange investigates complaints with respect to business transacted by means of its facilities.

The Courts, Small Claims Tribunal, Fair Trading Office and arbitration under the rules of various Act exist as forums for dispute resolution.

Arbitration rules for customer dispute resolution also apply.

CONSOB

Italy has no particular provisions regarding arbitration procedures for the handling of investor grievances against broker-dealer. Nevertheless such remedies are allowed by the legal system.

Article 18, paragraph 5, of Legislative Decree no. 415/1996 states that in actions for damages with respect to injury caused to the customer in the performance of investment services, the burden of proof of having acted with the due diligence required shall be on the investment firm, bank or other authorized persons.

Article 17, paragraph 1, letter d) of Decree no. 415/1996 requires investment firms and banks to have resources and procedure, including internal control procedures (even for their employees' activities), likely to ensure the efficient provision of services.

Furthermore, investment firms and banks must record the customers' complaints in a special register and must respond in writing to their customers' complaints and inform Consob once a year about the number of complaints received during the last year and the number of complaints received before October 31 which were not addressed.

CNMV

Exchange members are required to submit any conflicts that may arise in relation to the interpretation, validity or fulfillment of the contract signed between them and the exchange to legal arbitration in accordance with the provisions of the Spanish Act for the Arbitration of Private Law, renouncing any other right to which they may be entitled.

That arbitration proceeding is optional, however, for customers. In any case, customers agree to inform in writing the exchange of the complaint against the member or the exchange, which will try to bring the two parties to an agreement, prior to any legal, arbitration or judicial action. CNMV will also mediate to try to get the parties to reach an agreement, although if they are not willing to do so, CNMV lacks of the competence to impose its decision.

CNV

Exchanges provide a customer dispute resolution procedure, which would be previously approved by the CNV. In case of regulatory violations the CNV and the exchanges may conduct investigations and apply sanctions.

BAWe

An Arbitration Tribunal (Borsenschiedsgericht) shall have jurisdiction over any disputes between Exchange Participants arising out of any options and futures transactions. The Arbitration Tribunal shall consist of three members of all at the DTB registered traders. In view of § 28 of the Exchange Act (Borsengesetz), § 1025 et seq. of the Code of Civil Procedure (Zivilprozeßordnung) shall be applied mutatis mutandis to proceedings before the Arbitration Tribunal (§ 34 of the Exchange Rules).

SC

In accordance with Section 104 of the FIA, an action or other proceeding may not be brought in any court in respect of a dispute arising out of the business of trading in futures contracts:

- a) between futures brokers;
- b) between an affiliate and an exchange company;
- c) between an affiliate and a clearing house; or
- d) between a futures broker and a client of that broker,

unless all the facilities for the settlement of the dispute as provided in the FIA or the regulations or the business rules of the relevant exchanges or clearing houses, as the case may be, have been exhausted.

ESB

See I.A.1. (a) and I.A.1. (b).

C. Market Efficiency

1. Product Design

(a) Economic Purpose Test or Non-Wagering Criteria

CFTC

§ 5 (7) of the CEA requires an exchange to demonstrate that transactions not be "contrary to the public interest". The public interest test of CEA Section 5 (7) is broader than, but includes, an

economic purpose test for contract market designation. Under

1992 revisions to Guideline No. 1, which streamlined the application process by reducing unnecessary or redundant materials, separate justification of economic purpose (i.e., that it is reasonable to expect the contract to be used for hedging or price basing purposes) must be provided only as requested. The CFTC determined that because the economic purpose of a contract is often implicit, or encapsulated, in the exchange's demonstration that the terms and conditions meet the criteria of Guideline No. 1, a further separate justification of economic purpose is, in most instances, unnecessary and will not be required.

In support of its justification of the individual terms and conditions of a proposed contract, a board of trade must submit with its application a description of the cash market for the commodity on which the contract is based. However, no such description is required when the same, or a closely related commodity, is already the subject of a designated contract market that is not dormant within the meaning of CFTC rules and when the terms and conditions of the proposed contract are the same, or substantially the same, as those of the designated contract market. For purposes of the Guideline, "cash market" includes "all aspects of the spot and forward markets in which the commodity underlying the contract is merchandised and for which the contract serves a hedging or price-basing function". Section (a) (1) of Guideline No. 1 lists information to be provided in the description as appropriate. The information includes: (1) production of the underlying commodity; (2) consumption of the underlying commodity; (3) the nature and structure of the cash marketing channels; (4) the prevalent means of market communications, methods of financing commodity ownership, and for tangible commodities how they are transported and stored; and (5) statistical data regarding historical patterns of production, consumption and marketing of the commodity which are relevant to the pricing or hedging use of the contract and / or the specification of its terms and conditions.

Guideline No. 1 also requires a justification of individual contract terms and conditions. However, no such analysis or justification is required, when a contract market on the same or a closely related commodity has already been designated and is not dormant within the meaning of CFTC rules, and when the terms and conditions of the proposed contract are the same, or substantially the same, as those of the designated contract market. The purpose of this justification is to show that the contract terms do not vary from the

actual cash market practice with the result that the contract might provide an increased potential for price manipulation or market disruption or be less useful for hedging or price-basing functions. To the extent a term or condition is not in conformity with the actual cash market practices, the exchange must provide a reason for the variance and demonstrate that it is necessary or appropriate. Contract terms and conditions to be justified on an individual basis are detailed in the Guideline and include the par and non-par commodity characteristics, delivery locations, contract differentials, delivery facilities and trading months or, if applicable, the cash settlement procedures. For some terms and conditions, including delivery pack and size, inspection and certification procedures, and delivery instrument, the board of trade may merely stipulate that such terms and conditions are consistent with the cash market, where applicable. Guideline No. 1 also requires that delivery months be specified and that there be a description of the relationship, if any, of delivery month to deliverable supply, warehouse space, transportation facilities, market activity, and other factors which affect delivery in each such delivery month, specifically including delivery months for existing futures contracts which rely on the same deliverable supply.

SEC

The federal securities laws do not contain an explicit "economic purpose" test for new options products. Pursuant to Section 6 (b) (5) of the 34 Act, however, the Commission must predicate approval of any new option proposal upon a finding that the introduction of such option is in the public interest. The Commission has stated that such a finding would be difficult with respect to an option product that served no hedging or other economic function, because any benefits that might be derived by market participants likely would be outweighed by the potential for manipulation, diminished public confidence in the integrity of the markets, and other valid regulatory concerns. The Commission uses no set criteria in considering whether to approve a new options product. In general, an exchange which proposes to list a new option product must comply with Section 6 of the 34 Act. See also response to II.A.1 (c) above.

SIB

There are no requirements in the applicable legislation regarding specific aspects of product design. There is no economic purpose test nor are there restrictions on types of products.

The only related requirement imposed on exchanges is the restriction that an exchange must limit dealings on the exchange to investments in which there is a proper market (FSA, Schedule 4, paragraph 2 (2)).

In April 1993 SIB issued guidance on the maintenance of proper markets in relation to on-exchange derivatives. The Guidance expands on SIB's view as to the interpretation in this context of the recognition requirement which requires derivatives exchanges to limit dealings on the exchange to investments in which there is a proper market (FSA, Schedule 4, para. 2 (2) (a)).

COB

The application for the authorization of a new contract must include information regarding the economic purpose of the contract.

The economic purpose is a major criterion used by the CMT to authorize a new contract, after having received advice from the COB and, eventually, the Bank of France.

MOE

In the approval process of new trade listings, stock exchanges must present to the Securities Bureau of the Ministry of Finance sound purposes for introducing the new products.

ASC

Futures contracts involving cash settlement at delivery are exempt from the provisions of the States Gaming and Betting legislation.

The law provides for exempt futures markets e.g., Loco London Bullion Market, where the contracts of those markets are not to be traded on futures exchanges.

OSC

Section 36 (1) of the CFA provides that the OSC will accept a form of commodity futures contract or commodity futures options contract where it is satisfied that to do so would not be prejudicial to the public interest and in making its decision shall take into account whether:

- (a) more than occasional use is made or can reasonably be expected to be made of the contract for hedging purposes;
- (b) with respect to commodity futures contracts, each term or condition of the contract is consistent with normal commercial practices of trade in the underlying commodity or if not, there is reasonable justification therefor;
- (c) with respect to futures contracts, satisfactory levels of margin levels, daily price limits, daily trading limits and position limits are imposed by the commodity futures exchange;
- (d) with respect to futures options contracts, the form of the contract that is the subject of the option has been accepted by the OSC; and
- (e) with respect to futures options contracts, performance on the exercise of the option is reasonably assured by established rules and procedures that are actively enforced.

Generally speaking, the above-noted criteria is also applied with respect to options recognized pursuant to RORO.

An extensive body of case law has developed under the Criminal Code of Canada as to whether commodity futures contracts are wagering contracts.

CVMQ

There is no specific economic purpose test or non-wagering criteria. However, before issuing a new type of contract, the qualified person must file with the CVMQ the information regarding the new contract; it can issue the new contract when the

CVMQ agrees thereto or does not raise any objection within 10 days of receiving the information.

SEC

There are no specific criteria concerning an economic purpose test or non-wagering criteria. The Commission and government, however, consider economic purposes in deciding whether to approve new products.

SVS

There are no requirements in the applicable legislation regarding specific aspects of the product design. The SVS has set no specific criteria concerning the economic purpose of the products nor are there restrictions on types of products. However, before launching a new product the exchange must get the SVS's approval.

ESA

No.

NZSC

There are no specific criteria concerning an economic purpose test or non-wagering criteria.

CONSOB

Consob is entitled to approve markets regulations which will impact on the market design and its technical feasibility.

CNMV

The procedure for approval of an exchange or contract by the CNMV includes a general test of public interest and economic purpose, that is, whether the contracts to be listed on the exchange will likely be used for hedging or price discovery purposes. In this sense, CNMV consults and takes into account the opinion of the governing bodies of the underlying market and any other market on which the new market could have some impact.

CNV

There is no specific criteria regarding an economic purpose test or non wagering criteria. The exchange presents all the terms and conditions of the new contract to be approved by the CNV. The CNV considers economic purposes in deciding whether to approve the new contract. General criteria include the requirement that the contract must not be readily susceptible to price manipulation or market disruption, and that it must be primarily designed for hedging or price basing functions.

BAWe

The Board of Governors shall determine which options and futures contracts shall be admitted to trading at the Exchange. Admission of a specific product to trading shall not be permitted unless the maintenance of orderly options and futures trading and adequate performance of any market-making function can be anticipated. Products are the respective options and futures contracts, each based on a specific or other value (an "Underlying"), that have been admitted to trading at the Exchange. The Underlying is, in each case, the point of reference for the product (§ 23 of the Exchange Rules).

SC

The Commission requires that the exchanges to justify some form of economic purpose of introducing any product before approving it to be traded on the exchanges.

ESB

See I.A.1. (a) and I.A.1. (b).

(b) Restrictions on Types of Products (Based on Underlying Instruments or Commodity or on Type of Derivative Contract)

CEFC

§ 1 (a) (3) of the CEA excludes onions from the definition of commodity.

§ 2 (a) (1) (A) (ii) of the CEA provides that the CFTC does not have jurisdiction over transactions in foreign currency, security warrants, security rights, resales of installment loan contracts, repurchase options, government securities, or mortgages and mortgage purchase commitments, unless such transactions involve the sale thereof for future delivery conducted on a board of trade. This provision, the so-called "Treasury Amendment", was most recently interpreted by the CFTC in 1985. In its 1985 statement, the CFTC reaffirmed its view that the Treasury Amendment exclusion from the CFTC's exclusive jurisdiction is not applicable when such transactions involve members of the general public. See 50 Fed. Reg. 42983 (October 23, 1985).

§ 2 (a) (8) (B) (i) of the CEA requires the CFTC to advise the Department of Treasury, the Federal Reserve System and the SEC of CFTC activities that relate to the responsibilities of those agencies, to receive their views and to consider the relationships between the volume and nature of investment and trading in contracts of sale of a commodity for future delivery and in securities and financial instruments under jurisdiction of these agencies.

§ 2 (a) (1) (B) of the CEA states that the CFTC has exclusive jurisdiction over futures contracts involving any stock index or group (and over options on those futures contracts) and to establish the conditions and procedures that must be satisfied before an exchange may be designated by the CFTC as a contract market to trade those futures. § 2 (a) (1) (B) (iv) (II) of the CEA requires the CFTC to provide the SEC with a copy of an exchange's application for designation as a contract market with respect to any contract of sale (or option on such contract) for future delivery of a group or index of securities. The CFTC may not approve the application if the SEC determines that the contract fails to meet the minimum requirements set forth in § 2 (a) (1) (B) (ii) of the CEA. This provision, however, also prohibits futures trading on any municipal security or any security registered pursuant to the Securities Act of 1933 or the Securities Act of 1934. See also I.A.1. (c) and I.A.2. (b) above.

The offer and sale in the United States of foreign exchange traded futures contracts based on an index of securities also is subject to special procedures. Specifically, such offers and sales are contingent upon the issuance of a "no-action" letter by CFTC staff,

which traditionally examines such instruments under the criteria set forth in § 2 (a) (1) (B) (ii) of the CEA. See 57 Fed. Reg. 3518 (January 30, 1992).

In Salomon Forex, Inc. v. Tauber, the United States Court of Appeals for the Fourth Circuit held that under the Treasury Amendment individually negotiated foreign currency option and futures transactions between sophisticated, large-scale traders are excluded from CFTC regulation. Salomon Forex, Inc. v. Tauber, No. 92-1406, 8 F.3d 966 (4th Cir. 1993), [1992-1994 Transfer Binder] Comm. Fut. L. Rep. (CCH), ¶ 25,872 (October 18, 1993). In a more circumscribed opinion, the United States District Court for the Eastern District of New York ruled that with respect to foreign currency transactions the Treasury Amendment exclusion applies only with respect to the interbank trading of foreign currency transactions supervised by banking regulators and does not apply to off-exchange transactions offered to members of the general public. CFTC v. Standard Forex et al., No. CV 93-0088, (EDNY August 9, 1993).

In CFTC v. Frankwell Bullion Ltd., the United States Court of Appeals for the Ninth Circuit interpreted the phrase “board of trade” in the Treasury Amendment to mean “on an exchange”. The Court thus held that the Treasury Amendment precluded the CFTC’s regulation of all OTC transactions in foreign currencies (i.e. spot, futures, and options). CFTC v. Frankwell Bullion Ltd., 99 F. 3d 299

In Dunn v. CFTC, the United States Court of Appeals for the Second Circuit reiterated its position that the phrase “transactions in foreign currency” in the Treasury Amendment does **not** include options, even if they are traded off-exchange. The Court thus held that the Treasury Amendment does not preclude the CFTC’s regulation of OTC transactions in options on foreign currencies. Dunn v. CFTC, 58 F. 3d 50 (2nd Cir. 1995)

However, on February 25, 1997, in Dunn v. CFTC, the U.S. Supreme Court reversed and remanded the 9th Circuit decision noted above, stating that foreign currency options “are plainly transactions in foreign currency” within the meaning of the Treasury Amendment.

On April 13, 1993, the CFTC issued an order exempting certain contracts for the deferred purchase or sale of specified energy products from regulation under the Commodity Exchange Act except the anti-manipulation provisions. See 58 Fed. Reg. 21286 (April 20, 1993).

The pilot program regulatory framework for 4 (c) contract market transactions (See I.A.1 (b) above) contains restrictions on eligible transactions. For example, agricultural commodities enumerated in the CEA cannot be involved, except for contracts on a broad-based thereof, nor can stock index futures contracts. In addition, § 4 (c) contract market transactions generally must be "reasonably distinguished" from traditional futures or options contracts traded on exchanges at the time the application for the § 4 (c) contract is filed. However, certain specific contracts are eligible under the pilot program, including flex options, rolling spot contracts, five-year and ten-year interest rate swap contracts, and FOREX forwards.

SEC

Under the federal securities laws, national securities exchanges can trade products which are securities as defined by Section 3 of the Act. Except for the requirement that the product be a security under the federal security laws. There are no formal restrictions on the type of derivative products which may be approved for trading by the Commission. In addition, when proposing a new index options contract for trading, the options SRO as a general matter submit eligibility criteria to the Commission that pertain to the securities underlying the index option. In most instances, these criteria include minimum trading volumes for the component securities of the underlying index.

SIB

See II.C.1 (a) above.

COB

The French futures and options markets can have any legal financial product, any legal commodity and any index as an underlying instrument.

However a contract which would have directly or indirectly the consumption price index as an underlying instrument would be illegal.

MOF

No specific futures and options products are prohibited.

ASC

Only approved products listed in the Business Rules may be traded and these may be varied by amendment which the Minister has power to disallow. There may be types or classes of products which may not be eligible for trading as these products may be inconsistent with the protections and philosophy of the CL and / or the Articles and By-laws of the exchanges and therefore not receive the requisite approval for trading.

Section 72 of the Corporations Law defines a "futures contract" whilst section 92 defines a "security". The definitions are complex. The *Corporations Law (Securities and Futures) Amendment Act 1994* was passed in 1995 which introduced sections 72A and 92A. The amendments permit the Regulations to prescribe particular exchange-traded agreements and to regulate such agreements as if they were securities or futures contracts. The new legislation enables consideration to be given to the trading of new and innovative products on Australian securities and futures exchanges on a more flexible basis than was previously the case.

The proposed introduction of products such as deliverable share futures contracts which the SFE proposes to introduce in early 1996 (subject to regulatory approval), will be facilitated by the new legislation. Deliverable share futures contracts are futures contracts over shares of leading Australian listed companies. The contract unit would usually be 1 000 shares. These products are arguably not "futures contracts" under section 72 by virtue of the definition of "commodity" in the Corporations Law. The new legislation would facilitate the trading of these products on the futures exchange as the legislation permits the Minister to exclude an agreement, by regulation, from the category of futures contract or the category of security, and to modify the provisions of Chapter 7 and 8 of the Corporations Law in their application to the prescribed agreement.

OSC

There are no restrictions on the types of products that may be traded in Ontario.

CVMQ

There are no restrictions on types of products.

SEC

No general restrictions have been imposed on the types of products to be traded.

SVS

See II.C.1. (a) above.

ESA

There may be trade in options and futures on a regulated market or with clearing facilities only if there is an important trade with a reliable pricing of the underlying property. OM has undertaken to quote equity options under certain conditions as to the total number of issued shares, the total number of shareholders and the average number of shares traded daily.

NZSC

There are no restrictions on the types of products.

CONSOB

A contract must have as an underlying asset the financial instruments listed in Legislative decree no. 415/96.

CNMV

There are no restrictions on the types of products that may be traded in Spanish markets.

CNV

There are no restrictions on the type of products that may be traded.

BAWe

See II.C.1 (a) above.

SC

There are no policy restrictions as to the type of contracts that may be introduced by the exchanges. However, the exchanges have in practice restrict themselves to the following products;

- a) KLCE: commodities;
- b) KLOFFE: equity linked derivatives;
- c) MME: fixed income, interest rate and currency derivatives.

Commodity contracts that are allowed to be traded on KLCE are restricted to commodities which have been approved by the Commission after consultation with the minister for the time being charged with the responsibility for primary industries.

ESB

The contracts must be approved by the registrar in terms of section 14 of the relevant act. This approval is only granted on receipt of the full contract characteristics, and appropriate research by the regulator to ensure that either no laws of the country are being broken, and there are no foreseeable problem causing repercussions from approving this instrument.

See I.A.1. (a) and I.A.1. (b).

(c) Exercise and / or Delivery Allocation Procedures

CFTC

Guideline No. 1 requires that the justification of individual contract terms include: (1) all delivery points; (2) the nature of the cash market at the delivery point; (3) a description of the composition of

the market at the delivery points; and (4) the normal commercial

practice for establishing cash market value and the availability of published cash prices reflecting the value of the deliverable commodity; (5) the level of deliverable supplies normally available, including the seasonal distribution of such supplies; and (6) any locational differences for delivery points, including the economic basis for discounts or premiums, or lack thereof, applying to delivery points. See also II.C.1 (a) above.

SEC

The rules of the options SROs provide that each member shall establish fixed procedures for the allocation of exercise notices assigned to a short position in options in a member's customer's account. The allocation must be made on a "first-in, first-out" basis, an automated random selection basis that has been approved by the SRO, or on a manual random selection basis.

SIB

See II.C.1 (a) above.

COB

~~Option exercises:~~ in order to get an equitable distribution of assignments among the options writers, the selection process is based upon a random drawing.

MOE

No system of delivery allocation is necessary since, for futures, delivery is performed wholly on a specified date determined by stock exchange rules. Exercise allocation of options trading is done under the rules of the stock exchanges.

ASC

The Articles and By-Laws of the SFE state those practices for exercising options and / or the delivery in respect to each individual futures contract.

QSC

In accordance with CDCC rules, individuals and dealers with short futures positions are entitled, through clearing members, to make delivery of the underlying interest in the expiration month by filing a delivery notice with CDCC. CDCC assigns such notices to clearing members with net long futures positions on a random selection basis. Clearing members which are assigned such notices are required to re-assign them to customers in accordance with previously approved firm procedures.

The assignment procedures for exchange-traded options are similar. Upon receipt of an acceptable exercise notice, CDCC randomly assigns the exercise notice to one or more clearing members whose account is shown to be short the same option series as the exercised option.

CVMQ

The rules of the options and futures SROs specify that the exercise notices accepted by the clearing house must be assigned, in accordance with the clearing house procedures of random selection. The clearing house must treat the accounts of all clearing members equally, provided, however, that an exercise notice for more than 10 options will be randomly assigned to accounts in block not exceeding 10 options, except on the expiration date when an exercise notice may be randomly assigned in total. The rules also state that each clearing member must establish fixed procedures for the allocation of exercise notices assigned to it in respect of a short position in the clearing member's client account. The allocation must be on a "first in, first out" basis, on a basis of random selection, or another allocation method that is fair and equitable to the clearing member's client and consistent with the by-laws and rules of the exchange on which the option is traded.

The rules concerning the futures contracts specify that tender notices accepted by the clearing house must be assigned, at the end of each business day on which the contract specifications permits tender notices to be tendered, in accordance with the clearing house procedures of random selection. Each clearing member must establish fixed procedures for the allocation of tender notices assigned to it in respect of a long position in the clearing member's client account. The allocation must be on a basis that is fair and

equitable to the clearing member's client and consistent with the by-laws and rules of the exchange on which the option is traded. No clearing member shall permit, unless there is no alternative, the allocation of a tender notice in respect of a long position that was opened on the day of such allocation.

SEC

All HKFE futures contracts are cash settled via payments to and from HKCC and clearing members' bank accounts. HIS options are European style and deemed to be exercised if in-the-money at expiry.

SEHK stock options are American style; upon exercise SEOCH allocates exercise notices to open short positions of clearing members on a random basis. Members must in turn randomly allocate assigned positions to their house and client accounts. Stock delivery is on T+2 between SEOCH and its members' accounts at the central securities clearing house.

SVS

Futures:

No system of delivery allocation is necessary since delivery is performed wholly in a specified date, determine by the stock exchange rules.

Options:

In order to get an equitable distribution of assignments among the option writers, the selection process is based upon a random drawing.

ESA

Options are designated by giving the class of option, type, expiration month and exercise price, and futures by giving the futures class and expiration month.

NZSC

There are no statutory regulations covering exercise and / or delivery allocation procedures. However, such procedures are set

out within the Contract Specifications and Rules of NZFOE and Regulations of the Clearing House.

CONSOB

As far as the option contract cleared by the CCG (BTP future option, MIBO30 and ISOa) is concerned, in order to have an equitable distribution of assignments among the option writers, the selection process is based upon a random drawing.

CNMV

Exercise and delivery allocation procedures, as well as other specific aspects of product design, are established by the exchanges. Nevertheless, all the contract terms and specifications have to be approved by the CNMV, which will consider their suitability to ensure investors' protection, prevent fraudulent practices and promote transparency, integrity and fairness.

CNV

Exercise and delivery allocation procedures must be specified in the terms and conditions of the contracts presented by the exchanges to the CNV to be approved.

BAWe

Assignments shall be made through the Exchange by a random selection process conducted in accordance with detailed rules. The assignment method shall be communicated to the Exchange Participants and is available through report selection. Any change of such method shall become effective after notice thereof (2.2.3.9 Conditions for Trading).

SC

MFCC rules requires them to prescribe systems and procedures to allocate deliveries in a fair and equitable manner. MDCH has set out the exercise procedure in its rules.

Exercise and Assignment of Option Contracts

Exercise

A client in whose name a long position in an option contract is registered may exercise the option at any time until the expiry of the exchange contract by either verbal or written notice to the member with whom he dealt in order to open the long position.

A member who has a proprietary long position in an option contract registered in his name may exercise the option at any time until the expiry of the exchange contract, and shall exercise the option on a client's behalf on the instruction of the client by executing the exercise on the ATS in the manner prescribed by the executive committee and / or as set out in the user manual.

Upon the exercise of the option in terms of Rule 8.10.1.2 the person in whose name the long position in the exchange contract was registered shall be deemed to have bought or sold the underlying instrument of the option contract in question at the strike price from or to the clearing house.

Assignment

When an option is exercised in terms of Rule 8.10.1.1 or when an option is deemed to have been exercised in terms of Rule 8.4.6; the clearing house shall in turn exercise its option to buy or sell the underlying instrument in question to or from the holder of a short position in the option contract in question. Provided that:

- the clearing house shall in its sole discretion assign the exercise of the exchange contract or contracts to the registered holders of short positions in the exchange contract; and
- the person to whom the exercise of the exchange contract is assigned in terms of Rule 8.10 shall be deemed to have bought or sold the underlying instrument of the option contract.

(d) Cash Settlement

CFTC

Under Guideline No. 1, when cash settlement may serve as an alternative to, or substitute for, physical delivery, information submitted by the board of trade to justify individual contract terms and conditions must include evidence that the cash settlement of the contract is at a price reflecting the underlying cash market and will not be subject to manipulation or distortion.

Section 2 (a) (1) (B) (ii) (I) of the CEA requires that settlement of or delivery on stock index futures contracts (or option thereon) must be in cash or by means other than transfer or receipt of any security, except and exempted security. The CFTC has also designated other financial futures contracts and commodity futures contracts which are settled in cash.

SEC

See II.B.4. above.

SIB

See II.C.1 (a) above.

COB

The following MATIF or MONEP contracts are delivered through cash settlement:

- PIBOR 3 mois,
- CAC 40(future and option).

MOE

For stock index futures and stock index options, only cash settlement is permitted. For JGB futures, T-bond futures and Stock Futures 50 physical delivery is required for final settlement.

ASC

The Articles and By-Laws of the SFE state those practices for cash settlement in respect to each individual futures contract.

OSC

Neither the CFA nor the SA provides separate criteria for cash-settled products.

CVMQ

The following Canadian Derivatives Clearing Corporation contracts are delivered through cash settlement:

- Index options;
- Index futures;
- Gold options;
- Banker's acceptance futures.

SEC

See II.C.1 (c) above.

SVS

Futures:
Settlement is done only is cash.

Options:
Only physical settlement, except in the case of low liquidity underlying assets.

ESA

This form is used for OM index options but not for OM equity options.

NZSC

There are no statutory regulations covering cash settlement or delivery of contracts. At present all NZFOE futures contracts are

cash settled. Share options are settled by delivery and receipt of underlying securities.

CONSOB

See II.B.4. above.

CNMV

See II.C.1 (c) above.

CNV

There is no regulation regarding cash settlement of contracts. Index contracts must be designed in a way that resists manipulation of the Index.

BAWe

Following products are delivered through cash settlement:

- MDAX Future;
- DAX Future (German Stock Index Future);
- One-Month-Euromark Future;
- Three-Months-Euromark Future;
- DAX Option (Options on the German Stock Index);
- \$US/DM Option.

SC

All contracts on KLCE are settled by physical delivery. All contracts on financial futures exchanges are cash-settled and the procedures of settlement is provided in the rules of MDCH.

ESB

Settlement Procedures

With respect to his proprietary positions, the positions of his clients, the positions of the non-clearing members with whom he has entered into clearing agreements and the positions of the clients of such non-clearing members, the clearing member shall pay to or receive from, the clearing house the net amount of:

- subject to Rule 9.2.1, the sum of the initial margin referred to in Rule 8.6.1;
- the sum of the variation margin referred to in Rule 8.6.2;
- any interest payable in terms of Rule 8.7.1; and
- the fees referred to in Rule 8.8.1.

An amount due from a clearing member in terms of Rule 8.9.1 shall be paid to the clearing house not later than 12:00 on the business day following the day on which such payment accrued or such other time as the executive officer may in his sole discretion determine.

With respect to any proprietary position, the position of any of his clients, the position of a non-clearing member with whom he has entered into a clearing agreement and the position of a client of such non-client member whom the executive officer has marked-to-market in terms of Rule 8.5.2, the clearing member shall pay to the clearing house the amount of variation margin as contemplated in Rule 8.6.2 at the time stipulated by the executive officer when the clearing member is notified by him of the mark-to-market.

With respect to his proprietary positions, and the positions of his clients, a non-clearing member shall pay to or receive from the clearing member the net amount of:

- subject to Rule 9.2.2, and read together with Rule 8.6.3.1, the initial margin referred to in Rule 8.6.1;
- the variation margin referred to in Rule 8.6.2;
- any interest payable in terms of Rule 8.7.2; and
- the fees referred to in Rule 8.8.2.

An amount due to or from a clearing member in terms of Rule 8.9.4 shall be paid not later than 12:00 on the business day following the day on which such payment accrued, or at such other time as the non-clearing member and the clearing member have specifically agreed upon with respect to a particular payment.

With respect to any proprietary position or the position of any of his clients, which, the executive officer has marked-to-market in terms of Rule 8.5.2, the non-clearing member shall pay to the clearing member the amount of variation margin as contemplated in Rule 8.6.2 by the time, referred to in Rule 8.9.2 as stipulated by

the executive officer and as notified to the non-clearing member by the clearing member, and no relaxation shall be given to a non-clearing member without the prior approval of the executive officer.

Subject to Rule 9.3.1, with respect to his positions a client shall pay to or receive from the broking member with whom he traded to open such positions the net amount of:

- the total of the initial margin referred to in Rule 8.6.1 for all its aggregate positions read together with Rule 8.6.3.2, provided that any amount so due from the resident client shall be off-set against any retained margin referred to in Rule 8.6.4.
- the variation margin referred to in Rule 8.6.2;
- any interest payable in terms of Rule 8.7.3; and
- the fees referred to in Rule 8.8.3.

An amount due to or from a broking member in terms of Rule 8.9.7 shall be paid not later than 12:00 on the business day following the day on which such payment accrued or such other time as the broking member and the client have specifically agreed upon with respect to a particular payment.

With respect to the position of any client, which the executive officer has marked-to-market in terms of Rule 8.5.2, the client shall pay to the broking member the amount of variation margin as contemplated in Rule 8.6.2 by the time referred to in Rule 8.9.3 stipulated by the executive officer and notified to the client by the broking member and no relaxation shall be given without the prior approval of the executive officer.

(e) Volume Requirements (Dormancy Rules)

CFTC

Dormant contracts: Rule 5.2 requires that an exchange must obtain CFTC approval in order to list additional months or permit trading to recommence in any contract in which no trading has occurred in any month listed for trading for a period of six calendar months (or otherwise certified by an exchange to be dormant).

Rule 5.2 (c) requires that in order to obtain CFTC approval, the exchange must designate the submission pursuant to Rule 1.41 (b)

and submit an economic justification explaining the conditions

which have changed subsequent to the time the contract became dormant and the basis which makes it reasonable to expect that the contract will be used on more than an occasional basis for hedging or price basing.

Rule 5.2 (d) specifically provides that no contract shall be considered dormant until the end of 60 calendar months: following initial designation, following CFTC notice to the contract market that the CFTC has reviewed the economic purpose and the terms and conditions of the contract and has permitted the exemption, or following CFTC approval of an exchange by-law, rule, regulation or resolution to list additional trading months pursuant to Rule 5.2 (c).

SEC

Neither the federal securities laws nor the rules of the options SROs require index options to maintain a minimum trading volume in order to continue to be listed for trading.

SIB

There are no specific rules in relation to the treatment of dormant contracts and contracts with low volume. However, SIB's guidance on proper markets (See II.B.4) notes that liquidity is normally an important indicator of a proper market.

COB

There are no volume requirements on the French futures markets.

MOE

There are no dormancy rules.

ASC

There are no volume requirements.

OSC

There are no dormancy rules in Ontario.

CVMQ

There are no volume requirements.

SEC

No dormancy rules have been set.

SVS

Not applicable to the Chilean case.

ESA

No.

NZSC

There are no volume requirements or dormancy rules.

CONSOB

No dormancy rules have been set.

CNMV

There are no minimum volume requirements on the Spanish futures and options markets.

CNV

There are no rules regarding this subject.

BAWe

There are no volume requirements at the DTB.

SC

No dormancy rules have been set.

ESB

This is catered for in terms of Rule 7.6.2 where client details must be kept up to date and non trading clients accounts closed.

2. Position Limits

CFTC

Section 4a of the CEA authorizes the CFTC to set limits on the amount of futures trading which may be done and the number of futures positions which may be held by any one person or "by two or more persons pursuant to an express or implied agreement or understanding". Section 4a (3) of the CEA exempts bona fide hedging transactions and positions from any limits imposed by the CFTC.

The CFTC imposes daily and special call reporting requirements on FCMs and foreign brokers carrying accounts for traders with large positions.

Rule 150.2 sets forth position limits for certain agricultural contracts. Rule 150.3 defines the circumstances in which the positions may exceed the limits.

Rule 1.61 requires each exchange to establish speculative limits for all commodities traded on the exchange that do not have limits imposed by CFTC rules. In addition, paragraph (b) of Rule 1.61 requires each exchange to set speculative limits on any commodity options traded on the exchange. Paragraph (a) (2) of Rule 1.61 outlines some of the factors upon which an exchange must base its determination of levels for speculative limits. These include position sizes customarily held by speculative traders on such market for a period of time selected by the exchange, which shall not be extraordinarily large relative to total open positions in the contract for such period. Other factors that the exchange may use include breadth and liquidity of the cash market underlying each delivery month and the opportunity for arbitrage between the futures market and cash market underlying the futures contract.

The exchanges, pursuant to the provisions of Rule 1.61, have provided rules for the petition by hedgers for exemptions from speculative limits. On a case-by-case basis, the exchanges may

grant exemptions to hedgers from the position limit requirement.

Rule 1.61 (a) (1) permits an exchange to exempt positions usually referred to as "spreads, straddles or arbitrage". Rule 1.61 (a) (3) exempts bona fide hedging positions as defined by an exchange in accordance with Rule 1.3 (z) (1) unless the exchange determines that such positions are not in accord "with sound commercial practices or exceed an amount which may be established and liquidated in an orderly fashion".

Rule 1.3 (z) (1) defines bona fide hedging transactions and positions as "transactions or positions in a contract for future delivery on any contract market, or in a commodity option, where such transactions or positions normally represent a substitute for transactions to be made or positions to be taken at a later time in a physical marketing channel, and where they are economically appropriate to the reduction of risks in the conduct and management of a commercial enterprise". These transactions or positions must arise from the potential change in: (1) the value of a person's assets, (2) the value of a person's liabilities, or (3) the value of services which a person provides, purchases or anticipates providing or purchasing.

Rule 1.61 (e) permits an exchange to provide (subject to the CFTC approval) speculative limit exemptions.

Pursuant to rules that have been submitted under Rule 1.61 (e) to the CFTC for approval, U.S. exchanges may replace their speculative position limit rules with more flexible position accountability rules for eligible non-agricultural contracts. Position accountability rules allow the exchanges to retain the right to inquire about the accumulation of large positions and, for some contract markets, the additional right to prevent further accumulation of position when congestion concerns arise.

These position accountability rules, which have been adopted by most U.S. exchanges for interest rate, currency and metals contracts, tend to achieve similar regulatory objectives to traditional speculative position limits but do so more flexibly. The CFTC rule changes were intended: (1) to enable U.S. exchanges to better meet the competitive challenge of alternative regulatory systems, which lack such controls; and (2) to accommodate increasing institutional use of the markets, while maintaining the basic regulatory safeguards formerly provided by speculative position limits.

In its statement of agency interpretation of "Risk Management Exemptions for Speculative Position Limits Approved Under CFTC Regulation 1.61", 52 Fed. Reg. 34633 (September 14, 1987), the CFTC stated that it would be consistent with the regulation to amend exchange speculative position limit rules to exempt certain risk-management positions in debt-based, equity-based and foreign currency futures and options.

SEC

See II.B.6 (a) above.

SIB

See II.B.5 (d) and II.B.6 (a) above.

COB

See II.B.6 (c) above.

MOE

See II.B.6 above.

ASC

There are no specific position limits on the SFE, although, when protecting its guarantee function, the Clearing House monitors the size of each member's position relative to its financial resources and the overall market. Each Clearing Member is given a Capital Based Position Limit (CBPL) by SFECH. The CBPL is intended to provide a limitation to the amount of exposure that each Clearing Member can handle with fluctuations in futures and options prices. Each Clearing Member's CBPL is based on their Net Tangible Assets.

Breach of the CBPL is serious, attracting penalties such as additional margin calls, the commencement of default proceedings and / or the closing out or transfer of positions.

OSC

See II.B.5 (d) and II.B.6 (a) above.

CVMQ

The rules of the Montreal Exchange impose position limit. No member of the exchange shall make for any account in which it has an interest, or for the account of any client, an opening transaction if the member or the restricted permit holder has reason to believe that as a result of such transaction the member or its client, acting alone or in concert with others, directly and indirectly, hold, control or be obligated with respect to a position on the same side of the market relating to the same underlying interest (whether long or short) in excess of the position limits established by the Montreal Exchange.

SEC

HKFE and HKCC have a range of powers to set position limits. They have not set overall position limits, except in relation to stock futures where the limits vary depending on the underlying stock. The SFC has also set statutory position limits for stock futures that mirror those of HKFE. HKCC sets capital-based position limits for each clearing member based on the member's liquid capital.

SEHK and SEOCH have a range of powers to set position limits. SEHK has set gross and net position limits for each option class and directional limits for options market makers. The SFC has also set position limits for stock options that mirror those of SEHK. In addition, SEOCH sets capital-based position limits for each clearing member based on the member's liquid capital.

SVS

See II.B.6 (a) above.

ESA

Position Limits: No.

NZSC

Position limits exist only for share options contracts and are set by NZFOE.

CONSOB

See II.B.6 (a) above.

CNMV

See II.B.6 (a) above.

CNV

Each futures exchange establishes the position limits for each contract. The CNV approves these limits.

BAWe

See II.B.6 (a) above.

SC

See II.B.6 (a) above.

ESB

See II.B.6. (a) above.

3. Price Limits, Circuit Breakers

CFTC

See II.A.7 (b) above.

SEC

See II.A.7 (a) above.

SIB

See II A.7 (b) above.

COB

See II.A.7 (b)-(d) above.

MOE

See II.A.7 (b) above.

ASC

There are no restrictions in relation to price limits nor are there any requirements for circuit breakers.

QSC

See II.A.7 (b) above.

CVMQ

The rules of the exchange include provisions concerning circuit breakers to halt trading in certain circumstances and the Governing Committee of the Montreal Exchange establishes for each futures contract a maximum price limit with respect to the previous days settlement price.

SEC

See II.A.7 (b) above. There are no circuit breakers in Hong Kong.

SVS

See II.A.7 (b) above.

ESA

Price limits, circuit breakers: No.

NZSC

There are no restrictions in relation to price limits nor are there any requirements for circuit breakers.

CONSOB

See II.B.6 (b) above.

CNMV

See II.A.7 (b) above.

CNV

There are no restrictions.

BAWe

There are no restrictions in relation to price limits. Also no circuit breakers are defined by the DTB Rules and Regulations.

SC

See II.A.7 (b) above.

ESB

See II.B.6. (b) above.

4. Order Execution

(a) Priority

CFTC

See II.B.2 (a) above.

SEC

Options SRO regulations require execution of customer orders at the best price available at the time the order is to be executed. Section 11 (a) of the 34 Act requires that, exchange orders, including options orders, on behalf of members of the exchange yield "priority, parity and precedence in execution to orders for the account of persons who are not members or associated with members of the Exchange". Apart from this priority rule, the options SRO rules provide that the highest bid and lowest offer shall have priority. In cases of more than one such bid or offer, then a bid representing an order resting on the limit order book shall have priority. If there are two or more best bids or offers and

there is no order resting on the limit order book, then priority shall

be afforded to such bids in the sequence that they were made. Exceptions are provided if a member holds a special order such as spread order, straddle order or combination and is bidding or offering on the basis of a total credit or debit.

SIB

See II.B.2 (a) above.

COB

See II.B.2 (a) above.

MOE

See II.B.2 (a) above.

ASC

See IIB.2 (a) above.

QSC

See II.B.2 (a) above.

CVMQ

Each member of the Montreal Exchange is responsible for insuring that, at the same price and time-stamp, it gives priority to clients orders over its own professional orders. In the pit however, client orders of one member do not have priority over professional orders of another member.

SEC

See II.B.2 (a) above.

SVS

See II.B.2 (a) above.

ESA

Orders are effected at the Sth stock exchange and at the OM after the criterions best price and time of arrival. At the OM customer orders are traded prior to orders from market makers.

NZSC

Orders received from clients and orders for a Dealer's own account shall be executed by a Dealer in the sequence in which they are received and recorded, unless it would be fair and equitable to allocate contracts obtained in respect of similar orders on the same day on a different basis; provided that where a different basis is used the Dealer shall clearly define that basis and apply it to all instructions and orders without giving any preference to any order for the account of the Dealer.

CONSOB

See II.B.2 (a) above.

CNMV

See II.B.2 (a) above.

CNV

See II.B.2 above.

BAWe

See II.B.2 (a) above. There is no priority between agent orders or customer orders.

SC

See II.B.2 (a) above.

ESB

Clients must be given order priority at all times (section 7.3 of the rules).

(b) Large Orders; Small Orders

CFTC

See II.B.2 (c) above.

SEC

The options exchanges have special rules to permit crossing and facilitation of orders that are designed, in part, to accommodate large options transactions. Generally, such orders must be within the bid / ask spreads and displayed for a reasonable period of time.

Some options exchanges have instituted special rules and procedures to facilitate the orders of small investors. The exchanges have established ten-up (or twenty-up) requirements that guarantee the execution of public customer equity option orders of up to 10 (or 20) contracts in size. Some index option contracts have higher guarantees. Additionally, most options SROs have developed automatic execution systems that provide public customers with automatic executions of their orders. The automation of the execution of small orders, by providing computer generated trades at displayed bid and offer quotations, has provided customers with speedier executions and greater assurances as to the firmness of displayed quotations.

SIB

See II.B.2 (c) above.

COB

See II.B.2 (c) above.

MOE

See II.B.2 (c) above.

ASC

There is no differentiation between large and small orders.

QSC

See II.B.2 (c) above.

CVMQ

There is no differentiation between large and small orders.

SEC

No rules on this have been prescribed.

SVS

See II.B.2 (c) above.

FSA

Both at the Sth stock exchange and at the OM the large and the small orders are traded separately.

NZSC

There is no differentiation between large and small orders.

CONSOB

See II.B.2 (c) above.

CNMV

See II.B.2 (c) above.

CNV

There is no differentiation between large or small orders.

BAWe

See II.B.2 (c) above.

SC

No differentiation between large and small orders.

ESB

See I.B.2. (c).

(c) Off-Exchange Transactions

CFTC

Rule 1.19 generally prohibits FCMs and IBs from assuming any financial responsibility for the fulfillment of any commodity option. However, an exception permits FCMs to grant certain off-exchange trade options permitted under Rule 32.4 for which a capital treatment is specified in Rule 1.17. Consequently, Rule 1.19 permits FCMs to grant options on stock indices, interest rates and foreign currencies, which have net capital treatment consistent with SEC rules. See 58 Fed. Reg. 68518 (December 28, 1993).

SEC

OCC will issue an option only if it is traded on an exchange. In the event the NASD recommences a standardized options program, OCC would also issue the options traded through NASDAQ. Thus off-market transactions in standardized exchange-traded options are in effect impossible. There continues to be an OTC market for conventional, privately negotiated options transactions.

Additionally, the options SROs have issued rules prohibiting prearranged trading. The execution of a prearranged trade does not expose the transaction to the market forces designed to protect the integrity of the individual order and the marketplace. Such trades are violative of just and equitable principles of trade and exchange rules, whether undertaken merely to create an artificial appearance of activity or to affect market prices.

SIB / SEA

There are no restrictions on the execution of off-exchange transactions on behalf of non-private customers except that where a

firm is acting as a discretionary manager for that customer, the

firm must have taken reasonable steps to ensure that the transaction is suitable for the customer (SFA CBRs, 5-31 (1)). The same requirement applies in the case of private customers, along with the further obligation that any personal recommendation made to the customer by the firm must be in respect of a suitable transaction (SFA CBRs, 5-31 (1)).

COB

On the MATIF, traders are allowed to negotiate contracts when the floor is closed by using GLOBEX.

Cross trades are only allowed during the opening of the market on the MATIF and on the MONEP.

They are strictly regulated and they should be reported to the market. The rules of the MATIF have been modified in order to specify even more clearly that wash-trade practices are strictly forbidden. A cross-trade between two principal accounts of the same member is strictly forbidden.

MOE

Permitted only in the case of correction. (Special permission of the exchange is necessary.)

ASC

Section 1258 of the Corporations Law states a futures broker shall not deal in a futures contract on behalf of another person unless the dealing is effected:

- (a) on a futures market of a futures exchange or recognised futures exchange;
- (b) on an exempt futures market; or
- (c) as permitted by the business rules of a futures organisation of which the broker is a member.

The Business Rules of the SFE provide for an "off-exchange" market called the EFP (Exchange for Physical) market. SFE General By-Law G7 provides that all buying and selling of futures contracts and option contracts by Members must be effected by open outcry on the floor of the markets operated by the Exchange, except:

- (i) transactions in futures and options contracts conducted on and in accordance with the after hours trading facility maintained by the Exchange in a manner set out in the Trading Etiquette and known as the Sydney Computerized Overnight Market or SYCOM, or
- (ii) exchange for physical (EFP) transactions permitted by this By-Law, or
- (iii) as otherwise permitted in these Articles of Association, the By-Laws and the Trading Etiquette.

OSC

All commodity futures transactions must take place on the trading floor except for the exchange of the physical commodity underlying the commodity futures contract which is also permitted under the TFE rules.

Over-the-counter transactions are subject to the provisions of the SA.

CVMQ

Off-exchange transactions on derivatives are subject to the rules of the Montreal Exchange.

SEC

With the exception of currency futures contracts, HKFE rules require all trading in HKFE contracts to be done on the HKFE floor during its normal trading hours. Currency futures must be traded through HKFE's ATS system during a 20-hour trading day.

SEHK rules require all trading in SEHK-listed stock options to be done through SEHK's TOPS system.

SVS

Derived products can be traded only in the Exchange.

ESA

Trade outside the market place is allowed.

NZSC

Any Dealer who receives an order from a client shall make, or instruct another Member to make, an offer or bid on the Market in relation to that order, in the manner directed by the Board from time to time and shall not enter into any off-Market transaction, either with itself or any other party, in respect of any part of that order.

CONSOB

Authorized intermediaries shall execute or arrange for the execution of trades exclusively on the Italian regulated markets, except when the customer has previously authorized the intermediary and the execution off the regulated market allows a better price for the customer. Furthermore, the obligation to execute trade in the regulated market does not apply to trades initiated by investors who are not Italian residents or do not have an establishment in Italy, or involving government or government-guaranteed securities, or "blocks" of financial instruments.

CNMV

Off-exchange transactions are accepted either during or after normal trading hours provided that some conditions of price are complied with. In particular, during market session, transaction price must be within the market spread (only for transactions of more than 200 futures contracts on 10 years government debt a deviation of 10 basis points from the market spread is allowed). Outside trading hours, price must be within the maximum price fluctuation limits of the previous session.

CNV

The CNV requires that all trading in Futures and Options Contracts approved by the CNV must be carried out on the exchange floor during normal trading hours.

BAWe

An Exchange Participant may not enter into any transaction with any third party involving contracts traded at the Exchange unless such Exchange Participant enters into a transaction at the Exchange on the same terms and conditions (a cover transaction); this rule shall not apply if arrangements to the contrary have been explicitly agreed upon with the third party involved (1.2.2. no. 3 Conditions of Trading).

SC

Off-exchange transactions is allowed subject to the business rules of the exchanges.

ESB

See I.B.2. (c).

(d) Anti-Manipulation Provisions

CFTC

The term "manipulation" is not defined in the CEA or the regulations but is defined by CFTC and court decisions. See, e.g., In re Indiana Farm Bureau Cooperative Association, [1977-1980 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 20,964, (December 12, 1979), aff'd. CFTC No. 75-14 (December 17, 1982); In the Matter of Cox, et al. [1986-1987 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 23,786 (July 15, 1987).

CEA § 5 (4) requires that in order for an exchange to be designated as such, its governing board must provide for the prevention of manipulation of prices and the cornering of any commodity by the board's dealers or operators.

CEA § 6 (c) permits the CFTC to institute enforcement proceedings if it has reason to believe that any person other than an exchange is manipulating or attempting to manipulate or has manipulated or attempted to manipulate the market price of any commodity, in interstate commerce, or for future delivery on or subject to the rules of any exchange. CEA § 6 (c) provides that the CFTC after notice, hearing and subject to the opportunity to appeal may make and

enter a cease and desist order and may levy fines.

CEA § 9 (a) (2) states that it shall be a felony for any person to manipulate or to attempt to manipulate the price of any commodity in interstate commerce or to corner or to attempt to corner any such commodity.

The statutes and regulations which set speculative limits are important to anti-manipulation regulation. They are discussed in II.C.2 above. It should be noted, however, that Rule 150.5 provides that "[n]othing in the CEA shall be construed to affect any provisions of the CEA relating to manipulation or corners, nor to relieve any contract market or its governing board from responsibility under Section 5 (d) of the CEA to prevent manipulation and corners."

SEC

Section 9 (a) of the 34 Act prohibits a series of specific manipulative practices. Specifically, section 9 (a) (1) prohibits wash sales and matched orders when the purpose of such transactions is to create "a false or misleading appearance of active trading in any security registered on a national securities exchange, or a false misleading appearance with respect to the market for any such security". Section 9 (a) (2), in essence, addresses "chumming" and pre-arranged trading by prohibiting transactions "creating actual or apparent active trading" in a security or raising or depressing the price of a security, "for the purpose of inducing the purchase or sale of such security by others". See also SEC response to II.B.7. (a) above.

SIB

An exchange must ensure that business conducted by means of its facilities is conducted in an orderly manner and so as to afford proper protection to investors (FSA, Schedule 4, paragraph 2 (1)). Exchanges have rules prohibiting activities which threaten the integrity of the market; these prohibited activities would include manipulation of prices and squeezes.

The provisions of section 47 of the FSA in relation to misleading statements and practices would likely capture and prohibit activities including market manipulation. For example, FSA Section 47 (2) makes it an offence to engage in any course of conduct which creates a "false or misleading impression as to the

market in or the price or value of any investments" if it is done to create that impression and to induce other persons to transact business in those investments. The term "manipulation" is not defined in the FSA. In addition, SIB has issued guidance on proper markets (see II.B.4), which is addressed to the derivatives RIEs.

The FSA also imposes the requirement for an exchange to have adequate arrangements for the effective monitoring and enforcement of compliance with its rules (FSA, Schedule 4, paragraph 3).

COB

No specific provision for the futures market. The definition of the price manipulation criminal offense is general in France.

The French law of 22.01.88 provides that a price manipulation arises in case of a person who directly or through an intermediary, knowingly carries out a scheme with the objective of impeding the normal functioning of the market by misleading others. This person shall be punished through imprisonment ranging from two months to two years and / or by a fine ranging from 6 KF to 10 MF, the greater of or 10 times the amount of any profits made or to be made, with the added stipulation that in no case shall the fine be lower than said profits.

MOF

Manipulation is prohibited by law.

ASC

Section 1259 of the CL prohibits futures market manipulation. In addition this practice is prohibited by SFE Art. 3.6.

Section 1260 of the CL prohibits false trading and market rigging.

OSC

Manipulation is an offence under the Criminal Code of Canada.

The OSC is empowered to ensure that floor trading practices of the TSE and the TFE are fair and properly supervised and that

adequate measures are taken to prevent market manipulation. The TSE and the TFE have rules aimed at preventing non-competitive types of trading including frontrunning, trading against customer orders, entering into pre-arranged trades and withholding customer orders.

CVMQ

Price manipulation is a criminal offense.

The rules of the Montreal Exchange also specify that no member, person associated with a member or restricted permit holder shall use or knowingly participate in the use of any manipulative or deceptive methods of trading in connection with the purchase or sale of any listed security which creates or may create a false or misleading appearance of trading activity or, an artificial price for such security. Front running is prohibited.

SEC

See II.B.2 (d) above.

SVS

See II.B.2 (d) above.

ESA

See II.B.2. (d) above.

NZSC

Provisions exists within the trading rules of NZFOE to allow Exchange action including suspending or curtailing trading generally, deferring completion of contracts and / or extending the date for delivery under any contract, or permitting any merchantable lot of a particular commodity equal to or superior to the commodity as specified in any contract to be tendered subject to appropriate conditions as to compensation.

CONSOB

The definition of the price manipulation criminal offence, set by the Law no. 157/91, applies to both cash and derivative Italian markets.

CNMV

General code of conduct of the securities markets included in Royal Decree 629/93 requires all persons and institutions to act with impartiality and without putting their own interests before those of their customers, in the benefit of the latter and of good market performance. In this connection, it is prohibited to provoke an artificial evolution of quotations, whether for their own or third parties' benefit.

Exchange rules also include this prohibition.

CNV

The CNV is empowered to ensure that floor trading practices of exchanges are fair and properly supervised, and to ensure that adequate measures have been taken by exchanges to prevent manipulation.

BAWe

Pursuant to § 4 of the Securities Trading Act (WpHG) the Federal Securities Supervisory Office (BAWe) shall secure orderly and fair trading and act against any circumstance that impairs the orderly functioning of the securities markets.

Under § 6 of the DTB Rules and Regulations the Board of Governors must monitor prices and volumes in order to maintain orderly trading conditions. Pursuant to §§ 30 and 31 of the Rules and Regulations the Board of Governors shall set position limits if necessary in order to ensure orderly trading conditions and to avoid risks for the spot markets. In the event of market disruptions the Board of Governors may suspend pursuant to § 25 of the Exchange Rules and Regulations physical delivery upon the expiration of futures contracts and set a fair settlement price.

SC

Section 82 of the FIA states that no person shall directly or indirectly manipulate or attempt to manipulate the price of futures contracts that may be dealt in on a futures market, or of any underlying instrument which is the subject of such futures contract; or corner, or attempt to corner, any underlying instrument which is the subject of a futures contract.

ESB

See I.B.2. (d).

(e) Access Restrictions

CFTC

CEA § 4 (a) prohibits any person from engaging in a commodity transaction unless the transaction is on or subject to the rules of an exchange and the transaction is executed by or through a member of an exchange, unless exempted by the CFTC.

CEA § 4 (a) specifically excludes from its requirements those contracts which are made on or subject to the rules of a board of trade, exchange, or market located outside of the U.S., its territories or possessions.

Under the FTPA of 1992, the CFTC may grant exemptions from the exchange-trading and other requirements of the CEA for any agreement, contract or transaction. The CFTC must determine that the exemption would be consistent with the public interest and will be entered into solely between appropriate persons and will not have a materially adverse effect on the ability of the CFTC or an exchange to discharge its regulatory or self-regulatory duties under the CEA. On January 14, 1993, the CFTC issued rules which apply this general exemptive authority to certain hybrid instruments and certain swap agreements. See 58 Fed. Reg. 5580 and 5587 (January 22, 1993). The FTPA of 1992 also directs the CFTC to review its interpretation of the scope of the forward market exclusion. See also II.C.1 (b).

CEA § 15 requires that the CFTC take into consideration the public interest to be protected by the antitrust laws and endeavor to take

the "least anticompetitive" means of achieving the objectives of the

CEA when adopting or issuing rules or orders and when requiring or approving contract market or registered futures association rules.

Rule 1.62 requires that each exchange adopt, maintain and enforce rules which say that no person may engage for another person in the purchase or sale of a commodity future or option on or subject to the rules of that exchange in any trading area unless that person is registered as a floor broker with the CFTC. In addition, no person may purchase or sell for himself a commodity future or option on or subject to the rules of that exchange in any trading area unless that person is registered as a floor trader with the CFTC.

Rule 170.15 requires that each person required to be registered as an FCM must "become and remain a member of at least one futures association which is registered under section 17 of the [CEA] and which provides for the membership therein of such FCM" NFA By-law 1101 prohibits members from doing business with non-members.

Each exchange has promulgated rules which prohibit trading unless a person is accorded membership on an exchange.

SEC

The options exchanges require that all trading of options contracts on exchange facilities be restricted to members of the exchange.

SIB

Beyond requiring that trading is conducted in an orderly manner and that proper protection is afforded to investors, the legislation is silent on specific constraints in relation to access.

An exchange will have rules to ensure that the orderly manner in which its market is conducted is not compromised by the incompetence or behavior of persons on the exchange floor. Restrictions are imposed by the granting of permits, rights or licenses to persons who have satisfied exchange-imposed minimum competency and financial requirements.

COB

MOE

Direct access to exchange trading is limited to stock exchange members and so-called special participants (securities companies and banks with trading licenses).

ASC

Direct access to exchange trading is limited to licensed Floor Members and Local Members.

OSC

Direct access to exchange trading is limited to TSE and TFE members and so-called special participants (competitive options traders (locals) on the TSE and floor traders (locals) on the TFE).

CVMQ

The access to the trading floor is limited to persons duly authorized by the Montreal exchange.

SEC

Access to the HKFE floor and to its ATS system is limited to HKFE members and their representatives.

Access to the SEHK TOPS system is restricted to options trading members and their qualified options personnel.

SVS

Direct access to exchange is limited to stock exchange members, i.e. broker-dealers registered in the SVS.

ESA

Only those firms especially accepted by the Sth stock exchange and by the OM have direct access to trade at these exchanges.

NZSC

There are no access restrictions. The Exchange's market is open to all persons who are considered to be fit and proper persons to hold the appropriate trading permit.

CONSOB

Legislative decree 415/96 provides that the following intermediaries may operate in Italian regulated markets:

- S.I.M. (Italian securities firms) and Italian banks;
- EU and non-EU investments firms and banks authorized to deal for own and a customer account.

CNMV

The only existing restriction for operating in Spanish futures and options markets is to be member of the relevant exchange.

CNV

Access to exchanges is limited to futures exchanges members in which the contract is traded.

BAWe

There are certain conditions which have to be fulfilled by the applicant for Exchange membership. These conditions are set in §§ 14, 15 of the Exchange Rules. The Board of Governors shall be required to withdraw admission if any of the conditions specified in §§ 14 and 15 of the Exchange Rules were not met at the time admission was granted. It shall revoke admission whenever any of these conditions subsequently ceases to be met (§ 16 of the Exchange Rules).

SC

In relation to KLCE and MME, direct access to exchange trading floor is limited to Registered Floor Representatives, Floor Traders, and Locals and other persons as authorised by the exchange. In relation to KLOFFE, access to the trading terminals is restricted to

members of the exchange including locals, and trading permit holders.

ESB

In terms of section 7.8.1 of the rules, members must keep their access codes confidential.

(f) Role of Market Makers

CFTC

The CFTC has approved a CME rule establishing a category of market makers with affirmative responsibilities to put both a bid and an offer in specified contracts for a specified percentage of a Globex session. See CME Rule 581. A similar submission of the CSCE was approved by the CFTC in connection with CSCE's pit trading.

The CFTC has approved the use of the Board Broker system at the ACC and PBOT, two exchanges with low volume. For a description of this system, see II.B.2 (a) above.

SEC

The AMEX, NYSE, and PHLX employ modified specialist systems for options trading. Each option is assigned to a specialist, who is responsible for maintaining a fair and orderly market and for handling orders placed on the limit order book. The options markets using a specialist system have the same basic rules against manipulative and fraudulent conduct as the exchange equity markets.

Specifically, the specialist's activities are circumscribed by Section 11 of the 34 Act and the rules thereunder, and by the rules of the exchange where the specialist is registered. Commission Rule 11b-1 (a) (2), which articulates the primary responsibilities of a specialist, states that a specialist's course of dealings must be designed to "assist in the maintenance, so far as practicable, of a fair and orderly market".

A specialist's dealer responsibilities are referred to as "affirmative" and "negative" obligations. Pursuant to their affirmative obligations, specialists are obliged to trade for their own accounts to minimize order disparities and contribute to market continuity and depth. Additionally, "negative" obligations are designed to guard against inappropriate specialist dealer activity, i.e., the specialist is prohibited from trading for his own account unless that trading is reasonably necessary for the maintenance of a fair and orderly market.

Additional market making is provided by registered options traders ("ROTs"), who trade on the floor for their own accounts. ROTs generally are assigned by an exchange to make markets in one or more particular classes of options. Exchange rules require ROTs to engage in a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market.

In contrast, the CBOE and PSE do not use specialists. Instead, each option has a crowd of competing market makers trading for their own accounts, with an exchange official, called an Order Book Official ("OBO"), handling the limit order book. Options market makers have affirmative obligations "to contribute to the maintenance of a fair and orderly market" and not to enter into transactions that are inconsistent with such a course of dealings. The CBOE and PSE have also developed specialist-type trading systems that involve the use of Designated Primary Market Makers ("DPMs") and Lead Market Makers ("LMMs"), respectively. DPMs and LMMs have powers and responsibilities akin to a specialist and are used to enhance market making capabilities in new options products and classes.

As with stock orders, floor brokers handling option orders generally are required to use due diligence to execute orders they are handling at the best possible price available. In addition, floor brokers may not handle discretionary orders whereby the broker would determine either the class of option to be bought or sold, the number of contracts to be bought or sold or whether to purchase or sell the contract.

SIB

Exchange rules may provide for the presence of market makers.

COB

Market makers are charged with ensuring the liquidity of the market. They have the following obligations.

- Permanent presence on the floor.
- Continuous quotation of a given range of buyer / seller prices.
- Commitment to buy or sell on request up to 20 contracts (for the Notional bond contract and the three-month Pibor contract) at current displayed prices.

On the MONEP, added to the obligation of permanent presence on the floor, market makers have to answer to every order at the bid-ask spread they propose as follows:

- for 4 to 10 contracts on the 5 central series of the underlying product,
- for 1 to 5 contracts on the other extreme series.

The maximum bid-ask spread proposed by market makers is + - 15 percent of the central price and concerns the 5 central series and the 3 nearest maturities. The spread is free for other series.

Market makers must also modify the spread proposed on the market if they expect to trade at higher bid prices or lower ask prices than the central point of the spread proposed on the market.

In 1993, the MONEP has divided market makers in three categories ("specialistes", "conterpartistes face au marché", conterpartistes de blocs"), each category having specific obligations to meet. The specialist is responsible for posting spreads and disseminating market information.

MOF

There is no market maker system in Japan.

ASC

The Floor Trading Etiquette of the SFE provides for "market makers". Market making is defined as trading on the account of the Market Making Associate only and in compliance with Trading Etiquette 2.11. Market makers must be employed by a Floor Member and by a corporation which is related to the Floor Member within the meaning of the Corporations Law (section 50), and which is an Associate Member. The Floor Member is responsible for the market makers trades at all times.

Market makers are identified by their distinctive jackets and mnemonic. They can operate from a booth separate from and not adjacent to the booths used by other traders of the Floor Member. The Etiquette also provides for appropriate communications between market makers and other traders of the Floor Members.

OSC

There are no provisions in the CFA or the SA with respect to market makers.

However, the TSE rules do provide for a category of options floor trader known as market makers. A market maker is an options attorney employed by a member of the TSE who is approved by the TSE for the purpose of initiating transactions on the options floor for a firm account in which he / she has an interest. Market makers are responsible for providing market depth, liquidity, price continuity and a fair and orderly market with respect to a particular class of options on the options floor. Market makers are generally allocated a sum of firm capital for the purpose of initiating transactions on the options floor.

Market makers and competitive options traders may be additionally approved as specialists and thereby assigned the responsibilities of a specialist appointment. These responsibilities include: conducting the opening rotation following the opening of the underlying security; ensuring that bids at or greater than the established offer price and offers at or lower than the established bid price are taken up; conducting fast markets when necessary; complying with maximum quotation spreads agreed upon with the exchange; and complying with the TSE general by-law and other TSE requirements.

CVMQ

ME rules give priority to customer orders and ensure that all trading is conducted in a competitive market.

Role of Market-Makers, Specialist / Market-Maker Trading Policy

General Obligations of Specialists:

In order to enhance market liquidity and facilitate the handling of orders, where feasible, each exchange listing shall be assigned to a member or permit holder who has agreed to undertake specialist responsibilities. A specialist shall have the following general obligations:

- in respect of orders entrusted to the specialist as agent, it shall be his duty:
 - to hold the interest of the persons to whom such orders pertain above his own interest; and
 - to fulfill, in a professional manner, all other duties of an agent, including but not limited to, insuring that each such order (regardless of its size or source) receives proper representation and timely, best possible execution in accordance with the terms of the order and the rules and policies of the Exchange.
- As a principal, a specialist shall provide, to the extent reasonably practicable, a fair and orderly market in the Exchange listing(s) in which he is registered. A specialist shall be expected to engage, to a reasonable degree under the existing circumstances, in dealings for his own account when there is a lack of price continuity or lack of depth in the market or when a temporary disparity between supply and demand exists or is reasonably to be anticipated. Furthermore, no specialist shall effect a transaction on the Exchange for his own account in the Exchange listing in which he is registered, unless it is reasonably calculated to contribute:
 - to the maintenance of price continuity with reasonable depth; and

- to minimizing the effects of the temporary disparity between supply and demand that is immediate or is reasonably to be anticipated.

General Obligations of Market-Maker:

In order to enhance the quality of markets for exchange listings and support exchange specialists in providing liquidity, the ME shall appoint market-makers whose duty it shall be to carry out a course of dealings reasonably calculated to contribute to a fair and orderly market and to avoid entering into transactions or making bids or offers that are inconsistent with such a course of dealings.

In conformity with the market depth and spread requirements set down by the Specialist Performance Evaluation Committee in Policy T-1, market-makers shall have the responsibilities described below:

- for any ME listing which has an assigned specialist, a floor official or the specialist may call upon market makers to assist in making fair, orderly and competitive markets;
- for ME listings which have no formally designated specialist but in which market-makers have been appointed, the order book official or any floor official, may call upon such market-makers to make competitive bids or offers. The order book official or floor official will normally make such a demand when:
 - a trading representative or other person representing a client order in that particular ME listing so requests;
 - in the opinion of the floor official or order book official, the interests of a fair and orderly and competitive market are best served by such action.
- In the interest of maintaining a fair and orderly and competitive market, a request for a quotation may also be made by an exchange official at any time for the purpose of dissemination over the exchange's price reporting network.
- If satisfactory responses are not forthcoming promptly when the requests described above are made, record shall be made

of this fact and a report forwarded to the Floor Committee and Specialist Performance Evaluation Committee.

Specialists - Relationship to Market-Makers:

In the absence of public orders, competitive bids and offers by market-makers and the specialist will ensure a tight market. To encourage the reduction of bid-ask spreads by market-maker participation, it is exchange policy that the first professional order to bid or offer at a price where no customer order is represented in the Book or the crowd, shall have priority over all other professional orders for up to the number of trading units designated by the retail order policy for that listing.

SEC

HKFE provides for Registered Traders to serve as market makers for HSI options contracts and currency futures contracts. SEHK operates a market maker system for its stock options market, with certain options trading members designated to act as market makers.

SVS

Market makers do not exist in Chile.

ESA

Every one who by a specific agreement with the derivative market place has been bound to quote bid and ask prices in one and / or some series for options and futures.

NZSC

NZFOE has no formal market maker structure.

CONSOB

IDEM

Market makers are charged with the task of ensuring the liquidity of the market. A minimum net capital value is requested to be registered as market makers: security firms must have a net capital

value of at least 10 billion Liras, while banks, a minimum of 20 billion Liras.

FIBO30: Market makers have the obligation of continuous bid / ask quotation of the two next expiring contracts and for at least 10 units; no price spread obligation has been set;

MIBO30: Market makers have the obligation of continuously quoting bid and ask prices on the three closest expirations and for at least 10 units; an implied volatility spread obligation has been set, in accordance to the option "delta" value of each option series traded;

ISO": Market makers have the obligation to answer to quote requests sent by other market participants and to meet, on a monthly basis, a ratio, whose minimum value is set by Consob, that takes into account the number of answers and the number and the premium value of trades concluded.

MIF and MTO

Securities firms and banks may act as market maker in both MIF and MTO markets, and they must have a 20 billion Liras net capital value and have traded in the preceding year at least 5 000 billion liras nominal value of BTP futures and future options. Market makers have the obligation of continuously bid / ask quotation for at least one billion liras nominal value; no price spread obligation has been set up.

CNMV

Exchange rules provide for the existence of market makers. The requirements to acquire this status are to have been admitted as a member in any of the classes and to hold a specific contract with the exchange. By this contract, market makers agree to continuously quote prices for the number of contracts indicated in it, in exchange for favorable conditions, consisting basically in reductions of fees. Market makers can only operate on the market for their own account.

The exchange is empowered to limit the number of market makers for each contract traded.

CNV

There are no market makers in Argentina.

BAWe

The Rights and Obligations of Market Makers at the DTB are set in § 19 of the Exchange Rules: A Market Maker is authorized to and, upon receipt of a request for a quote for any option contract with respect to any product included in its admission, is obliged to supply bid and ask quotes for such option contract and to enter into transactions in such contract; a Market Maker must be available at all times during Exchange hours. A Market Maker is only required to respond to requests for quotes relating to individual option series, and not to such requests for several or all series of one product.

SC

There is no provision in the FIA with respect to market makers. KLOFFE has market makers, and they are obliged to provide, upon request, a bid / offer quote for the contract during trading hours subject to the terms and conditions as imposed on them. A market maker may be a trading member or a trading permit holder approved by the Board. Market making activities are also available on the MME, though the structure is less formal and is voluntary in nature.

ESB

There is no specific market maker role.

III. Information Sharing and Coordination

A. Intra-Jurisdiction

1. Routine Sharing - Reporting, Fitness, Financial Data

CFTC

The information routinely shared under the CFTC's regulatory program is discussed in II (see, e.g., II.B.5 (reporting), II.B.1. (fitness), and II.A.1 (d) and II.A.4 (financial data) above).

Section 8 (a) of the CEA provides that the CFTC may not publish data and information that would separately disclose the business transactions or market positions of any person and trade secrets or names of customers, and may withhold from public disclosure any data or information concerning or obtained in connection with any pending investigation of any person. Section 8 (a) of the CEA further provides that the Commission shall not be compelled to disclose any information or data obtained from a foreign futures authority if such information would violate the laws applicable to the foreign futures authority and the CFTC obtained the information or data pursuant to a memorandum of understanding, among other things. However, the CFTC may disclose information generally protected by section 8 (a) of the CEA if the disclosure is made in connection with a congressional proceeding, an administrative or judicial proceeding brought under the CEA, a receivership proceeding or a bankruptcy proceeding in which the CFTC has the right to appear and be heard. *Id.* See discussion of confidentiality in II.B.5 (e) above.

As noted in II.B.5(e), ~~above~~, this same exception applies to data or information obtained from sources other than foreign futures authorities that would separately disclose the business transactions or market positions of any person and trade secrets or names of customers. Section 8 (b) of the CEA.

Section 8 of the CEA prohibits disclosure of information filed with the CFTC by traders in compliance with CFTC requirements, except as otherwise specifically authorized in the CEA. One federal circuit court held that a general statutory ban on disclosure, such as that found in section 8 of the CEA, does not bar limited disclosure in judicial proceedings, including court-supervised discovery. *Friedman v. Bache Halsey Stuart Shields, Inc.*, 738 F. 2d 1336, 1344-5 (D.C. Cir. 1984). Instead, a balancing test may be applied to determine if such information and data may be disclosed in the course of civil discovery, "In the context of discovery of government documents in the course of civil litigation, the courts must accord the proper weight to the policies underlying these statutory protections [in § 8 (a) of the CEA], and to compare them with the factors supporting discovery in a particular lawsuit." *Id.* at. 1344, citing J. Loran, *Information Disclosure in Civil Actions: The Freedom of Information Act and Federal Discovery Rules*, 49 Geo. Wash. L. Rev. 1852-3 (1981). See also, *Laxalt v. McClatchy*, 809 F. 2d 885n 889 (D.C.Cir. 1987), *Freeman v. Seligson*,

405 F. 2d 1326, 1348 (D.C. Cir. 1968), see generally, Baldrige v. Shapiro, 455 U.S. 345 at 360-362 (1982) (holding that the clear intent of Congress is to be followed in a situation where Congress drafted a statute to create a privilege against disclosure for specific information, despite a showing of need for disclosure demonstrated by the litigant).

* * *

Under the FTPA of 1992, the CFTC can provide confidential information to a broader range of foreign regulatory authorities (both foreign governmental and self-regulatory authorities), has enhanced powers to protect the confidentiality of non-public information provided to it by such authorities, and can conduct investigations, including those involving the use of compulsory powers, upon request of such authorities without regard to whether the facts alleged would also constitute a violation of any U.S. law.

The Freedom of Information Act (FOIA), 5 U.S.C. § 552 and Part 145 of the CEA generally require the CFTC to disclose information in its files unless the material falls within at least one of the applicable exemptions as set forth in the FOIA. If the material falls within an exemption, such as the records exemption (FOIA Exemption 7) or the trade secrets and confidential commercial or financial information exemption (FOIA Exemption 4) then the CFTC has discretion to determine that it will withhold the information from public disclosure.

Further, under exemption 3 of the FOIA, documents are exempted from disclosure under FOIA where they are "specifically exempted from disclosure by statute, provided that such statute: (A) requires that the matters be withheld from the public in such a manner as to leave no discretion on the issue, or (B) establishes a particular criteria for withholding or refers to particular types of matters to be withheld". 5 U.S.C. § 552 (b) (3).

Exchange Information Routinely Made Available to the Public:

- Rule 16.01 (a) requires that each exchange publish each business day, separately for each futures contract and delivery month, total volume of trading (excluding transfer trades), the total quantity of EFPs, the total gross open contracts, and the number

of open contracts against which delivery notices have been

stopped on the day for which publication is made. This information must be readily available to the news media and the general public without charge no later than the business day following the day for which publication is made.

- Rule 16.01 (b) requires each exchange to make available to the news media and the general public no later than the next business day, the lowest price of a sale or offer, whichever is lower, and the highest price of a sale or bid, whichever is higher, for the trading session and for the opening and closing periods of trading, provided that such numbers accurately reflect market conditions. Rule 16.01 (b) also requires that each exchange publish the settlement price for each contract.
- Rule 16.01 (c) requires each exchange to have available in its offices for public inspection the method used to determine settlement prices and, if discretion is used to determine opening and closing ranges, an explanation that certain discretion may be employed by the exchange and the manner in which it is done.

Pending Legal Proceedings by Exchanges:

- Rule 1.60 requires each exchange to submit to the CFTC copies of all complaints, answers and other pleadings filed that the CFTC may request with respect to any material legal proceeding to which the exchange is a party. Pleadings must also be submitted with respect to proceedings directed against any officer, director, or official of the exchange when that person has acted in his official capacity, if such proceedings allege violations of the CEA, CFTC rules and regulations, or applicable provisions of state law. See Rule 1.60 (d).
- Rule 1.60 (a) requires each exchange to notify the CFTC of any proceedings known to the exchanges to be contemplated against them by a government agency other than the CFTC.
- Rule 1.60 (c) requires the exchange to advise the CFTC of any matter in which the exchange is indemnifying an officer, director or other official.

Information Sharing by Clearing Houses:

- Each of the futures clearing houses, as well as the Options

Clearing Corporation, have signed a Market Information Sharing

Agreement which provides for the sharing of pay and collect information among participants to the agreement. All futures clearing organizations and, as of October 1989, OCC are now participating in the sharing of this information which is collected and disseminated by the BTCC. In addition, the clearing houses have formally amended this agreement to provide for the sharing of margin surplus and deficit information.

On September 7, 1995, nineteen U.S. entities that clear and settle trades among members of U.S. futures, securities, and options exchanges formed the United Clearing Group with the goal of sharing information on cash flow streams concerning common members.

Sharing of Information by SROs:

- Although the restrictions imposed on the CFTC regarding the disclosure of information are not applicable to the exchanges, the exchanges have their own rules and policies regarding the disclosure of information of trading data and actions that may be taken against members of the exchange.
- As discussed in II.A.4 (b) above, the SROs participate in the Joint Audit Committee which provides for the routine sharing of financial information obtained from audits conducted by the DSROs.
- The CFTC and the futures exchanges have coordinated with the SEC and the securities exchanges efforts to conduct surveillance for possible intermarket frontrunning and other intermarket abuses. All futures exchanges that trade stock index futures contracts prohibit intermarket frontrunning. As part of their efforts to coordinate surveillance for this abuse and others, the CME, NYFE, CBT and KCBT began participating in meetings of the Intermarket Surveillance Group (ISG) in 1988 and became affiliates of the ISG on April 26, 1990. The ISG is composed of representatives from all U.S. securities and option exchanges. Foreign exchanges also participate in the ISG as affiliate members. Representatives from the CFTC and the SEC also participate in the group.
- Through discussions at the ISG and negotiations between the exchanges, the CME and NYSE in March 1990 and the CBT and

NYSE in December 1990 separately have established

information-sharing agreements that provide for the daily exchange of certain agreed-upon surveillance information believed by each to be relevant to investigating intermarket abuses. This information includes data from the NYSE on its program trades and data from the CME and CBT on large stock index futures transactions. The CBT also has a daily computerized report that compares the NYSE and CBT data for instances of possible intermarket frontrunning. The exchanges have integrated these reports into their surveillance programs.

- The CME and CBOE have an information-sharing agreement similar to those existing between other futures and securities exchanges. The exchanges intend to use information obtained pursuant to this agreement to conduct surveillance over trading in the S&P 500 futures contract and the CBOE's S&P 100 options contract. The smaller stock index futures exchanges, NYFE and KCBT, have arranged to obtain data from the NYSE and Philadelphia Stock Exchange, respectively, for purposes of conducting intermarket frontrunning surveillance on an as-needed basis. The NYFE, which is owned by the NYCE, provides the NYSE with data on its quarterly stock index futures expirations, which are associated with higher than usual volume levels.
- The Intermarket Financial Surveillance Group (IFSG) was formed in 1988 to provide a coordinating body to address financial surveillance issues relevant to both futures and securities markets. The IFSG includes most of the principal commodity and securities exchanges as well as the National Futures Association and the National Association of Securities Dealers.
- The CME and the Board of Trade Clearing Corporation have organized a Clearing Organization and Clearing Bank Roundtable, which meets on a quarterly basis in order to maintain lines of communication among clearing organizations in the futures and securities industries, the banks which support settlement services for these clearing organizations and their regulators.
- To foster improvements and uniformity in their systems and procedures used for trade practice compliance, the exchanges, at CFTC's urging, formed the Joint Compliance Committee (JCC).

The JCC has developed uniform definitions of trade practice offenses and routinely meets to exchange information on automated compliance systems and other surveillance matters with a view to improving exchange compliance programs.

SEC

The options and equities SROs (including OCC) share information under the oversight of the Commission. The SROs, among other things, share information in order to identify individuals involved in fraudulent sales practices, assure compliance by firms with financial requirements, and conduct effective surveillance of intermarket trading activities.

The Commission has sought to improve surveillance and investigatory programs for possible intermarket trading abuses. To further this effort, the major securities SROs have operated the Intermarket Surveillance Group ("ISG") since 1981 to enhance the sharing of surveillance information by the various stock and options markets and to coordinate investigations of suspicious trading activities that involve more than one market. In addition, the Securities Clearing Group composed of the securities clearing agencies provides a means for sharing information relating to the financial condition of clearing members.

In response to the market events of October 1987, the Intermarket Communications Group ("ICG") operates a communication system (commonly referred to as a "shout-down" or "hoot-'n-holler" system), using dedicated telephone lines among the major securities and futures SROs that comprise the ICG, the SEC and the CFTC. This system is used during periods of market stress to disseminate among the markets the latest information available concerning: (1) the approach, implementation or suspension of circuit breaker mechanisms; (2) delayed openings or trading halts; (3) order imbalances in NYSE securities, disseminated as part of circuit breaker mechanisms; and (4) operational problems concerning the Consolidated Tape Association, Consolidated Quotation System, OPRA, Intermarket Trading System, exchange order-routing or order-execution systems, or other exchange systems.

The SEC and the CFTC routinely share information to tackle broad regulatory policy issues as well as to address specific concerns. For

example, since the October 1987 market break, the SROs regulated by the SEC and the CFTC have increased their cooperative efforts to address intermarket issues and have enhanced their communication mechanisms. The "hoot-'n-holler" system, discussed above, is an important example of their efforts to increase intermarket communication. Additionally, SEC-regulated and CFTC-regulated SROs have worked together to establish circuit breakers. The Commission also has access to and shares information with other federal and state agencies such as the FBI and the Attorney General.

SIB

Subject to certain exceptions, restricted information which "relates to the business or other affairs of any person" is not to be disclosed either by the primary recipient (see below) or by any person obtaining the information directly or indirectly from him, without the consent of the person from whom the primary recipient received the information and, if different, the person to whom the information relates (FSA, s. 179 (1)).

The fundamental concept is that of "restricted information". This is information obtained by certain primary recipients for the purposes of, or in the discharge of functions under, the FSA or any rules or regulations made under it, whether or not the information was obtained by a requirement to supply it under those provisions (FSA, s. 179 (2)). Information is not to be treated as restricted information for these purposes if it has been made available to the public by a disclosure which is not precluded by s. 179 (FSA, s. 179 (4)). The primary recipients for these purposes include, among others:

- i) HMT;
- ii) SIB;
- iii) the Bank of England; and
- iv) the Director General of Fair Trading (DGFT).

The list of primary recipients does not include SROs, professional bodies, investment exchanges or clearing houses. These have no powers to obtain information under the FSA, so the applicable restrictions on disclosure can usually be determined on general principles and by their constitutions. These authorities may, of course, obtain restricted information directly or indirectly from one

of the specified primary recipients, in which case the statutory restrictions of s. 179 (1) will apply.

A similar (although slightly broader) restriction applies to information obtained by the competent authority in the exercise of its functions under Part IV of the Act, or received by it pursuant to a European Community obligation from any authority exercising corresponding functions in another Member State (FSA, s. 179 (5)). In this case, the protected information is not limited to information about the business or other affairs of any person. Subject to the same exceptions as the main restriction, information protected under this provision is not to be disclosed without the consent of the person from whom the authority obtained it and, again, if different, the person to whom it relates (FSA, s. 179 (5)).

A contravention of s. 179 is an offense, punishable:

- i) on conviction on indictment, by imprisonment for a period not exceeding two years, a fine, or both; and
- ii) on summary conviction, by imprisonment for a period not exceeding three months, a fine not exceeding the statutory maximum, or both (s. 179 (6)).

Section 180 (1) contains a series of exceptions to the restrictions on disclosure in s. 179. These cover disclosure:

- i) with a view to the institution of, or otherwise for the purpose of, criminal proceedings;
- ii) with a view to the institution of, or otherwise for the purpose of, any civil proceedings arising under or by virtue of the FSA or proceedings before the Financial Services Tribunal;
- iii) for the purpose of enabling or assisting various specified authorities to carry out particular functions;
- iv) with a view to the institution of, or otherwise for the purpose of, any disciplinary proceedings relating to the exercise by a solicitor, auditor, accountant, valuer or actuary of his professional duties;
- v) for the purpose of enabling or assisting any person appointed or authorised to exercise investigatory powers under Section 44 of the Insurance Companies Act 1982; Section 447 of the Companies Act 1985;

- Sections 94, 106 or 177 of FSA; or Section 84 of the Companies Act 1989, to discharge his functions;
- vi) for the purpose of enabling or assisting an auditor of an authorised person or a person approved under the power to require a second audit (FSA, s. 108) to discharge his functions;
 - vii) if the information is or has been available to the public from other sources;
 - viii) in a summary or collection of information framed in such a way as not to enable the identity of any person to whom the information relates to be ascertained; or
 - ix) in pursuance of any European Community obligation.

Section 179 of the FSA does not preclude the disclosure of information to the Secretary of State or to HMT if the disclosure is made in the interests of investors or in the public interest (FSA, s. 180 (2)). There is also a power to permit, by order, disclosures for the purpose of enabling or assisting other authorities to discharge functions specified in the order (FSA, s. 180 (3) and (4)).

Where the information relates to an 'investment firm' - a firm whose regular occupation of business is the provision of one or more of the investment services listed in Section A of the Annex to the Investment Services Directive (93/22/EEC) - the position is rather different. In this case, the relevant provisions are contained in Regulation 48 of the Investment Services Regulations 1995 (SI 1995/3275). The general restriction on the disclosure of confidential information contained in that regulation will apply to 'competent authorities', which includes the SROs and certain of the recognized exchanges. There are certain (limited) exceptions, notably those which allow information to be passed between competent authorities and other supervisory bodies.

One of the requirements imposed for the recognition of investment exchanges, clearing houses and self-regulating organizations is that these bodies must be able and willing to cooperate, by the sharing of information and otherwise, with the authorities, bodies or persons in the UK having responsibility for the supervision of regulation of investment business or other financial services (FSA, Schedule 4, paragraph 5; s. 40 (2) (b); s.39 (4) (d); and Schedule 2, paragraph 7). The type of information to be shared is not specified in these provisions of the FSA. There are also requirements placed

on SIB (Schedule 7, paragraph 5) and the Recognised Professional Bodies (RPBs) (Schedule 3, paragraph 6) to cooperate in information sharing.

In the context of financial regulation, the UK has adopted a lead regulator approach whereby in circumstances where a single entity is subject to more than one statutory regime such as the FSA and the Banking Act, one of the relevant regulatory authorities will assume a lead regulator role. Information will be shared on a periodic basis. Additionally, information will be shared where the lead regulator identifies a concern of special interest to another relevant regulator.

In circumstances where a single entity is subject to a single statutory regime such as the FSA but is, for example, a member of more than one SRO, the lead regulator approach will also be adopted. The lead regulator will report to the other regulators on a periodic basis. These reports will include information relating to problems (if any) with the regulated entity and financial information. Where there is a material problem, the lead regulator will contact the other regulators.

For financial conglomerates subject to more than one statutory regime, the UK operates non-statutory inter-regulator cooperation arrangements. Under these arrangements, there are periodic meetings of regulators to discuss major groups and other groups of topical interest. In the event of a crises affecting a financial conglomerate, ad hoc meetings of regulators may be called.

COB

Article 21 of the Law of January 22, 1988 provides that the Conseil des Bourses de Valeur (CBV, French securities exchanges Council), the CMT, the COB and the Banking Commission are authorized to share necessary information for the execution of their secrecy mission. This information is subject to the professional secrecy of these authorities.

The inspection and enforcement departments of the supervising authorities also meet on a regular basis to coordinate their activities.

MOF

In Japan, exchange of information intra-jurisdiction does not come into question for the following reasons:

- both cash and futures transactions are managed by the Securities Bureau of the Ministry of Finance of Japan;
- MOF is in charge of financial futures transactions (securities futures transactions and interest futures transactions); and
- commodity futures transactions are not related to financial futures transactions.

We, MOF, think that exchange of information intra-jurisdiction is a problem which each authority has to cope with, because each authority has various regulatory systems respectively.

ASC

The SFE regularly shares information with the ASC in relation to financial compliance, defaults, insolvency, bankruptcy, aberrations in record keeping, the fitness of members, the nature of any new products, the exposure of members and any information which it believes will assist the ASC in the performance of its functions under the legislation.

Section 1139 of the Corporations Law requires the SFE and SFECH to provide assistance to the ASC as it reasonably requires for the performance of its functions under Chapter 8. The SFE reports disciplinary actions against members; the SFE and SFECH lodge statements of contravention with the ASC regarding particulars of contraventions or anticipated contraventions; and the SFECH furnishes the ASC with particulars if it refuses to register a dealing in a futures contract or closes out a futures contract because of failure to meet a call for deposit or margin.

As noted previously, the ASC and SFE have signed a Memorandum of Understanding ("MoU") regarding referrals of serious market and membership matters (as defined in the MoU) and market surveillance activities.

The exchange of confidential information is facilitated under the MoU by the application of section 127 (4B) of the ASC Law. The ASC can provide confidential information to the SFE, as a specified body corporate, pursuant to section 127 (4B) of the ASC Law. The use and disclosure of confidential information to the SFE is authorised use and disclosure if the Chairperson of the ASC, or a person authorised by the Chairperson, is satisfied that the information will enable or assist the SFE to monitor compliance with, enforce, or perform functions or exercise powers under the Business Rules of the SFE.

OSC

The TFE and the TSE routinely share the following information with the OSC: all financial data respecting dealers and the exchanges themselves; information relating to responsible persons employed by dealers; statistical information relating to trading on the TFE/TSE; certain investigation and enforcement reports; any new TFE/TSE rules or proposed changes to the existing TFE/TSE rules; and any new TFE/TSE contracts or proposed changes to the existing TFE/TSE contracts. The IDA also routinely shares certain financial, investigation and enforcement reports with the OSC as well as information relating to responsible persons employed by IDA members.

CVMQ

The Montreal Exchange maintain a continuous and regular flow of information with the CVMQ concerning transactions, operations, dealers / brokers etc.

SEC

There is routine sharing of position and financial information among HKFE, the Hong Kong Securities Clearing Company ("HKSCC"), SEOCH, HKFE, HKCC and the SFC. In addition, in 1995 the Inter-Market Coordination Committee was established to act as a standing Committee with the objective of facilitating intermarket cooperation. Members of the Committee consist of representatives from the SFC, SEHK, HKFE, HKCC, SEOCH, HKSCC and the Hong Kong Monetary Authority.

See also the response to II.A.4. (a).

SVS

Although there are no rules enforcing intra-jurisdiction with other capital markets regulators, there is a good communication among them. Thus, the SVS provides other regulators with information upon request.

ESA

In Sweden there is a general presumption for publicity if there is not any support by the "Secrets Act". In the financial field this Act contains the provision for:

- business conditions of the supervised institutions;
- information about customers;
- information about insiders;
- information of statistical kinds;
- information from international cooperation by the FSA.

NZSC

NZFOE shares information with the Securities Commission in relation to market activity, financial compliance, undesirable situations and practices, defaults, disciplinary action against Dealer, new products, etc.

The Clearing House shares information with NZFOE under a formal information disclosure document.

CONSOB

Article 30, sub-paragraphs 2 and 3, of Legislative Decree no. 415/1996 provides that Consob, the Bank of Italy, the Commission on pension schemes, the Commission on insurance companies (ISVAP) and Ufficio Italiano dei Cambi shall cooperate by exchanging information and otherwise for the purpose of facilitating the performance of their respective functions.

Furthermore, the Bank of Italy and Consob may exchange information:

- with administrative and judicial authorities in connection with liquidation and insolvency proceedings involving investment

firms and banks;

- with bodies responsible for the administration of compensations schemes;
- with bodies responsible for the clearing and settlement of market transactions for the purpose of ensuring the proper functioning of such bodies.

The Bank of Italy and Consob may not invoke confidentiality with respect to the supervisory task they share on the authorized persons, subject to their control.

CNMV

Article 13 of the Securities Act entrusts the CNMV with the surveillance and supervision of the securities markets and the activities of individuals and corporate bodies relating to trading thereon. For that purpose, the CNMV is broadly empowered to request such information as it may deem necessary, to inspect and, if applicable, penalize the activities of those individuals and corporate bodies.

Nevertheless, in the case of some of these institutions (i.e. credit institutions), another agency has the licensing responsibility (Bank of Spain). This overlap of responsibility is addressed by Article 87 of the Securities Act, which requires CNMV and Bank of Spain to coordinate their surveillance and supervisory actions. Moreover, Article 90 of the Act requires both agencies to mutually exchange information of all kinds likely to contribute to the proper performance of the activities for the final surveillance of which each one of them is responsible. That includes the routine sharing of information as well as that on request or in emergency situations.

As far as the coordination with the exchanges is concerned, Royal Decree 1814/91 states their obligation to render to the CNMV such assistance as may be requested in the exercise of its supervision, inspection and sanction functions. In addition, the exchanges are required to immediately inform the CNMV of any facts or activities which may entail breach of the obligatory rules or distortion of the principles on which the securities market regulation is founded.

CNV

All futures exchanges maintain a continuous and regular flow of information with the CNV concerning transactions, operations, brokers, etc.

BAWe

See II.B.3. (a) above.

SC

The exchanges and clearing houses maintain a continuous and regular flow of information with the Commission concerning transactions, operations, etc. The provision of information to the Commission by market institutions is provided for in Section 95 of the FIA. There is also an information sharing arrangement between KLOFFE and the Kuala Lumpur Stock Exchange ("KLSE"), for the purpose of intermarket surveillance.

ESB

The various regulatory bodies, including the Self-Regulatory Organizations (SROs) do cooperate fully in terms of information sharing.

The type of information usually sought relates to:

- questions of fit and proper;
- capital adequacy provisions, etc.

2. Sharing on Request or Special Call Basis (e.g., Position Data)

CFTC

See II.B.6 (a) above.

SEC

See II.B.6 (a) above.

SIB

See II.B.6 (a) above.

COB

Article 5B of the ordinance of September 28, 1967, amended by the Law of August 2nd, 1989, authorizes the COB to perform investigations qualified by the Chairman.

If an investigation is initiated by the chairman of the COB, investigators have access to any statement, whatever its nature, and may have a copy of it. They can summon for a hearing every person who can give them information. They also have access to offices, and have access to all information from clearing houses.

MOE

ASC

The ASC shares information on request if it is determined that to do so is in the public interest. Information that is shared is not confined to any specific area.

All futures exchanges, clearing houses for futures exchanges, and futures associations are obliged, by legislation, to provide such assistance to the ASC as the ASC reasonably requires for the performance of its functions under the legislation (CL s. 1139).

QSC

See II.B.6 (a) above.

CVMQ

SEC

The SFC, SEHK, SEOCH, HKSCC, HKFE, and HKCC share information regarding the financial status and open positions of registered dealers / members.

SVS

See II.A.1.

ESA

There are some limits of the secrecy in respect of informing the government, the parliament and another authority, if law or regulation so stipulates.

NZSC

The Securities Commission shares information with the Reserve Bank of New Zealand, the Registrar of Companies, the Serious Fraud Office and the Police.

The Securities Commission is empowered to enter into understandings on information sharing. The Commission has entered into such understandings with the United States Commodity Futures Trading Commission, the Australian Securities Commission, the Securities and Exchange Commission in Taipei and the Hong Kong Securities and Futures Commission.

CONSOB

See III.A.2 above.

CNMV

See III.A.1 above.

CNV

Exchanges must share additional information if so requested by the CNV.

BAWe

The BAWe is responsible for the cooperation with the authorities of other countries in charge of supervision of exchanges or other securities markets and of securities trading.

The BAWe may furnish information necessary for the supervision of exchanges or other securities markets, securities trading, credit institutions, financial institutions, insurance enterprises or administrative or judicial proceedings related thereto. When furnishing any such information, the BAWe shall specify the

purpose for which such information may be used. The recipient is to be advised that the information furnished, including personal data, may only be processed or used for the purpose for which it is being furnished. No personal data shall be furnished if reasons exist to believe that this would violate the purpose of a German law. It shall likewise not take place if legitimate interests of the persons concerned would be affected thereby, especially if no adequate data protection standards exist in the country of the recipient.

If the BAWe is provided with information by an authority of another country, such information may only be disclosed or used within the purpose specified by such authority.

SC

Under Section 95 of the FIA, the exchanges must share additional information if so requested by the Commission.

ESB

See III.A.1 above.

3. Emergency Sharing

CFTC

See II.A.7 (a) (early warning or increased reporting requirements) and II.A.7 (b) (price limits, circuit breakers) above. A member of the Joint Audit Committee, see II.A.4 (b) above, can on an emergency basis directly obtain financial data regarding an FCM from other members of the Committee where that FCM is a member.

SEC

See II.A.7 (a) and III.A.1. above.

SIB

See III.A.1. above.

COB

In the event of an emergency situation a coordinated management of markets has been established. The CMT can ask MATIF SA to suspend trading on the markets.

MOE

ASC

An arrangement exists in the co-regulatory framework for early warning procedures.

OSC

See III.A.2. above.

CVMQ

SEC

SEHK, HKSCC and SEOCH share information with the SFC as do the HKFE and HKCC which relates to open positions and the financial condition of respective exchange / clearing house members during emergencies.

SVS

See III.A.1.

ESA

As an example, maybe, of this kind is the sharing of secret information with the police or the prosecutor in a criminal case.

NZSC

See III.A.1. & 2. above.

CONSOB

See III.A.2 above.

CNMV

See III.A.1 above.

CNV

Exchanges must also share information on an emergency basis with the CNV.

BAWe

The Board of Governors shall appoint an Emergency Committee (EilausschuJ) in advance for each trading day. Such committee shall have the authority allocated to it in the Exchange Rules and shall take appropriate other measures in case urgent decisions need to be made (§ 7 of the Exchange Rules).

SC

All exchanges and clearing houses are also required to share information on emergency basis.

ESB

See III.A.1 above.

B. Inter-Jurisdiction

1. Routine Sharing - Reporting, Fitness, Financial Data

CFTC

Section 8 (e) of the CEA permits the CFTC to furnish to a foreign futures authority, or any department or agency of any foreign government or any political subdivision thereof, acting within the scope of its jurisdiction, any information in the possession of the CFTC obtained in connection with the administration of the CEA. Section 8 (e) prohibits the CFTC from furnishing any information to a foreign futures authority or foreign government unless the CFTC is satisfied that the information will not be disclosed by any agency or department of that government except in connection with an adjudicatory action or proceeding brought under the laws of such foreign government or political subdivision to which such

foreign government or political subdivision or any department or agency thereof, or foreign futures authority is a party.

Further, the CFTC is authorized under section 12 (f) of the CEA to use its discretion in assisting a foreign futures authority that is conducting an investigation the foreign futures authority deems necessary to determine whether any person has violated, is violating, or is about to violate any laws, rules or regulations relating to futures or options that it administers or enforces. In connection with any such request, the CFTC may conduct such investigation as it deems necessary to collect information and evidence pertinent to the foreign futures authority's request; the CFTC may do so without regard to whether the facts stated in the request would also constitute a violation of the laws of the U.S. Before providing such assistance to a requesting foreign futures authority, the CFTC must consider whether the foreign futures authority has committed to providing the CFTC with reciprocal assistance and whether complying with the request would prejudice the public interest of the U.S. *Id.*

Section 12 (a) of the CEA authorizes the CFTC to cooperate with any department or agency of a foreign government or political subdivision thereof, and the CFTC has authority to enter into memoranda of understanding (MOUs) with foreign futures authorities. As of January 1997, the CFTC has entered into the following formal regulatory and / or enforcement information-sharing arrangements:

ARGENTINA

On May 30, 1995, the CFTC and the Comisión Nacional de Valores of the Republic of Argentina (CNV) signed an MOU on Consultation, Technical Assistance and Mutual Assistance for the Exchange of Information.

AUSTRALIA

On October 19, 1994, the CFTC and the Australian Securities Commission (ASC) signed an MOU on Consultation and Cooperation in the Administration and Enforcement of Futures Laws.

BRAZIL

On April 12, 1991, the CFTC and the Comissão do Valores Mobiliários (CVM) signed an MOU on Mutual Assistance and Exchange of Information.

CANADA (two MOUs)

On July 7, 1992, the CFTC signed separate MOUs with two Canadian securities authorities. The CFTC and the Ontario Securities Commission (OSC) signed an MOU pursuant to which the CFTC and OSC will provide the fullest mutual assistance in connection with requests concerning enforcement of or compliance with the laws and regulations in their respective jurisdictions.

The CFTC and the Commission des valeurs mobilière du Québec (CVMQ) signed a separate MOU on July 7, 1992, pursuant to which the CFTC and the CVMQ will provide the fullest mutual assistance in connection with requests concerning enforcement of or compliance with the laws and regulations in their respective jurisdictions.

FRANCE

On June 6, 1990, the CFTC and the French Commission des Opérations de Bourse (COB) entered into an Administrative Agreement.

HONG KONG

On October 5, 1995, the CFTC and the Securities and Futures Commission (SFC) signed an MOU concerning Consultation and Cooperation in the Administration and Enforcement of Futures Laws. This MOU supersedes the Confidentiality Undertaking signed on May 27, 1992, in which the CFTC and SFC agreed to cooperate in enforcement matters and to work towards concluding a formal MOU.

ITALY

On June 22, 1995, the CFTC and the Commissione Nazionale per le Società e la Borsa d'Italia (CONSOB) signed an MOU on

Consultation and Mutual Assistance for the Exchange of Information.

MEXICO

On May 11, 1995, the CFTC and the ~~Comisión Nacional Bancaria y de Valores of the United Mexican States (CNBV)~~ signed an MOU on Consultation, Technical Assistance, and Mutual Assistance for the Exchange of Information.

NETHERLANDS

On April 29, 1993, the CFTC and the Government of the Kingdom of The Netherlands signed an Agreement on Mutual Administrative Assistance in the Exchange of Information in Futures Matters. This Agreement delegates authority to the Government of the Kingdom of The Netherlands, the Minister of Finance or the Minister's designee to cooperate in the exchange of information with the Government of the United States, the CFTC and other authorities designated by the CFTC.

NEW ZEALAND

On September 16, 1996, the CFTC and the ~~New Zealand Securities Commission~~ signed an MOU on Consultation and Mutual Assistance for the Exchange of Information.

SPAIN

On October 26, 1992, the CFTC and the ~~Comisión Nacional del Mercado de Valores (CNMV)~~ signed an MOU on Mutual Assistance the Exchange of Information.

TAIWAN

On January 11, 1993, the American Institute in Taiwan and the ~~Taipei Economic and Cultural Representative Office in the United States~~ (formerly known as the Coordinating Council for North American Affairs) signed an MOU on Exchange of Information Concerning Commodity Futures and Options Matters.

UNITED KINGDOM

On September 25, 1991, the CFTC and the United States Securities and Exchange Commission (SEC) signed an MOU on Mutual Assistance and the Exchange of Information with the ~~Department of Trade and Industry (DTI)~~ and the ~~The Securities and Investments Board (SIB)~~. By letter dated May 9, 1994, the MOU was extended to include ~~Her Majesty's Treasury (HMT)~~. This MOU supersedes an earlier MOU with between the CFTC, SEC and DTI, dated September 23, 1986.

OTHER ARRANGEMENTS

In addition, on November 3, 1993, the Government of the United States and the ~~Government of the Swiss Confederation~~ exchanged Diplomatic Notes to amend Article 1, Paragraph 3 of their Treaty on Mutual Assistance in Criminal Matters (MLAT), which entered into force on January 23, 1977 and was previously amended by Agreement dated November 10, 1987. The exchange of diplomatic notes affects the CFTC and SEC by permitting to them specific usage of the MLAT for the purpose of obtaining confidential information and other assistance from Switzerland in connection with futures and securities enforcement matters.

MOUs are subject to the provisions of the CEA and regulations thereunder regarding confidentiality of information. As discussed in II.B.5 (e) and III.A.1, above, pursuant to section 8 (a) of the CEA, the CFTC generally cannot be compelled to disclose any information or data obtained from a foreign futures authority. Nonetheless, section 8 (a) of the CEA makes it clear that the CFTC has certain obligations and abilities to disclose confidential information to Congress, in connection with judicial proceedings commenced by the CFTC or the U.S. Government, and in certain bankruptcy and receivership proceedings.

The CFTC has also entered into a Financial Information Sharing MOU (FISMOU) that includes as signatories a number of U.S. and UK signatories. The purpose of the FISMOU is to provide a mechanism for financial information sharing on a routine and "as needed" basis pursuant to which the relevant UK regulator will waive the applicability of certain of its financial requirements to U.S. firms with branch offices in the UK. In addition, the "Side Letter Relating to U.K. / U.S. MOU" provides for the sharing of

monitoring information between the CFTC and SIB relevant to Part 30 of the CFTC rules.

The CFTC also entered into a FISMOU with several Canadian futures industry regulatory authorities and the NFA. The U.S.-Canada FISMOU establishes a framework for financial information sharing between the regulatory and self-regulatory signatories, and it provides the ability for assessing more accurately the financial risks of market participants and the potential cross-border effects of within border financial problems.

Under terms of the Canadian FISMOU, relevant authorities in the United States, Ontario, and Quebec have an additional - and potentially more efficient - avenue than currently exists to obtain information essential to effective financial compliance and risk assessment in an international environment. The FISMOU provides for financial information sharing with respect to Ontario and Quebec firms selling Canadian products to U.S. customers. These firms are exempted from registration with the CFTC based on their substituted compliance with applicable Canadian law. In addition, recognizing the increasing number of firms operating in more than one jurisdiction directly or through affiliates, the signatories have agreed in the FISMOU to share financial information with respect to "Key Related Firms" (i.e., Ontario and Quebec futures brokers directly or indirectly controlling, controlled by, or under common control with a United States FCM, or United States FCMs with a similar relationship to a Quebec or Ontario futures broker).

Other jurisdictions with which the CFTC has compliance information sharing arrangements include various regulatory authorities in Australia, Singapore, Canada (in addition to the FISMOU), France, the Japanese Ministry of Agriculture, Forestry and Fisheries, Spain and Germany.

In order to enhance NFA's registration fitness reviews, the CFTC has obtained written undertakings from numerous major market jurisdictions to provide the CFTC with fitness information on foreign principals and has encouraged other markets to use NFA's data base on disciplinary proceedings. In addition, Interpol has agreed to allow NFA (which processes registrations pursuant to CFTC delegated authority) access to its resources in connection

with information relevant to any foreign principal of a United States registrant or any applicant for registration under the CEA.

SEC

Authority

Section 24 (c) of the Securities and Exchange Act of 1934 ("Exchange Act") permits the SEC to furnish, in its discretion and upon a showing that such information is needed, records filed with or obtained by the Commission, as well as other information in its possession, to "foreign securities authorities" as defined in Section 3 (a) (50). The foreign securities authority receiving such records or information must provide assurances of confidentiality as the Commission deems appropriate.

In addition, Section 24 (d) of the Exchange Act authorizes the SEC to protect the confidentiality of records received from foreign securities authorities if the foreign authority has in good faith determined and represented to the Commission that public disclosure of such records would violate the laws applicable to that securities authority. Under this section, the SEC cannot be compelled under FOIA or pursuant to third party subpoenas to disclose any information obtained from a foreign securities authority. This section does not affect the SEC's ability to disclose information to Congress or in actions commenced by the SEC.

The SEC has the authority to enter into Memoranda of Understanding (MOU) with foreign authorities. MOUs are subject to the provisions of the Exchange Act and regulations thereunder regarding the confidentiality of information. The SEC has entered into approximately 25 formal information sharing agreements, including arrangements with: the United Kingdom, France, the Netherlands, Italy, Argentina, Mexico, Brazil, Australia, Hong Kong and Israel. The SEC has also opened new avenues for gaining access to information located in Russia, South Africa and China.

In the regulatory area, the SEC has developed initiatives that leverage its resources to extend existing programs and develop new ones to fulfill its mandate to protect U.S. investors, including the effective supervision of financial institutions that operate in multiple jurisdictions. The SEC has used its experience in

international cooperation in the enforcement context to develop regulatory programs that address the challenges posed by the multiplicity of cross-border trading and international financial services.

Current regulatory initiatives include the following:

- " **SEC-SIB Initiative on Internal Controls of Internationally Active Financial Institutions** -- The SEC has been developing and implementing a framework for the functional regulation of the securities activities of financial conglomerates. Where financial institutions on a regular basis commit large amounts of capital to trading activities that have the potential to create significant risk, regulators need not only to agree in principle to cooperate, but must take practical steps to inform each other of the measures they and the relevant firms are using to address this risk. In this regard, the SEC has undertaken initiatives in a number of countries. For example, in July 1995, the SEC announced a joint initiative with The U.K. Securities and Investments Board to conduct in-depth studies of the financial, operational and management controls used by selected financial institutions that engage in significant cross-border derivatives and securities activities. This was the first initiative bringing together the major securities regulators in a practical exercise that will lead to a better understanding of each regulator's approach and contribute to better information exchange. It is expected that the initiative will be extended to include authorities and firms in other jurisdictions.

- " **Declaration on Cooperation involving International Investment Advisory Services** -- As investment advisers increasingly offer their services on a cross-border basis, regulators must cooperate and share information to improve the effectiveness of their oversight. The SEC has been active in developing a program to address the supervisory issues that arise where investment advisers that are based overseas offer their services to U.S. investors. On May 1st, 1995, the SEC signed a Declaration on Cooperation and Supervision of Cross-Border Investment Management Activity with the U.K. Investment Management Regulatory Organization (IMRO). The Declaration was the first bilateral cooperative

arrangement to focus on the cross-border investment

advisory business. Under the Declaration, the SEC and IMRO can share information and conduct joint inspections of registered investment advisors. The SEC thus has a channel for obtaining information that, barring an on-site inspection, it might not otherwise receive.

The IMRO Declaration has served as a prototype for a similar Declaration entered into between the SEC and the Hong Kong Securities and Futures Commission on October 5, 1995. It is also the basis of a model Declaration being discussed within the auspices of IOSCO.

SIB

There are provisions in the FSA permitting disclosure for the purpose of enabling or assisting certain overseas regulators to discharge their functions (s. 180 (1)). Both "overseas regulatory authorities" and "regulatory functions" are defined by reference to s. 82 of the Companies Act 1989. The Companies Act 1989 (Companies Act) enhances the UK's ability to assist overseas regulators by giving powers to HMT to obtain information for the purpose of assisting an overseas regulatory authority which has requested his assistance in connection with enquiries being carried out by it or on its behalf (section 82 (1)).

An "overseas regulatory authority" means an authority which (in a country or territory outside the UK) exercises any function corresponding to those of HMT under the Financial Services Act 1986, functions in connection with investigation and enforcement action in relation to insider dealing, and any other prescribed function (section 82 (2)).

HMT is not to exercise the powers conferred by section 83 unless it is satisfied that the assistance requested by the regulatory authority is for the purpose of its "regulatory functions". "Regulatory functions" means any functions mentioned in section 82 (2) and any other functions relating to companies or financial services.

In deciding whether to exercise these powers, HMT may take into account a number of factors, including whether corresponding assistance would be available from the authority making the request, whether the enquiries relate to possible breaches of a law having no close parallel in the UK, whether the request relates to a

serious matter, whether the assistance could be obtained by other means, and whether it is otherwise appropriate in the public interest to give the assistance sought. The powers are broadly comparable to those available in UK domestic investigations and include the ability to compel attendance, answers to questions and the production of documents.

Under the FSA, HMT, if it appears to be in the public interest, has the power to give a direction prohibiting the disclosure of specified information to any person (or to named persons) in a named country or territory outside the UK. A direction of this kind may prohibit disclosure by all persons or only by specified persons or classes of person. It may be absolute, or apply only in specified cases or subject to specified conditions (for example, requiring consent to be obtained) (FSA, s. 181 (1) & (2)).

These powers only apply to information which relates to a person's business or other affairs and which was obtained (whether or not by virtue of any requirement to supply it) directly or indirectly by particular financial services authorities or investigators in the exercise of particular functions (FSA, s. 181 (3)). The powers cannot be used to prevent a person who is not an authority or investigator of this kind from disclosing information relating to his own affairs or information which he did not obtain directly or indirectly from such an authority or investigator (s. 181 (5)). This power to restrict the disclosure of information may be exercised where it appears to HMT to be in the public interest. The penalties are criminal, with the same limits as for other restrictions on disclosure (s. 181 (7)).

The Companies Act imposes restriction on information relating to the business or other affairs of a person which is supplied by an overseas regulatory authority in connection with a request for assistance, or is obtained by virtue of HMT's powers to assist overseas regulatory authorities conferred by section 83 (section 86 (1)). Generally speaking, such information must not be disclosed to any person without the consent of the person from whom the information was obtained, and, if different, the person to whom it relates. There are various exceptions to this which are broadly similar to those which allow information obtained under the Financial Services Act to be disclosed. Failure to observe the restrictions on disclosure is an offence, punishable by imprisonment and / or a fine.

In relation to ROIEs and ROCHs and as a condition of recognition, adequate arrangements must exist for cooperation between the relevant overseas supervisors and the authorities responsible in the UK for the supervision and regulation of investment business or other financial services (FSA, s. 40 (2)).

Customised Memoranda of Understanding (MOUs) may be required to address particular and unique situations such as, for example where RIEs or RCHs are closely associated with foreign entities both in terms of their financial relationship and in the context of their activities which cross national boundaries.

GENERAL MOUs

More generally, the UK authorities consider that MOUs with overseas authorities are of considerable assistance in ensuring cooperation in the inter-jurisdictional discharge of their regulatory and enforcement functions. SIB and the Department of Trade and Industry (DTI) (most of whose responsibilities in the area of financial services were taken over by HMT in June 1992) have entered into a number of MOUs with regulatory authorities for the exchange of information and cooperation.

FISMOUs

Where there is a UK branch of an overseas entity and the branch is included in the home state supervision of that entity, the UK regulatory authority may choose to rely on the financial regulation of the home state supervisor, UK capital adequacy requirements will then be disapplied from the branch. Home state supervision will be accepted by the UK regulatory authority (typically an SRO but potentially SIB) if doing so would not result in any undue risk for investors and provided that the home state supervisor enters into a written agreement for the sharing of information with the UK regulator. Such agreements are known as financial information sharing memoranda of understanding ("FISMOUs").

With respect to futures and securities firms, the home state supervisor will typically be required under the FISMOU to: provide initial confirmation that the firm is fit and proper; provide periodic financial information including a confirmation that the financial condition of the firm is satisfactory; provide ad

hoc reports regarding any significant financial concerns about the institution.

In relation to banks, the same information is required under a FISMOU except, typically, for periodic financial information; this difference is due to the distinctive nature of the prudential information typically supplied by banks to their supervisors and, in some cases, to the statutory restraints on the disclosure of such information.

FISMOUs have been entered into with the majority of the banking supervisors in developed countries, as well as with a number of investment business supervisors. The banking FISMOUs with EC supervisors are now being revised to reflect the implementation of the 2nd Banking Coordination Directive on January 1st, 1993 because this has changed the respective roles of home and host state supervisors as regards EC credit institutions and certain of their subsidiaries.

COB

The COB can investigate on the demand of a foreign authority having comparable powers. When this demand is formulated by an authority of a non-member State of the EEC, this investigation is subject to a reciprocity condition.

The ordinance of September 28, 1967, amended by the Law of August 2nd, 1989, provides that professional secrecy does not prohibit the COB from communicating information to a requesting authority of an EEC member state having comparable powers and compelled to uphold the same professional secrecy.

Under reciprocity, the COB can also communicate information to authorities of other countries having comparable powers. This foreign authority must hold to the same professional secrecy standards with the same guarantees as in France.

Based upon these legal terms, the Law of August 2nd, 1989 provides that the COB can conclude, with its foreign counterparts, administrative agreements in order to implement this cooperation.

Administrative Agreement with the SEC: December 14, 1989.

Administrative Agreement with the CFTC: June 6, 1990.

Mutual Recognition Memorandum of Understanding with the CFTC: June 6, 1990.

Memorandum Respecting Administrative Arrangements with Ontario Securities Commission, Commission des valeurs mobilières du Québec: January 31, 1992.

Memorandum Respecting Administrative Arrangements with British Columbia Securities Commission: October 6, 1992.

Exchange of information agreement with the Commission bancaire et financière of Belgium July 26, 1993.

Exchange of information agreement with the Comisión Nacional de Valores of Spain September 27, 1993.

Exchange of information agreement with the CONSOB of Italy, January 27, 1994.

In 1996, the COB signed two exchange of information agreements, the first one with the Portuguese Securities Commission, the Comissão do Mercado de Valores Mobiliários, on April 19, the second with the German Securities Regulator, the Bundesaufsichtsamt für den Wertpapierhandel (BAWe) on September 10.

MOE

The Securities Bureau of the Securities Bureau of the Ministry of Finance has concluded MOUs with SEC and DTI (SIB), however, it does not exchange day-to-day information concerning financial data etc. at present.

ASC

There is at present no routing sharing of reports, fitness or financial data, the Commission normally supplies available public information to foreign agencies on request. Non-public information can also be provided to foreign regulators pursuant to the *Mutual Assistance in Business Regulation Act* 1992 ("MABR"). This legislation permits the ASC, in appropriate circumstances, to

compel information and evidence on behalf of a foreign regulatory authority, subject to the imposition of certain conditions by the Federal Attorney General. The MABR Act has facilitated the ASC's successful negotiation of MoU's with The Securities and Investments Board / Her Majesty's Treasury (UK), United States Securities and Exchange Commission / Commodity Futures Trading Commission (US), Securities and Futures Commission (HK), Commission des Operations de Bourse (France) and the Ontario Securities Commission (Canada).

The ASC has also participated in the development of the Windsor Declaration, a document which will strengthen the arrangements for supervision and the sharing of information within the international futures markets. The ASC currently does not have the statutory authority to exchange confidential information with foreign self regulatory organisations. The ASC has raised this issue with the Federal Attorney General's department and the relevant section has been ear marked for law reform.

OSC

The OSC entered into a Memorandum of Understanding (a "MOU") on January 7, 1988 with the United States Securities and Exchange Commission, the Quebec Securities Commission and the British Columbia securities commission. The MOU provides that the parties will provide each other with the fullest mutual assistance possible where information needed by one authority is in the territory of the other. The MOU provides that assistance will be available in essentially the full range of cases investigated by the parties. The MOU also provides that the parties will use their compulsory / subpoena authority, where necessary, to obtain the information requested by another authority.

The OSC is also subject to a MOU dated March 28, 1988 with the Canadian Federal Government Office of the Superintendent of Financial Institutions ("OSFI") with respect to the regulation of certain financial institutions by the OSC and OSFI.

Ontario, Quebec and United States regulatory and self-regulatory authorities signed a Financial Information Sharing Memorandum of Understanding ("FISMOU") on September 23, 1991 which established a framework for financial information sharing between regulatory agencies and SROs and provided the ability for

assessing accurately the financial risks of market participants and the potential cross-border effects of financial problems.

Under the terms of the FISMOU, relevant authorities in Ontario, Quebec and the United States have an additional - and potentially more efficient - avenue than currently exists to obtain information essential to effective financial compliance and risk assessment in an international environment.

The FISMOU provides for financial information sharing with respect to Ontario and Quebec futures brokers offering Canadian futures contracts to U.S. customers. These firms are exempted from registration with the CFTC based on their substituted compliance with applicable Canadian law. In addition, recognizing the increasing number of firms operating in more than one jurisdiction directly or through affiliates, the signatories have agreed in the FISMOU to share financial information with respect to "Key Related Firms" (that is, United States futures brokers directly or indirectly controlling, controlled by, or under common control with Quebec or Ontario futures brokers, or Quebec or Ontario futures brokers with a similar relationship to United States futures brokers).

The OSC also has information sharing / regulatory assistance MOUs with the Commission des Opérations de Bourse of France, the Commissione Nazionale per le Società e la Borsa of Italy, the Australian Securities Commission and the Hong Kong Securities and Futures Commission.

CVMQ

Memorandum of Understanding:

The United States Securities and Exchange Commission, the Ontario Securities Commission, the Commission des valeurs mobilières du Québec and the British Columbia Securities Commission ("the Authorities") recognizing the increasing international activity in securities markets and the corresponding need for mutual cooperation in matters relating to the administration and enforcement of United States and Canadian securities laws, have reached understanding with respect to requests for assistance made between the United States Securities

and Exchange Commission and a Canadian securities regulatory authority.

- The Authorities will provide the fullest mutual assistance, as contemplated by the Memorandum of Understanding. Such assistance will be provided to facilitate the performance of securities market oversight functions and the conduct of investigations, litigation or prosecution in cases where information located within the jurisdiction of the requested Authority is needed to determine whether, or prove that, the laws or regulations of the requesting Authority may have been violated.
- Assistance available under the Memorandum of Understanding includes but is not limited to:
 - providing access to information in the files of the requested Authority;
 - taking the evidence of persons; and
 - obtaining documents from persons.
- The Authorities recognize that they may not in all circumstances possess the legal authority to provide the assistance contemplated in this Memorandum of Understanding. Subject to such limitations of legal authority, the Authorities will use all reasonable efforts to obtain the necessary authorization to provide the assistance described in this Memorandum of Understanding.

Memorandum of Understanding between the Office of the Superintendent of Financial Institutions (OSFI) and la Commission des valeurs mobilières du Québec.

- The Memorandum of Understanding sets forth a statement of intent of OSFI and the Commission with respect to coordination of certain policies for the regulation of financial institutions - related dealers by the Commission and financial institutions by the OSFI.
- A "financial institution - related dealer" means a dealer in securities or advisor with respect to securities that is or will

be a registrant under the Securities Act (Quebec) and in which a financial institution has or is seeking approval to have an interest, the purchase or acquisition of which requires the prior approval of the Minister of Finance of Canada.

- Each of OSFI and the Commission acknowledges that the other, in the ordinary course of carrying out its regulatory responsibilities, has the right to obtain certain information about, or access to books and records of financial institutions - related dealers or financial institutions, respectively.
- Subject to applicable law, each of OSFI and the Commission will cooperate with all reasonable requests of the other for such information or access.
- Each of OSFI and the Commission will use its best efforts to provide the other with information it has that a financial institution - related dealer or a financial institution, respectively, has or appears to have breached, or is expected to breach, in any material way the Securities Act or the by-laws of a self regulatory organization of which the financial institution - related dealer is a member or the governing legislation of the financial institution, respectively.

SFC

The Commission normally supplies available public information to overseas jurisdictions on request. The Commission is also authorized to disclose confidential information to foreign regulatory bodies after it has first made certain formal determinations. On January 18, 1995, the Legislative Council passed the Securities and Futures Commission (Amendment) Ordinance 1995 and the Leverage Foreign Exchange Trading (Amendment) Ordinance 1995. These laws confer on the SFC power to investigate matters and interview persons on behalf of overseas regulatory agencies. The powers conferred are the same as the investigative powers the SFC may exercise in domestic matters. The following is a list of overseas regulatory authorities who have entered into information sharing agreements (i.e. Memorandum of Understanding or Memorandum of Regulatory Cooperation) with the SFC: **Australia** - Australian Securities

Commission; **China** - China Securities Regulatory Commission, Shanghai Securities Exchange, Shenzhen Stock Exchange; **France** - Commission des Opérations de Bourse; **Indonesia** - Capital Market Supervisory Agency; **Malaysia** - Securities Commission; **Taiwan** - Securities and Exchange Commission; **Thailand** - Securities and Exchange Commission; **United Kingdom** - Bank of England, HM Treasury, The Securities and Investments Board, PIA, IMRO, SFA, Guernsey Financial Services Commission, Jersey Commercial Relatives Dept., Isle of Man Financial Supervision Commission; **United States** - Commodities Futures Trading Commission, United States Securities and Exchange Commission.

In addition to the above, the Commission has confidentiality understandings with other jurisdictions, including the following: Securities Board of **The Netherlands**; Institut Monétaire **Luxembourgeois**; Commissione Nazionale per le Società e la Borsa, **Italy**; Central Bank of **Ireland**; Central Bank of **Cyprus**; Comisión Nacional del Mercado de Valores, **Spain**; **Ontario** Securities Commission; **British Columbia** Securities Commission; **Winnipeg** Commodity Exchange; Monetary Authority of **Singapore**; **New Zealand** Securities Commission; **Bermuda** Monetary Authority; **Cook Islands** Monetary Board; Department of Finance, **Cayman Islands**.

SVS

The SVS has concluded MOUs with securities regulators from the following countries: Argentina, Colombia, Costa Rica, Ecuador, Spain, United States, Paraguay, Peru, Mexico and Thailand. However, day-to-day information concerning financial data is not exchanged at present.

ESA

There are some international agreements concluded with foreign jurisdictions, especially IOSCO, the Nordic countries, SIB / SFA and SEC. To the extent that confidentiality is provided for in an agreement with a foreign nation or an international organization information documents obtained will be secret in Swedish authorities.

As a consequence to the draft of new legislation of market places

and clearing facilities there is a proposal concerning a change of the

Secrets Act. This means that such information will be secret which is obtained from a licensing or supervisory organization in a foreign country if such an information is secret in the foreign country and a continued secrecy is a condition for the information to be given.

NZSC

The Securities Commission has extensive powers to obtain information not only on its own behalf but also on behalf of offshore securities commissions and equivalent organizations.

CONSOB

Italian legislation (article 9 of Law 157/1991 and article 30 of Legislative Decree no. 415/1996) specifies that in derogation of article 1 (11) of Law 216/1974, Consob may cooperate with the authorities of any other member State of the European Union. Also, where provided for in an agreement based on reciprocity, it may cooperate and exchange information with the competent authorities of non-EU countries.

Such provisions enable the Consob to cooperate with the competent authorities over the whole range of its jurisdiction.

There are no limitations, with respect to matters which fall under the jurisdiction of the Consob, on the type of information or documents to be provided to foreign authorities.

According to Italian legislation Consob may exercise the powers conferred on it by law for the purpose of cooperation with other authorities and at the request of such authorities.

Consob may determine which countries / supervisors to whom confidential information may be released. Normally, the counterparty's role and confidentiality requirements are taken into consideration.

Pursuant to the above mentioned disposition, Consob has entered into formal information-sharing agreements with supervisory authorities of other Countries of the European Union and non-EU Countries, such as:

- the Commission des Opérations de Bourse of France;
- the Commission bancaire et financière of Belgium;
- the Comisión Nacional del Mercado de Valores of Spain;
- the Securities and Exchange Commission of the United States of America;
- the Commodity and Futures Trade Commission of the United States of America;
- the Ontario Securities Commission;
- the HM Treasury and The Securities and Investments Board of United Kingdom;
- the Comissão Nacional del Mercado de Valores Mobiliários of Portugal;
- the Comissão de Valores Mobiliários of Brazil;
- the Comisión Nacional de Valores of Argentina;
- the Securities and Futures Commission of Hong Kong.

Furthermore, Consob has also exchanged Confidentiality Undertakings with other foreign authorities (San Marino, Guernsey and Malta) to keep the information shared confidential.

CNMV

As mentioned in II.B.6 (a) above, the Securities Act provides for the cooperation, without prejudice of its confidentiality obligation, of the CNMV with similar agencies of surveillance in other countries, exchanging the pertinent information. In the event that such information is confidential or reserved, the furnishing thereof shall be conditional upon the existence of the principle of reciprocity and the fact that the agencies concerned are subject to professional secrecy under conditions comparable to those laid down in Spain.

The following Memoranda Of Understanding have been signed by the CNMV:

Technical cooperation agreement with the Comisión Nacional de Valores of Argentina, June 25, 1992.

Consultation and cooperation regarding application of legal provisions agreement with the SEC, July 8, 1992.

Mutual assistance and exchange of information agreement with the CFTC, October 26, 1992.

Consultation and cooperation regarding application of legal provisions agreement with the Comisión Nacional de Valores of Argentina, June 22, 1993.

Technical cooperation agreement with the Superintendencia de Valores of Colombia, October 25, 1993.

Consultation and cooperation regarding application of legal provisions agreement with the Superintendencia de Valores y Seguros of Chile, October 25, 1993.

Exchange of information agreement with the Commission des Opérations de Bourse of France, September 27, 1993.

Exchange of information agreement with the Commission bancaire et financière of Belgium, April 14, 1994.

Exchange of information agreement with the Comissão do Mercado de Valores Mobiliários of Portugal, May 16, 1994.

Consultation and cooperation regarding application of legal provisions agreement with the Comisión Nacional de Valores of Mexico, June 14, 1994.

Exchange of information agreement with the Commissione Nazionale per le Società e la Borsa of Italy, June 15, 1994.

Consultation and cooperation regarding application of legal provisions agreement with the Comisión Nacional Supervisora de Empresas y Valores of Peru, October 20, 1994.

CNV

The CNV has implemented Memoranda of Understanding and other agreements with the following foreign jurisdictions.

- Comisión Nacional de Valores - Bolivia;
- Comissão de Valores Mobiliários - Brazil;
- Superintendencia de Valores y Seguros - Chile;
- Comisión Nacional de Valores - Costa Rica;
- Comisión Nacional del Mercado de Valores - Spain;
- United States Securities and Exchange Commission - U.S.A.;

- Comisión Nacional de Valores - Mexico;
- Comisión Nacional de Valores - Paraguay;
- Comisión Nacional Supervisora de Empresas y Valores - Peru;
- Superintendencia de Valores - Colombia;
- Commission des Opérations de Bourse - France;
- Commissione Nazionale per le Società e la Borsa - Italy;
- Comisión Nacional de Valores - Panama;
- Commodity Futures Trading Commission - U.S.A.;
- Securities and Exchange Commission - Taipei.

BAWe

Under the Securities Trading Act the Federal Securities Supervisory Office (BAWe) is able to exchange non-public information and, in insider dealing cases, to conduct investigations upon request by foreign regulators.

Following an exchange of letters between the BAWe and the CFTC, DAX futures could be traded in the United States as from the beginning of 1995 on. In March 1995, the BAWe and the French securities regulator COB (Commission des Opérations de Bourse) exchanged letters and assured themselves of their mutual assistance in supervising the trading activities of both DTB participants admitted to trading in France and participants of the French futures exchange Matif admitted to trading in Germany. Furthermore, in September 1996 the BAWe and COB concluded a MOU regulating a wide-range exchange of information.

SC

Section 43B of the SCA allows the Commission to provide such assistance to the foreign supervisory authorities. The Commission is a signatory of a number of MOUs with international securities and futures regulators, including the Declaration on Cooperation and Supervision of International Futures Markets and Clearing Organisations. The exchanges and clearing house also have entered into agreements and MOUs with exchanges and clearing houses in other jurisdictions.

ESB

The Financial Services Board of South Africa eagerly enters what is referred to as MOUs (Memorandums of Understanding). The intention of the MOUs is to forge agreements of intra-jurisdiction cooperation regarding markets and market participants.

The type of information usually sought relates to:

- questions of fit and proper;
- capital adequacy provisions, etc.

2. Sharing on Request or Special Call Basis

CFTC

See III.A.2. and III.B.1, above. Section 8 (e) of the CEA governs the sharing of information on request or special call basis with a foreign authority.

On March 15, 1996, regulators from fourteen jurisdictions signed the Declaration on Cooperation and Supervision of International Futures Exchanges and Clearing Organizations (“Declaration”), a multilateral mechanism whereby the occurrence of certain agreed triggering events affecting an exchange member’s financial resources or positions will prompt the sharing of information. The fourteen jurisdictions include: Australia, Austria, France, Germany, Hong Kong, Ireland, Italy, The Netherlands, Quebec Canada, Singapore, South Africa, Spain, United Kingdom and the CFTC. Since that date, six additional jurisdictions have signed the Declaration: Brazil, Sweden, Portugal, Denmark, Hungary and Malaysia.

SEC

Section 17 (a) of the 34 Act provides the Commission with broad authority to request information from broker-dealers.

SIB

See III.A.3 (a) above.

COB

MOF

As to sharing on request or special call basis, we exchange surveillance and investigatory information between SEC and DTI (SIB) on a case-by-case basis according to arrangements of each agency (MOUs). And we are now revising a present information exchange agreement with the United States Securities and Exchange Commission in response to the Article 189 of the Securities and Exchange Law on international investigatory cooperation, which was enforced in July 1990.

We, MOF staff, are under a legal obligation to keep confidential any information which MOF staffs have acquired through their official duties. And, on each request, we make a judgment, for example, from the viewpoint of public interest on whether we will provide the information or not.

ASC

As indicated in B.1. above, the Commission normally supplies available public information to foreign agencies on request. Where information is of a confidential nature, the Commission is authorized to disclose such information to foreign governments or agencies where it is satisfied that such disclosure will assist such bodies in the lawful exercise of their functions and powers. In so doing, appropriate undertakings as to confidentiality are usually sought from these bodies regarding their use of the information.

OSC

The OSC is party to a MOU with the SEC and the Quebec and British Columbia securities commissions. Pursuant to this MOU, each agency agrees to exchange information on an as-requested basis relating to trading, registration matters, investigations and enforcement actions. Informally, the OSC shares information with other Canadian regulators, the CFTC and international regulators on an as-requested basis with respect to investigation and enforcement matters, subject to the confidentiality rules referred to above.

CVMQ

SEC

See response to III.B.1. In addition, as a result of the Barings case, in 1995 the SFC joined representatives of regulatory bodies responsible for supervising the activities of the world's major futures and options markets. A declaration was issued (known as the Windsor Declaration) which addressed, amongst other issues, regulatory cooperation in emergencies. Following the Windsor meeting, the International Organization of the Securities Commissions approved an SFC proposal for the establishment of an international computer link among regulators.

SVS

See III.B.1. above.

FSA

These agreements include the possibility to share information in either a regular or an irregular way.

By an amendment to the stock exchange and clearing act the following paragraph has been added:

International Cooperation

A stock or derivatives exchange shall give the information and the advice to competent authorities in other countries of the EEA that these authorities need in order to be able to fulfill their commitments according to the treaty on EEA and otherwise keep such a close cooperation with these authorities as caused by the treaty.

(EC-directive 87/345/EEC)

NZSC

The Securities Commission is empowered to enter into understandings on information sharing. The Commission has entered into such understandings with the United States Commodity Futures Trading Commission, the Australian Securities Commission, the Securities and Exchange Commission in Taipei and the Hong Kong Securities and Futures Commission.

CONSOB

Pursuant to the above mentioned dispositions (article 30 of Decree no. 415/1996 and article 9 of Law no. 157/1991) Consob may provide to other foreign authorities, on request, information stored on its files.

CNMV

See III.B.1. above.

CNV

These agreements include the possibility of sharing information in either a formal or informal way.

BAWe

See III.B.1. above.

SC

See III.B.1 above.

ESB

See III.B.1 above.

3. Emergency Sharing

CFTC

See III.A.2. above.

SEC

Section 17 (a) of the 34 Act provides the Commission with broad authority to request information from broker-dealers.

SIB

See III.B.1 above.

COB

MOF

The Securities Bureau of Securities Bureau of the Ministry of Finance, has held a meeting with SEC in order to exchange opinions regularly since May 1986, and we agree to keep in touch with SEC about emergency information mutually when stock prices may go down suddenly.

We, MOF, think it important to coordinate with foreign regulatory authorities to enforce any restriction on securities markets (for example, closing of the markets) on the occasion of emergency.

MOF is under a legal obligation to keep confidential any information which the MOF staff has acquired through its official duties. Therefore, on each request for information, we make a judgment from the viewpoint of public interest on whether we will provide the information or not.

ASC

OSC

See III.B.1. above.

CVMQ

SEC

See response to III.B.1. In addition, as a result of the Barings case, in 1995 the SFC joined representatives of regulatory bodies responsible for supervising the activities of the world's major futures and options markets. A declaration was issued (known as the Windsor Declaration) which addressed, amongst other issues, regulatory cooperation in emergencies. Following the Windsor meeting, the International Organization of the Securities Commissions approved an SFC proposal for the establishment of an international computer link among regulators.

SVS

See III.B.1. above.

ESA

As a consequence of international developments, there is a good probability that in the future there may be more need for urgent exchange of information and for other cooperation.

NZSC

See III.B.1. & 2. above

CONSOB

Consob signed the Boca Raton Joint Declaration on March 15, 1996, concerning Regulatory cooperation in emergencies.

CNMV

See III.B.1. above.

CNV

No agreements.

BAWe

See III.B.1. above.

SC

See III.B.1 above.

ESB

See III.B.1 above.

IV. Managed Funds

A. Products

1. **Describe the factual bases for determining that a pooled investment vehicle is subject to regulation in your jurisdiction (e.g., legal domicile, presence of an office, solicitation of business or other specific conduct, etc.)**

CFTC

The CFTC's regulation of commodity pool offerings is premised on the existence of a pool that invests in and trades commodity futures, commodity options or other contracts regulated under the CEA, and on the conduct of the operator of a pooled investment vehicle, the Commodity Pool Operator ("CPO"), including its solicitation activities and where it is located.

The phrase "commodity pool" is not specifically defined in the CEA. However, CFTC Rule 4.10 (d) (1) defines the term "pool" to mean "any investment trust, syndicate or similar form of enterprise operated for the purpose of trading commodity interests".

It also should be noted that the offer or sale of a commodity pool generally constitutes the offer or sale of a "security" for purposes of the U.S. securities laws.

SEC

The two primary types of "managed funds" registered in the United States are: (1) open-end investment companies (also known as "mutual funds"), which issue redeemable shares and typically offer shares for sale on a continuous basis, and (2) closed-end investment companies, shares of which are not redeemable and are typically offered for sale in discrete offerings and then traded on the secondary market.

A fund is organized as a legal entity, usually a business trust, corporation, or partnership, with a board of directors or similar group that is legally responsible for managing and generally overseeing the affairs of the fund. Generally, however, a fund has no employees. Rather, the fund enters into contracts with third parties, most notably with an investment adviser, to provide for the

day-to-day administration and operation of the fund. The

investment adviser also manages the fund's portfolio. A principal underwriter (or distributor) and broker-dealers sell the fund's shares. A recordkeeping agent and transfer agent perform administration and recordkeeping functions. A custodian maintains custody of the fund's assets. Officers of the fund generally are provided by the investment adviser.

A pooled investment vehicle is subject to regulation under the ICA if it: (a) satisfies the definition of an "investment company" found in Section 3 (a) of the ICA, (b) is not excluded or exempted from regulation, and (c) engages in a transaction described in Section 7 of the ICA. Section 3 (a) generally defines an investment company as any issuer that is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or trading in securities; or that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities, and owns or proposes to acquire investment securities having a value exceeding 40 percent of the value of such issuer's total assets (exclusive of government securities and cash items).

Section 7 (a) of the ICA generally requires registration of any investment company, organized under the laws of the United States or any State that: offers, sells, or delivers, by use of the mails or any means or instrumentality of interstate commerce, any security; purchases or redeems, by use of the mails or any means or instrumentality of interstate commerce, any security; controls any investment company that engages in any of the foregoing; or engages in any business in interstate commerce.

SIB

A collective investment scheme, as defined by the Financial Services Act 1986 ("The Act"), has three essential characteristics. The **first** is participating in profits or income. Section 75 (l) of the Act defines a collective investment scheme as 'any arrangements with respect to property . . . the purpose or effect of which is to enable persons taking part in the arrangements . . . to participate in or receive profits or income arising from the acquisition, holding, management, or disposal of the property or sums paid out of such profits or income'. **Secondly**, participants must not have day-to-day control over the management of the scheme property, although they may have the right to be consulted or to give

directions (§ 75 (2)). **Thirdly**, the participants' contributions and the profits or income out of which payments are to be made must be pooled and the scheme property must be managed as a whole by or on behalf of the operator of the scheme.

The Act divides collective investment schemes into three categories:

- i. authorised unit trust schemes (which can be promoted to the general public);
- ii. recognised overseas schemes (which can be promoted to the general public);
- iii. unauthorised schemes (which **cannot** be promoted to the general public).

The only authorised scheme permissible is an authorised unit trust, which is a category restricted to unit trusts established in the UK. Overseas schemes can be recognised in the UK and there are three categories of such schemes:

- i. 'EC-wide' schemes;
- ii. 'designated country' schemes;
- iii. schemes recognised on an "individual' basis.

Powers have been delegated to SIB by HMT to make collective investment scheme regulations and to authorise and recognise schemes.

COB

The basic regulation for a Collective Investment Scheme (CIS) is the European Directive of December 1985, which was implemented in French law in December 1988.

A CIS is an open ended instrument; it means that investor may buy units or have them redeemed by the fund or the investment company at any time; a CIS must be invested in transferable securities listed or negotiated on a regulated market. Investment in other securities as previously defined is limited to 10% of its assets;

its value must be precisely determined at any time. There are two distinct entities in charge of CIS: the management company which decides the investments, and the custodian, which holds the securities on behalf of the CIS for safe-keeping, and makes sure that the CIS transactions are carried out in accordance with the laws and the fund's rules. A CIS cannot be marketed with the public unless it has obtained COB registration.

A file is required, including detailed information about the CIS itself, and about the management company and the custodian. Foreign CIS need to be registered and authorized by the COB, according to the same principles.

MOE

The investment trusts operated in Japan at present are exclusively of the contractual type. The contractual type is constituted by a manager (investment trust management company), trustee (trust bank), and beneficiaries (investor) under trust agreement that provides for the rights and obligations of the parties concerned pursuant to the trust system.

The manager gives instructions regarding the operation of the trust property and the trustee administers the trust property in accordance with the investment trust contract. A securities investment trust contract is signed between the manager and the trustee.

Any person desiring to engage in an investment trust management must establish a stock corporation in Japan. Any corporation who is so established must get a license from the Minister of Finance in order to perform investment trust management business in Japan.

ASC

1. Pooled investment vehicles will be regulated by the Corporations Law (CL) generally where:
 - 1.a there is an offer for subscription or purchase of securities;
 - 1.b a person issues invitations to subscribe for or buy securities;

where the offer or invitation is made in Australia.

Pooled investment vehicles generally fall within the definition of prescribed interest under section 9 of the CL which in turn are included in the definition of securities in section 92.

On December 12, 1995 a draft Bill and Commentary on Collective Investment Schemes was issued by the Federal Attorney General. If this Bill becomes law it will mean that a pooled investment vehicle will become subject to regulation in Australia if it is a "collective investment scheme". None of the exclusions to the definition will apply.

Essentially Collective Investment Schemes will need to be registered with the ASC if:

- (a) the scheme has more than 15 members; or
- (b) the scheme was promoted by a professional promoter or its associate; or
- (c) the ASC considers that the schemes are "closely related".

The managers of pooled investment vehicles who use client funds to purchase futures contracts attract the securities industry prospectus provisions. The manager of these may also require a securities dealers license if they intend to invest in non-excluded securities such as equities or prescribed interests.

The managers of pooled futures funds also fall within the Corporations Law definition of "dealing on behalf of" which includes the acquisition and disposal of futures contracts by a person on another person's behalf. The managers of pooled futures funds would therefore require licensing under Part 8.3 as futures brokers.

However, Regulation 8.3.02 to the Corporations Law exempts certain management companies (as defined in the Corporations Law) and investment managers (as defined in the regulations) from the futures industry licensing and other Part 8.3 obligations.

The exemption applies where all of the following are met:

- (i) the investment in futures contracts is only small,

- (ii) the manager is licensed under the securities provisions of the Law,
- (iii) the futures contracts are executed by a licensed futures broker, and,
- (iv) where applicable, the futures contracts are entered into under the covenants contained in an approved deed.

OSC

Units of participation in a pooled investment vehicle (whether the "units of participation" are units of a limited partnership or shares of a corporation) are securities for the purposes of the SA. Pursuant to the SA, all trades in securities involving Ontario residents (where such trade would be a distribution) must be done by way of prospectus filed with, and approved by, the OSC unless an exemption is otherwise available. "Trade" and "distribution" are broadly defined in the SA. Trade includes any sale or disposition of a security for valuable consideration and any act, advertisement, solicitation, conduct or negotiation, directly or indirectly, in furtherance of a trade. Distribution includes any trade in securities of an issuer that have not been previously issued.

SEC

Offering a pooled investment vehicle to the Hong Kong public is the major triggering point for determining whether a pooled investment vehicle must be authorized in Hong Kong. If it is offered to the public it must be authorized by the SFC and is subject to the SFC's Code on Unit Trusts and Mutual Funds.

If the vehicle is not offered to the public, it will generally be unauthorized and regulated indirectly through regulating any dealer or advisor who deals in or advises in Hong Kong in relation to the vehicle. Persons who deal in or otherwise advise persons concerning both authorized or unauthorized pooled investment arrangements in Hong Kong must be registered with the SFC, either under the Securities Ordinance as a securities dealer or securities investment advisor or under the Commodity Trading Ordinance as an commodity dealer or commodity trading advisor. The regulation of such persons is described below, including the requirements of the Code of Conduct for SFC registered persons.

SVS

Pooled investment vehicles are considered domestic when these entities are created, matured, and liquidated within the Chilean territory.

ESA

Regulations concerning mutual funds were implemented in 1991 by the FSA. These provisions are based upon the Act (1990:1114) concerning mutual funds and the following amendments. This Act begins with some definitions thus forming the factual basis for determining that mutual funds are the only pooled investment vehicles accepted by this regulation. A mutual fund is defined as a fund consisting of listed securities and other financial instruments and constructed of investment by public and owned by those who have invested capital. The fund business covers the management of a mutual fund and the selling and repurchase of shares of the fund executed by a fund company. Such a fund company shall be a Swedish limited liability company licensed to do fund business. Among the definitions there are further the depository institute that shall be a bank or another credit institute with the task to keep in safe the assets of a mutual fund and to do the cash transactions of the fund.

For each mutual fund there shall be fund statutes compiled by the management company. These statutes are very detailed on a dozen points such as fundamental data on registration, investments structure, dividends (or not), calculation of the total fund value and fees on management. According to the act these statutes shall be accepted by the FSA.

Before FSA will accept changes to fund rules allowing such fund to contract swaps, FSA will check that the management company holds a competence of its own in this field and that the company keeps satisfactory EDP-systems in order to check and follow up the risks of its swap contracts.

The aspect discussed and provided for the limiting rules has focused on the information to the unit owners about the counterpart and the underlying assets. A managing company can according to the main rule as its counterpart in derivative transactions have a clearing house or a securities institution.

The counterpart requirements have been sharpened in one respect. If this part is a securities firm or a foreign financial institution it is required that both the firm / institution is entitled to contract options, futures and similar financial instruments or securities loans and that the institution meets the following additional requirements: is supervised concerning its securities business, is well known in the market and has contracted its instruments to ordinary market conditions.

Concerning swap contracts there is now require an ear-marking of the underlying assets and a prohibition of selling these assets without a license by FSA.

Finally there are some amendments, e.g., covering so-called "soft commissions".

NZSC

An offer to the New Zealand public of interests in a pooled investment vehicle will be subject to the requirements of the Securities Act of 1978 if that offer constitutes an offer of securities to the public for subscription. The Securities Act requires all offers of securities to the public to be made by way of a registered prospectus containing the information prescribed in the Securities Regulation 1983. The Act also, among other things, requires the issuer of the securities in managed funds to appoint an approved independent statutory supervisor to monitor the interests of security holders.

If the operator of the fund offers securities to the public for subscription he / she is deemed to be the issuer of those securities for the purposes of the Act and will assume all of the obligations imposed upon such persons by the Act and common law.

CONSOB

According to Law no. 77 of March 23, 1983, management companies must be authorized by the Minister of Treasury in order to establish collective investment schemes.

The cross-border distribution of units of harmonized collective investment schemes (whose contents fall within the scope of Directive

no. 85/611/EEC) issued in other EU member States is admitted after a previous communication to the Minister of Treasury has been given.

Cross-border marketing of units of non-EU or non-harmonized (outside the scope of Directive no. 85/611/EEC) collective investment schemes is admitted under specific authorization given by the Minister of Treasury, after consulting the Minister of foreign trade, the Bank of Italy and Consob, under the conditions set in article 1 of Legislative Decree no. 86 of January 27, 1992.

CNMV

According to Act 46/84, amended by the Securities Market Act, collective investment schemes are undertakings, whichever their corporate purpose or activities are, that raise funds or properties from public to manage them, whenever the investor's return is determined according to the collective proceeds through legal structures different from those of partnerships.

For those schemes to be subject to regulation in Spain, they as well as their management company and depositary have to be domiciled on Spanish territory and have their head office on said territory.

On the other hand, the promotion of overseas schemes to the general public in Spain is also subject to some specific provisions in our jurisdiction. The CNMV verifies that those provisions are complied with and registers the scheme in a special administrative register.

CNV

Under our legislation mutual funds shall only be organized according to Law 24.083 (Mutual Funds Law, amendment by Law 24.441) and other related regulations, decrees, etc.

Mutual funds in Argentina are administrated by a management company - organized as a corporation - which must be a special purpose company and shall be engaged exclusively in mutual funds activities. The management company shall be registered within the national or provincial jurisdictions. It also could be a financial entity authorized by the Central Bank of Argentina (Banco Central de la República Argentina).

The portfolio of the Mutual Fund is made by assets which are kept in custody by a depository corporation. This company must be a corporation with a special purpose or a financial entity authorized by the Central Bank of Argentina.

The fund itself is owned by several individuals to which certain co-ownership represented by share certificates or book-entry shares are acknowledged. Such fund is not a corporation and has no legal capacity.

Mutual Funds in Argentina are equities made up by:

- * publicly-offered securities;
- * precious metals;
- * foreign currencies;
- * rights and obligations arising from futures and options;
- * instruments issued by financial entities authorized by the Central Bank of Argentina.

There are two types of Mutual Funds:

- Open-end and Closed-end;
- Open-end mutual funds shall only invest in the above mentioned assets;
- Closed-end mutual funds (funds organized with a maximum number of shares), may have special investments purposes.

BAWe

In Germany only the open-ended funds of the contractual type investing in

- money market instruments;
- securities;
- participation as dormant partner (dormant equity holdings); or
- real estates.

are subject to the Law Concerning Capital Investment Companies of January 14, 1970 - as amended - ("Law").

An investment fund is constituted by the money deposited with the capital investment company (= investment management company) against the issue of the units and any assets acquired therewith.

Depending on the fund rules which govern the relationship between the investment management company and the investors, the assets belonging to the investment fund may be owned by the management company or may be jointly owned by the investors (= unit-holders). The investment fund shall be kept separate from the assets belonging to the investment management company itself.

The management company's registered office and its head office must be situated within the area in which the German law applies.

The fund rules and any amendments thereto must be approved by the Banking Supervisory Authority, because the management companies are credit institutions (= banks) by legal definition and are subject to the legal provisions applicable to banks.

SC

The legal framework for the futures fund management industry is as provided under the FIA. However, there are no futures fund management activities as yet as the Commission is still in the process of addressing and finalising some policy issues pertaining to licensing the relevant industry participants.

Under Section 16A of the FIA, a person who carries on a futures fund management business or hold himself out as a futures fund manger must hold a futures broker's licence or futures fund manager's licence. A futures fund manager's licence may only be granted to a corporation and as such, any corporation that wishes to establish and maintain a futures fund management business will be subjected to the FIA.

ESB

NOTE: Pooled investment schemes or managed funds are not currently allowed to be structured from derivative products in South Africa. Pooled investment schemes are currently only permitted if they are registered

collective investment schemes in terms of the Participative Bonds Act or the Unit Trusts Control Act.

Not applicable.

2. Describe any exemptions or exclusions from such requirements (e.g., nature of the pooled vehicle, type of customer, etc.)

CFTC

CFTC staff have determined on a case-by-case basis that certain types of group investment activity do not constitute a commodity pool (e.g., a pool composed of family members). However, an entity may be deemed to be a pool even if only a small percentage (e.g. 5% of its total assets is used for trading commodity interests. Interested persons may seek guidance from the CFTC's Division of Trading and Markets as to whether a proposed arrangement is a commodity pool).

Rule 4.5 excludes from the definition of the term CPO certain otherwise regulated persons with respect to their operations of a qualifying entity. See IV.B.2. below.

SEC

There are several exemptions or exclusions found in the ICA and the rules thereunder.

- Section 2 (b) of the ICA exempts the United States; a State; political subdivisions, agencies, authorities, and instrumentalities of the foregoing; and corporations wholly owned by any of the foregoing.
- Section 3 (b) exempts any issuer primarily engaged in a business other than that of investing, reinvesting, owning, holding, or trading in securities, either directly or through wholly-owned subsidiaries, and also provides that the SEC may, upon application, find that an issuer is primarily engaged in a non-investment company business.
- There are a number of rules (3a-1 through 3a-7) that remove specific types of pooled investment vehicles from the definition of investment company. For example, Rule 3a-5

exempts finance subsidiaries; and Rule 3a-6 exempts certain foreign banks and insurance companies.

- Section 3 (c) contains fourteen exclusions from the definition of investment company, including: (1) any issuer whose outstanding securities (other than short-term paper) are beneficially owned by not more than one hundred persons and which has not made and does not intend to make a public offering; (2) any issuer whose outstanding securities are owned exclusively by gratified purchasers and which has not made and does not intend to make a public offering; (3) underwriters, broker-dealers and market intermediaries who are regularly engaged in the business of entering into transactions on both sides of the market for financial contracts with respect to securities, commodities, currencies, or interest rates; (4) banks, insurance companies, and savings and loan associations; (5) bank common trust funds; (6) companies organized and operated exclusively for religious, educational, benevolent, fraternal, charitable, or reformatory purposes, no part of the net earnings of which inures to the benefit of any individual; (7) employees' stock bonus, pension, or profit-sharing trusts meeting the requirements under section 401 of the Internal Revenue Code; and (8) issuers that do not issue redeemable securities and which are primarily engaged in one or more of the following businesses: (a) purchasing notes or receivables representing the sales price of merchandise or services, (b) making loans to manufacturers and retailers of, and to prospective purchasers of, specified merchandise or services, and (c) purchasing mortgages and other liens on or interests in real estate.
- Section 7 (a) and (b) of the ICA exempt from registration transactions of an investment company that are merely incidental to its dissolution.
- Additionally, Section 6 (c) of the ICA gives the Commission the authority to exempt an entity from all provisions of the ICA based on a finding that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes underlying the ICA.

SIB

The Act provides that certain arrangements otherwise within the definition will not constitute collective investment schemes. Excluded, are certain **common management schemes** such as mass-produced (as opposed to individualized) personal equity plans which are managed together as if they were a single plan. In addition, the Act excludes miscellaneous other arrangements. They include:

- a. Arrangements operated 'otherwise than by way of business' such as investment clubs that do not carry on a business.
- b. Employee share schemes - their exclusion is designed to ensure that employers are not discouraged from establishing or continuing to operate such schemes.
- c. Timeshares, but only those whose 'predominant purpose' is enjoyment rather than profit. (Timeshares marketed as investment opportunities are not excluded.)
- d. Contracts of insurance.
- e. Business Expansion Scheme funds. Their exclusion is designed to encourage investment in new ventures. (Business Expansion Schemes have now been replaced by Enterprise Investment Schemes.)

The Act also excludes corporate bodies, other than open-ended investment companies, from the definition of a collective investment scheme.

COB

There is no exemption or exclusion for the general CIS principles set up by the European Directive for CIS. CIS coordinated according to the European directive may trade derivatives provided that global commitment on derivatives does not exceed 100% of its net asset value. The use of OTC markets is forbidden, except the swaps market. The use of swaps imply a high rated counterpart. A recent decree enlarges the types of companies entitled to be counterpart to a swap with a CIS to the all financial institutions established in a state member of the Organization for

Economic Cooperation and Development (OECD). The swap contract must include the right of revocability for the CIS. Currency derivative can only be used for hedging purpose. Nevertheless, there are specific CIS which are futures funds, venture capital funds, with different investment rules (generally, more flexible, because they do not fall into the scope of the European Directive). The exemption of Art. 13.1 of the CIS Decree no. 89-623 allowing monetary collective investment schemes to be invested in monetary instruments rated for 25% of their asset by issuer, has been deleted.

MOE

There is no exemption or exclusion.

ASC

The CL at Section 66 and Regulation 7.1204 excludes certain issues of, offers of and invitations to subscribe for securities.

Regulation 7.12.04 provides for exempt rights or interests in relation to the definition of prescribed interests. Exempt rights or interests include rights or interests in:

- 2.a retirement village schemes;
- 2.b joint venture agreements where, inter alia, there will be no more than 15 parties or the ordinary business of the promoter does not include the promotion of such schemes;
- 2.c in a trust, or proposed trust where, inter alia, there will be no more than 15 beneficiaries or the ordinary business of the promoter does not include the promotion of similar schemes; and
- 2.d regulated superannuation funds, approved deposit trusts or pooled superannuation trusts as defined in the superannuation legislation.

Section 66 of the CL sets out those issues offers and invitations which are excluded from the statutory definition. This section excludes, inter alia, issues, offers and invitations where the minimum subscription or consideration is \$500 000, or offers or

invitations to enter into underwriting agreements. The ASC has the power to exempt schemes from regulation or to modify the effect of certain provisions.

OSC

The SA sets out certain exemptions from the prospectus requirement. For example, the prospectus requirement does not apply to a distribution where the purchaser purchases as principal, if the trade is in a security which has an aggregate acquisition cost to such purchaser of not less than CDN \$150 000. The prospectus requirement also does not apply if: the trade is made by an issuer in its own securities; solicitations are made to not more than 50 prospective purchasers resulting in sales to not more than 25 purchasers; each purchaser has access to substantially the same information concerning the issuer that a prospectus filed under the SA would provide; the purchaser is, by virtue of net worth or investment experience, able to evaluate the prospective investment or is a director or senior officer of the issuer; and certain other requirements are met.

When the above exemptions are utilized, normally an offering memorandum is used to describe the business and affairs of the issuer to assist the investor in making his or her investment decision. Offering memoranda are filed with, but are not reviewed by, the OSC.

SEC

A pooled investment vehicle which is offered through private placement channels would not be subject to the Protection of Investors Ordinance (and hence the product does not require SFC authorization). In addition, assurance policies and products which have no direct investment element in them will not fall under the ambit of the Protection of Investors Ordinance. As a matter of practice, the SFC will also accept that where there is only minimal investment element in assurance policies and products (i.e. where premiums are predominantly applied to the assurance element), they are not caught by the provisions of the Protection of Investors Ordinance.

SVS

Not applicable.

ESA

NZSC

The Securities Act will apply in full from October 1st, 1997. The Securities Act does not apply to an offer of securities to:

- (i) relatives or close business associates of the issuer;
- (ii) persons whose principal business is the investment of money or who, in the course of and for the purpose of their business, habitually invest money;
- (iii) any other person who in all the circumstances can properly be regarded as having been selected otherwise than as a member of the public.

The Securities Act gives the Commission the power to exempt, in its discretion and upon such terms and conditions as it thinks fit, any person or class of persons from compliance with the requirements of the Act and any regulations made under the Act. There are no such exemptions in force.

An offer of securities will be exempted from compliance with the requirements of the Securities Act if it is made to persons other than members of the public. The Securities Act does not state who are the public. However, section 3 (2) of the Act deems certain offers of securities not to be offers to members of the public, for example offers to close business associates of the issuer and persons whose principal business is the investment of money.

CNMV

There are no exceptions or exclusions from these requirements.

CNV

There are no exemptions or exclusions from such requirements. They must only be created according with Mutual Fund Law.

BAWe

Exemptions are given: The fund rules of a "special fund" will not be approved by the Banking Supervisory Office. A "special fund" is defined by the "law" (Section 1 Sub-Section 2) as follows: Special funds are collective investment schemes whose units, pursuant to a written agreement with the management company, may at no time be held by more than ten unit-holders, who are not natural persons.

Closed-end funds are not subject to the "Law".

SC

See IV.A.1.

ESB

NOTE: Pooled investment schemes or managed funds are not currently allowed to be structured from derivative products in South Africa. Pooled investment schemes are currently only permitted if they are registered collective investment schemes in terms of the Participative Bonds Act or the Unit Trusts Control Act.

Not applicable.

B. Financial Intermediaries

1. Describe the factual bases for determining that the following persons are subject to regulation in your jurisdiction

(a) Operator of the Pooled Vehicle

CFTC

Section 1a (4) of the CEA defines a commodity pool operator (CPO) as:

any person engaged in a business which is of the nature of an investment trust, syndicate, or similar form of enterprise, and who, in connection therewith, solicits, accepts, or receives from others, funds, securities, or property, either

directly or through capital contributions, the sale of stock or

other forms of securities, or otherwise, for the purpose of trading in any commodity for future delivery on or subject to the rules of any contract market

If the commodity pool is organized as a general or limited partnership, each general partner who manages the pool will be deemed to be a CPO. That is, each general partner who exercises direction, supervision, or control over the pool's funds or property will be required to register as a CPO.

Section 4m (1) of the CEA provides that it is unlawful for any CPO to make use of the mails or any means or instrumentality of interstate commerce in connection with his business unless he is registered as a CPO with the CFTC.

SEC

While there is no "operator of the pooled vehicle" under the Investment Company Act of 1940 (the "ICA"), the fund's investment adviser is frequently referred to as the "fund manager." We have modified the headings in this Section to conform better to our investment management system by combining "operator of the pooled vehicle" and "trading adviser" into the single heading "investment adviser (manager)". We have also eliminated the heading "intermediaries who offer or sell the advisor's services" since there is no such entity in our system. Rather, the adviser's services are offered through the sale of fund shares to investors.

SIB

The Act provides that no person shall carry on, or purport to carry on, investment business in the UK unless he is authorised or exempted from authorisation.

Pursuant to the Act, a person carries on investment business in the UK if he carries on investment business from a permanent place of business maintained by him in the UK or if he engages in an activity in the UK (such as offering for sale or selling units or shares in a pooled investment vehicle) which is identified in Part II of Schedule I to the Act and is not excluded by Parts III or IV and where, in respect of that activity, he is not an exempted person.

A person is "carrying on investment business in the United Kingdom" if, inter alia, he carries on from a permanent place of business maintained by him in the United Kingdom the business of engaging in:

- dealing in investments, either as principal or as an agent;
- making arrangements with a view either to another person buying or selling a particular investment, or to a person participating in the arrangements buying or selling investments;
- managing the assets of another person where these include or may include investments;
- advising persons in their capacity as investors or potential investors on the merits of their buying or selling an investment or exercising rights conferred by an investment to acquire, dispose of, or convert an investment;
- establishing, operating or winding up a collective investment scheme, including acting as trustee of an authorised unit trust scheme.

'Investments' under the Act are such things as shares and debentures, Government and public securities, options and futures, units in unit trust schemes, and long-term insurance contracts.

COB

MOE

As mentioned in IV.A.1. above, any person desiring to engage in an investment trust management must establish a stock corporation in Japan.

Any company who is so established must get a license from the Minister of Finance in order to perform investment trust management business in Japan.

ASC

Under the CL there is no "operator of the pooled vehicle". The CL refers to a "management company" and it is the management company that promotes the pooled investment vehicle and is responsible for its ongoing management.

Intermediaries who sell the pooled vehicle would be required to hold a dealers licence or investment advisers licence depending on the nature of their business or activity (a securities business or an investment advice business respectively), or must hold a proper authority from a dealer or investment adviser if the person is a representative of a dealer or an investment adviser. For the purposes of this paper, a "trading advisor" is taken to mean a trading advisor to the management company or a dealer. There are no "intermediaries who offer to or sell the advisor's services" under the CL although there is a "securities representative". A securities representative is a person who is employed by, or acts for a dealer or investment adviser and that person will need to hold a proper authority from the dealer or investment adviser.

A promoter of a pooled investment vehicle would generally be considered to be conducting a securities business. Under the CL any person who carries on a securities business or holds out that it carries on a securities business in Australia, will need to hold a dealers licence (unless the person is an exempt dealer) and will otherwise be regulated under the licensing provisions of the CL. A foreign company which carries on a business in Australia is also required to be registered in Australia, although it need not be incorporated in Australia. A condition of registration is the appointment of a local agent who is responsible for ensuring that the foreign company meets the obligations imposed on it by the CL.

A securities business is defined as a business of dealing in securities. "Deal" in relation to securities means, whether as principal or agent:

- (a) acquire, dispose of, subscribe for or underwrite securities;
- (b) make or offer to make or induce or attempt to induce a person to make or to offer to make, an agreement:

- (i) for or with respect to acquiring, disposing of subscribing for or underwriting the securities; or
- (ii) the purpose of which is to secure a profit or gain to a person who acquires, disposes of, subscribes for or underwrites the securities or to any of the parties to the agreement in relation to the securities.

In July 1994 the ASC approved a major review of the licensing provisions of the CL. As a result of this review, a report was issued in November 1995 which recommended 60 significant changes regarding the way the ASC regulates licensees and proposed law reform. These changes, which will be implemented in the next 18 months, have been referred to where relevant under the individual headings in this paper.

OSC

There is no requirement in Ontario for the operator of the pool, here referred to as the program manager, to be registered.

SEC

The type of registration required of the management company of a vehicle authorized by the SFC depends on the functions performed in Hong Kong. A management company that is incorporated in Hong Kong should normally be registered with the SFC as an investment advisor under the Securities Ordinance. However, should it undertake the distribution function in Hong Kong or otherwise deal in securities, it must also be registered as a dealer or exempt dealer under the Securities Ordinance.

In relation to the operator of an unauthorized vehicle, a person cannot carry on a business in Hong Kong of dealing in securities, or hold himself out as carrying on such a business, unless he is registered as a dealer under the Securities Ordinance. And a person who carries on a business of trading in commodity futures contracts or holds himself out as carrying on such a business must be registered as a commodity dealer under the Commodities Trading Ordinance.

SVS

See IV.A.1 above.

ESA

The fund company shall have its main office in Sweden. The fund business must not be carried out by a fund company without the license by the FSA. The conditions of such a license are specified in the Act:

- 1 the company has to be registered;
- 2 the fund statutes must have been accepted for the fund(s) that the company will manage;
- 3 the company must be proper to do fund business.

NZSC

This statement does not relate to New Zealand. It would appear to be a statement in relation to Australia.

CNMV

As mentioned in point I.B.1 (a), Spanish law requires registration for every firm providing or trying to provide investment services in Spain, or outside, provided in this latter case that its activities are directed to persons located in Spain. Those investment services include, but are not limited to, receiving orders from investors relating to securities transactions, or managing stock portfolios for third parties.

CNV

The Commission's rules apply to the following persons:

- * Management company - similar to the Operator of the pooled vehicle.
- * Depository company
- * Brokers - similar to the intermediaries who sell the pooled vehicle.

BAWe

Capital investment companies are the operators of the pooled investment vehicles. Investment management companies are undertakings, the scope of which is the investment of capital raised from the public in assets permitted under the law in the form of

money market securities participation and real estate investment finds. The management companies make these investments in their own name for the joint account of the investors, separate from their own assets, pursuant to the principle of risk-spreading and issue units expressing the rights of the investors resulting from such investments.

SC

See IV.A.1.

ESB

Not applicable.

(b) Intermediaries who Sell the Pooled Vehicle

CFTC

Section 4k (2) of the CEA requires any person associated with a CPO as a partner, officer, employee, consultant or agent who solicits funds for a participation in a commodity pool or supervises any person so engaged to be registered with the CFTC as an AP. However, any person registered as an FB, FCM, IB, CPO, or as an AP of another CFTC registrant need not also register under this subsection of the CEA.

SEC

Investment company shares are customarily distributed by a "principal underwriter" who also may act as the fund's adviser or who is affiliated with the adviser. Principal underwriters are regulated as broker-dealers under the Securities Exchange Act of 1934 ("Exchange Act"). Principal underwriters of broker-sold funds engage in wholesale transactions and enter into sales arrangements with affiliated or independent retail broker-dealers who sell fund shares to their clients. Principal underwriters of other funds market fund shares directly to investors.

See also II.B.1 (a) above.

SIB

See IV.B.1 (a) above.

COB

Any person who engages in sales or repurchase units of CIS must either be established, or have a branch office in France. Only banks, stockbrokers, securities houses and insurance companies may sell CIS. All are supervised by a regulatory authority; they must comply with capital based qualification and good standing requirements and must have adequate human and technical resources.

MOE

Any person who engages in sales and repurchases of beneficiary certificates of investment trusts with Japanese investors must either be established or have a branch office in Japan. Any person who is so established or has a branch office must get a license from the Minister of Finance in order to perform securities business in Japan.

ASC

See IV.B.1. (a) above.

OSC

The SA provides that no person or company shall trade in a security unless such person or company is registered as a dealer or is registered as a salesperson or as a partner or as an officer of a registered dealer and is acting on behalf of the dealer. Similarly, the CFA imposes identical registration requirements with respect to any person or company trading in a commodity futures contract or commodity futures option. OSC Policy 11.4 (the "Policy" deals specifically with a "Program" (an entity formed, whether a corporation or a limited partnership, and operated for the purpose of investing in commodity futures contracts, commodity futures and related products). The definition of dealer under the Policy is someone registered under both the SA and the CFA. Exemptions from this requirement for dual registration are considered by the OSC on an ad hoc basis depending on the circumstances.

SEC

See answer to IV.B.1 (a) above in regards to dealers and IV.B.1. (c) below in regards to advisors.

SVS

See IV.A.1 above.

ESA

Intermediaries who sell the pooled vehicle except for the management company are subject to the rules described in I.B.1 above.

NZSC

Assuming interests in the pooled vehicle are "securities", intermediaries who promote the pooled vehicle on behalf of the issuer will also be subject to the requirements of the Act and the Securities Regulations 1983.

CNMV

See IV.B.1 (a) above.

CNV

See IV.B.1. (a) above.

BAWe

Financial intermediaries who sell the units of the collective investment schemes are banks, insurance companies, the management company itself via the depository bank, and other sales representatives.

SC

Under the FIA, all individuals who act on behalf of a futures fund manager are required to be licensed as futures fund manager's representatives.

See also IV.A.1.

ESB

Not applicable.

(c) Trading Advisors

CFTC

A commodity trading advisor (CTA) is defined in Section 1a (5) of the CEA as "any person who for compensation or profit, engages in the business of advising others, either directly or through publications, writings, or electronic media, as to the value of or the advisability of trading in any contract of sale for future delivery made on or subject to the rules of a contract market, any commodity option authorized under Section 4c, or any leverage transaction authorized under Section 19, or who, for compensation or profit, and as part of a regular business, issues or promulgates analyses or reports concerning any of the [foregoing]".

Section 4m (1) of the CEA provides that it is unlawful for any CTA to make use of the mails or any means or instrumentality of interstate commerce in connection with his business unless registered as a CTA with the CFTC.

The CFTC staff has generally stated that persons who act in the capacity of a CTA from an offshore location who advise customers who are located outside the U.S. need not register as a CTA.

SEC

A person or firm meeting the definition of "investment adviser" under Section 202 (a) (11) of the Investment Advisers Act of 1940 (the "IAA") must register with the Commission, unless excluded from the definition or exempt from registration. Subject to the specific exclusions discussed below, Section 202 (a) (11) of the IAA generally defines an "investment adviser" as any person or firm that satisfies all of the following elements: (1) for compensation; (2) engages in the business of; (3) providing advice, making recommendations, issuing reports, or furnishing analyses on securities, either directly or through publications. An employee of

a registered investment adviser does not need to register separately, so long as all of the employee's investment advisory activities are conducted within the scope of his or her employment. See also IV.B.2 below.

SIB

See IV.B.1 (a) above.

COB

No person may carry on investment business of CIS unless he is authorised by the regulatory authority. He must be settled in France. Prior to the COB's approval, the investment adviser must file a detailed document which explains the organization and means. See II.A.1 (a) above.

MOE

Whether resident or nonresident, any person who wishes to engage in the business of providing investment advice in Japan shall register with the Minister of Finance. (Hereinafter, the registered person is called "an investment advisor".)

Any investment advisor who wishes to provide a discretionary investment management service shall obtain a license from the Minister of Finance. No person other than a stock corporation (in the case of a corporation incorporated under the law of a foreign country, such corporation which is equivalent to the joint stock company and has a place of business in Japan) shall be eligible for the license. (Hereinafter, the licensed company is called "a discretionary investment management company".)

ASC

See IV.B.1. (a) above.

OSC

The CFA provides that no person or company shall act as an adviser unless such person or company is registered as an adviser, or is registered as a partner or as an officer of a registered adviser and is acting on behalf of such adviser, and such registration has

been made in accordance with the CFA and the regulations. Under the CFA, an adviser is a person or company engaging in or holding himself, herself or itself as engaging in the business of advising others as to trading in contracts (commodity futures contracts and commodity futures options).

SEC

A person who in Hong Kong acts as an investment advisor or an investment representative (or holds himself out to be an investment advisor) in relation to securities must be registered as an investment advisor or an investment representative with the SFC. A person who carries on a business of advising any other person concerning the purchase or sale of futures contracts by any means of remuneration must be registered with the SFC as a commodity trading advisor or a commodity trading advisor's representative. These are collectively referred to as advisors below.

SVS

See IV.A.1 above.

ESA

Not applicable.

NZSC

From October 1st, 1997 all person who give investment advice to the public in New Zealand shall be subject to the Investment Advisers (Disclosure) Act 1996.

“Investment advisor” is defined to mean a person who, in the course of the person’s business or employment, gives investment advice.

CNMV

See IV.B.1 (a) above.

CNV

See IV.B.1 (a) above.

BAWe

All schemes are managed directly by the investment management company. There are not separate administrative and management functions. The manager of the investment company may delegate certain advisory matters to an external adviser but this must be done by contract and set out in the fund's prospectus. The management company has to take responsibility for the actions or omissions, as though they were its own, of any person to whom it delegates any part of the provision of services to an investment fund.

SC

There is a legal framework in place under the FIA. However, there are no futures trading adviser or futures trading advising activities as yet, other than those activities carried out by the futures broker being a holder of futures broker's licence and permitted under the FIA to carry such activities, as the Commission is in the process of addressing and finalising some policy issues.

A person must not carry on a futures advice business or hold himself out as a futures trading adviser unless that person holds a futures broker's licence, futures fund manager's licence or a futures trading adviser's licence. Futures advice business is defined under the FIA as the business of advising another person about trading in futures contracts or a business in the course of which the person publishes futures reports.

ESB

Not applicable.

(d) Intermediaries who Offer or Sell the Advisor's Services

CFTC

Section 4k (3) of the CEA requires any person associated with a CTA as a partner, officer, employee, consultant or agent who solicits client's or prospective client's discretionary account or supervises any person so engaged to register with the CFTC as an AP. However, any person registered as a FB, FCM, IB, CTA, or as an AP of another CFTC registrant need not also register under this

subsection of the CEA.

Thus, any individual who introduces customers to a CTA will be required to register with the CFTC in the appropriate capacity, i.e., a CTA, an IB, an FCM or an AP of a CTA, IB or FCM.

SEC

SIB

See IV.B.1 (a) above.

COB

MOE

In Japan, there are no intermediaries who offer or sell the investment advisory or discretionary investment management service.

ASC

See IV.B.1 (a) above.

QSC

See IV.B.1 (c) above.

SEC

Intermediaries who offer or sell an advisor's services are also categorized as commodity trading advisors or investment advisors; therefore, they are also subject to regulation as mentioned in IV.B.1. (c) above.

SVS

See IV.A.1 above.

ESA

Not applicable.

NZSC

See IV.B.1 (c) above.

CNMV

See IV.B.1 (a) above.

CNV

See IV.B.1 (a) above.

BAWe

SC

Futures trading advisors can be companies or individuals. If it is a company, the person who directly deals with clients is a futures trading adviser's representative. The licensing regime in the FIA requires all individuals who act on behalf of a futures trading adviser to be licensed as futures trading adviser's representatives. Futures trading advisers are not subject to the same stringent requirements as futures brokers because they do not handle clients' money or funds. Due to the nature of the business carried out by a futures trading adviser, the emphasis of the criteria applicable for licensing purposes is on the knowledge and the professional and educational qualifications of applicants. Above all, they are expected to conduct their activities in a professional manner and to act in the interests of their clients at all times.

ESB

Not applicable.

2. **Describe any exemptions or exclusions from such requirements (e.g., nature of the pooled vehicle offered, services provided, type of customer, etc.)**

CFTC

CPO

CFTC Rule 4.13 exempts a person from registration as a CPO if that

person:

- (1) does not receive any compensation or other payment, directly or indirectly, for operating the pool, except reimbursement for the ordinary administrative expenses of operating the pool;
- (2) operates only one pool at any time;
- (3) is not otherwise required to register with the CFTC and is not a business affiliate of any person required to register with the CFTC; and
- (4) neither the person nor any other person involved with the pool does any advertising in connection with the pool (for purposes of this section, including systematic solicitation of prospective participants by telephone or seminar presentation); or

the total gross capital contributions it receives for units of participation in all pools that it operates or that it intends to operate do not in the aggregate exceed \$200 000; and none of the pools operated by it has more than 15 participants at any time.

CFTC Rule 4.5 provides that subject to compliance with the provisions of that rule, certain "otherwise regulated persons" (i.e., an investment company registered under the Investment Company Act of 1940; an insurance company subject to regulation by any State; a bank, trust company or other financial depository institution subject to regulation by any State or the United States; and a trustee or named fiduciary of a pension plan that is subject to Title I of the Employee Retirement Income Security Act of 1974) are excluded from the definition of a CPO with respect to the operation of certain specified "qualifying entities".

In general, persons who from an offshore location act in the capacity of a CPO (or CTA) of a foreign pool which trades in contracts traded on a designated U.S. contract market have not been required to register as such with the CFTC. Such CFTC staff determination generally has been premised on the following factors:

- the pool operator is located outside the territorial United states;
- the pool operator confines its pool activities to areas outside the territorial United States;

- none of the participants in the pool is a resident or citizen of the United States; and
- no funds or other capital are contributed to the pool from United States sources.

CFTC staff also provides case-by-case relief from the registration, disclosure and record-keeping requirements of its CPO regulations where appropriate (for example, with respect to a registered CPO of a foreign pool having no U.S. participants).

AP

CFTC Rule 3.12 (g) authorizes the CFTC to grant exemptions from the AP registration requirement on a case-by-case basis.

CFTC Rule 3.12 (h) provides, among other things, that a person soliciting funds for participation in a commodity pool is not required to register as an AP of a CPO if that person is registered with the National Association of Securities Dealers as a registered representative or principal and does not engage in any other activity subject to regulation by the CFTC. The NASD requires such a person to register as an AP in order to receive trailing commissions.

CTA

With respect to CTAs, Section 4m (1) of the CEA does not require the registration of any CTA who has not furnished commodity trading advice to more than 15 persons in the past twelve months and who does not hold himself out to the public as a CTA. Conduct by which a person 'holds himself or herself out' as a CTA includes promoting advisory services through mailings, directory listings, and stationery, or otherwise initiating contacts with prospective clients. See CFTC Interpretative Letter No. 95-36, [1994-1996 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 26,377 (November 23, 1994).

Section 4m (1) also does not apply to a CTA who is a dealer, processor, broker, or seller in the cash market transactions of any commodity specifically enumerated in Section 2 (a) of the CEA prior to the CFTC Act of 1974, or to any nonprofit, voluntary membership farm organization, provided that the advice given is

solely incidental to the conduct of the person's business.

For purposes of Section 4m (1), in counting the 15 persons the CFTC looks through to the underlying participant in a collective investment vehicle. Since Section 4m (1) does not differentiate between United States and non-United States clients, one must count both U.S. and non- U.S. clients in determining whether one complies with the 15 person criterion. See CFTC Interpretative Letter No. 91-9 [1990-92 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 25,189 (December 27, 1991).

CFTC Rule 4.14 exempts other persons from registration as a CTA, including, among others, registered IBs or APs whose commodity trading advice is issued solely in connection with its business as an IB or employment as an AP; registered CPOs whose trading advice is directed solely to the pools for which it is registered; and, subject to certain conditions, certain SEC registered investment advisers whose advice is directed to certain pools (or excluded pools) under Rule 4.5 and whose advice is solely incidental to its securities advice.

Section 1a (5) (B) of the CEA excludes from the definition of CTA: (1) banks; (2) trust companies; (3) newspaper reporters, columnists, or editors; (4) lawyers; (5) accountants; (6) teachers; (7) publishers of bona fide newspapers and news magazines, and their employees; (8) publishers of business or financial publications of general and regular circulation, and their employees; (9) contracts markets; (10) floor brokers or FCMs; and (11) fiduciaries or trustees of any defined benefit plan, provided that the furnishing of such services is solely incidental to the conduct of their business or profession.

Subject to certain restrictions, CFTC Rule 4.6 excludes certain otherwise regulated persons from the definition of a CTA. This exclusion applies to a state regulated insurance company, and a person excluded from the definition of a CPO under Rule 4.5

CFTC staff also provides case-by-case interpretative and no action relief from the CTA registration requirements.

SEC

Section 202 (a) (11) (A)-(E) of the IAA excludes certain persons or firms from the definition of an investment adviser. These persons or firms need not register under, and generally are not regulated

by, the IAA. Some of the exclusions in the context of fund management are for:

- Domestic banks (defined in Section 202 (a) (2) of the IAA) and bank holding companies (defined in the Bank Holding Company Act of 1956). Savings and loan institutions and foreign banks do not fall within this exclusion.
- Brokers and dealers, if their performance of advisory services is solely incidental to the conduct of their business as brokers and dealers, and they do not receive any special compensation for their advisory services.

Publishers of any bona fide newspaper, news magazine or business or financial publication of general and regular circulation (including electronic publications).

- Persons and firms whose advice, analyses, or reports are related only to securities that are direct obligations of, or obligations guaranteed by, the United States, or by certain U.S. government-sponsored corporations designated by the Secretary of the Treasury (e.g., FNMA, GNMA).

In addition to these exclusions, the IAA gives the Commission the authority to exclude, by order, other persons and firms not within the intent of the definition of investment adviser.

A person or firm meeting the definition of investment adviser in Section 202 (a) (11) does not need to register with the SEC if the person or firm qualifies for an exemption set forth in Section 203 (b) or 203A of the IAA. (Investment advisers exempt from registration under Section 203 (b) and 203A are, however, still subject to the anti-fraud provisions of Section 206 of the IAA.) There are four relevant exemptions. Section 203 (b) (1) of the IAA exempts any adviser: (1) all of whose clients are within the same state as the adviser's principal business office, and (2) that does not provide advice or issue reports about securities listed on any national securities exchange. Section 203 (b) (2) of the IAA exempts investment advisers whose only clients are insurance companies. Section 203 (b) (3) exempts any adviser that: (1) during the previous twelve months has had fewer than fifteen clients; (2) does not hold itself out generally to the public as an investment adviser; and (3) does not act as an investment adviser to a registered

investment company or business development company. Section 203A prohibits from registration with the SEC any adviser registered or required to be registered by the State in which it maintains its principal office, and that: (1) has assets under management of less than \$25 million; and (2) is not an adviser to an investment company.

SIB

See IV.B.1. (a) above.

COB

In certain cases, French legislation allows management companies to be settled in a foreign country provided that a proper delegation contract is in place, that proper information pertaining to fitness and properness of managers is provided and the foreign management company commits itself to pay for external audit at the request of the COB.

The management company of a CIS may not be a natural person. An incorporated company which delegates the management to another company remains responsible and must be properly staffed to control the company which effectively manages the assets.

MOE

An investment trust management company can engage in a public offering of beneficiary certificates of investment trusts which it has issued.

ASC

Exemptions from the fundraising provisions of the CL are referred at IV.A.2 above. A person who deals in interests in a pooled vehicle (called a prescribe interest scheme in Australia) which is not required to have a deed because it is an exempt offer is not required to be licensed. This, in effect, exempts that person from the licensing provisions of the CL, other than the conduct of business provisions. The ASC does not currently have an exemption and modification power in relation to the licensing provisions of the CL but as a result of the Licensing Review the ASC will seek law reform to obtain such a power.

QSC

The SA sets out certain exemptions from the requirement to be registered as a dealer. The exemptions are similar to the exemptions available from the prospectus requirements. See IV.A.2. above.

There are exemptions from the requirements of the CFA to be registered as a dealer with respect to specific trades. It is unlikely, however, that any of these would be appropriate with respect to the activities of a managed fund. Exemptions from the requirement of the Policy that dealers and their sales personnel be dually registered under the SA and the CFA have been granted on an ad hoc basis based on the specific circumstances of the Program in question.

The CFA provides for certain exemptions from the requirement to register as an adviser for: banks, certain professionals; registered dealers under the CFA; advisers registered under the SA; and publishers and writers of newspapers, where the performance of the service as an adviser is solely incidental to their principal business or occupation.

SEC

There are certain exemptions from registration as a dealer, for underwriters acting as principal, dealing with professional investors, and dealing as principal in futures contracts through a registered dealer.

The registration requirements for advisors generally do not apply to a registered securities or commodity dealer or the proprietor of or publisher of, or contributor to, a publication that is generally available to the public from time to time otherwise than on subscription.

SVS

There is an exception, placement of foreign investment shares (foreign close-end-fund).

FSA

NZSC

See IV.A.2. above.

CNMV

There are no exceptions or exclusions from these requirements.

CNV

There are no exemptions.

BAWe

The sales representatives will come under regulation in the future.

SC

See IV.A.1 and IV.B.1 (c) / (d).

ESB

Not applicable.

C. Common Regulatory Concerns: Describe Relevant Rules Addressing the Following:

1. Financial Safety

(a) Capital-Based Qualification, Authorization or Good-Standing Requirements for:

(i) Operator of the Pooled Vehicle

CFTC

There are no capital requirements for CPOs. However, an FCM which carries the account of the CPO is subject to capital requirements. See II.A.1 (d) above.

SEC

Under Section 14 (a) of the ICA, no registered investment company, and no principal underwriter for such a company, may

make a public offering of securities issued by the company unless the company has a net worth of at least \$100 000, or the company has previously made a public offering and at the time of the offering had a net worth of at least \$100 000. This requirement does not apply to registered investment companies that only offer their securities privately. Investment companies are required to register with the SEC unless exempt or excluded (see discussion above). Registration with the SEC does not imply SEC approval of the company; rather the SEC staff generally reviews registration statements to ensure that the disclosure is complete and not misleading. The SEC does not issue good-standing certificates.

SIB / IMRO

In respect of the pooled vehicle, to obtain an order declaring a scheme to be authorised a number of conditions must be satisfied.

It must comply with the requirements of the regulations, made under section 81 of the Act, relating to the constitution and management of schemes. In addition, the name of the scheme must not be 'undesirable or misleading', and its purposes must be 'reasonably capable of being successfully carried into effect'. SIB is therefore required to vet the scheme. Once a scheme has been authorised it cannot be altered without SIB's approval.

A further set of conditions applies to the manager and trustee (custodian) of the scheme who, the Act stipulates, must not only be 'different persons' but also 'independent of each other'. It is in the first instance the responsibility of the trustee to ensure that the manager acts in accordance with the regulations as well as the trust deed. As well as being independent of each other, the manager and trustee must each be incorporated, either in the UK or another Member State of the European Community.

All IMRO members are required to ensure that, at all times, their financial resources are not less than IMRO's Financial Resource Requirement so that their financial resources are adequate to meet their investment business commitments and to withstand the risks to which the business is subject.

Under IMRO's rules, a trading advisor, or an operator of a pooled vehicle are expected to maintain an absolute minimum requirement of £ 5 000 and an expenditure based requirement of

6/52 of annual audited expenditure, or a higher amount imposed at IMRO's discretion by written notice to the member. If however, the member holds customers' assets, or procures the appointment as custodian of an associate of the member that is not an Approved Bank, the fraction is 13/52. The gross capital requirement for trustees of authorised unit trust schemes is £ 4 000 000.

COB

The initial capital of an investment company must be at least FRF 50 millions.

- * Eligibility for management companies rely on capital requirement of FRF 500 000 or to 0.5% of total assets under management up to FRF 5 millions.
- * Custodian: all entities entitled to be CIS custodian are subject to capital adequacy conditions.

In both cases, the COB ensure that adequate means are in place and checks that the code of business rules is implemented. A COB instruction requires that prior to each CIS approval, a detailed document be filed with the COB. This document which explains the organization of the management company, helps the regulator to determine whether the management company and the custodian offer sufficient means to efficiently manage and keep safe assets. The COB appreciates the experience, fitness and properness of managers and responsibilities of the custodian activity.

The French authorities implemented a new regulation regarding asset management companies enhancing the scope of their activities. Before, only CIS management firm as defined in Art. 12 of the Law of December 23, 1988 were entitled to manage CIS. Their object was limited to these sole activities. The COB implemented a new regulation (no. 96-03) that allows the individual portfolio management firms acting on behalf of a third party as defined by the Law of August 2nd, 1989, to directly managed CIS as well as other assets on behalf of a third party, excluding management for their own account. Enlarging the scope of their activities, the regulator enhanced the requirements that these companies have to comply with. Concerning the capital based qualification: Art. 6 of the COB Regulation no. 93-03 provides that:

« At the time of authorization of an investment management firm and during the course of its first financial year, its initial capital must be equal to or superior to the following amounts: FRF 350 000 or one quarter of its fixed overheads figure projected in its program of operation. The minimum capital of an investment management firm must be entirely issued in cash.

In the following years, the investment management firm must be able to justify at any given moment that the level of its own funds are at least equal to the greater of the two following amounts: FRF 350 000 or one quarter of its preceding year's fixed overheads.

The quantification of its overheads and of its own funds for the purpose of the present regulation is specified in a guideline of the COB.»

The capital requirements concerning the CIS management firms in accordance with Art. 12 of the Law of December 23, 1988 are maintained.

MOE

Giving direction for investment management of the trust properties is the responsibility of the investment trust management company.

The Guidelines of Licensing for investment trust management companies are provided in Article 7 of the Securities Investment Trust Law.

Examples:

The minimum level of capital for a management company
----- Yen 50 million

The minimum level of net assets for a management company
----- Above the minimum level of capital

ASC

The ASC must grant a dealers licence if:

- the applicant is not insolvent, or under external administration;
- is satisfied that the person has adequate educational qualifications and experience (if the applicant is a natural person), or a responsible person meets these requirements (if the applicant is a body corporate);
- has no reason to believe the applicant (or the responsible person) is not of good fame and character; and
- has no reason to believe that the person (or the responsible officer) will not perform their duties efficiently, honestly and fairly.

An applicant wishing to carry on a securities business as principal is required to maintain surplus liquid funds of the greater of \$50 000 or 5% of adjusted liabilities; if acting as agent, the applicant must maintain net tangible assets of the greater of \$25 000 or an amount equal to 5% of adjusted liabilities. In addition, the applicant must lodge with the ASC a security deposit of \$20 000 in the form of a performance bond issued by an Australian bank, a registered insurance company or a state government insurance office.

In order to ascertain if an applicant has been convicted of serious fraud, the ASC carries out police checks on applicants and responsible officers.

The licensing review has recommended that the requirement to lodge a security deposit be replaced by a requirement that the licensee hold professional indemnity insurance.

There are currently no capital based qualifications or good standing requirements for pooled vehicles. However, all pooled investment vehicles must have in place an approved trust deed which contain covenants prescribed in section 1069 of the CL. Further, promoters are required to lodge with the ASC, a prospectus in relation to the scheme.

QSC

The Policy provides that the financial condition of the Program manager must be commensurate with any financial obligations assumed in the operation of the Program.

SFC

Under the SFC's Code on Unit Trusts and Mutual Funds, the management company for an SFC authorized pools vehicle must have minimum issued and paid-up capital and capital reserves of HK \$1 million (approx. US \$129 000) or its equivalent in foreign currency.

SVS

In Chile both the operations and trading advisory function are performed by investment companies. Investment companies in charge of Mutual Funds (open-end-fund) must maintain a permanent capital of 18 000 UF, (Article 7, Decree Law N° 1.328). Investment companies in charge of Foreign Investment Funds must maintain a permanent capital of 6 000 UF, (Article 12, Law N° 18.675)

Investment companies in charge of Investment Funds (close-end-fund) must maintain a permanent capital of 10.000 UF, (Article 3, Law N° 18.815).

(UF is an inflation indexed unit, by January 1996 1 UF was equivalent to \$30 dollars)

ESA

A management company shall have an equity capital sufficient enough relative to the size of its business. Due to the provisions of the FSA this capital must exceed SKR 1 million that is about \$140 000. There are also special rules for foreign management companies.

NZSC

Not applicable.

CNMV

All collective investment institutions, prior to commencing their activities, must obtain approval of their incorporation project from the Ministry of Economy and Finance (with report from the CNMV), be incorporated as an investment company or as a investment fund, as appropriate, and be registered by the CNMV.

Financial requirements for obtaining and maintaining such approval and to be registered by the CNMV vary according to the specific type of institution: securities investment fund, money market fund or investment corporation. Minimum assets / capital are 0.5, 1.5 and 0.4 billion pta., respectively.

Likewise, management companies and depositaries of collective investment schemes have to acquire the status of such by means of the approval of the CNMV and registration on the respective administrative registers thereof.

Management institutions are required to be incorporated as a company in compliance with legal provisions and to maintain a minimum equity of 50 millions plus an additional amount in proportion to the market value of the administered portfolio (0.5% up to 10 000 millions pta. plus 0.3% for the excess).

Finally, only banks, savings banks, credit cooperatives, brokers and broker-dealers are eligible for being depositaries. They also have to furnish sufficient financial guarantees to be able effectively to pursue their business as depositary.

CNV

Management companies: Must have a minimum net worth of US \$50 000. If the management company manages more than one mutual fund it shall increase its net worth 25% for each additional fund.

BAWe

Investment management companies may be operated only in the legal form of a company with limited liability, a board of supervisors shall be formed. The license to operate may be issued by the Banking Supervisory Authority to the management

company only if the paid-up nominal capital is at least five million Deutsche Marks. The management companies are banks and are subject to the legal provisions applicable to banks, but the articles of incorporation (company agreement) of the management company have to provide that apart from the business required for the investment of its own assets only the investment management and the ancillary activities immediately associated therewith may be transacted.

The general managers of the investment management company - at least two - must be reliable and have to possess the professional competence needed to manage a credit institution; they must be experienced, competent and customer oriented. The managers must provide a curriculum vitae to the Banking Supervisory Office.

If the investment management company is operated in the legal form of a company with limited liability, a board of supervisors shall be formed. Its composition as well as its rights and duties are determined by the Stock Corporation Law.

Adequate internal controls and procedures for monitoring are required.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(ii) Trading Advisors

CFTC

There are no capital requirements for trading advisors. However, an FCM which carries the client's trading account and which holds the client's funds is subject to capital requirements. See II.A.1 (d) above.

SEC

Neither the ICA nor the IAA impose capital requirements on

investment advisers. Advisers who are broker-dealers may be

subject to net capital requirements imposed by the Securities Exchange Act of 1934. Investment advisers must register with the SEC under the IAA unless exempt or excluded (see discussion above). The IAA does not impose educational requirements on advisers, and does not "authorize" advisers, or issue good standing certificates. Registered investment advisers who do not file reports required to be filed are subject to having their registration canceled by the SEC.

SIB

See IV.C.1 (a) (i) above.

COB

MOE

For an investment advisor, there are no capital adequacy requirements. On the other hand, for a discretionary investment management company, there are some capital adequacy requirements. For example, a minimum level of capital for a discretionary investment management company is 100 million Yen.

ASC

See IV.C.1. (a) (i) above. The management company is responsible for ensuring the persons who trade on its behalf are properly licensed.

QSC

Similarly, the Policy provides that the financial condition of the Program adviser must be commensurate with any financial obligations assumed in the operation of the Program. An adviser to a Program must be registered as an adviser under the CFA. As such, an adviser must be a registrant in good standing and must meet the minimum capital requirements.

SEC

Under the SFC's Financial Resource Rules, advisors must have and at all times maintain in the business for which they're registered net tangible assets of not less than zero.

SVS

See IV.C.1 (a) (i) above.

ESA

Not applicable.

NZSC

Not applicable.

CNMV

There are no requirements for trading advisors. It is worth noting, however, that external investment management services can only be provided by brokers, broker-dealers and other registered credit institutions such as banks or savings banks. Subsequently, these activities are subject to the specific regulation applying to those institutions.

CNV

There is no regulation for trading advisors.

BAWe

As mentioned in IV.B.1 (c) above, the sales prospectus must contain the names of advisory firms or external investment advisers who give advice under contract which is paid for out of the assets of the investment fund, material provisions of these contracts which may be relevant to the unit-holders (and do not relate to remuneration) and other significant activities of the advisory firm or the external investment adviser.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(b) Customer Funds Protection

(i) Operator of the Pooled Vehicle

(1) Custodianship of Pool Assets

CFTC

CFTC Rule 4.20 (a) requires a CPO to operate its pool as an entity cognizable as a legal entity separate from that of the pool operator.

CFTC Rule 4.20 (b) requires that all funds, securities, or other property received by a pool operator from an existing or prospective pool participant for the purchase of an interest or an assessment on an interest in a pool that it operates or intends to operate must be received in the pool's name.

CFTC Rule 4.20 (c) prohibits a pool operator from commingling property of any pool that it operates or intends to operate with the property of any other person.

CFTC Rule 4.30 prohibits CTAs from receiving from an existing or prospective client funds, securities, or other property in the trading advisor's name.

SEC

To preserve the assets of investment companies and protect them from abuses, Section 17 (f) of the ICA and Rules 17f-1, 17f-2, 17f-4, 17f-5 and 17f-6 thereunder require investment companies to place their securities and similar investments in the custody of: (1) a bank that has capital of at least \$500 000, and is subject to federal or state regulation; (2) a member of a national securities exchange (i.e., a broker-dealer); (3) a clearing agency that acts as a securities depository, or in the Federal Book-Entry System, provided that certain conditions are met; (4) a foreign bank or foreign securities depository subject to certain conditions; or (5) a futures commission merchant or commodity clearing organization in amounts necessary to effect the investment company's transactions in exchange traded futures contracts and commodity options.

Rule 17f-5 permits a fund to use an "eligible foreign custodian" to hold its foreign securities under certain circumstances. Rule 17f-5

defines an eligible foreign custodian as: (1) a foreign banking

institution or trust company with shareholders' equity in excess of \$200 million; (2) subsidiaries of U.S. banks with shareholders' equity in excess of \$100 million; or (3) a foreign securities depository or clearing agency that operates either the central system for the handling of securities or equivalent book-entries in that country, or operates a transnational system for the central handling of securities or equivalent book-entries.

In 1995, the Commission proposed amendments to Rule 17f-5 that would maintain important protections for the safekeeping of fund assets and provide funds with greater flexibility. In this regard, the proposed amendments would expand the class of foreign banks and depositories that could serve as eligible foreign custodians. Foreign banks would no longer have to meet specific capital requirements and foreign depositories would no longer have to operate the only system for the handling of securities in a country. The proposed amendments would require foreign custodians to be subject to foreign regulation. In addition, in connection with a custodian's selection, the proposed amendments would require a finding that the custodian will provide reasonable protection for the fund's assets based on all relevant factors, including the custodian's financial strength. This approach seeks to address safekeeping considerations without imposing capital and other requirements that may unnecessarily limit fund use of appropriate foreign custodians. The Division anticipates submitting its recommendations to the Commission concerning the proposed amendments to Rule 17f-5 this year.

Alternatively, a fund may itself maintain custody or otherwise have access to fund assets if certain additional protective conditions are met. Rule 17f-2 requires a fund with self-custody, or other access to fund assets, to deposit the securities in the safekeeping of, or in a vault maintained by, a bank or other company (including registered broker-dealers) whose functions and physical facilities are supervised by federal or state authorities. (The Division of Investment Management considers an arrangement in which a bank serves as both an adviser to, and custodian for, a fund to be self-custody that requires compliance with Rule 17f-2.) The self-custody arrangement must be examined by an independent public accountant at least three times during each year (twice without notice to the fund). The accountant must file a certificate with the Commission stating that the examination took place and describing the nature of the examination.

If self-custody is employed, access to the fund's assets must be strictly circumscribed. A board of directors' resolution must designate no more than five access persons who must be officers or employees of the fund. The designated individuals may access the fund's assets on a joint basis only. The fund must create a record whenever anyone obtains access to fund assets, and such records must be transmitted to a designated officer or director of the fund. Fund investments subject to this custody arrangement are, at all times, subject to inspection by the Commission staff.

SIB

In accordance with the regulations, a trustee must take all steps and execute all documents which are necessary to ensure that acquisitions, disposal and loans properly made by the manager are completed. In addition, the trustee should take into its custody or under its control all the capital property of the scheme and hold it in trust. Although this function may be delegated to a third party (but not to the manager itself), the trustee remains responsible for the acts and omission of the delegates as if they were the acts and omissions of the trustee.

The regulations set out a framework within which decisions as to the investment management of a unit trust may be taken. There are general investment and borrowing powers which apply to all unit trusts and specific investment and borrowing powers which relate to different categories of unit trust. The range of permitted assets involve money market instruments, futures and options, real property and warrants, as well as conventional securities. The categories of funds allowed by the regulations include securities funds, money market funds, futures and options funds, geared futures and options (which are potentially riskier than futures and options funds), property funds and warrant funds. They also include pension feeder funds, funds of funds and umbrella funds.

The regulations governing authorised unit trusts also cover pricing and dealing methods. The market in the units of most trusts is made by their managers rather than by competing market-makers. To prevent the abuse by managers of their monopoly position, the prices at which they sell and buy back units are regulated. The principle on which pricing regulation is based is that of fairness between incoming, outgoing and continuing participants.

An IMRO member is expected to deal with customer and its own account orders fairly and in due turn. When the member is dealing solely for the account of a pooled fund, the fund must be treated as if it were a customer. Unless stated otherwise, all references to a customer are references to the managed fund or scheme.

Once a member has decided to effect a customer order, it must arrange the execution of the order as soon as reasonably practicable and must provide Best Execution. A member provides Best Execution if:

- i) it takes reasonable care to ascertain the price which is the best available for the customer in the relevant market at the time for transactions of the kind and size concerned; and
- ii) unless circumstances require it to do otherwise in the interest of customers, it deals at a price which is no less advantageous to them.

A member must ensure that a transaction it executes is promptly allocated and that a record of the intended basis of allocation is made, either before or as soon as practicable after the transaction is effected.

When a member has aggregated an order for a customer transaction with an order for an own account transaction, in the subsequent allocation:

- i. the member must not give unfair preference to itself or to any of those for whom it dealt; and
- ii. if all cannot be satisfied, priority must be given to satisfying orders for customer transactions.

A member must not make a recommendation to a Private Customer to deal or arrange a deal in the exercise of discretion for any customer, if such action would reasonably be regarded as too frequent under the circumstances and was not justified from the customer's viewpoint.

A member must not effect, arrange or recommend a contingent liability transaction with, for or to a private customer unless:

- i. the transaction is made on a recognised and designated investment exchange or;
- ii. the member believes reasonably that the purpose of the transaction is to hedge against currency risks involved in a position which the customer holds.

COB

The regulatory regime protects the integrity of the CIS assets which are segregated from the custodian's assets.

The custodian must be functionally independent from the management company. Beyond the safekeeping of assets, the custodian / depositary is responsible for the decisions of company.

The COB Regulation of November 1993 provides precisions regarding the mission and means of the custodian of CIS.

MOE

The collected assets are administered by a trust bank in accordance with the investment trust contract.

ASC

All pooled vehicles for which a trust deed is required must have a trustee. Except in certain specified circumstances the trustee cannot be related to the manager of the scheme and must be authorized to act as a trustee by the ASC. The trustee provides a measure of protection to customer funds by firstly, acting as a custodian of all of the assets of the scheme and secondly, by overseeing the conduct of the manager of the scheme and ensuring that the manager complies with the terms of the trust deed.

The approved deed is required to contain statutory covenants (Section 1069). Among these covenants is one which requires

operators to forward to the trustee all funds received by no later than the next business day after which they are received.

QSC

The Policy provides that a Program cannot be activated without a minimum amount of \$500 000, after deduction of all front end charges, which amount must be deposited with an independent custodian, acceptable to the Director, whose name and address shall be disclosed in the prospectus.

The Policy specifically states that the legislation and policies related to mutual funds also apply to Programs, subject to the Policy. The SA and National Policy Statements No. 36 and No. 39 of the Canadian Securities Administrators set out the requirements for mutual funds and mutual fund prospectuses. The custodianship of pooled assets is dealt with in National Policy Statement No. 39. Except in connection with clearing corporation options, options on futures or futures, all portfolio securities of a mutual fund must be held under the custodianship of a custodian which meets the guidelines set out in National Policy Statement No. 39. For the purposes of National Policy Statement No. 39, a custodian of portfolio securities of a mutual fund must be:

- (a) a Canadian chartered bank;
- (b) a trust company incorporated and licensed under the laws of Canada or a Province of Canada having shareholders' equity of not less than CDN \$10 000 000; or
- (c) a wholly-owned subsidiary of a Canadian chartered bank or trust company referred to above, provided that such subsidiary has shareholders' equity of not less than CDN \$10 000 000 or all of its obligations are unconditionally guaranteed by such bank or trust company.

Where it is desirable, the custodian may hold portfolio securities of a mutual fund outside of Canada or may appoint a sub-custodian. A sub-custodian of portfolio securities of a mutual fund must be:

- (a) a custodian;

- (b) a banking institution or trust company incorporated or organized under the laws of a country other than Canada that is regulated as such by that country's government or agency thereof and that has shareholders' equity of not less than the equivalent in Canadian funds of \$100 000 000; or
- (c) a wholly-owned subsidiary of a banking institution or trust company referred to above provided that such subsidiary has shareholders' equity of not less than the equivalent in Canadian funds of \$100 000 000 or all of its obligations are unconditionally guaranteed by such bank or trust company.

Where a mutual fund trades in clearing corporation options, options on futures or futures, the mutual fund may deposit portfolio securities or cash as margin in respect of such transactions with a dealer that is a member of an SRO that is a participating member of CIPF provided that the amount of the initial margin does not exceed 10% of the net assets of the mutual fund. The mutual fund may deposit portfolio securities or cash as margin outside Canada provided that, among other things, the dealer is a member of a permitted futures exchange or stock exchange and is subject to a regulatory audit and the dealer has a net worth in excess of CDN \$50 million.

SEC

For authorized pooled vehicles, the SFC's Code on Unit Trusts and Mutual Funds requires, inter alia, that assets and funds be held in trust for the holders in accordance with the provisions of the constitutive documents; cash and registrable assets must be registered in the name of or to the order of independent trustee / custodian.

Securities dealers under the Securities Ordinance and commodity dealers under the Commodity Trading Ordinance are subject to a variety of requirements relating to trust accounts and safeguarding of customer assets. In addition, the SFC's Code of Conduct provides that where a registered person or a third party on behalf of the registered person is in possession or control of client positions or assets, the registered person must ensure that client positions or assets are adequately safeguarded.

SVS

In Chile both the operations and trading advisory function are performed by investment companies. Investment companies of Mutual Funds may deposit in Depository Trust Companies the securities under either the Fund's name or the Depository Company's name (article 9, Law 1.328). For other Funds supervised by the SVS the securities must be registered under the Fund's name.

ESA

A depository institute has to safeguard the assets of the fund, that is selling and repurchasing will be done according to the statute and so on.

NZSC

The issuer of securities is required to account to security holders for all moneys that he receives on behalf of the fund. All moneys received from security holders are required to be paid into a bank account kept in the name of the fund.

CNMV

According to Act 46/84 and as mentioned in point IV.C.1. (a.i) above, only some type of registered institutions, all of them subject to public control (banks, savings banks, credit cooperatives, brokers and broker-dealers) are eligible for being depositaries. Moreover, cash has to be deposited in any case in a depository institution.

Furthermore, no single company can act as both investment company and depository.

The Act sets forth also that, in carrying out its role as depository, the depository must act solely in the interests of the unit-holders. The depository is entrusted to perform, in addition, the functions of surveillance and guarantee before the unit-holders, overseeing the compliance of the management company's activities with the applicable legal and statutory provisions. For example, it has to ensure that none of the assets are pledged or used as collateral.

In fact, the depository is liable to the investment company and the unit-holders for any loss suffered by them as a result of its unjustifiable failure to perform its obligations, or its improper performance of them, even though it has delegated to a third party the management of all or part of the securities custody.

The replacement of the custodian institution confers on the participants the right to the refund of their participation without deduction of the redemption fee or of any other costs. The liquidation value will be that corresponding to the date on which the replacement took place.

CNV

The management company is in charge of the administration and control of the funds.

1. The depository company is in charge of the custodianship of the pool assets managed by the management company.
2. There are certain limitation and prohibitions related to the investment menu, etc. The management company shall not:
 - * exercise more than five percent (5%) of the voting power of a single issuer, whatever its holding may be;
 - * invest in securities issued by the management company or mutual fund custodian, or in shares of other mutual funds;
 - * acquire securities issued by the controlling company of the management company or the mutual fund custodian, for more than two percent (2%) of the capital or liabilities of the controlling company, as the case may be, as stated in the latest general or interim balance sheet. The shares thus acquired shall have no voting power as long as held by the fund;

- * have a portfolio made up of shares, non convertible or convertible debentures, or non convertible or convertible negotiable obligations representing more than ten percent (10%) of the total liabilities of a single issuer, as stated in the latest general or interim balance sheet;
- * invest in a single security issued by the Government under the same terms of issuance more than thirty percent (30%) of the total assets of the mutual fund.

The management regulations shall include provisions regarding minimum diversification standards for the investment of the fund assets, including provisions to the effect that no fund shall commit more than twenty percent (20%) of its net worth in negotiable securities of a single issuer or of issuers belonging to the same corporate group.

BAWe

The investment management company shall entrust the safe-keeping of assets as well as the issue and redemption of units to a depository bank. The depository or custodian bank must have its registered office within the territorial scope of the Law. General managers, directors and other executives of the depository bank may not simultaneously be employees of the investment company and vice versa.

The depository shall have a capital of at least ten million Deutsche Marks.

In performing its functions as depository bank it shall act independently of the management company and solely in the interests of the investors. However, the depository must carry out the instructions of the management company unless there is a conflict with the law or the fund rules.

The selection as well as any replacement of the depository is subject to the approval of the Banking Supervisory Office. The approval may only be granted if the depository bank is licensed for

deposit and safe custody business and if it is a member of a deposit guaranty arrangement organized by a banking association.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(2) Investment of Pool Assets and Restrictions Thereon

CFTC

There are no express limitations on the investment of pool assets other than fiduciary law. A pool operated pursuant to Rule 4.12 (b) may not enter into commodity futures and commodity option contracts for which the aggregate initial margin and premiums exceed 10% of the fair market value of the pool's assets. However, investment activities must be consistent with that described in the required Disclosure Document.

SEC

The ICA imposes few restrictions on the types of instruments in which a managed fund may invest. Funds are subject to certain limitations, however. For example, a fund must invest in accordance with its investment objectives and policies, which are described in the fund's prospectus and statement of additional information. In addition, open-end funds are subject to liquidity restrictions (no more than 15% of net assets of a non-money market fund [10% of a money market fund] may be illiquid). Both open-end and closed-end funds are subject to leverage restrictions. In addition, if the fund intends to be "diversified," there are diversification requirements set out in Section 5 of the ICA. There are also substantial restrictions on the ability of funds to: (1) invest in other funds; (2) invest in securities issued by entities engaged in securities related activities; (3) engage in transactions with affiliated persons; and (4) purchase securities from an underwriting syndicate if any of the underwriters is an officer, director, adviser, or employee of the fund, or an affiliate of any of these persons.

A money market fund must comply with conditions, set forth in Rule 2a-7 that are designed to limit the fund's exposure to credit, market and currency risks. Money market funds generally must invest in securities rated in the top two investment categories by nationally recognized rating agencies.

SIB

See IV.C.1 (b) (i) (1) above.

COB

The investment rules of venture capital funds provided in Art. 10 of the Decree no. 89-624 have been modified by the Law of April 12, 1996; venture capital funds are also permitted to invest in shares of limited companies for 40% of their assets. These funds are allowed, in certain cases, to use canvassing proceedings.

MOE

Main investment objectives of investment trusts are "securities" as defined in the Securities and Exchange Law. Investment trusts may, under certain conditions, use derivative such as futures and options transactions.

The investment trust management company shall exercise good faith in the interest of the beneficiaries of the investment trust when giving directions related to management of the trust property.

ASC

There are no restrictions on the investment of pooled funds save for any contained in the terms of the trust deed. There are borrowing limits for pooled investment vehicles which invest more than 20% of funds under management in real property. Further, investments cannot be made in companies which are related to the manager or the trustee. The trustee can question any investments not made in accordance with the investment policy of the scheme, as set out in the trust deed.

QSC

The Program's investment objectives and restrictions must be set out in the prospectus. In addition, the Policy prohibits certain types of transactions including those where the adviser receives a fee if the Adviser shares in any commissions generated by the Program (this prohibition may be waived if the Program can show adequate safeguards to prevent abuse are in place). Certain other investment restrictions are found in National Policy Statement No. 39.

SEC

The overall framework for managed funds in Hong Kong can be found in the SFC's Code on Unit Trusts and Mutual Funds.

All authorized pooled vehicles must appoint an independent trustee or custodian who is responsible for, among other things, taking custody or control of the pool's assets and holding them in trust for the holders.

The operator of an authorized pooled vehicle, the management company, must meet a variety of requirements including that it: be engaged primarily in the business of fund management; have sufficient financial resources; and have directors and staff of good repute and who in the opinion of the SFC possess the necessary experience for the performance of their duties.

The SFC's Code on Unit Trusts and Mutual Funds sets out specific investment restrictions for authorized vehicles. There are requirements covering the following areas: diversification of investments, unlisted securities, government and other public securities, warrants and options, futures and commodities, investment in other schemes, prohibition on real estate investments, short selling limitations, limitations on making loans, restriction on assuming unlimited liability, limitations on securities in which scheme Directors / Officers have interests, limitations on nil-paid / partly paid securities limitations on borrowing, applicability of restrictions in regards to umbrella funds, breaching of investment limits and naming of the scheme.

There are additional requirements under the Code on Unit Trusts and Mutual Funds for specialized schemes, i.e. unit portfolio

management funds, money market / cash management funds, warrant funds, leveraged funds, futures and options funds and guaranteed funds.

SVS

In Chile both the operations and trading advisory function are performed by investment companies.

Investment companies of Mutual Funds may invest in those securities described on Title II, Law 1.328, limiting this investment in terms of:

- i) % total assets owned by the Fund.
- ii) % of ownership of the corporation where the investment is placed.
- iii) % of total securities issued by the corporation.

Investment funds must invest in the securities described in Title II, Law 18.815, regarding the limits imposed for each of the four existing funds; i.e. mobiliary funds, venture capital funds, real state funds and securitized funds.

Finally, foreign investment funds may invest in those securities described in article 6, 7, 8 of the Law 18.657.

ESA

For every mutual fund there shall be a proper distribution of its assets with regard to the division of risks due to the investment structure according to the fund statutes. That is why there are special provisions of the Act towards what investments are allowed:

- securities listed at a Swedish or a foreign stock exchange,
- listed at an authorized market place, or
- subject to a regular trade at another regulated market open to the public.

Securities from the same issuer must not exceed certain per cent levels in order not to concentrate to certain kinds of securities. These limits are not applicable -after a special license - to bonds or other debt securities issued by a state, a municipality or a similar

authority. There are also limits concerning how much of the total fund value may be invested in shares of other funds. In addition to limits of investing of investing into listed securities there are as well special limits to stocks, bonds and to the possession of shares of other funds.

NZSC

The Securities Regulations require the deed of participation between the issuer and the statutory supervisor to specify the business or other activities of the fund for which the assets of the funds may be used. The issuer is prohibited from paying out any money belonging to the fund for any purpose that is not authorised in the deed of participation.

CNMV

Relevant regulations contain a general framework for investment and borrowing of collective investment institutions, as well as other specific requirements applicable only to certain categories of schemes.

In general, collective investment institutions are required to invest at least 90 per cent of their assets in transferable securities admitted to or having applied for official listing on the following markets:

stock exchanges and public debt markets in Spain or other OCDE member states, or non-OCDE member states, provided in this latter case that the exchange has been authorized by the CNMV;

other regulated markets which operates regularly and are recognized and open to the public in Spain or in other OCDE or non-OCDE member states, provided in these two latter cases that the exchange has been verified or authorized, respectively, by the CNMV.

A minimum liquidity ratio of 3% for investment funds and 5% for investment companies has to be maintained in cash, deposits or current accounts.

Additionally, collective schemes may borrow up to 10% of their assets provided that the borrowing is on a temporary basis (one month) and only to solve treasury problems.

Finally, there are a number of limits to avoid excessive concentration of risks in certain counterparts and markets.

In order to protect the investors' interests, minimum requirements for the valuation of assets and for the calculation of the sale or issue price and the repurchase or redemption price of the units or shares of investment funds or companies, respectively, are also set out by regulations.

Calculation of the price of interest has to be made on a daily basis taking into consideration market prices. Should these prices not reflect properly the progress of the market, a theoretical valuation would apply.

Concerning redemption of customers' funds, criteria vary according to the specific type of scheme. For example, maximum redemption period goes from 1 to 3 days.

CNV

See IV.C.1 (b) (i) (1) above.

BAWe

The Law (§§ 8-8f) sets out a framework within which decisions as to the management of an investment fund may be taken. The limitations and the range of permitted assets are in accordance with the UCITS directive (85/611/EEC).

Members of the board of managing directors (general managers) or of the board of supervisors of the management company may neither buy from nor sell to the company any assets constituting part of the investment fund as long as the company acts for the joint account of the investors in carrying out such transactions. This does not apply to the acquisition and redemption of units of the management company.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(ii) Trading Advisors

(1) Custodianship of Client Assets

CFTC

CFTC Rule 4.30 prohibits CTAs from receiving from an existing or prospective client funds, securities, or other property in the trading advisor's name.

SEC

An adviser will be deemed to have custody if it directly or indirectly holds client funds or securities, has any authority to obtain possession of them, or has the ability to appropriate them. If an adviser has custody or possession of client funds or securities: (1) all such securities must be segregated, marked to identify the client, and held in safekeeping in some place reasonably free from risk of destruction or loss; (2) funds must be deposited in one or more bank accounts that contain only client funds; (3) the adviser must notify the client in writing of the place and manner in which such funds and securities are maintained and any changes thereto; (4) the adviser must send to each client, at least once every three months, an itemized statement showing the funds and securities, and all transactions with respect to such funds and securities; and (5) all such funds and securities must be verified by actual examination at least once each calendar year by an independent public accountant at a time chosen by the accountant and without prior notice to the adviser. See IAA Rule 206 (4)-2. This rule does not apply to certain investment advisers that are also registered broker-dealers.

SIB

See IV.C.1 (b) (i) above.

COB

MOE

An investment advisor and a discretionary investment management company shall not accept deposit of money or securities from its client. The client assets is kept in custody by a trust bank, etc.

ASC

The holder of a dealers licence is required to comply with provisions in the CL regarding the treatment of moneys and scrip received on account of or by loan from a client.

Trading advisors who are conducting a securities business are required to have a separate trust account with an Australian bank for client funds. Clients' money must be paid into this account on or before the next day after it is received.

Investment advisers and representatives are generally not permitted to accept customer funds unless the funds are in the form of check or money order payable to the ultimate recipient.

QSC

Client assets, which are subject to trading recommendations made by advisers, must be held by dealers registered pursuant to the CFA and are, therefore, subject to CIPF protection. See II.A.5 (a) & (b) above.

SEC

It is a licensing criterion that advisors should not directly handle clients' monies and clients' monies should be placed with an independent trustee or bank approved by the SFC. In addition, the SFC's Code of Conduct provides that were a registered person or a third party on behalf of the registered person is in possession or control of client positions or assets, the registered person must ensure that client positions or assets are adequately safeguarded.

SVS

See IV.C.1 (b) (i) (1).

SEA

Not applicable.

NZSC

See IV.B.1 (c) above.

CNMV

There are no requirements for trading advisors. See IV.C.1 (a) above.

CNV

There are no trading advisors.

BAWe

See IV.B.1 (c) and IV.C.1 (a) (ii) above.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(2) Investment of Client Assets and Restrictions Thereon

CFTC

Not applicable.

SEC

The fund's adviser stands as a fiduciary to its clients. As such, an

adviser has an obligation to obtain "best execution" of clients'

transactions. In meeting this obligation, an adviser must execute securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances. In assessing whether this standard is met, an adviser should consider the full range and quality of a broker's services when placing brokerage, including, among other things, execution capability, commission rate, financial responsibility, responsiveness of the adviser, and the value of any research services provided.

Section 17 of the ICA prohibits or restricts a range of transactions involving a registered investment company and, among others, its affiliated persons, including its investment adviser. The purpose of Section 17 is to avoid conflicts of interest and to prevent affiliated persons from benefitting themselves to the detriment of the investment company and its shareholders. Section 17 (a) prohibits affiliated persons, including the investment adviser, from engaging in purchase, sale, or loan transactions with an investment company. Section 17 (e) limits the compensation the investment adviser may receive for acting as agent or broker on behalf of an investment company.

SIB

See IV.C.1 (b) (i) above.

COB

The new COB regulation no. 96-03 enhanced the ethic principles in order to avoid conflict of interest. In compliance with Section I of this Regulation:

- The provider shall promote the interest of his mandates or of unit / shareholders of managed collective investment schemes. In exercising his activities he shall respect the integrity, transparency, and security of the market.

The number of operations performed within the activity of portfolio management shall be exclusively motivated by the interest of the clients and unit / shareholders.

The provider shall abstain from any initiative the objective of which is to privilege its own interests, or those of its

shareholders or its partners or associates, to the detriment of the interests of its clients or unit / shareholders. (Art. 2)

- The provider shall prevent conflicts of interests and, if necessary, resolve them in an equitable manner in the interest of its clients and unit / shareholders.
- It shall take all necessary measures, notably in the matters of the separation of professions and of functions, in order to ensure the autonomy of investment management. (Art. 3)
- The provider shall ensure that managed portfolios or unit / shareholders are treated equally. (Art. 4)
- The provider shall abstain from exploiting, directly or indirectly, for its own account or the account of a third party, privileged information it obtains as a result of its functions. (Art. 5)
- The conditions of providers remuneration shall not contain modalities which contradict the principle that the interest of the client or the unit / shareholders shall be served first. (Art. 6)
- Both the choices of the investments and the intermediaries shall be made in an independent manner and in the interest of the clients or of the holders of shares or units. (Art. 7)
- The provider shall be in the position to freely exercise the rights attached to securities held by a collective investment scheme that it manages: the right to participate in shareholders meetings, to exercise voting rights, the discretionary right to participate in associations in defense of minority shareholders', the right to go before both civil and criminal courts.

These shareholders' rights shall be exercised in the sole interest of the holders of shares or units.

The provider shall give account for its practices in matters of usage of voting rights in the annual reports of the collective investment schemes.

The obligations concerning the exercise of shareholders' rights within this regulation apply equally to open and investment companies. (Art. 8)

The provider shall ensure that managed portfolios or unit / shareholders are treated equally.

MOE

Concerning the Employees Pension Fund assets, a discretionary investment management company must obey the following regulation.

Stocks and corporate bonds issued by the same entity
--- 10% less

ASC

In cases where clients lend money to their dealers, this money must be paid into an account other than the trust account and a new account must be opened for each client that lends money. The dealer is required to give the client certain documentation setting out the terms and conditions of the loan and the purpose and manner in which the dealer is to use the money.

QSC

See II.A.5 (c) above.

SEC

There is no specific statutory provision dealing with the investment of client assets. See answer to IV.C.1. (b) (i) (2) in regards to the SFC's Code of Conduct.

SVS

See IV.C.1 (b) (i) (2) above.

ESA

Not applicable.

NZSC

See IV.B.1 (c) above.

CNMV

There are no requirements for trading advisors. See IV.C.1 (a) (ii) above.

CNV

There are no trading advisors.

BAWe

See IV.B.1 (c) and IV.C.1 (a) (ii) above.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(c) Financial Compliance Programs

(i) Operator of the Pooled Vehicle

CFTC

NFA audits member CPOs for compliance with applicable financial rules related to custodianship of pool assets (e.g., Rule 4.20; see IV.C.1 (b) (i) (1) above).

SEC

While formal compliance programs are not specifically required under the ICA, most funds and advisers have implemented such programs to assure compliance with regulatory requirements. In addition:

- Section 10 (f) of the ICA generally prohibits a fund from purchasing any security during the existence of an underwriting syndicate where a principal underwriter of the security is an affiliate of the fund. Rule 10f-3 provides a limited exception from this prohibition if, among other

things, the fund's board of directors has adopted procedures

reasonably designed to provide that the conditions of the rule have been complied with.

- In March 1996, the Commission proposed amendments to Rule 10f-3 to provide funds with additional flexibility. The proposed amendments would increase the percentage of an underwriting that a fund may purchase in relevance on the Rule, and expand the scope of the rule to include foreign securities.
- Rule 17a-7 provides a limited exemption from Section 17 (a)'s prohibition on affiliated transactions to permit purchases and sales between affiliated funds if, among other things, the fund's board of directors adopts procedures reasonably designed to provide that the conditions of the rule have been complied with.
- Rule 17e-1 requires a fund's board of directors to adopt procedures reasonably designed to provide that brokerage commissions paid by the fund to an affiliated broker-dealer are reasonable and fair.
- Section 17 (j) and Rule 17j-1 under the ICA impose antifraud rules for affiliated persons of investment companies, their investment advisers, and principal underwriters. The rule requires investment companies, their advisers, and principal underwriters to adopt a code of ethics, which restricts the ability of investment company insiders to trade in the investment company's portfolio securities. The rule also requires certain insiders to report to the investment company all transactions in securities of which they are the beneficial owners, subject to certain exceptions.
- In September 1995, the Commission proposed amendments to Rule 17j-1 that would improve the regulation and oversight of the personal investment activities of investment company personnel. The proposed amendments would require fund managers, at least annually, to provide the fund's board of directors with a report describing issues arising during the previous year under the code of ethics applicable to the fund. In addition, the amendments would require a fund to disclose in its prospectus whether or not the fund permits its personnel to invest in securities,

including securities that may be purchased or held by the fund. The fund also would be required to have on file with the Commission copies of all codes of ethics applicable to the fund as exhibits to its registration statement.

SIB

IMRO members are required to submit:

- i) Annual Financial Returns, accompanied by a report from its auditor who must be 'properly qualified'; and
- ii) If subject to a Liquid Capital Requirement unaudited quarterly financial returns.

In order for a member to comply with IMRO's rules on financial supervision, it must ensure that its internal controls and systems are adequate for the size, nature and complexity of its activities.

In addition, a member must notify its regulator immediately if it becomes aware that it is in breach of, or that it expects shortly to be in breach of, the Core Rules on financial resources, records and reporting or internal controls and systems.

COB

The COB Regulation no. 93-02 (Art. 13) provides that the investment management firm shall serve on the COB, within six months of the end of the financial year, a copy of its balance sheet, the income statement together with its annexes, as well as the general and special reports from the external auditors. Where applicable, the firms shall produce consolidated accounts.

Article 15 emphasizes the fact that the asset management company shall make its annual accounts and, where applicable, its consolidated accounts available to its clients.

MOE

Every investment trust management company is required to prepare a business report for each business year. The business report must be submitted to the Minister of Finance.

The business report contains a balance sheet and a profit and loss account.

ASC

The ASC conducts a surveillance program focusing on managers and trustees of pooled investment vehicles as well as trading advisors. Matters considered in the surveillance include:

- compliance with Corporations Law and the constituent deeds of schemes managed by the company;
- internal control measures;
- potential for fraud or misappropriation of funds;
- incorrect payment of fees and expenses;
- non-arms length transactions; and
- the efficient, honest and fair conduct of the scheme.

OSC

Pooled investment vehicles and Program managers may be subject to periodic compliance reviews by the OSC.

SEC

The SFC's Code on Unit Trusts and Mutual funds requires that the audited financial reports of an authorized vehicle, its management company and trustee/custodian must be filed with the SFC. The management company must also notify the SFC as soon as possible of any change to the data in the company's submitted application form. The SFC also inspects operators of authorized vehicles located in Hong Kong.

Securities and commodity dealers operating an unauthorized vehicle in Hong Kong are required to make audited annual returns to the SFC. They are also subject to the SFC's Financial Resource Rules, which require, inter alia, notification of adverse changes in financial condition, periodic financial reporting and inspection by the SFC. The SFC also inspects dealers.

SVS

In Chile both the operations and trading advisory function are performed by investment companies. The SVS is permanently and continuously supervising and monitoring the prices and volumes traded in securities market operations. Nevertheless, this agency is allowed to ask at any moment for the financial compliances and other legal standards required by law, such as quarterly financial statements.

ESA

The management companies and the depository institutes are supervised by the FSA. They have to give the information about their business and to it connecting conditions that is requested by the FSA. The FSA shall nominate at least one auditor for each management company who is to take part together with the other auditors at the auditing of the company.

NZSC

The statutory supervisor of a managed fund is obliged to exercise reasonable diligence to ascertain whether there has been a breach of the deed of participation or of the investment contract by the issuer. For this purpose the statutory supervisor may require the issuer to provide him / her with accounting and other records relating to the fund.

CNMV

The surveillance and custody functions are performed primarily by the depository, which is required to oversee the compliance of the management company's activities with the applicable legal and statutory provisions. For that reason, independence between the depository and the management company is essential.

Additionally, the depository is obliged to notify the CNMV of any irregularity that it could detect in the management of the scheme.

CNMV, as the supervisory body of the collective investment activities, oversees the operators of the investment schemes and their compliance with legal provisions. Financial compliance programs are conducted by the CNMV in a very similar way to that explained for financial intermediaries.

Compliance activities are based on, first, the analysis of the information sent periodically by the management companies. That is, quarterly financial statements (balance sheet and profit and loss) and management reports; and, monthly, portfolio inventory, movements and positions, daily variation on the unit or share value and complementary information (i.e. monthly variation on the amount of total assets, on the number of unit or share holders or on the portfolio profit and losses, and fees). That information is completed through routine periodical visits to the management companies.

At this level, the compliance with liquidity ratios, risk concentration limits and other legal or statutory requirements has special significance.

On a second level, emphasis is placed on the annual audited management reports and financial statements.

The third level of control deals with the analysis of market trends and the detection of anomalous or potentially high risk situations which could imply breach of the regulations. Requests for further information and on-site visits to the management companies are also carried out.

CNV

Management companies must submit to the CNV its management regulation for authorization. The management regulation is a contract celebrated between the management company and the depository company and to which the shareholders must adhere. In its management regulation the management company shall determine its investment plan which limits its administration powers. The management company shall comply with the

investment objectives defined in its management regulation and detailed in the relevant prospectus.

BAWe

For each of the investment funds it manages, the management company shall prepare an annual and a half-yearly report. The annual report of the investment fund shall be audited by the auditor who also audits the annual financial statements of the management company. The audit shall cover whether, in managing the investment fund, the provisions of the Law and the fund rules have been complied with.

The management company shall send the reports as soon as they are available to the Banking Supervisory Office and the Deutsche Bundesbank. The reports must be published in the Bundesanzeiger not later than three (two) months after the end of the period to which it relates.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(ii) Trading Advisors

CFTC

Not applicable.

SEC

The fund's investment adviser must also have a code of ethics. IAA Section 204A requires a registered investment adviser to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the misuse of material, nonpublic information by the investment adviser or any of its associated persons. Registered investment advisers also have a continuing responsibility to comply with the IAA, including a duty to supervise persons associated with the investment adviser. See IAA

Section 203 (e) (6). (Section 202 (a) (17) of the Act sets out the definition of "person associated with an investment adviser.")

SIB

See IV.C.1 (c) (i) above.

COB

MOE

An investment advisor and discretionary investment management company are required to prepare a business report for each business year, and it must be submitted to the Minister of Finance. The business report contains a balance sheet and a profit and loss account.

ASC

It is a condition of a license that the licensee is to give notice to the ASC of any event which may adversely affect the financial position of the licensee within one day of becoming aware of the event.

OSC

Advisers are required to file audited financial statements annually with the OSC. In addition, the OSC may order an audit of the financial affairs of an adviser and may be the subject of a compliance review.

SFC

Under the SFC's Financial Resources Rules, advisors must, inter alia, notify the SFC of changes in accounting policies or in circumstances where net tangible assets fall below the required amount. The SFC also inspects dealers.

SVS

See IV.C.1 (c) (i) above.

ESA

Not applicable.

NZSC

Not applicable.

CNMV

There are no requirements for trading advisors. See IV.C.1 (a) (ii) above.

CNV

Does not exist.

BAWe

See IV.B.1 (c) and IV.C.1 (a) (ii) above.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(d) Recordkeeping (specify types and manner of financial records to be maintained (e.g., accounting records using GAAP; retention period, availability and confidentiality)

(i) Operator of the Pooled Vehicles

(1) Who Maintains and Where

CFTC

CFTC Rule 4.23 (a) requires a CPO to keep books and records concerning the commodity pool which must be available to participants for inspection and copying, including, among other things: (1) records of each commodity interest transaction detailing

transaction dates, quantities, price, premium, the underlying

contract for future delivery or the underlying physical and gain or loss information; (2) ledger information showing receipts and disbursements, assets, liabilities, etc.; (3) copies of all solicitations; (4) customer disclosure documentation; and (5) relevant banking records.

CFTC Rule 4.22 establishes the reporting requirements for CPOs. Among other things, Rule 4.22 requires CPOs to distribute account statements to pool participants at least monthly in the case of pools with net assets of more than \$500 000 at the beginning of the pool's fiscal year. The rule also requires CPOs to distribute an annual report (with financial statements computed in accordance with generally accepted accounting principles) to each pool participant.

CFTC Rule 4.23 (b) requires the CPO to maintain the following records concerning the CPO: detailed confirmation of commodity interest transactions, monthly statements furnished by an FCM to personal trading account of the CPO, and each principal of the CPO, and other supporting documentation.

CFTC Rule 4.23 requires that the pool operators maintain the records at its main business office in accordance with CFTC Rule 1.31. See II.A.8 above.

On April 11, 1996 the CFTC's Division of Trading & Markets issued an advisory that would allow registered CPOs who operate foreign or offshore commodity pools to claim relief from the disclosure, reporting, and recordkeeping requirements of Rules 4.21, 4.22, and 4.23 (a) (10) and (a) (11) provided that a notice of a claim for exemption containing certain representations regarding the CPO's registration status and the offshore nature of the pool is filed with the Division. CFTC Advisory No. 18-96, [1994-1996 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 26,610 (April 11, 1996). Such relief previously had been granted on a case-by-case basis.

SEC

ICA Section 31 requires every registered investment company, and every underwriter, broker, dealer, or investment adviser which is a majority-owned subsidiary of such a company, to maintain such records as the Commission prescribes by regulation as necessary or appropriate on the public interest or for the protection of investors.

ICA Rules 31a-1 and 31a-2 require investment companies to maintain and keep current, for various periods of time, numerous financial records. Some examples are:

- accounts, books, and other documents relating to its business that form the basis for financial statements (six years, the first two in an easily accessible place);
- journals (or other records of original entry) containing an itemized daily record of all purchases and sales of securities (permanently, the first two years in an easily accessible place);
- general and auxiliary ledgers or other records reflecting all asset, liability, reserve, capital, income, and expense accounts (permanently, the first two years in an easily accessible place);
- a securities record or ledger (permanently, the first two years in an easily accessible place);
- a record of brokerage orders (six years, the first two in an easily accessible place).

Financial statements must be maintained in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). Records may be maintained by the fund or its investment adviser, or by the fund's custodian, transfer agent, or accounting services agent. Generally, each of these parties maintains a portion of the fund's records. The location of a fund's records must be listed in its registration statement. See Part C, item 30, of Form N-1A for open-end funds; Part C, item 31, of Form N-2 for closed-end funds.

SIB

A firm must take reasonable steps, including the establishment and maintenance of procedures, to ensure that sufficient information is recorded and retained about its business and compliance with the regulatory system. Each company must make a record of those events and matters which concern it, as specified by the regulator; and must keep these records for a minimum period of 3 years, even if this extends beyond the cessation of the business. Records may

be kept in any form, or language provided that they are capable of reproduction in printed form and in English.

An IMRO member must ensure that it maintains adequate accounting records. Records must be up-to-date and disclose accurately the member's financial position at that time and enable the member to demonstrate its continuing compliance with its financial resources requirements.

A member's records must provide enough information to allow it to prepare such financial statements and periodical reports as may be required by its regulator.

A member must:

- i. record all purchases and sales of customers' assets effected by the member;
- ii. record all receipts and payments of money belonging to customers which arise from transactions effected by the member;
- iii. in relation to client money, a member is required to follow the Client Money Regulations which set out requirements to maintain adequate records of movements and holdings of client money and any interest paid on the balances as well as the need to perform regular reconciliations;
- iv. disclose the assets and liabilities of a member's customers individually and collectively, to the extent they are managed by the member;
- v. record all customers' assets in the member's or another person's possession, showing the location of the assets, their beneficial owner and the extent to any charge which they are subject of which the member has been notified.

Accounting records must be retained for a minimum period of six years. During the first two years these must either be kept at the place where the member carries on business or in such a manner that they can be produced within 24 hours of their being requested.

COB

French regulation requires a manager to keep books concerning the negotiated securities for CIS. They must detail information with regard to the type of transaction (purchase/sale) the kind of securities, the amount, the price and the unit in which they will be invested, the brokerage fees.

MOF

As mentioned in IV.C.1 (c) (i) above, every investment trust management company is required to prepare a business report for each business year. The business reports must be submitted to the Minister of Finance.

ASC

All pooled vehicles are required to maintain books of account and accounting records prepared in accordance with Australian accounting standards. The retention period for such accounts is generally seven years. They are also required to retain a register of all holders of interests in the pooled vehicle which must be available for inspection. All pooled vehicle managers are required to submit to the ASC:

- an annual statement of particulars (s 791; Form 706);
- statement of accounts (s 860; Form 711);
- an auditor's report on those accounts (s 860 (2); Form 7112).

Further, managers must lodge a return in respect of each deed which is approved, containing:

- a list of all persons who, at the end of the relevant financial year, were holders of prescribed interests to which the deed relates;
- a summary of all purchases of, and sales of, land and marketable securities affecting the prescribed interests;

- a statement of the total amount of brokerage or other benefits affecting the prescribed interests paid or charged by the manager; and
- an inventory of all of the assets of the scheme affecting the prescribed interests (s 1071; Form 723).

The return must be accompanied by a copy of the statement of accounts and the auditors report on those accounts prepared in accordance with the covenants of the deed prescribed in s 1069 of the CL.

In addition, managers are under an obligation of continuous disclosure of material information to the ASC in relation to pooled vehicles which have issued a prospectus and have over 100 investors. The returns and continuous disclosures notices once submitted to the ASC, are available for public inspection.

OSC

The Policy provides that any Program will be required to comply with the continuous disclosure requirements of the SA relating to mutual funds. However, given that some of the requirements are inappropriate for a Program, an application to the OSC can be filed at the time of the filing of the preliminary prospectus requesting exemptions from the continuous disclosure requirements which are inappropriate for the Program and substituting the financial disclosure set forth in the Policy.

Pursuant to the Policy, the Program is required to file with the OSC and to distribute to its participants for each month an account statement which shall be presented in the form of a Statement of Income (Loss) and a Statement of Changes in Net Asset Value. The account statement must be made up and certified as required by the regulations to the SA and in accordance with generally accepted accounting principles. Within 140 days of the end of its fiscal year, the Program must present an annual report. The annual report must be made up and certified as required by the regulations to the SA and in accordance with generally accepted accounting principles.

The Policy provides that the Program or the Program dealer shall retain for at least six years all records necessary to substantiate that

Program interests were sold only to purchasers for whom such investments were suitable. The manager is required to maintain at the principal office of the Program a list of the names and addresses and the interests owned by all participants.

SEC

The SFC's Code on Trusts and Mutual Funds requires that the management company keep the books and records of a vehicle and prepare the annual reports. The scheme's annual report is subject to an independent audit in accordance with the relevant provisions of the trust deed (if a unit trust) and the Code on Unit Trusts and Mutual Funds.

Securities and commodity dealers are subject to comprehensive recordkeeping requirements. Records must be kept in accordance with the accounting principles generally accepted in Hong Kong unless otherwise specified. The SFC must be notified where records or other documents relating to the business in respect of which they apply are kept. Other than for contract notes which have a 2 year retention period, securities dealers must retain their records for 6 years and commodity dealers for 7 years.

SVS

In Chile both the operations and trading advisory function are performed by investment companies. The investment companies must held recordkeeping in the following manner:

Mutual Funds

Number of participants, detailed portfolio (number of units and prices) and daily assets valorization according to arts. 25 y 26, Law 249.

Foreign Investment Funds

Daily net value brought in the country and remittances of profits, detailed portfolio (number of units and prices) and assets valorization according to SVS's rules.

Investment Funds

These funds must maintain daily data of units sold (if it is in process of) and a valorization according to the SVS's rules.

All this information will be available to the public after a short period needed for checking the data. On the other hand, the information concerning investment companies is available to the public quarterly.

ESA

For each managed fund the management company must disclose (due to the Act):

1. an annual report within four months from the end of the recordkeeping year,
2. a midyear report for the first six months within two months from the end of the midyear.

Annual reports and midyear reports shall contain the information needed in order to be able to assess the development and the balance of each mutual fund. The documents shall be forwarded to every share owner unless he has renounced them and they shall be available at the management company and the depository institute.

Besides an administration report, the annual report shall inform of (due to the FSA provisions):

1. the result sheet for the financial year and comparable information from the preceding year;
2. the balance sheet for the financial year and comparable information from the preceding year;
3. information about the fund assets to market value divided into financial products listed at a stock exchange, at an authorized market place, at any other regulated market open to the public or such products.

The division shall regard business sector, geographical area or in similar way, noted in per cent of the total fund value at the end of the financial year. From the annual report it shall be possible to know to what extent the management company has traded in options, futures and other similar financial instruments. This report shall also show call and put options as well as futures, both standardized and not and finally securities lending (in and out).

An overview of the changes of the fund assets of different financial instruments shall cover the financial year. This overview shall be completed more in detail with:

Revenues (e.g.)

1. Dividend received;
2. change of value of equity related foreign instruments;
3. interest income

Costs (e.g.)

1. Fees to the management company;
2. fees to the depository institute;
3. interest costs;
4. taxes.

The annual result and a specification of the change of the fund property -- A comparison shall show the total fund value and the value of a fund share at the end of each of the last three years.

The midyear report shall show the balance sheet and how the securities of the fund are divided among different kinds of listed instruments. It shall also cover the derivatives if any and the changes in overview for the last six months.

NZSC

An issuer of securities is required to keep proper accounting records at all times and to ensure that these are audited at least once a year by a qualified auditor.

The accounting records must be kept at the issuer's registered office or at such other place as the directors of the issuer think fit. If the records are kept at a place outside New Zealand, the issuer is required to send to and keep at a place in New Zealand such accounts and returns as will disclose with reasonable accuracy the financial position of the business dealt with in the accounting records at intervals not exceeding 6 months.

CNMV

Royal Decree 629/1993 and *Circular 3/1993* on registers of orders and transactions require all persons or institutions carrying out activities related to securities markets to keep, at least for six years, all books and documents originally prepared on the course of their business of dealing in the securities markets.

All these documents must be open to inspection by the supervisory authorities and submitted to them upon request.

See II.B.5 (e) above for regulation on confidentiality.

CNV

The management company keeps the financial records of the fund. The CNV has access to them. The management company shall publish daily the share price and the amount of shares issued net of subscriptions and redemptions at the end of the trading day. It shall also publish: monthly, the composition of the investment portfolio; quarterly profits and loss account and annual financial statements. The CNV obliges to keep a set of books for each mutual fund administrated by them. We use GAAP and the Technical Resolution of the Argentine Professional Accounting Association for accounting records.

BAWe

As mentioned in IV.C.1 (c) (i) above, the management company is required to prepare at the end of each financial year for each of the managed funds an annual report and a half-yearly report at the end of the first six months of the financial year. The reports must include a report on the activities of the management company during the past period as well as any significant information which will enable the investors to make a judgment on the development of the investment fund and its result. The annual report has to contain a statement of the assets belonging to the investment fund and the liabilities, a statement of income and expenditure, the number of units in circulation and a comparative survey of the last three financial years.

The management company itself is subject to the disclosure requirements applicable to banks.

The management companies must keep the records concerning the investment funds and concerning their own assets for a minimum period of ten years. Records may be kept in any form.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(2) Who has Access and When

CFTC

With certain conditions CFTC Rule 4.23 requires that all required books and records must be available to participants for inspection and copying during normal business hours. Upon request, copies must be sent by mail to any participant within 5 business days if mailing and reproduction costs are borne by the participant. CFTC Rule 4.23 also provides that books and records must be maintained in accordance with CFTC Rule 1.31 pursuant to which all books and records maintained under the CEA must be maintained for a period of 5 years and be readily accessible during the first 2 years. If the pool is located outside the territorial United States, the Commission may exempt the CPO from keeping the pool's original books and records at the CPO's main business office in the U.S., provided that the CPO make available to the CFTC originals of the pool's books and records within 72 hours after a request by a duly qualified CFTC representative, at a place located in the U.S. as specified by the CFTC representative. See Advisory 18-96 issued in April 1996 which "codifies" the relief discussed here for qualifying CEP's of offshore funds.

SEC

The fund's independent public accountants have access to fund records when conducting their annual audit of the fund's financial statements. In addition, the SEC can examine an investment company's records as part of a routine or "for cause" examination. The investment company must make available all records required to be kept pursuant to Section 31 (as discussed above) so that the

staff can determine whether the investment company and its

investment adviser are operating in compliance with the federal securities laws.

SIB

Unit holders must be allowed to inspect, either personally or through an agent, any records of matters relating exclusively to them within seven days of the manager receiving the request.

COB

MOE

The reports are not open to the public.

ASC

The returns, once submitted to the ASC are available for public inspection.

OSC

The list of participants referred to in IV.C.2 (d) (i) (1) above shall be made available for the review by any participant. The participants shall be permitted access to all records of the Program, after adequate notice, at any reasonable time. The Program shall maintain and preserve such records for a period of not less than six years. The Program or the manager shall submit to the OSC any information required to be filed with the OSC including reports and statements required to be distributed to participants.

SEC

The management company of an authorized unit trust or mutual fund must supply to the SFC, upon request, all information relevant to the vehicle's financial reports and accounts. It must also provide investors with an annual and at least one interim report.

Records of securities dealers and commodity dealers must be supplied to the SFC upon request. The SFC may enter the premises of an dealer at all reasonable times to inspect and make copies of any records or other document relating to the business to which his

registration applies. These records are not generally available to the public.

Under the SFC's Code of Conduct, a registered person shall disclose the financial condition of his business to a client upon request by providing a copy of the most recent accounts of the business as required to be filed with the SFC under the Financial Resources Rules and disclose any material changes which adversely affect the registered person's financial condition after the date of the accounts.

Information obtained by the SFC may be disclosed, under specific circumstances, to an overseas regulatory authority or self-regulatory organization.

SVS

In Chile both the operations and trading advisory function are performed by investment companies. The SVS has access to all financial information concerning both the fund and the management company at any moment.

ESA

NZSC

All security holders and the statutory supervisor are entitled to receive copies of financial records upon request.

CNMV

CNV

See IV.C.1 (d) (i) (1) above.

BAWe

All books and records must be available to the management, the auditor, the board of supervisors, the Banking Supervisory Office and the Deutsche Bundesbank.

Unit holders are not allowed to inspect any records; only the reports must be available to the public at the places specified in the prospectus.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(ii) Trading Advisors

(1) Who Maintains and Where

CFTC

CFTC Rule 4.33 requires that a CTA (that is registered or required to be registered) must maintain records consistent with CFTC Rule 1.31 that include the following information concerning its clients and subscribers: name and address of each client and each subscriber, an acknowledgement concerning required disclosure, other written agreements, copies of commodity interest transaction confirmations, and copies of literature or advice distributed by the CTA to any existing or prospective client.

Each registered CTA must also maintain records that include the following information concerning the CTA: an itemized daily record of each commodity interest transaction of the CTA, each confirmation of a commodity interest transaction, each monthly statement furnished by the FCM to: (i) the commodity trading advisor relating to a personal account of the trading advisor, and (ii) each principal of the trading advisor relating to a personal account of such principal.

SEC

Section 204 and Rule 204-2 under the IAA require that registered investment advisers maintain and preserve specified books and records, and make them available to Commission examiners for inspection. Rule 204-2 permits investment advisers, under certain conditions, to maintain books and records on microfilm and

magnetic disk, tape, or other computer recordkeeping devices.

Rule 204-2 requires advisers to retain copies of records relating to their investment advisory business. The financial records include, but are not limited to: journal and ledger accounts; memoranda of orders given and instructions received for the purchase, sale, receipt or delivery of securities; all check books, bank statements, canceled checks and cash reconciliations of the adviser; all bills or statements relating to the business of the adviser; and original or copies of certain communications received or sent by the investment adviser. The rule also requires an adviser to retain copies of all documents necessary to substantiate any performance information contained in advertisements.

See also IV.C.1 (d) (i) (1) for discussion of records the investment adviser must keep for the fund.

SIB

See IV.C.1 (d) (i) above.

COB

MOE

As mentioned in IV.C.1 (c) (ii) above, an investment advisor must prepare a business report for each business year.

ASC

A dealer must keep accounting records that explain the transactions and the financial position of the securities business of the dealer. These accounts must be audited. If the records are kept outside Australia, the dealer must ensure that sufficient particulars are sent to, and kept in a place in Australia to enable a true and fair profit and loss and balance sheet to be prepared.

OSC

In addition to filing audited financial statements prepared in accordance with generally accepted accounting principles annually with the OSC, advisers must maintain adequate working capital pursuant to their registration under the CFA.

SEC

An advisor is required to make an annual return to the SFC. Under the SFC's Financial Resources Rules, all calculations must be made in accordance with accounting principles generally accepted in Hong Kong unless otherwise specified. All advisors must notify the Commission where records or other documents relating to the business in respect of which they are kept.

In order to keep track of the net tangible asset level required by the Financial Resources Rules, it is generally necessary for advisors to keep all transaction records even though there are no specific statutory requirements imposed.

SVS

See IV.C.1 (d) (i) (1).

ESA

NZSC

Not applicable.

CNMV

There are no requirements for trading advisors. See IV.C.1 (a) (ii) above.

CNV

Does not exist.

BAWe

See IV.B.1 (c) and IV.C.1 (a) (ii) above.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(2) Who has Access and When

CFTC

CFTC Rule 4.33 requires each registered CTA to make and keep all required books and records in an accurate, current and orderly manner at its main place of business in accordance with CFTC Rule 1.31. See also II.A.8 above.

CFTC Rule 4.33 also provides that if the CTA's main business office is located outside the territorial United States, it must provide the requested books and records within 72 hours after receipt of a request to an authorized Commission or Department of Justice representative.

SEC

Under Rule 206 (4)-2 of the IAA, advisers that maintain custody of client funds must have such funds verified by an independent public accountant at least once per year. The accountant will have access to the adviser's records at the time of the examination. In addition, the SEC can examine an investment adviser's records as part of a routine or "for cause" examination. The investment adviser must make available to the SEC for inspection all books and records required to be maintained under Section 204 and Rule 204-2 thereunder of the IAA.

SIB

See IV.C.1 (d) (i) above.

COB

MOE

The business reports are kept in the Local Finance Bureau and open to the public.

ASC

Financial statements relating to the dealers securities business must be lodged with the ASC within 2 months of the year end (if the dealer is a natural person) or 3 months (if the dealer is a body corporate). These documents are not available for public inspection.

OSC

The OSC has unconditional access to the books and records of each registered adviser. As indicated in IV.C.2 (d) (2) above, participants and their representatives shall be permitted access to all records of the Program, after adequate notice, at any reasonable time. The Program shall maintain and preserve such records for a period of not less than six years.

Advisers must also maintain books and records necessary to record properly their business and financial affairs. Records may be kept by mechanical or electronic devices provided that the adviser takes adequate precaution to guard against the risk of falsification and provided that the adviser provides a means for making the information available in an accurate and intelligible form to any person lawfully entitled to examine the records.

Advisers must maintain an itemized daily record of: all trades in contracts; the account for which each transaction was effected; the date of the transaction; the exchange; the commodity and quantity bought or sold; the delivery month and year; the price at which the contract was entered into; and in the case of options, the type and number bought or sold, the premium, the underlying interest, the delivery month, the year of the futures contract forming the underlying interest in the case of futures options, the declaration date and the strike price.

SFC

Records of advisors must be supplied to the SFC upon request. The SFC may enter the premises of an advisor at all reasonable times to inspect and make copies of any records or other document relating to the business to which his registration applies. Information obtained by the SFC may be disclosed, under specific

circumstances, to an overseas regulatory authority or self-regulatory organization. See also IV.C.1 (d) (i) (2).

SVS

See IV.C.1 (d) (i) (2).

ESA

NZSC

Not applicable.

CNMV

CNV

Does not exist.

BAWe

See IV.B.1 (c) and IV.C.1 (a) (ii) above.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

2. Fairness

(a) Authorization, Qualification and Good Standing Requirements Other than Capital Adequacy (e.g., Probity, Competency):

(i) Operator of the Pooled Vehicle

CFTC

Section 4m (1) of the CEA requires the registration with the CFTC of a CPO. The registration procedure includes a fitness inquiry for

the entity and its principals. See II.B.1 (c) above.

SEC

Section 9 of the ICA generally disqualifies anyone from serving as an employee, officer, director, member of an advisory board, investment adviser, depositor, or principal underwriter for a registered fund if the person: (a) has been convicted of a felony or misdemeanor within the last ten years involving the purchase or sale of a security or arising out of such person's conduct as an underwriter, broker, dealer, investment adviser, transfer agent, investment company employee, other securities professional, or a person required to be registered under the Commodity Exchange Act; (b) by reason of any misconduct has been permanently or temporarily enjoined from acting in any of the aforementioned capacities; or (c) is an affiliated person of an ineligible person.

SIB

As a result of the UK's 'two-tier regulatory structure' recognised bodies are the front line regulators and have responsibility for carrying out day-to-day regulation. Unit trust managers (operators) and trustees of authorised unit trusts are regulated by The Investment Management Regulatory Organisation (IMRO). Under IMRO's rules, unit trust managers may promote their own units or sell them via intermediaries, unless direct and indirect sales to private investors total over 10 million per annum, or sales are made through a tied sales force; in which case the Personal Investment Authority (PIA) is the appropriate SRO. The intermediaries will usually be regulated by PIA and subject to that body's requirements.

Authorisation may be obtained through membership of SIB or an SRO. Most unit trust managers (operators) seek authorisation from IMRO. In either case the applicant is required to show that it is fit and proper to carry on the investment business and provide the service intended.

The SROs apply three main criteria to the assessment of fitness and properness - honesty, competence and solvency - and they take a broad view of the scope of each of these. They may take into account any matter relating to any persons employed or to be employed by, or who is an officer or key member of staff of the applicant, or who is associated with the applicant, together with

any matter relating to holding companies or other controllers of the applicant.

An applicant is required, inter alia, to demonstrate that it has established and will maintain procedures enabling and securing compliance with the relevant SRO's rules and the standards set by the ten Statements of Principle issued by SIB under the FSA.

Authorised firms are monitored for compliance with the principles and rules applicable to their business. This process is carried on both internally and by visits to the firms e.g. by scrutiny of returns, appraisal of systems, examination of procedures in practice and of client records.

There are available to SIB under FSA and to the SROs under their rules, powers of enforcement and discipline together with the power to revoke a firm's authorisation or membership.

COB

Several general principles are outlined in the CIS law of December 23, 1988.

First, the law imposes the management company to be independent from the custodian. According to article 24, custodians and management companies must act for the exclusive benefit of subscribers.

Articles 12 and 24 emphasize conduct of business rules concerning management companies, particularly their organization, their means, the honesty and experience of their managers. Finally, individual and joint responsibilities of both the custodian and the management company are stressed.

These principles have been developed and detailed in a code of business rules dated December 1990 which sets out what managers are allowed to do in the course of conducting investment transactions for CIS and outlaws front running operations.

This code comprises the following principles:

- The Chinese wall principle must be in place in every management company organization, i.e. the asset managed

by the company must clearly be segregated from the custodian's ones.

To the extent possible, a financial manager should only manage CIS' assets. In any case, he cannot afford to have activity inconsistent with CIS management, in order to avoid any conflict of interest.

The sole purpose of a management company is to manage funds. Besides, managers, under the management independence concept, are free to select and invest in the securities they chose.

The CIS manager may not engage in investment transactions with the CIS for his own account. The code also forbids the staff / executives to use inside / privileged data for their own personal benefit, whether this information is obtained within or without the firm.

MOE

As mentioned in IV.C.1 (a) (1) above, the Guidelines of Licensing are provided in Article 7 of the Securities Investment Trust Law.

In light of its personnel structure and ability to invest in securities, applicant must be sufficiently qualified to engage in management of an investment trust.

ASC

Management companies are required to hold a dealers licence. Licences may be issued with restrictions and conditions that are considered appropriate to the activities and qualifications of the licensee.

Directors and officers of a licence applicant must have at least 2 years experience in a position or responsibility in the activity in which the applicant wishes to engage. Educational criteria are also established.

Directors and officers of the applicant must also be able to demonstrate that they are of good fame and character. In

evaluating applicants, the ASC will take into account prior convictions for offenses such as fraud.

OSC

The Policy provides that the manager and adviser of a Program must be able to demonstrate sufficient knowledge and experience to carry out the Program policies and objectives and to manage program operations. Ordinarily, a minimum of three years of relevant experience will be deemed sufficient. The Program's Adviser must be a registrant in good standing pursuant to the CFA. As such, any individual must have completed the Commodity Futures Examination Parts I and II (United States and Canadian content, respectively).

SEC

The SFC's Code on Unit Trusts and Mutual Funds requires that the management company of the authorized vehicle must be acceptable to the SFC. The Code requires that, in addition to the already (see IV.C.1 (a) (i)) mentioned financial requirements, the management company shall be engaged primarily in the business of fund management, not lend to a material extent and maintain at all times a positive net asset position.

The Code on Unit Trusts and Mutual Funds also requires that the directors of the management company must be of good repute and in the opinion of the SFC possess the necessary experience for the performance of their duties. In addition, if the management company appoints an investment advisor to the scheme, the SFC may require evidence that the investment advisor is appropriately qualified for the performance of its function. The Code on Unit Trusts and Mutual Funds also requires a Hong Kong based operator of an authorized unit trust or mutual fund to be either a dealer or an investment advisor registered with the SFC.

In relation to unauthorized vehicles, the operating dealers or advisors in Hong Kong must fulfill the SFC's initial and on-going "fit and proper" criteria. The SFC will take into consideration the person's financial status, his educational or other qualifications or relevant experience, his ability to perform the functions under his registration efficiently, honestly and fairly, and his reputation, character, financial integrity and reliability.

SVS

In Chile both the operations and trading advisory function are performed by investment companies. These companies must comply with all the regulation concerning corporations (Law 18.046) and securities market law (Law 18.045).

ESA

Anyone with inside information about the daily trade of a management company and at the same time is a:

1. member of the board or deputy member;
2. auditor or deputy auditor;
3. leading position.

must not acquire for his own account financial instrument from a mutual fund or sell such instruments to the fund or other wise trade with the fund. He may, however, acquire shares of the fund for his own account. There are the same restrictions as well for any one else due to inside information.

In the application to the FSA the management company shall show who are to be members of the board, the chairman, tasks and interests of possession in other institutes within the financial area. About the chief executive officer, the deputy CEO and the other persons of the top management there shall be described their education, previous and current experience of financial business etc. In order to describe the management structure there shall be give information to the FSA about the personnel in total and functionally. The responsibility regarding administration and record keeping as well as the internal control and the internal auditing shall be shown in organizational terms.

NZSC

Not applicable. New Zealand securities legislation is actively based.

CNMV

Management companies of collective investment schemes must have their corporate purpose restricted to the management and

representation of collective investment institutions. Additionally, they are required to have human and technical resources which are deemed sufficient to perform their activities.

There are also some good-standing requirements for members of a management institution's board of directors. In this sense, it is required that none of them has been sentenced by a firm judgment, is undergoing prosecution for offenses or fraud, against property or against the public Treasury, or has been disqualified from holding any managerial or executive office in financial institutions.

Additionally, the majority of the members of the board should have suitable knowledge and experience in investments in securities, and all the members should have recognised commercial or professional integrity.

CNV

The following persons shall not be directors or members of the supervisory bodies of the funds (management or depository company): persons prevented from acting under a court restraint, undischarged bankrupts or insolvent, minors or incompetents, sentenced persons who are unable to discharge public offices, or persons sentenced for infamous crimes, and the violators of the mutual fund law or any regulation enacted by this Commission. If they are financial entities they shall inform the CNV if any penalty or summary has been initiated by the Central Bank. Directors, administrators, internal auditors, members of the supervisory body and managers of the management company are subject to the same obligations and restrictions applicable to the persons who act in companies that publicly offer their securities.

BAWe

As mentioned above the license to operate may be issued by the Banking Supervisory Authority to a management company only if the general managers are reliable and possess the professional competence needed to manage an investment management company. Ordinarily a minimum of three years of relevant experience will be deemed sufficient. The management company shall manage the investment fund for the joint account of the unit-holders with due care and diligence of a prudent businessman. In performing its functions the company shall act independently of

the depository bank and exclusively in the interest of the investors (unit holders).

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(ii) Intermediaries who Offer or Sell the Pooled Vehicle

CFTC

APs of the CPO are required to register and similarly are subject to a fitness inquiry. See II.B.1 (c) above.

SEC

See also discussion under II.B.1 (a) above.

SIB

See IV.C.2 (a) (i) above.

(Intermediaries may seek membership of SFA, IMRO or PIA.)

COB

MOE

See II.B.1 (c) above.

ASC

The CL provides that the ASC must grant licence if minimum standards are met (refer to IV.C.1. (a) (i)). To meet the experience criteria, an applicant must have at least two years' employment in a responsible position in the securities industry. To meet the qualifications criteria, a degree in law, economics, commerce or accounting, or a post-graduate qualification from an industry body

would be considered appropriate.

Licensees are liable for the conduct of their representatives. It is generally a condition of the licence that the licensee establishes and maintains adequate training and supervision of their representatives and have compliance procedures in place to ensure their representatives do not breach the CL or any conditions of the licence.

OSC

In order to sell units of pooled investment vehicle, intermediaries must be registered under both the SA and the CFA and their salespersons must, at a minimum, be registered under the SA and meet the relevant proficiency and good character requirements.

SEC

All securities and commodity dealers must satisfy at the time of registration and continue to satisfy the SFC's fit and proper criteria and licensing requirements. See answer to IV.C.2. (a) (i) above for details of the "fit and proper" criteria.

SVS

See IV.C.2 (a) (i) Foreign capital investments funds intermediaries are foreign firms no regulated by the SVS.

ESA

NZSC

Not applicable.

CNMV

There are no specific requirements for intermediaries or trading advisors. It is worth noting, however, that these activities can only be provided by brokers, broker-dealers and other registered credit institutions such as banks or savings banks. Consequently, they are subject to the regulation applying to those institutions.

CNV

Under applicable law, brokers shall be: Stock exchanges, intermediaries associated to self-regulated entities, financial institutions and individuals or entities. They shall prove to this Commission to have a proper organization, acknowledgment of the activity, and an equity according with it. They are not authorized to work as employees in the administrative structure of the fund's management company. They must have their offices opened to the public, shall inform the investment plan of the fund and the commission they received as payment made by either the depository or the management company.

BAWe

No specific provisions.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(iii) Trading Advisors

CFTC

Section 4m (1) of the CEA requires the registration with the CFTC of CTAs and their APs. The registration procedure includes a fitness inquiry. See II.B.1 (c) above.

SEC

Rule 206 (4)-4 under the IAA requires advisers with custody or discretionary authority over client funds or securities or who require substantial prepayment of advisory fees to disclose precarious financial conditions to clients. The rule also requires all advisers (regardless of whether the adviser has custody or requires prepayment of fees) to disclose promptly to clients legal or disciplinary events that are material to an evaluation of the adviser's integrity or ability to meet its commitments to clients. The

rule sets forth a rebuttable presumption with respect to the

types of legal or disciplinary events that would be considered material for these purposes.

See also the discussion under IV.C.2 (a) (i) above.

SIB

See IV.C.2 (a) (i) above.

Applications for authorisation by trading advisors may be made to The Investment Management Regulatory Organisation (IMRO) or, where the advice relates purely to derivative instruments, The Securities and Futures Authority Limited (SFA).

COB

MOE

An investment advisor shall not fall within the purview of unsuitable condition as follows:

1. A person adjudged incompetent;
2. A bankrupt;
3. A person who had been sentenced to a penalty heavier than imprisonment.

Adding that, in the light of its personnel structure, a discretionary investment management company must have an adequate level of expertise and experience to carry out the discretionary investment management business fairly and effectively and enjoy good credibility.

ASC

See IV.C.2. (a) (ii).

OSC

No person may be granted registration as a partner or officer of a registered adviser under the CFA unless such person has successfully completed the National Commodity Futures Exam and

the Canadian Commodity Futures Exam [or the Canadian Futures Examination (Parts I and II)], which is administered by The Canadian Securities Institute. Applicants must also meet minimum work experience requirements and disclose prior criminal convictions, suspensions or refusals of exchange membership, bankruptcy and litigation proceedings and work history for the previous 10 years. The OSC typically conducts police checks of individuals applying for registration. Registration will be granted except where: the applicant's financial position suggests that he or she will not be financially responsible; the past conduct of the applicant affords reasonable ground for belief that his or her business will not be carried on in accordance with the law or with integrity and honesty; or the applicant is, or will be, carrying on activities that are in contravention of the CFA or the regulations.

The OSC requires that directors and officers of one adviser may not be an officer, employee or shareholder of any other adviser. No undischarged bankrupt may be a director or officer of an adviser.

No person may render advice with respect to options recognised pursuant to RORO unless such person has successfully completed the Canadian Options Course or has been grand-fathered from the requirement by the OSC. Registration of an adviser under the SA is generally required to render advice with respect to options recognised pursuant to RORO on equities and on other securities for which registration for trading such underlying securities is generally required under the SA. Persons rendering advice with respect to options recognised pursuant to RORO other than those referred to above may register as an adviser under either the CFA or the SA.

SEC

Advisors must satisfy at the time of registration and continue to satisfy the SFC's "fit and proper" criteria. See answer to IV.C.2 (a) (i) above for details of the "fit and proper" criteria.

SVS

See IV.C.2 (a) (i).

FSA

NZSC

Not applicable.

CNMV

See IV.C.2 (a) (ii) above.

CNV

Does not exist

BAWe

No specific provisions.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

**(iv) Intermediaries who Offer or Sell the
Advisor's Services**

CFTC

See II.B.1 (c) above.

SEC

SIB

See IV.C.2 (a) (i) above.

COB

MOE

There are no intermediaries who offer or sell the advisor's services.

ASC

See IV.B.1. (a).

OSC

See IV.C.2 (a) (iii) above.

SFC

See IV.C.2. (a) (i) & (iii) above.

SVS

Not applicable.

FSA

NZSC

Not applicable.

CNMV

See IV.C.2 (a) (ii) above.

CNV

Does not exist.

BAWe

No specific provisions.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(b) Sales Representations and Disclosure - Required and Restricted

(i) Operator of the Pooled Vehicle

(1) Know your Customer, Suitability

CFTC

See II.B.3 (c) above.

SEC

The NASD's Rules of Fair Practice require broker-dealers selling fund shares to have reasonable grounds for believing that any purchase or sale recommended to a customer is suitable for the customer.

As fiduciaries, investment advisers owe their clients a duty to provide only suitable investment advice. This duty generally requires an investment adviser to determine that investment advice it gives to a client is suitable for the client, taking into consideration the client's financial situation, investment experience, and investment objectives. See Investment Advisers Act Rel. 1406 (March 16, 1994).

SIB / IMRO

IMRO's rules require members to take reasonable steps to ensure that they do not recommend an investment to or arrange a discretionary transaction for, a Private Customer unless that recommendation or transaction is suitable. A member should thus take reasonable steps to find out facts about a Private Customer's personal and financial circumstances in order that it may meet the requirements of IMRO's rules.

Under IMRO's rules, an operator of a pooled vehicle must create the fund or scheme as its Customer for purposes of the rules. When customers' funds are pooled by the member with a view to taking common management decisions, the member must take reasonable steps to ensure that the transaction is suitable for the fund, having regard to the stated investment objectives of the fund.

IMRO members must also take reasonable steps to ensure that a Private Customer's details, including his personal and financial circumstances, are recorded as soon as the member becomes aware of them. Such records must be retained for at least 3 years after the Member performed its last service for the customer.

COB

The COB emphasizes the obligation for the management companies to make public any important fact likely to have a significant effect on the CIS.

The information takes the form of a prospectus which contains detailed information with regard to the investment and borrowing policy, the instruments invested, the charges and fees, taxes, the use of derivatives on regulated market. The prospectus must indicate a reference to one market: monetary or securities rate instruments for instance, which represents the aims pursued and the risk undertaken.

Reporting on a periodic basis to existing investors is another fundamental principle. On a quarterly or half yearly basis, these reports are controlled and certified by an auditor.

Information disseminated to the public is controlled by the COB. The marketing and information methods used with respect to investors are examined within promotional network of CIS promoters.

MOE

A securities company shall not make a solicitation which is inappropriate to such customer in the light of his knowledge, experience and the status of his property.

ASC

Dealers and their representatives are obliged to ensure that they have a reasonable basis for making a recommendation to a customer having regard to the person's investment objectives, financial situation and particular needs. The representative must also give consideration to, and conduct such investigation of the

subject matter to ensure that the recommendation is appropriate. (s 851).

OSC

The Policy provides that suitability standards related to the risks to be undertaken will be required for the participants and must be set forth in both the prospectus and the written subscription forms to be executed by each participant. In addition to setting forth the investment objectives of the Program, the prospectus must also describe the type of investor who could benefit from the Program and the suitability standards to be applied in marketing the Program.

The Program dealer has to make every reasonable effort to ensure that interests are offered or sold only to potential participants for whom the investment is appropriate in light of the Program suitability standards set forth in the prospectus and each participants' investment objectives and financial situation. The Program dealer shall determine that the potential participant: has the capacity of understanding the fundamental aspects of the Program; apparently understands the fundamental aspects of the Program including the risks and lack of liquidity; and can bear the economic risk of the investment (minimum annual gross income of CDN \$30 000 and a net worth of CDN \$30 000 or a net worth of CDN \$75 000).

SEC

Under the SFC's Code on Unit Trusts and Mutual Funds, no application form may be supplied to any person who is not a shareholder or unitholder unless it is accompanied by an SFC authorized offering document. In addition, the offering document must be accompanied by the authorized vehicle's most recent audited annual report and most recent semi-annual report if that has been published after the annual report.

Under the SFC's Code of Conduct for persons registered with the SFC, a registered person must take all reasonable steps to establish the true and full identity of each of his clients, and of each client's financial situation, investment experience, and investment objectives. In making a recommendation or solicitation for a client, the registered person must ensure the suitability of such

recommendation or solicitation for that client as is reasonable in all circumstances. In addition, investment advisors and dealers are required to have regard to information disclosed by their client which the registered person is or should be aware of through the exercise of due diligence.

SVS

Not applicable.

ESA

Companies (Swedish or foreign) doing business from a permanent office in Sweden have to follow the Act (1993:768) and the FSA guidelines (FFFS 1994:10) concerning procedures etc. to prevent money laundering. The common features of this checking are that the Act charges the company and its personnel to give a sharpened observance to the character and to the scope of the transactions by the company with its customers. In order to fulfill these requirements there should be as a main principle that the company shall take due measures for getting to know its customers. According to the Act such a fundamental measure is to identify its customers. Handling a customer transaction the company, due to reasons at hand, ought to investigate into the background of the transaction.

NZSC

The Consumer Guarantees Act 1993 provides that where goods are supplied to a consumer, certain guarantees as to suitability are implied on the part of the supplier. Certain types of securities may be "goods" for the purposes of the Act.

CNMV

See II.B.3 (b) above.

CNV

The depository company is in charge of the shares' placement either directly or through brokers. However, the management company makes the placement agreements.

Management company: the management company does not place the shares itself, but it can make publicity and announcements with advertising purposes which shall be adjusted to certain formalities: no affirmations or misleading promises being permitted therein nor any assurance or guaranty as to the results of the investment. Any publicity or announcements made by the mutual funds shall be made known to this Commission within three (3) days of their publication.

The placement plan shall be registered with this Commission; the promotional material must be considered and if there are no observations it can be used by the management company.

BAWe

Before the conclusion of a contract, a dated sales prospectus of the management company must be made available free of charge to the purchaser of a unit. The fund rules, the latest published annual report and the subsequent half-yearly report, if published, must be appended to the prospectus. The investor shall also receive a copy of the application form which must indicate the amount of the initial charge and other charges to be paid annually.

A prospectus must include the information necessary for investors to be able to make an informed judgement of the investment proposed to them. Advertisements must not be misleading.

The purchaser of units has in certain circumstances a right of revocation.

No further provisions are given for the sales practice.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(2) Risk Specific Disclosure

CFTC

Rule 4.21 prescribes that CPOs may not, directly or indirectly, solicit, accept or receive funds, securities or other property from a prospective participant in a pool that it operates unless the CPO delivers to the prospective participant a disclosure document containing, among other things, the name, address, telephone number and form of organization of the pool, past performance information in accordance with rules specified by the CFTC, business background of principals, conflicts of interest, the name of the CTA and the name of the person who will make trading decisions for the pool.

On August 24, 1995, revised CFTC rules became effective which address CPO and CTA disclosure issues. These rule changes are designed to provide a more concise and readable format for disclosure documents and, among other things, would reduce pools' past performance presentations to a summary format containing core information and would require disclosure and discussion of various risks, including certain risks arising from transactions in off-exchange instruments. See 60 Fed. Reg. 38146 (July 25, 1995).

CFTC Rule 4.26 (d) requires a CPO to file with the CFTC the initial disclosure document for each commodity pool that it operates or intends to operate not less than 21 days prior to the date the CPO first intends to use the disclosure document. CFTC staff reviews documents and requests revised or additional disclosures as appropriate. On April 20, 1995, the CFTC issued an advisory (See CFTC Interpretative Letter No. 95-44 [1994-1996 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 26,385 (April 20, 1995)) outlining an instant filing procedure for certain CPO and CTA disclosure documents. Documents that qualify will be able to be used for solicitation purposes shortly after being filed with the CFTC and will not be reviewed or commented upon by the Division. An example of a document that would qualify for instant filing is an amended pool or CTA document that contains no material changes from the last filing.

CFTC Rule 4.7 exempts commodity pool operators from specific disclosure, reporting and recordkeeping requirements for pools

offered in a private offering to "qualified eligible participants"

(QEPs). QEPs include: FCM; broker-dealer; CPO registered for 2 years or who operates pools with assets greater than \$5 million; CTA registered and active for 2 years or who provides advice to accounts which in aggregate exceed \$5 million; the CPO and CTA of an exempt pool; any person who owns at least \$2 million in securities, or who has deposited at least \$200 000 in margin with an FCM and which is a registered investment company, a bank, an insurance company, certain pension plans, a person with net worth greater than \$1 million other than institutional investors and foreign persons. A CPO that is registered or required to be registered under Part 30 must also comply with Rule 30.6 disclosure requirements.

In April 1996, the CFTC's Division of Trading and Markets issued Advisory 18-96 by which the Division made generally available to qualifying registered CPOs, on a notice basis, certain disclosure, reporting and recordkeeping relief regarding offshore pools that had been previously granted on a case-by-case basis.

On August 8, 1996 the CFTC announced an optional, six-month pilot program for the electronic filing of CPO and CTA Disclosure Documents with the CFTC. Under the Pilot Program, CPOs and CTAs have been permitted to file their Disclosure Documents by sending them to a designated Internet electronic mail address for the CFTC. Additionally, any related correspondence between CFTC staff and CPOs and CTAs concerning the Disclosure Documents filed under the Pilot Program also has been conducted by means of electronic mail. Based upon its experience administering the Pilot program and comments received the CFTC adopted a permanent filing program that is substantially similar to the Pilot Program. 62 Fed. Reg. 18265 (April 15, 1997).

SEC

Open-end funds and closed-end funds are required to disclose in their prospectuses the principal risk factors associated with investing in the fund. The required disclosure includes: (1) a concise description of the fund's investment objectives and policies, and a brief discussion of how the fund proposes to achieve such objectives, including a description of the types of securities in which the fund will invest and special investment practices or techniques that will be employed (Form N-1A, Item 4 (a) (ii); Form N-2, Item 8); and (2) a description of the principal risk factors

associated with investing in the fund (Form N-1A, Item 4 (c); Form N-2, Item 8). In February 1996, the Commission proposed amendments to Form N-1A that would require funds to form disclosure on overall fund risks, provide a narrative risk summary, and present a graphic presentation of risk.

SIB

An IMRO member must not recommend a transaction to a Private Customer, or act as discretionary manager, unless it has taken reasonable steps to enable him to understand the nature of the risks involved.

COB

The control of the CIS global risk exposure information to subscribers improved significantly with a simultaneous implementation of the new accounting plan for CIS, and the new classification that no longer takes into account the nature of existing assets but their global risk exposure. CIS must clearly indicate in the prospectus delivered to subscribers prior to subscription, as well as in the periodical documents, the total of its commitments in the futures markets as well as the exposure to interest rate and to exchange rate risks.

In addition, the new classification requires the management company and the depositary to control CIS sensitivity. Auditors control and certify the information provided by the management company in the periodical documents. These documents are also checked by the COB, on request.

Finally, specific provisions are also required in the prospectus with regard to investments of CIS in emerging markets.

MOE

The investment trust management company prepares the prospectus for a public offering or sale of beneficiary certificates of investment trusts, and submits it for examination by investors who want to acquire the certificates through the securities companies.

In this prospectus, representations likely to be misunderstood by investors are forbidden. Overemphasis of any specific feature of

the investment trust system and quoting of any particular part of past performance are examples of such representations.

It must be written in this prospectus that an investor's capital is not assured.

ASC

The law imposes a general non-prescriptive obligation to include in a prospectus all such information as investors and their professional advisors would reasonably require, and expect to find in a prospectus to make an informed decision of whether to invest. The prospectus issued by the promoter must contain a disclosure of the risks involved in investing in the scheme.

OSC

The SA requires that a prospectus include full, plain and true disclosure. The risks involved in making an investment in a security must be disclosed. Specific disclosure is mandated by the Policy including a statement on the front page of the prospectus that the participant must be able and prepared to lose his or her entire investment and that the investment is highly speculative.

SEC

As required under the SFC's Code on Unit Trusts and Mutual Funds, the offering document of the authorized vehicle must prominently display specific risk warnings and may also be required to carry additional and / or special risk warnings appropriate to the scheme's degree of risk.

Under the SFC's Code of Conduct, client agreements between clients and registered persons must include specific risk disclosure statements.

SVS

In Chile both the operations and trading advisory function are performed by investment companies. For Mutual Funds and for Investment Funds, investment companies must point out in their trusts deed (internal regulation), the securities subject to investment, fees, costs, investment and debt policy, etc. (Article 23

Law 249, Regulation of the Law of Mutual Funds; Article 11 Law 864, Regulation of the Law of Investment Funds). Foreign Investment funds are excluded of these requirements because they are placed abroad.

ESA

The applicant company has to show how the risk assessing measures will be undertaken and what risk limits the board has decided. Any delegation by the management company to another company must be noted to the FSA.

NZSC

The Securities Act provides for a comprehensive disclosure regime. All matters material to the offer of securities are required to be disclosed in the registered prospectus.

CNMV

The prospectus and the annual and quarterly reports of the collective schemes that must be disclosed to the public and delivered to each unit or share holder must contain detailed information on the risks assumed or willing to be assumed and on the investment policy effectively applied, as well as on those planned to apply in the future.

As far as investment in derivatives products is concerned, the management policy of the institution must be clearly defined in the prospectus: whether or not it is willing to invest, in which type of instruments, the purpose of those investments (i.e. hedging) and to what extent (internal risk limits). Furthermore, quarterly and annual reports have to include detailed information on the transactions carried out, including profits and losses obtained thereof.

CNV

See IV.C.2 (b) (i) (1) above.

BAWe

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(3) Promotional Material

CFTC

CFTC Rule 4.41 prohibits fraud and deceit in advertising the pool, and also provides specific guidelines for the presentation of hypothetical or simulated performance information. See II.B.3 (d) above.

The July 1995 revisions to Part 4 introduced a streamlined “capsule” format for presentation of required past performance information to replace the previously required multi-column format. As adopted, revised Rules 4.25 and 4.35 require the CPO or CTA to include in the capsule format rates of return for a period encompassing the preceding five calendar years and year-to-date or the entire history of the subject pool or trading program if that history was shorter than five years.

In March 1996, the CFTC’s Division of Trading and Markets issued Advisory 96-1 [1994-1996 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 26,639 (March 6, 1996) which stated that CPOs and CTAs would be permitted to present rates of return for a pool’s entire trading history from inception of trading to date in the required performance capsule format (with respect to the offered pool or offered trading program only), as an alternative to the five calendar years and year-to-date period set forth in Rules 4.25 and 4.35.

SEC

A fund's advertisements cannot be false or misleading. A fund's advertisements are subject to the provisions of the ICA and to rules under the Securities Act of 1933. Before a registration statement is filed with the SEC, the sponsors of the fund may not advertise any information regarding the fund. However, after the registration statement is filed, but before it is declared effective by the staff, the

sponsors may advertise the fund in accordance with specific rules. Once the registration statement is declared effective, the fund's sales literature must, with certain exceptions, be preceded or accompanied by a copy of the prospectus. The exceptions include "tombstone ads" pursuant to Rule 134 under Securities Act, and "omitting prospectuses" under Rule 482 under the Securities Act. Registered broker-dealers that distribute fund shares must file fund advertisements and sales literature with the NASD, which reviews and comments on but does not approve, the sales materials. Funds which distribute their own shares must file sales literature with the SEC, which does not approve or ordinarily review the sales literature. Both the SEC and the NASD have the power to withdraw advertising or take action against a broker-dealer or the fund for misleading advertisements.

Under Rule 482, any quotation of a money market fund's performance should consist of: (i) a quotation of the fund's current yield calculated in accordance with a standardized formula provided in Form N-1A; or (ii) a quotation of current yield and a corresponding quotation of effective yield, calculated in accordance with a standardized formula provided in Form N-1A. If a non-money market fund advertises yield, the ad should contain: (i) a quotation of the fund's current and tax-equivalent yield calculated in accordance with a standardized formula provided in Form N-1A; and (ii) uniformly computed one year, five year, and ten year average annual compounded total return quotations. Rule 482 ads for non-money market funds also may quote performance by non-standardized total return quotations, provided they are accompanied by standardized quotations.

Rule 34b-1 under the ICA extends the standardization requirements of Rule 482 to fund sales literature containing performance data. The rule deems any sales literature containing performance data to be misleading unless it also includes the appropriate uniformly computed performance data and disclosures required in Rule 482 advertisements.

SIB

IMRO members that wish to issue or approve an investment advertisement must apply appropriate expertise and be able to show that the advertisement is fair and not misleading. The advertisement must identify the approver and the regulator.

Furthermore members must not approve advertisements for issue by other persons if they relate to units in unregulated collective investments schemes.

In the case of direct offer advertisement to Private Customers, the member must give sufficient information about the investment or investment service, the terms of the offer and the risks involved. Derivatives advertisements may only be issued to customers for whom the member believes they may be suitable.

COB

MOE

Representations in the advertisement and publicity activities of the investment trust management companies and the securities companies concerning public offering and sales of beneficiary certificates of investment trusts should not deviate from the actual content of the prospectus for each fund.

ASC

Promotional material may be contained in the prospectus. If promotional material is issued separately it is not reviewed by the ASC but must contain factual material relating to the prospectus (s. 1025).

QSC

Units of participation in a pooled investment vehicle must be offered by way of prospectus or prospectus exemption. An offering memorandum is used if the units are offered by way of prospectus exemption.

SEC

Under the SFC's Code on Unit Trusts and Mutual Fund, all advertisements and other invitations to the public in Hong Kong to invest in an authorized vehicle, including public announcements, must be submitted to the SFC for approval prior to their issue or publication in Hong Kong.

Under the SFC's Code of Conduct, registered persons shall ensure at all times that any representations made and information provided to the client are accurate and not misleading.

SVS

In Chile both the operations and trading advisory function are performed by investment companies. The promotional material is always reviewed by the SVS.

ESA

NZSC

All promotional material must comply with the advertising requirements of the Securities Act and the Securities Regulation 1983.

CNMV

See II.B.3 (d) above.

CNV

See IV.C.2 (b) (i) (1) above.

BAWe

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(4) Fees, Cold Calls - Any Restrictions

CETC

See II.B.3 (e) above discussing NFA Rule 2-4.

SEC

Generally, an investor in a fund may be charged a sales charge, an asset based fee, or both. Some funds charge a "front-end sales load" - a sales commission at the time of purchase of the shares. Other funds may charge a fee or load to the account holder only if he or she redeems shares from the fund during a certain time period after purchase. This type of fee, which is called a "contingent" deferred sales load, typically decreases with the length of time the shares have been held. Additionally, funds often pay for a portion of distribution costs out of fund assets pursuant to Rule 12b-1 under the ICA (an "asset-based sales charge").

Section 22 (a) of the ICA delegates to the NASD the authority to determine the maximum sales charge NASD members may assess on the sale of fund shares. Under the NASD Rules of Fair Practice, NASD members may not sell shares of funds with "excessive" sales charges. The Rules prescribe a range of permissible sales charges for: (i) funds with an asset-based sales charge; and (ii) funds without an asset-based sales charge, depending upon whether the fund offers certain features, including dividend reinvestment, rights of accumulation, and quantity discounts.

A fund is required to disclose in the prospectus the fees and expenses that a shareholder investing in the fund may incur. The fund also is required to include in the prospectus a table disclosing the operating expenses and shareholder transaction fees. The operating expenses include the investment advisory fees and other service providers' fees which are charged directly to the fund and, therefore, are reflected in the fund's daily share price and dividends. The shareholder transaction expenses are incurred by the investor upon the purchase of fund shares. The fund must also include an example of the expenses a shareholder would pay on a \$1 000 investment over a one, three, five and ten year period, assuming a 5% annual return and redemption at the end of each time period.

There are no provisions under the ICA regarding cold calling. However, scripts designed to be read to potential customers are considered to be sales literature and must be filed with the SEC or the NASD. Additionally, the NASD Rules of Fair Practice govern cold-calling by representatives of registered broker-dealers.

SIB / IMRO

IMRO members may only enter into an investment agreement with a person, or procure that person to enter into an investment agreement, in consequence of a cold call if the member has observed the Unsolicited Calls Regulations. Where a person receives a personal recommendation as a result of a permissible cold call, any applicable cancellation rights must be fully explained by the member.

With regard to fees, IMRO members are required to ensure that charges to Private Customers are not unreasonable in the circumstances. When charges for managing assets are dependent on the value of non-readily realisable investments, the valuation must be based upon the price likely to be agreed between a willing buyer and a willing seller who are both in possession of all freely available information on the investments in question.

COB

MOF

None.

ASC

The CL prohibits persons from going from place to place, whether by appointment or otherwise, issuing invitations to subscribe for or buy securities or offering securities for subscription or purchase (s. 1078). There are a number of exceptions to this general prohibition.

Going from place to place includes communicating with the use of eligible communications devices such as by postal, telegraphic or telephonic services. This is known as securities hawking.

OSC

Pursuant to the Policy, the promoters are responsible for the organizational and offering expenses of the Program, subject to recoverability of these expenses out of up to 15% of the gross proceeds of the Program, provided that such expenses are reasonable and that appropriate disclosure is made in the prospectus. The Program shall not pay any commissions or other compensation to any person or company engaged to sell program interests or give investment advice to a potential participant (however, this does not prohibit the payment to a Program dealer or registered representative of normal commissions for selling Program interests and the payment of compensation to sales agents from a percentage of commodity brokerage commissions).

The aggregate annual expense of every kind paid or incurred by the Program, including management and advisory fees but excluding commodity brokerage commissions, incentive fees, legal, audit and extraordinary expenses, shall be reasonable but shall not exceed one half of 1% of net assets per month (not to exceed 6% annually). The manager shall not receive a management fee if the manager receives any portion of the brokerage commissions.

The Adviser is entitled to an incentive fee not to exceed 25% (on an annualized basis) of the net profits of the Program over the highest previous net profits (that is, "new highs").

The Program shall seek the best price and services available in its commodity futures brokerage transactions. The Program shall not effect any transactions in commodity futures contracts or commodity futures options with any broker, that is affiliated with any promoter or adviser providing the Program with services, unless such transactions are effected at competitive rates. If a promoter or manager receives any portion of the brokerage commissions from Program operations, the adviser may not be affiliated with the promoter or manager. This prohibition may be waived by the OSC if the program can demonstrate adequate safeguards against conflicts of interests between the interested parties.

There is no restriction on cold calls unless the OSC has so ordered.

SEC

The offer for sale of managed funds must be accompanied by an offering document which contains information necessary for investors to be able to make an informed judgment of the proposed investment and must contain a variety of information specified in the SFC's Code on Unit Trusts and Mutual Funds. Specific disclosure requirements apply to, among other things, transactions with connected persons. Annual and interim reports must be sent to holders each year and filed with the SFC. All advertisements and public announcements require the prior approval of the SFC.

See IV.C.1. (b) (i).

Under the SFC's Code on Unit Trusts and Mutual Fund, cash commission rebates must be credited to the account of the fund rather than be retained by the manager and soft dollar benefits can be retained by the manager if, inter alia, the benefits are demonstrably beneficial to the investors. All fees and charges are required to be disclosed in detail in the offering document of each vehicle.

Under the SFC's Code of Conduct, registered persons must ensure in the general course of dealing or advising in relation to a client, that the charges, mark-ups, or fees affecting a client shall be fair and reasonable under the circumstances, and be characterized by good faith.

Cold calling is generally prohibited under the Securities Ordinance and Commodity Trading Ordinance.

SVS

See IV.C.2 (b) (i) (2).

ESA

NZSC

There are no restrictions on fees or cold calling. However, door to door hawking of securities is prohibited in New Zealand.

CNMV

Royal Decree 1393/90 establishes the obligation of disclosure of the fees, that are compulsory to be charged in general to all the unit or share holders. Additionally, it sets forth the following maximum limits for different types of fees:

Management fees: 2.5% of total assets, 20% of the institution's returns or 1.5% of total assets plus 10% of the returns.

Subscription and redemption fees: 5% of the unit or share price.

Depository annual fees: 0.4% of the value of the assets in custody.

CNV

See IV.C.2 (b) (i) (1) above.

BAWe

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(5) Other Sales Practice Requirements, Including Supervision of Orders and Sales Personnel and Anti-Fraud Rules

CFTC

Section 4o of the CEA prohibits fraudulent conduct by CPOs, CTAs and their APs. CFTC Rule 4.16 prohibits a CPO, CTA, principal or AP from representing that the CPO or CTA has been sponsored, recommended or approved, or its abilities or qualifications passed upon, by the CFTC, Federal Government or any agency thereof.

CFTC Rule 166.3 requires each registrant to diligently supervise the handling of commodity interest accounts by its partners, officers, employees or agents. See II.B.3 (f) above.

SEC

Rule 17j-1 of the ICA requires a fund, its investment adviser and principal underwriter to have a code of ethics containing provisions reasonably necessary to prevent persons from engaging in any fraudulent practices in connection with certain fund insiders' purchase or sale of any security held or to be acquired by the fund. See IV.C.1 (c) (i) above.

SIB

In its consideration of whether a member continues to be fit and proper to conduct investment business, IMRO will take account of whether the member has complied with SIB's Principles. Principle 9 requires a firm to organise and control its internal affairs in a responsible manner, keeping proper records, and where the firm employs staff it should have adequate arrangements to ensure that they are suitable, adequately trained and properly supervised and that it has well-defined compliance procedures.

IMRO's rules require each member to establish and ensure that each of its employees engaged in discretionary or advisory management or the giving of investment advice is adequately trained, properly supervised and competent.

COB

A code of conduct for CIS deals with the formal acknowledgement of the autonomy of the management within the founder group, the conditions concerning trading market by the staff for personal purposes, the terms of arbitration concerning the conflicts of interest which may arise between the CIS and its founder group, and the forbidden use of confidential information.

MOE

The Securities and Exchange Law prohibits unfair trading (Article 157), manipulation of securities price (Article 159),

inappropriate sales practices of broker / dealers (Article 50) and others.

ASC

The CL specifically prohibits inter alia, misleading and deceptive statements in, or material omissions from, prospectus (s. 1006).

Further, holders of dealers licences are prohibited from engaging in misleading or deceptive conduct, from making false statements on relation to a recommendation and from fraudulently inducing a person to deal.

OSC

See II.B.3 (f) above.

SFC

Under the SFC's Code of Conduct, a registered person must have a policy which has been communicated to employees in writing on whether employees are permitted to deal for their own accounts in securities or futures contracts. If employees are permitted to deal, the conditions on which they may do so must be set out in writing and communicated to each employee. A registered person shall not knowingly deal in securities or futures contracts for another registered person's employee unless he has written to that registered person and received his written consent. In addition, the registered person is at all times responsible for the acts and omissions of his employees and agents in respect to the conduct of his business.

The SFC's Code of Conduct requires that all registered persons act in the best interests of clients and where there are conflicts of interest, to disclose the material interest or conflicts to the client and take all reasonable steps to ensure fair treatment of the client. The Code further prohibits trading ahead of clients.

The employment of fraudulent or deceptive devices, making false or misleading statements is a criminal offense under the Securities Ordinance and Commodity Trading Ordinance.

SVS

See IV.C.2 (b) (i) (2).

ESA

Any one with inside information about the daily trade of a management company and at the same time:

1. member of the board or deputy member;
2. auditor or deputy auditor;
3. at a leading position;

must not acquire for his own account financial instruments from a mutual fund or sell such instruments to the fund or otherwise trade with the fund. He may, however, acquire shares of the fund for his own account. There are the same restrictions as well for anyone else due to inside information.

NZSC

The Investment Advisers (Disclosure) Act 1996, which comes into force on October 1st, 1997, contains disclosure requirements and provides that disclosure made by an investment adviser under the Act must not be deceptive, misleading, or confusing in a material respect at the time that it is made.

CNMV

See II.B.3 (f) above.

CNV

See IV.C.2(b)(i)(1) above.

BAWe

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(ii) Trading Advisors

(1) Know your Customer, Suitability

CFTC

See II.B.3 (b) above.

SEC

As fiduciaries, investment advisers owe their clients a duty to provide only suitable investment advice. This duty generally requires an investment adviser to determine that investment advice it gives to a client is suitable for the client, taking into consideration the client's financial situation, investment experience, and investment objectives. See Investment Advisers Act Rel. 1406 (March 16, 1994).

SIB

See IV.C.2 (c) (i) (1) above.

COB

MOE

None.

ASC

A dealer, investment adviser or a securities representative of a dealer or investment adviser must have a reasonable basis for making a securities recommendation.

QSC

Advisers rendering advice to Ontario residents are obliged to establish the identity, creditworthiness and reputation of their clients and to ensure the suitability (and continuing suitability in the case of futures and futures options), of each client trade in view of the markets in which the customer intends to trade, the scale of trading and the general financial needs and objectives of the customer.

SFC

See IV.C.2 (B) (i) (1) above, referring to the SFC's Code of Conduct.

SVS

Not applicable.

ESA

NZSC

The Consumer Guarantees Act 1993 provides that where services are supplied to a consumer, certain guarantees as to suitability are implied on the part of the supplier.

CNMV

See II.B.3 (b) above.

CNV

BAWe

See IV.C.2 (a) (iii) above.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(2) Risk Specific Disclosure

CFTC

CFTC Rule 4.7 exempts CTAs which guide or direct the accounts of certain highly qualified investors defined as "qualified eligible clients" (QECs) from specific disclosure, reporting and recordkeeping requirements. The QEC class essentially reflects QEP-like criteria.

Rule 4.31 provides that a CTA may not solicit or enter into an agreement with a prospective client to direct the client's commodity interest account or to guide the client's commodity interest trading by means of a systematic program that recommends specific instructions, unless the CTA first delivers to the prospective client a disclosure document for the trading program. Rule 4.34 addresses the general disclosures required which include, among other things, the name of each principal of the CTA, the past performance history of the CTA in accordance with CFTC Rule 4.35, business background of principals, conflicts of interest, the name, address, telephone and form of organization of the CTA and a description of the trading program.

CFTC Rule 4.36 (d) requires a CTA to file with the CFTC two copies of the initial disclosure document for each trading program that it operates or intends to operate not less than 21 days prior to the date the CTA first intends to use the disclosure document. CFTC staff review the documents and may request revised or additional disclosures as appropriate.

A CTA that is registered or required to be registered under Part 30 must also comply with Rule 30.6 disclosure requirements.

On August 8, 1996 the CFTC announced an optional, six-month pilot program for the electronic filing of CPO and CTA Disclosure Documents with the CFTC. Under the Pilot Program, CPOs and CTAs have been permitted to file their Disclosure Documents by sending them to a designated Internet electronic mail address for the CFTC. Additionally, any related correspondence between CFTC staff and CPOs and CTAs concerning the Disclosure Documents filed under the Pilot Program also has been conducted by means of electronic mail. Based upon its experience administering the Pilot program and comments received the CFTC

adopted a permanent filing program that is substantially similar to the Pilot Program. 62 Fed. Reg. 18265 (April 15, 1997).

SEC

See IV.C.2 (b) (i) (2) above.

SIB

See IV.C.2 (b) (i) (2) above.

COB

MOE

None.

ASC

There is no current requirement in the CL for risk specific disclosure. However, the ASC is of the view that the risks associated with a specific recommendation should be disclosed and has encouraged the industry to formulate rules in this regard.

OSC

Advisers are required to provide each client with a risk disclosure document which includes standardized risk disclosure language prescribed by the OSC. At present, separate risk disclosure statements exist for commodity futures, commodity futures options and options. No transaction can be entered into prior to receipt by the adviser of a signed copy of the disclosure statement indicating that the client understands the risks involved in trading such products.

SFC

The SFC's Code of Conduct requires a registered person providing services to any client in relation to derivative products, including futures contracts or options, or any leveraged transaction to assure himself that the client understands the nature and risks of the products and has sufficient net worth to be able to assume the risks and bear the potential losses of trading in such products. The

client must sign a risk disclosure statement. See also answer to IV.C.2 (b) (i) (2) above, referring to the SFC's Code of Conduct.

SVS

See IV.C.2 (b) (i) (2).

ESA

NZSC

Not applicable.

CNMV

See II.B.2 (d) above.

CNV

BAWe

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(3) Promotional Material

CFTC

CFTC Rule 4.41 generally prohibits fraud and deceit in advertising the CTA's program and also requires specific warnings to accompany the presentation of hypothetical or simulated performance information. See II.B.3 (d) above.

Pursuant to CFTC Rule 4.35, a CTA and its principals must present the performance of commodity interest accounts they have directed during the last five years and year to date. The performance results obtained for different accounts may be presented on an individual or a composite basis, subject to the broad rule that composite

presentation not be misleading to a prospective client.

For example, if a CTA offers different trading programs, separate composite tables for each program would be required. Material information regarding the accounts comprising any composite table must be provided. Performance must be presented in a table showing, at least quarterly, beginning net asset value; additions; withdrawals; net performance; ending net asset value; and rate of return.

In March 1996, the CFTC's Division of Trading and Markets issued Advisory 96-1 [1994-1996 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 26,639 (March 6, 1996) which stated that CPOs and CTAs would be permitted to present rates of return for a pool's entire trading history from inception of trading to date in the required performance capsule format (with respect to the offered pool or offered trading program only), as an alternative to the five calendar years and year-to-date period set forth in Rules 4.25 and 4.35.

SEC

Rule 206 (4)-1(a) (5) makes it a fraudulent, deceptive, or manipulative act for any investment adviser to distribute, directly or indirectly, any advertisement that contains any untrue statement of a material fact or that is otherwise false or misleading. The rule generally defines an "advertisement" to include any communication addressed to more than one person that offers any investment advisory service with regard to securities. The rule describes various types of communications which are considered to be false or misleading *per se*, or which are so depending on whether certain conditions are met. For example, the rule prohibits an adviser from using advertisements that: (i) include testimonials; or (ii) refer to past specific recommendations unless, among other things, the advertisement sets out all recommendations made within at least the last year or offers to furnish a list of all such recommendations.

SIB

See IV.C.2 (c) (i) (3) above.

COB

MOE

When an investment advisor or a discretionary investment management company advertises concerning the results of its advice or management, it shall not make a representation which is at variance with the fact or is likely to be misunderstood by investors.

ASC

The CL prohibits misleading and deceptive conduct. This provision covers every aspect of dealing or advising in relation to securities. The ASC has issued guidelines regarding disclosure of minimal information by licensees and representatives to ensure that investors are not misled as to the identity of the person with whom they are dealing or whether that person holds a licence in their own right. Guidelines are also in place regarding the use of the term "independent" which states that the term is not to be used if the securities adviser is affiliated to any product or if there is any potential or actual conflict of interest in the relevant transaction.

OSC

See II.B.3 (d) above.

Notwithstanding that the CFA does not specifically empower the OSC to review all advertising literature proposed to be used by registered advisers, in practice, the OSC could deem the dissemination of such literature to be prejudicial to the public interest and, in a worst case scenario, the OSC could suspend the registration of the adviser.

SFC

The issuance of promotional materials by advisors generally does not require approval from the SFC. ~~But see~~ IV.C.2 (b) (i) (3) above, referring to the SFC's Code of Conduct.

SVS

See IV.C.2 (b) (i) (3).

ESA

See II.B.3 (d) above.

NZSC

Not applicable.

CNMV

See II.B.3 (b) above.

CNV

BAWe

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(4) Fees, Cold Calls - Any Restrictions

CFTC

See II.B.3 (c) above.

SEC

The ICA requires the contract between a fund and its investment adviser to precisely describe all compensation to be paid to the adviser. A majority of a fund's outstanding voting securities, and a majority of the company's directors who are not parties to the contract or interested persons of any such party must approve advisory contracts. Interested persons under the Act include affiliates, members of their immediate families, and persons with specified business or professional relationships to an investment company or its adviser or principal underwriter. The ICA also authorizes the Commission or a shareholder to bring a legal action against an investment adviser or certain other persons for breach of

a fiduciary duty with respect to the compensation paid to these

persons for services. See Section 36 (b). The courts have interpreted this standard to permit a fee that is not more than the largest fee that might have been agreed to between independent parties negotiating fairly, or at "arms-length." See Gartenberg v. Merrill Lynch Asset Management, 694 F. 2d 923 (2nd Cir. 1982); Schuyt v. Rowe Price Prime Reserve Fund, Inc., 663 F. Supp. 962 (S.D.N.Y. 1987), aff'd, 835 F. 2d 45 (2nd Cir. 1987); Krinsk v. Fund Asset Management, Inc. 654 F. Supp. 1227 (S.D.N.Y. 1987), aff'd, 875 F. 2d 404 (2nd Cir. 1989), cert. denied 493 U.S. 919 (1989); Kalish v. Franklin Advisers, Inc., 742 F. Supp. 1222 (S.D. N.Y. 1990), aff'd, 928 F. 2d 590 (2nd Cir. 1991).

There are no provisions under the IAA regarding cold calling.

SIB

See IV.C.2 (c) (i) (4) above.

COB

MOE

None.

ASC

The conduct of business rules in the CL require the disclosure of any interest which may influence a securities adviser's recommendation; interests would include commissions and fees. Under the CL cold calling is an offence. There are some important exceptions to the prohibition including: offers relating to stock exchange quoted securities made by a licensed dealer by means of an eligible communications service, provided they specify the exchanges on which the securities are quoted; offers to a person who has been a client of the dealer for a minimum of 12 months or who has a written agreement with the dealer; certain excluded offers (see IV.A.2. above) and offers accompanied by a prospectus which complies with the provisions of the CL.

OSC

Fees are not regulated. However, the regulations made under the CFA and the SA do not permit managed account fees to be based

on performance without client agreement or to be based on the value or volume of transactions. The OSC has authority to restrict or condition the right of advisers to cold-call potential customers.

SEC

No minimum fees or charges for advisers are stipulated. ~~But see~~ IV.C.2 (b) (i) (4) referring to the SFC's Code of Conduct.

SVS

See IV.C.2 (b) (i) (2).

ESA

NZSC

Not applicable.

CNMV

See II.B.2 (d) above.

CNV

BAWe

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(5) Other Sales Practice Requirements, Including Supervision of Orders and Sales Personnel and Anti-Fraud Rules

CFTC

See IV.A.3 (b) (ii) (e) above.

SEC

Investment advisers are subject to the general anti-fraud provision of Section 206 of the IAA. Rule 204-2 (a) (12) of the IAA requires all investment advisers to keep records of securities transactions effected by the adviser or its advisory representatives (any partner, officer, director or employee of the adviser whose responsibilities relate to making investment recommendations). Investment advisers are also subject to the requirements of Rule 17j-1 under the ICA with respect to the investment companies they advise.

SIB

See IV.C.2 (i) (5) above.

COB

MOE

An investment advisor and discretionary investment management company shall not engage in any deceptive act or resort to violence or intimidation in connection with the conclusion or the cancellation of an investment advisory or discretionary investment management contract.

When an investment advisor induces a client to make a contract, it shall not make a promise to bear losses or to offer special profit.

ASC

The CL imposes a condition upon a dealers or investment advisers licence requiring the licensee to ensure its representatives are adequately supervised and trained. Licensees are liable for the actions of their representatives even when those actions are outside the scope of the representative's authority.

Shortselling, market manipulation and fraudulent, artificial or fictitious trading in securities are prohibited under the CL.

OSC

The SA and the CFA require that every registered adviser establish procedures for dealing with its clients that conform with prudent

business practice and that enable it to deal with its clients adequately. Advisers are also required to take whatever steps are necessary or appropriate to supervise such procedures properly. These procedures must be in writing and must designate a partner or director who shall be responsible for approving the opening of new accounts and the supervision of trades made for clients.

The CFA, in addition, prohibits representations that:

- (a) a person or company will refund all or any portion of margin or premium paid; or
- (b) assume all or any part of the obligations of a person or company under the contract.

SEC

See IV.C.2. (b) (i) (5) above, referring to the SFC's Code of Conduct and the prohibited practices under the Securities Ordinance and Commodity Trading Ordinance.

SVS

See IV.C.2 (b) (i) (2).

ESA

NZSC

Not applicable.

CNMV

See II.B.3 (f) above.

CNV

BAWe

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(c) Compliance Programs, Enforcement

(i) Operator of the Pooled Vehicle

CFTC

NFA audits all member CPOs for sales practice compliance.

The CFTC is authorized to bring civil, criminal and injunctive proceedings in federal courts, or administrative proceedings before the CFTC's administrative law judges, against CPOs and their APs, among other persons, who violate the CEA or CFTC rules.

SEC

The Commission staff conducts periodic inspections of registered investment companies. The Commission also has power to investigate the activities of investment companies and their advisers. If the staff finds violations of the securities laws the Commission has the power to bring administrative, civil and criminal judicial proceedings to enforce the securities laws. See ICA Section 42.

SIB

An IMRO member is required to establish and maintain procedures to ensure that its employees conform with the responsibilities laid down by the regulatory system.

A compliance officer of appropriate status and experience must be appointed and compliance procedures must be set out in writing and available to each employee who is engaged in the member's investment business.

IMRO is entitled to conduct inspections of a member's activities and members are required to cooperate fully with such inspections.

A firm must take reasonable steps to ensure that sufficient information is recorded and retained about its regulated business

and compliance with the regulatory system.

COB

Basically, the COB, which is the supervisory body of the CIS industry, is entrusted with the main missions: regulation, authorization, supervision.

The COB is entitled to conduct investigations in management companies and in custodian entities in order to check they operate in accordance with the legislation and the code of business rules.

The COB may impose administrative sanctions in case of violation of its regulations and may also transfer a file to the civil or criminal judge.

MOF

The Minister of Finance may order any investment trust management company and trustee company to report concerning a securities investment trust, and may inspect the management company's books.

ASC

See IV.C.1 (b) (i) above.

OSC

Pooled investment vehicles and Program operators may be subject to periodic compliance reviews or enforcement action by the OSC where it is warranted in the public interest

SEC

See IV.C.1 (c) (i) above.

SVS

In Chile both the operations and trading advisory function are performed by investment companies. These companies must comply with articles 52 and 53 of Law 18.045, Securities Market Law. The SVS researches and investigates persons who perform forbidden activities such as front-running, insiders and price manipulations.

ESA

It is up to the FSA at its surveillance of the management companies and the depository institutes to promote a fair development of their business. The compliance program by the FSA is carried out on the basis of documents from the companies and the institutes to be supplied to the FSA together with all the information that is caught at the spot investigations by the FSA inspectors.

In case of abuse by a company or an institute under supervision the FSA may withdraw a license under certain conditions. This part of the regulation is also applicable to foreign operators according to special provisions.

NZSC

The Securities Act contains civil and criminal liability provisions for non-compliance with its requirements.

CNMV

See IV.C.1 (c) (i) above.

CNV

As mentioned, if the management company does not comply with the investment plan approved by the CNV (contained in the management regulations) and / or with the restrictions and prohibitions established by the Mutual Fund Law and other regulations enacted by this Commission, the violators will be subject to the following penalties: warning, fine, temporarily disqualification to act, final disqualification to act as management company or custodian of mutual funds. These penalties shall be applied by this Commission, once a summary procedure has been followed.

BAWe

The investment management company as well as banks is required to establish guidelines (guiding principles) for staff transactions.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(ii) Trading Advisors

CFTC

NFA audits all member CTAs for which NFA is the DSRO for sales practice compliance.

The CFTC is authorized to bring civil, criminal and injunctive proceedings in federal courts, or administrative proceedings before the CFTC's administrative law judges, against CTAs and their APs, among other persons, who violate the CEA or CFTC rules.

SEC

The Commission staff conducts periodic inspections of registered investment advisers and has the power to investigate the activities of the advisers. If the staff finds violations of the securities laws the Commission has the power to bring administrative, civil and criminal judicial proceedings to enforce the securities laws. See IAA Section 209.

SIB

COB

MOE

The Minister of Finance may order any investment advisor to submit a report concerning its business or assets, and may inspect the state of business, assets, records and books.

If an investment advisor violates the Law for Regulating Securities Investment Advisory Business, the minister of Finance may revoke the registration or order the suspension of the investment advisory business for a fixed period not longer than 6 months.

When the Minister of Finance finds that a certain conduct of any investment advisor is detrimental to the interest of investors, the Minister of Finance may order such investment advisor to take some measures for the improvement of the conduct of its operations.

ASC

The ASC conducts regular surveillances to check a licensee's compliance procedures, including established reporting requirements for their representatives and arrangements for the supervision, qualifications and education of their representatives. The licensee's research arrangements, basis of recommendations, client profile and promotional material may also be examined. Activities of unlicensed persons are also monitored. The ASC also has the power to inspect any books required to be kept under the CL.

The ASC has power to revoke or suspend a licence and to issue an order banning a person from acting as a representative of a dealer or investment adviser where the licence of that person has been revoked. The 'banning' order may be permanent or for a specified period.

OSC

See II.B.7 (a) above.

Every adviser seeking registration in Ontario, whether under the SA or the CFA, is required to establish procedures for dealing with its clients and for supervising the conduct of its business. Each adviser is required to appoint a supervisor who is responsible for establishing procedures for the supervision and control of trading in futures, futures options and options.

The OSC is empowered to undertake compliance audits, investigations and commence enforcement proceedings. This provides a check and balance to the adviser's supervision of its own activities.

SEC

See IV.C.1 (c) (ii) above.

SVS

See IV.C.2 (c) (i) above.

ESA

NZSC

The Investment Advisers (Disclosure) Act 1996 contains offence provisions in relation to any contravention of the provisions of the Act. In addition, civil remedies may be available at common law or equity. Criminal activity will be subject to the Crimes Act.

The Investment Advisers (Disclosure) Act 1996 provides that where a person:

- (a) has been convicted of an offence against the Act or of a crime involving dishonesty; or
- (b) has failed, more than once, to comply with the Act; or
- (c) was a director or principal officer of a body corporate at the time the body corporate committed such an offence or so failed,

the District Court may, on the application of any person, make an order prohibiting or restricting the person from doing all or any of the following things:

- (i) giving investment advice to, or receiving investment money or investment property from, the public;
- (ii) acting as a director, or taking part directly or indirectly in the management or control of any company or business that is an investment adviser;
- (iii) being an employee, or acting as an agent, of an investment adviser in a capacity that allows the person to take part in the giving of investment advice to, or receiving investment money or investment property from, the public.

CNMV

See IV.C.1 (c) (ii) above.

CNV

Does not exist.

BAWe

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(d) Customer Dispute Resolution Procedures and Other Forms of Customer Redress

(i) Operator of the Pooled Vehicle

CFTC

See II.B.8 above.

SEC

The ICA does not require dispute resolution procedures such as arbitration. The SEC will investigate complaints filed with it by consumers. If the SEC believes that a fund has committed a securities law violation, the SEC may institute administrative proceedings, civil judicial proceedings, or criminal judicial proceedings, as appropriate. Courts have found that certain provisions of the ICA can be enforced through shareholder suits.

SIB / IMRO

IMRO members must have written procedures to ensure that customers' complaints are properly handled, that any remedial action is promptly taken and that the customer is advised of any further avenue of complaint within the regulatory system. A

member's staff must be fully aware of the complaints procedures and their duty to comply with them.

In circumstances where a customer continues to be unhappy with the member's response, he has a right to complain to the Investment Ombudsman who runs a conciliation process on behalf of investors.

COB

MOE

When any dispute arises with respect to a public offering or sale of beneficiary certificates of investment trusts effected by any securities company, the parties to such dispute may apply to the Minister of Finance for mediation to resolve such dispute.

ASC

There are no customer dispute resolution procedures contained in the Law. Customers may lodge complaints with the ASC which will be investigated to ensure there has been no breach of the Law.

OSC

See II.B.8 above.

SEC

There are no statutory provisions setting out customer dispute resolution procedures; however, the SFC's Code of Conduct requires that a registered person ensure that:

- complaints from clients relating to his business are handled in a timely and appropriate manner;
- steps are taken to investigate and respond promptly to such complaints; and
- where a complaint is not remedied promptly, the client is advised of any further steps which may be available to the client under the regulatory system.

Investors in Hong Kong may bring their complaint directly to the SFC, which can through its enforcement division conduct an investigation.

SVS

There are no special procedures.

ESA

There are no regulated procedures for customer dispute resolution, special for an operator of the pooled vehicle. But non-professional buyers of financial services may complain at the FSA or at a specific bank customers' office in order to reach a settlement of a dispute. There could be added that the decisions by the FSA may be subject to a court trial if required by a complaining customer.

NZSC

Facilities offered by industry bodies. The courts.

CNMV

There are no specific legal provisions concerning customer resolution procedures. However, some of the investment funds and companies include in their by-laws or rules and regulations arbitration procedures.

CNV

Any problem raised between the management company and the depository company shall be settled according with the management resolutions.

BAWe

The depository bank is authorized and obligated, in its own name to assert claims of unit-holders against the management company. The management company is authorized and obligated in its own name to assert claims of unit holders against the depository bank. This shall not preclude the assertion of such claims by the unit holders. There are no other specific customer dispute resolution procedures contained in the law.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(ii) Trading Advisors

CFTC

See II.B.8. above.

SEC

The IAA does not require dispute resolution procedures such as arbitration. Consumers may contact the SEC with complaints. There is no private right of action under the IAA.

SIB

See IV.C.2.(d)(i) above.

COB

MOF

When a client seeks the intervention for resolving any grievance with respect to any service provided by investment advisors, the Securities Investment Advisors Association shall investigate the circumstances and take measures necessary to remedy such grievance promptly.

ASC

See IV.C.2. (d) (i) above. The ASC has in place internal procedures for investigating investors complaints regarding alleged contraventions of the CL or a licence condition. These complaints may result in disciplinary action or remedial action including payment of investor claims out of the security bond lodged with the ASC.

It is a recommendation of the licensing review that a licensee must provide an internal complaints handling facility. It was further recommended that licensees must maintain professional indemnity insurance instead of the current security bond requirement.

A client has a right to rescind a contract made with a person dealing in securities without a licence and a right to recover commission in such circumstances.

OSC

See IV.C.2 (d) (i) above.

SEC

See IV.C.2 (d) (i) above.

SVS

See IV.C.2 (d) (i) above.

ESA

NZSC

Facilities offered by Industry bodies. The courts.

CNMV

There are no specific legal provisions concerning customer resolution procedures.

CNV

Does not exist.

BAWe

No specific provisions.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(e) Recordkeeping - Maintenance, Retention Period, Availability and Confidentiality

(i) Operator of the Pooled Vehicle

CFTC

Each registered CPO must maintain books and records and file such reports as prescribed by the CFTC. See II.A.8 and IV.A.3 (a) (iv) above.

SEC

Section 31 of the ICA and the rules thereunder impose extensive recordkeeping requirements on investment companies. Under the ICA, certain records (e.g., corporate charters, general and auxiliary ledgers (or other records) reflecting all asset, liability, reserve, capital, income and expense accounts, etc.) should be preserved permanently, the first two years in an easily accessible place. Other records (of brokerage orders, purchases and sales, etc.) must be preserved for a period not less than six years from the end of the fiscal year in which any transaction occurred, the first two years in an easily accessible place. See ICA Rule 31a-2. Records required to be kept pursuant to section 31 of the ICA must be made available for on-site examination by SEC staff. See also IV.C.1 (d) (i) (1) above.

Section 45 (a) of the ICA provides that the information contained in any registration statement, application, report, or other document filed with the Commission pursuant to any provision of the ICA or any rule thereunder shall be made available to the public, unless the Commission finds that public disclosure is neither necessary nor appropriate in the public interest or for the protection of investors.

SIB

The manager must keep accounting and other records as are necessary to enable it to comply with the regulations and to demonstrate at any time, that such compliance by it has been achieved.

The trustee must satisfy itself that the manager has maintained and is maintaining sufficient records. The trustee must also keep such records as are necessary to enable it to comply with the regulations and to demonstrate that such compliance by it has been achieved.

The Regulations also specify that the manager is to prepare a report and accounts of the scheme for every annual and half-yearly accounting period. Each annual report includes a report by the trustee on the management of the scheme during the year covered in the annual report.

COB

MOF

Every investment trust management company is required to prepare a report on each trust property for every fiscal term of the trust. The report must be submitted to the Minister of Finance.

The investment trust management company shall prepare books and documents related to the trust property and preserve them for 5 years after termination of the contract. Any beneficiary of a securities investment trust may inspect or copy any of them in which the beneficiary is interested.

ASC

See IV.C.1. (d) (i) above.

OSC

See IV.C.1 (d) (i) above.

SEC

See IV.C.1 (d) (i) (1) & (2) above.

SVS

In Chile both the operations and trading advisory function are performed by investment companies. These companies must provide the SVS with the financial statements and notes quarterly, and yearly these statements must be audited by external auditors and publish in a newspaper. Despite that, the SVS is reviewing the financial information of both the investment company and the fund, in order to insure fairness in the business.

ESA

See IV.C.1 (d) above.

NZSC

See IV.C.1 (d) (i) above.

CNMV

See IV.C.1 (d) (i) above.

CNV

See IV.C.1 (d) above.

BAWe

See IV.C.1 (d) (i) above.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

(ii) Trading Advisors

CFTC

See IV.B.3 (a) (iii) above.

SEC

Section 204 of the IAA requires registered investment advisers, including advisers to investment companies, to maintain and keep current certain books and records. Rule 204-2 (a) specifies the books and records which all investment advisers are required to keep. These include the journal and ledger accounts, memoranda of orders given and instructions received for the purchase, sale, receipt or delivery of securities, and original or copies of certain communications received or sent by the investment adviser, etc. The rule specifies the time period for which the adviser should maintain and preserve in an easily accessible place each type of record. See paragraphs (e) and (f) of the rule. Records required to be kept pursuant to Section 204 of the IAA must be made available for on-site examination by SEC staff.

Section 210 (a) of the IAA provides that the information contained in any registration application, report, or amendment thereto filed with the Commission pursuant to any provision of the IAA shall be made available to the public, unless the Commission finds that public disclosure is neither necessary nor appropriate in the public interest or for the protection of investors.

Section 210 (b) provides that the Commission and its employees shall not make public the fact that any examination or investigation under the IAA is being conducted, or the results of or any facts ascertained during any such examination or investigation. In addition, no member or employee of the Commission shall disclose to any person other than a member or employee of the Commission any information obtained as a result of an exam except with the approval of the Commission.

SIB

See IV.C.2 (e) (i) above.

COB

MOE

An investment advisor and a discretionary investment management company shall prepare the following records referred

for each client and preserve them for 5 years after termination of the contract.

1. A document outlining the substance of advice; and
2. A document outlining the substance of securities transactions which the discretionary investment management company has effected under a contract.

ASC

See IV.C.1. (d) (ii) above.

OSC

See IV.C.1 (d) (ii) above.

SEC

See IV.C.1 (d) (ii) (1) & (2) above.

SVS

See IV.C.2 (e) (i) above.

ESA

NZSC

See IV.C.1 (d) (ii) above.

CNMV

See IV.C.1 (d) (ii) above.

CNV

See IV.C.1 (d) above.

BAWe

No specific provisions.

SC

See IV.A.1 and IV.B.1 (c).

ESB

Not applicable.

PART TWO
CROSS REGULATORY SUMMARY
CHART

	ASC	COB	SIB	CFTC	SEC	MOF	CONSOB	OSC	CVMQ	SFC	SVS	FSA	NZSC	CNMV	SC	BAWe	CNV	FSB
I. Operational Definitions ("Home vs. "Host")																		
A. Markets and Products																		
1. Jurisdictional Issue																		
(a) When determining for regulatory purposes whether a market is a domestic market, do you consider:																		
(i) place of incorporation?	YES	N/A	NO ¹	YES	YES	YES	YES	NO	NO	NO	YES	N/A	YES	YES	YES	YES	YES	YES
(ii) location of trading floor?	YES	N/A	NO ¹	YES	YES	YES	N/A	YES	YES	NO	YES	N/A	YES	NO	YES	YES	YES	YES
(iii) general conduct of business?	YES	N/A	NO ¹	YES	YES	N/A	YES	YES	YES	NO	NO	N/A	YES	YES	YES	NO	YES	YES
(b) Once a determination is made that a market is domestic, must such market be recognized?																		
	YES	N/A	YES ²	YES ¹	YES	YES ²	YES	YES	YES	YES	YES	N/A	YES	YES	YES	YES	YES	YES
(c) Once a determination is made that a product is domestic, must such product be recognized?																		
	YES	NO	NO	N/A	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES	YES	NO	YES	YES
(d) Are there statutory criteria with which an exchange must comply before recognition will be granted?																		
	YES	N/A	YES ³	YES	YES	YES	YES	YES	YES	YES	YES	N/A	NO	YES	YES	YES	YES	YES
(e) Do these recognition criteria include:																		
(i) location?	NO	N/A	NO ¹	YES	YES	YES	NO	YES	YES	N/A	YES	N/A	N/A	NO	YES	YES	YES	YES
(ii) antifraud provisions?	YES	N/A	YES	YES	YES	YES	YES	YES	YES	N/A	YES	N/A	N/A	YES	YES	YES	YES	YES
(iii) general public interest considerations?	YES	N/A	YES	YES	YES	YES	YES	YES	YES	N/A	YES	N/A	N/A	YES	YES	YES	YES	YES
(iv) financial stability?	YES	N/A	YES	YES ²	YES	N/A	YES	YES	YES	N/A	YES	N/A	N/A	YES	YES	YES	YES	N/A
(f) When determining for regulatory purposes whether a clearing house is domestic do you consider:																		
(i) place of incorporation?	NO	YES	NO ⁴	N/A ³	YES	N/A	YES	NO	NO	N/A	YES	N/A	NO	YES	YES	YES	YES	YES
(ii) general conduct of business?	YES	NO	NO ⁴	N/A ³	YES	N/A	YES	YES	YES	N/A	NO	N/A	YES	YES	YES	NO	YES	YES
(g) Once a determination is made that a clearing house is domestic must it be recognized?																		
	YES	YES	YES ⁵	YES ³	YES	N/A	YES	YES	YES	NO	YES	N/A	YES	YES	YES	NO	YES	YES
(h) Are there statutory criteria with which a clearing house must comply before recognition will be granted?																		
	YES	YES	YES ⁶	N/A ³	YES	N/A	YES	YES	YES	NO	YES	N/A	NO	YES	YES	NO	YES	YES
(i) Do these recognition criteria include?																		
(i) location?	NO	YES	NO ⁴	N/A ³	YES ¹	N/A	YES	NO	YES	N/A	YES	N/A	N/A	NO	YES	YES	YES	NO
(ii) antifraud provisions?	YES	YES	YES	N/A ³	YES	N/A	YES	YES	YES	N/A	YES	N/A	N/A	YES	YES	YES	YES	YES
(iii) general public interest considerations?	YES	YES	YES	N/A ³	YES	N/A	YES	YES	YES	N/A	YES	N/A	N/A	YES	YES	YES	YES	YES
(iv) financial stability?	N/A	YES	YES	N/A ³	YES	N/A	YES	YES	YES	N/A	YES	N/A	N/A	YES	YES	YES	YES	N/A

	ASC	COB	SIB	CFTC	SEC	MOF	CONSOB	OSC	CVMQ	SFC	SVS	FSA	NZSC	CNMV	SC	BAWe	CNV	FSB
2. Recognition																		
(a) Must a foreign clearing house be recognized in order to be used on behalf of nationals of your country?	YES	NO	NO	NO	YES	N/A	YES	NO	NO	NO	N/A	YES	NO	NO	NO	NO	NO	N/A
(i) Are there any exceptions?	NO	N/A	NO	N/A	YES	N/A	NO	N/A	N/A	N/A	N/A	NO	NO	N/A	N/A	NO	N/A	N/A
(ii) Are there any statutory recognition criteria?	YES	N/A	YES ⁷	N/A	YES	N/A	YES	N/A	N/A	N/A	N/A	YES	NO	N/A	N/A	NO	N/A	N/A
(b) Are there other general guidelines?	YES	N/A	YES	N/A	YES	N/A	N/A	N/A	N/A	N/A	N/A	YES	NO	N/A	N/A	NO	N/A	N/A
Do these guidelines include:																		
(i) adequate regulatory protections in foreign country?	N/A	N/A	YES ⁸	N/A	YES	N/A	N/A	N/A	N/A	N/A	N/A	YES	N/A	N/A	N/A	N/A	N/A	N/A
(ii) information sharing by foreign clearing house with national regulators?	YES	N/A	YES ⁸	N/A	YES	N/A	N/A	N/A	N/A	N/A	N/A	YES	N/A	N/A	N/A	N/A	N/A	N/A
(iii) investor protection provisions?	YES	N/A	YES ⁸	N/A	YES	N/A	N/A	N/A	N/A	N/A	N/A	YES	N/A	N/A	N/A	N/A	N/A	N/A
(iv) membership access restriction by foreign clearing house?	YES	N/A	YES ⁸	N/A	YES	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
(v) adequacy of grievance procedures for customers?	YES	N/A	YES ⁸	N/A	YES	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
(c) Must a foreign market be recognized in order to be traded by or on behalf of nationals in your country?	NO	YES	NO	NO	YES	NO ³	YES	YES	NO	NO	N/A	N/A	NO	YES ¹	YES	NO	NO	N/A
(i) Are there any exceptions?	N/A	YES	YES ⁹	YES ⁴	YES ²	N/A	YES ¹	YES	N/A	N/A	N/A	N/A	N/A	YES	NO	NO	N/A	N/A
(ii) Are there any statutory recognition criteria?	N/A	YES	YES	NO	YES	N/A	YES	YES	N/A	N/A	N/A	N/A	N/A	N/A	NO	NO	N/A	N/A
(d) Are there other general guidelines?	N/A	YES	YES	YES	YES	N/A	YES	YES	N/A	NO	N/A	N/A	N/A	YES	NO	NO	N/A	N/A
Do these guidelines include:																		
(i) adequate regulatory protections in foreign country?	N/A	YES	YES ¹⁰	YES	YES	N/A	YES	YES	N/A	N/A	N/A	N/A	N/A	YES	N/A	N/A	N/A	N/A
(ii) information sharing by foreign market with national regulators?	N/A	YES	YES ¹⁰	YES	YES	N/A	YES	NO	N/A	N/A	N/A	N/A	N/A	YES	N/A	N/A	N/A	N/A
(iii) investor protection provisions?	N/A	YES	YES ¹⁰	YES	YES	N/A	YES	NO	N/A	N/A	N/A	N/A	N/A	YES	N/A	N/A	N/A	N/A
(iv) membership access restriction by foreign market?	N/A	YES	YES ¹⁰	NO ⁵	YES	N/A	NO	NO	N/A	N/A	N/A	N/A	N/A	NO	N/A	N/A	N/A	N/A
(v) adequacy of grievance procedures for customers?	N/A	YES	YES ¹⁰	YES	YES	N/A	NO	NO	N/A	N/A	N/A	N/A	N/A	YES	N/A	N/A	N/A	N/A
(e) Must a foreign product be recognized in order to be traded by or on behalf of nationals of your country?	N/A	NO	NO	NO	YES	NO ⁴	NO ¹	YES	NO	NO	N/A	YES	NO	NO	YES	NO	NO	N/A
(i) Are there any exceptions?	N/A	N/A	NO	YES ⁴	YES ³	N/A	NO	YES	NO	N/A	N/A	NO	NO	YES ¹	NO	NO	N/A	N/A
(ii) Are there any statutory recognition criteria?	N/A	N/A	NO	NO	YES	N/A	NO	YES	NO	N/A	N/A	YES	NO	N/A	NO	NO	N/A	N/A

	ASC	COB	SIB	CFTC	SEC	MOF	CONSOB	OSC	CVMQ	SFC	SVS	FSA	NZSC	CNMV	SC	BAWe	CNV	FSB
(f) Are there other general guidelines? Do these guidelines include:	YES	N/A	NO	YES	YES	N/A	YES	YES	N/A	NO	N/A	YES	NO	YES	NO	NO	NO	YES
(i) adequate regulatory protections in foreign country?	N/A	N/A	NO	YES	YES	N/A	YES	YES	N/A	N/A	N/A	YES	N/A	YES	N/A	N/A	N/A	N/A
(ii) information sharing by foreign market with national regulators?	N/A	N/A	NO	YES	YES	N/A	YES	NO	N/A	N/A	N/A	NO	N/A	YES	N/A	N/A	N/A	N/A
(iii) investor protection provisions?	YES	N/A	NO	YES	YES	N/A	YES	NO	N/A	N/A	N/A	N/A	N/A	YES	N/A	N/A	N/A	YES
(iv) membership access restriction by foreign market?	YES	N/A	NO	NO ⁵	YES	N/A	NO	NO	N/A	N/A	N/A	N/A	N/A	NO	N/A	N/A	N/A	YES
(v) adequacy of grievance procedures for customers?	YES	N/A	NO	YES	YES	N/A	YES	NO	N/A	N/A	N/A	YES	N/A	YES	N/A	N/A	N/A	YES
B. <u>Financial Intermediaries</u>																		
1. Regulatory Jurisdiction																		
(a) Are there differences in the applicable regulations based on the relationship of a financial intermediary to the jurisdiction?	YES	YES	YES ¹¹	YES	YES	YES ⁴	YES	YES	YES	NO	YES	YES	NO	NO	NO	YES	YES	YES
(b) Are these differences based on:																		
(i) place of business?	YES	NO	YES	YES	YES	N/A	YES	NO	YES	N/A	NO	NO	N/A	N/A	NO	NO	YES	YES
(ii) conducting of business in jurisdiction?	YES	YES	YES	YES	YES	N/A	YES	YES	YES	N/A	YES	YES	N/A	N/A	NO	YES	YES	YES
(iii) solicitation of business in jurisdiction?	YES	NO	YES	NO	YES	N/A	YES	YES	YES	N/A	YES	YES	N/A	N/A	NO	YES	YES	YES
(iv) customer location?	NO	NO	YES	YES	YES	N/A	YES	NO	YES	N/A	NO	NO	N/A	N/A	NO	NO	NO	NO
(v) customer sophistication?	YES	YES	YES	NO	YES	N/A	YES	NO	YES	N/A	NO	NO	N/A	N/A	NO	YES	NO	YES
2. Screen-Based Trading Systems																		
Are there any regulatory guidelines regarding the treatment of screen-based trading systems in your jurisdiction?	YES	YES	NO ¹²	NO ⁷	YES	NO ⁶	YES	YES	NO	NO ¹	NO	YES	NO	NO	NO	YES	NO	YES
II. <u>Common Regulatory Concerns</u>																		
A. Financial Safety																		
1. Capital-Based Qualification																		
(a) Are there specific regulatory or self-regulatory capital-based qualifications for exchanges?	NO	NO	NO ¹³	NO	NO	NO ⁷	N/A	NO	NO	YES	YES	NO	NO	YES	NO	NO	NO	NO
(b) Are there specific regulatory or self-regulatory capital-based qualifications for clearing organizations?	NO	YES	NO ¹⁴	NO	NO	N/A	YES	NO	NO	YES	YES	NO	NO	YES ²	NO	NO	NO	NO
(c) Are there specific regulatory or self-regulatory capital-based qualifications for clearing members?	YES	YES	YES ¹⁵	YES	YES	N/A	YES	YES	YES	YES	YES	NO	YES	YES	YES	YES	YES	YES

	ASC	COB	SIB	CFTC	SEC	MOF	CONSOB	OSC	CVMQ	SFC	SVS	FSA	NZSC	CNMV	SC	BAWe	CNV	FSB
(d) Are there specific regulatory or self-regulatory capital-based qualifications for financial intermediaries?	YES	YES	YES ¹⁵	YES	YES	YES	YES	YES	YES	YES ²	YES	YES	YES	YES	YES ¹	YES	YES	YES
2. Clearing Facilities																		
(a) Are there any regulatory or self-regulatory requirements regarding the relationship between the exchange and clearing facility?	YES	NO	YES ¹⁶	NO ⁸	YES	N/A ⁹	YES	YES	YES	YES ³	YES	NO	YES	YES	YES	YES	NO	NO
(b) What is the relationship between the exchanges and the clearing houses:																		
(i) affiliated?	NO	N/A	YES ¹⁷	YES	YES	N/A	NO	YES	YES	YES ³	YES	YES	NO	YES ²	YES	YES	YES	YES
(ii) independent?	YES	N/A	YES	YES	NO	N/A	YES	NO	YES	NO	NO	NO	YES	NO	YES	NO	YES	NO
(c) Are there any regulatory or self-regulatory operational requirements for clearing facilities?	YES	YES	YES	YES	YES	YES ¹⁰	YES	YES	YES	NO ³	YES	YES	YES	YES	YES	YES	YES	YES
(d) Are there any rules or regulations governing the scope, nature and timing of guarantee of clearing members?	YES	YES	YES	YES	YES	N/A	YES	YES	YES	YES ⁴	YES	YES	YES	YES	YES	YES	YES	YES
3. Margin and Credit Extension Requirements																		
(a) Are original margin requirements set by the clearing house?	YES	YES	YES	YES ⁹	YES ⁴	N/A ¹¹	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
(b) Are clearing house margin deposits collected on a:																		
(i) net basis?	YES	YES	YES ¹⁸	YES	YES	YES	YES	YES	YES	NO	NO	NO	YES	NO	YES	YES	YES	YES
(ii) gross basis?	NO	YES	NO	YES	NO	YES ¹²	NO	YES	NO	YES	YES	YES	NO	YES	YES	NO	YES	NO
(c) Are original margin requirements calculated using:																		
(i) simulated models?	NO	YES	YES	YES	YES ⁵	NO	YES	YES	YES	YES	NO	YES	NO	YES	YES	YES	NO	NO
(ii) specific margin per contract multiplied by number of contracts held (or similar simple calculation)?	YES	YES	YES	YES	NO ⁶	YES	YES	YES	YES	YES	YES	NO	YES	YES	YES	YES	YES	YES
(d) Are settlement payments made daily?	YES	YES	YES	YES	YES	YES ¹³	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
(e) Do clearing houses issue intra-day variation margin calls?	NO	YES	YES	YES	YES	N/A	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
(i) on a routine basis?	N/A	NO	YES	YES	NO	N/A	NO	NO	NO	NO	NO	NO	NO	NO	NO	YES	YES	NO
(ii) in cases of large market moves?	N/A	YES	YES	YES	YES	N/A	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
(f) Are clearing houses required by legislation or exchange rule to segregate customer funds from any funds used in the firm's proprietary operation?	YES	NO	YES	YES	YES	N/A	NO	YES	YES	YES	YES	NO	YES	YES ³	YES	YES	NO	YES

	ASC	COB	SIB	CFTC	SEC	MOF	CONSOB	OSC	CVMQ	SFC	SVS	FSA	NZSC	CNMV	SC	BAWe	CNV	FSB
(g) Do the clearing houses accept the following as collateral:																		
(i) cash?	YES	N/A	YES	YES	YES	YES	YES	YES	YES	YES ⁵	YES	YES	YES	YES	YES ²	YES	YES	YES
(ii) securities?	YES	YES	YES	YES ¹⁰	NO	YES ¹⁴	YES ²	YES	YES	NO	YES	YES	NO	YES	YES ³	YES	YES	NO
(iii) letters of credit?	NO	NO	YES	YES	YES	NO	NO	YES	YES	NO	YES	NO	YES	NO	YES ⁴	NO	YES	NO
(iv) other?	NO	YES	YES	YES	YES	NO	NO	YES	YES	YES ⁵	YES	NO	NO	NO	YES ⁵	NO	NO	NO
4. Financial Compliance Programs																		
(a) Are there existing programs for continuous financial surveillance?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
(b) If so do the entities subject to on-going surveillance include:																		
(i) individual members?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
(ii) clearing firms?	N/A	YES	YES	YES	YES	N/A	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
(iii) non-clearing firms?	N/A	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	N/A	YES	YES	YES	YES	YES	YES
(c) Are SROs by statute or regulation required to maintain financial surveillance programs?	YES	NO	YES ¹⁹	YES	YES	YES	YES ³	YES	YES	NO ⁶	N/A	NO	YES	YES	YES	NO	YES	YES
(d) Are periodic audits performed?	YES	YES	YES	YES ¹¹	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
(e) Are these audits required to be performed on a regular basis?	NO	NO	NO	YES ¹¹	YES ⁷	NO	YES	NO	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES
5. Customer Funds Protection																		
(a) Are financial intermediaries required to segregate customer funds from their own funds?	YES	NO	YES	YES	YES	NO	YES	YES	YES	YES	YES	YES	YES	YES ⁴	YES	YES	NO	YES
(b) Is the term "customer funds" statutorily defined?	YES	NO	YES ²⁰	YES	YES ⁸	NO	YES	NO	NO	NO	YES	NO	YES	YES	NO	YES	NO	YES
(c) Are financial intermediaries required to keep records regarding customer funds?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES
(d) May customers "opt out" of the segregation requirement?	NO	N/A	YES ²¹	NO	NO	N/A	NO	NO	NO	NO	N/A	YES	NO	NO	NO	NO	NO	NO
(e) Are there other programs in existence, such as insurance or other forms of guarantee, designed to protect investors?	YES	YES	YES	NO ¹²	YES	YES	YES	YES	YES	YES	YES	NO	YES	YES	YES	YES	NO	YES
(f) Are there any restrictions on where customer funds may be invested?	YES	N/A	YES	YES	YES	N/A	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES
(g) Is there a requirement that segregated funds be maintained at a "good depository"?	NO	N/A	YES	YES	YES	N/A	YES	YES	YES	YES	N/A	YES	YES	YES	YES	YES	NO	YES
(h) Is it permissible under existing rules and regulations for a "good depository" to be:																		
(i) a domestic bank?	N/A	N/A	YES	YES	YES	N/A	YES	YES	YES	YES	N/A	YES	YES	YES	YES	YES	N/A	YES
(ii) a foreign bank?	N/A	N/A	YES	YES	YES	N/A	YES	YES	YES	YES	N/A	YES	YES	NO	YES	YES	N/A	NO
(iii) another financial intermediary?	N/A	N/A	YES	YES	YES	N/A	YES	YES	YES	YES	N/A	N/A	YES	YES	YES	YES	N/A	NO

	ASC	COB	SIB	CFTC	SEC	MOF	CONSOB	OSC	CVMQ	SFC	SVS	FSA	NZSC	CNMV	SC	BAWe	CNV	FSB
6. Default, Insolvency or Bankruptcy Provisions																		
(a) Do customers receive priority for their claims against bankrupt or defaulting firms?	YES	YES	YES ²²	YES ¹³	YES	N/A	YES	NO	YES	NO	YES	YES	YES	YES	NO ⁶	YES	NO	YES
(b) Do the rules provide for the return or transfer of specifically identifiable property?	YES	YES	NO	YES	YES	N/A	YES	NO	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES
(c) Does a bankruptcy trustee or other entity have authority to, e.g., close out futures and options positions or to make or accept delivery on derivative contracts?	YES	YES	YES	YES	YES	N/A	YES	YES	YES	YES	YES	YES	YES	YES ⁵	YES	YES	N/A	YES
(d) Does a bankruptcy trustee or other entity have authority to transfer customer positions?	YES	YES	YES	YES	YES	N/A	YES	YES	YES	YES	YES	YES	YES	YES ⁵	YES ⁷	YES	N/A	YES
7. Market Disruptions; Firm Financial Problems																		
(a) Are firms required to notify regulators when firms develop financial problems?	NO	YES	YES	YES ¹⁴	YES	NO	YES	YES	YES	NO ⁷	YES	YES	YES	YES	YES	YES	YES	YES
(b) Are provisions in place for increased reporting in cases of market disruption?	NO	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES	YES	YES	NO	YES	YES
(c) Do exchanges impose daily price limits on traded contracts?	NO	YES	NO	YES ¹⁵	NO	YES ¹⁶	NO	YES	YES	YES	YES	NO	NO	YES ⁶	YES	NO	YES	NO
(d) Do exchange rules provide for emergency measures including cessation of trading during times of extreme volatility?	YES	YES	YES	YES ¹⁶	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
(e) May an exchange or clearing house call for additional margins when market conditions and price fluctuations render it necessary to maintain an orderly market or to preserve fiscal integrity?	YES	YES	YES	YES	YES	YES ¹⁶	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
(f) Other provisions to deal with market disruptions or firm financial problems?	YES	YES	YES	YES	YES	YES	YES ⁴	YES	YES	YES	N/A	YES	YES	YES	YES	YES	YES	YES
8. Recordkeeping																		
(a) Does the jurisdiction have detailed rules regarding financial recordkeeping?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
If so, must records be kept of:																		
(i) financial condition of firms and brokers?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
(ii) customer funds and property and treatment of customer funds and property?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
(iii) customer orders and documents related to those orders?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES

	ASC	COB	SIB	CFTC	SEC	MOF	CONSOB	OSC	CVMQ	SFC	SVS	FSA	NZSC	CNMV	SC	BAWe	CNV	FSB	
(b) Does the jurisdiction require the records to be retained for a specified period of time?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	
(c) Does the jurisdiction limit access to the financial records?	YES	YES	YES	YES	YES	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	N/A	
B. Fairness																			
1. Authorization, Qualification and Good Standing Requirements Other than Capital Adequacy																			
(a) Do regulators or exchanges set qualification requirements or competency criteria for exchange members and governing members?	YES	YES	YES	YES ¹⁷	YES	YES ¹⁷	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES
(b) Do regulators or exchanges set qualification requirements for clearing members and governing members?	YES	YES	YES	YES ¹⁷	YES	N/A	YES	YES	YES	YES ⁸	YES	YES	YES	YES	YES	YES	YES	N/A	YES
(c) Does the jurisdiction set qualification requirements for other financial intermediaries such as FCMs and brokers? If so, do the qualification standards include:	YES	YES	YES	YES	YES	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	N/A	YES
<i>(i)</i> consideration of the educational qualifications or experience of the applicant?	YES	YES	YES	YES	YES	N/A	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	N/A	YES
<i>(ii)</i> consideration of the applicant's character and criminal record?	YES	YES	YES	YES	YES	N/A	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
<i>(iii)</i> consideration of previous refusal or revocation of license or membership in any financial services industry or association?	YES	YES	YES	YES	YES	N/A	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
2. Order Execution Requirements																			
(a) Does the jurisdiction have competitive execution requirements such as open outcry or other methods such as posting of bids and offers which are open and competitive?	YES	YES	YES	YES	YES	YES ¹⁸	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
(b) Do the regulator or SROs set priority rules for the execution of customer orders?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES
(c) Does the jurisdiction have restrictions on the trading activities of persons who possess material, non-public information?	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES
(d) Do the regulators or the SROs restrict the practice of dual trading?	YES	YES	NO	YES	YES	NO ¹⁹	NO	YES	YES	YES	YES	NO	YES	YES	NO	YES	NO	NO	NO ¹
(e) Other capacity restrictions?	YES	N/A	YES	YES	YES	YES	NO	YES	YES	YES	N/A	N/A	YES	YES	YES	NO	N/A	YES	

	ASC	COB	SIB	CFTC	SEC	MOF	CONSOB	OSC	CVMQ	SFC	SVS	FSA	NZSC	CNMV	SC	BAWe	CNV	FSB
(f) Do the regulators or the SROs have rules which address procedures for large or small orders?	NO	YES	NO	YES ¹⁸	YES	NO	NO	YES	YES	NO	YES	YES	NO	YES	NO	NO	NO	YES
(g) Does the jurisdiction have specific rules which prohibit fraudulent activity such as cheating, bucketing orders, fictitious trading, etc.?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	N/A	YES
3. Sales Representations and Disclosure - Required and Restricted																		
(a) Are there prohibitions against providing a customer with false or misleading information?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
(b) Are there prohibitions against failing to provide a customer with information that may have a material effect on a customer's investment decision?	YES	NO	YES	YES	YES	YES	YES	YES	YES	YES	N/A	NO	YES	YES	YES	YES	N/A	YES
(c) Are there other standards regarding information or representations to customers?	YES	YES	YES	YES	YES	YES ²⁰	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	N/A	YES
(d) Are firms required, pursuant to a "know your customer", or "suitability" rule, to determine a customer's aptitude for trading or understanding of investment risks?	NO	NO	YES	YES ¹⁹	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES	YES	YES	NO	NO ²
(e) Must firms provide written disclosure of the risks involved in trading before they effect transactions for or on behalf of customers?	YES	YES	YES	YES	YES	YES ²¹	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES
<i>(i)</i> Is such disclosure document required to be signed by the customer?	YES	NO	YES ²³	YES	NO ⁹	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	N/A	YES
<i>(ii)</i> Does the signature requirement vary with perceived ability or expertise of the customer?	NO	NO	YES	NO	N/A	YES	YES	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
(f) Must promotional material be approved before it may be utilized?	YES	NO	YES	N/A ²⁰	YES	NO	NO	YES	YES	YES	YES	NO	NO	NO	YES	NO	NO	NO
(g) Is promotional material reviewed in conjunction with the supervision of firm personnel?	NO	NO	YES	YES	YES	NO	NO	YES	YES	YES	YES	NO	NO	NO	NO	NO	NO	YES
(h) Must advertisements contain risk disclosure?	NO	NO	YES	NO	YES	YES	YES	NO	NO	NO	YES	NO	NO	NO	NO	NO	NO	YES
(i) Are there any other standards governing advertisements?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES
(j) Do general anti-fraud provisions apply to statements made in connection with advertisements?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	N/A	YES	YES	N/A	YES	YES	NO	YES
(k) Are there any restrictions on fees that firms may charge?	NO	NO	NO	NO ²¹	NO	YES ²²	NO	NO	NO	YES	YES	NO	NO	NO	YES	NO	NO	YES

	ASC	COB	SIB	CFTC	SEC	MOF	CONSOB	OSC	CVMQ	SFC	SVS	FSA	NZSC	CNMV	SC	BAWe	CNV	FSB
(l) Are there any restrictions against cold-calling or telephone solicitation of new customers?	NO	NO	YES	NO ²²	YES	NO	YES	YES	YES	YES	YES	NO	YES	NO	NO	NO	NO	YES
(m) Do anti-fraud standards apply to sales representations in general?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES
(n) Are procedures required regarding supervision of firm personnel?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
(o) Are there any additional standards of review of firms' sales practices?	YES	NO	YES	YES	YES	YES	N/A	YES	YES	NO	N/A	YES	YES	YES	NO	YES	NO	YES
4. Product Design - Delivery Procedures, Settlement Prices																		
(a) Are there requirements regarding product design?	YES	YES	NO	YES ²³	YES	YES	YES	YES	YES	NO	YES	YES	NO	YES	YES	NO	NO	YES
(b) Are there specific requirements regarding delivery procedures?	YES	YES	NO	YES	YES	YES ²³	YES	YES	YES	NO	YES	YES	NO	YES	YES	YES	NO	YES
(c) Are there specific requirements as elements of justification for a contract's terms and conditions?	NO	NO	NO	YES	YES	N/A	N/A	YES	YES	NO	YES	NO	NO	YES	YES	NO	NO	NO
(d) Are there additional elements of justification for contracts?	NO	NO	NO	YES	YES	N/A	N/A	YES	YES	NO	YES	NO	NO	YES	YES	NO	NO	NO
(e) Are there specific requirements regarding settlement prices?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES
(i) Are settlement prices established by the clearing house?	YES	YES	YES	YES	YES	N/A	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES
(ii) Are settlement prices determined on a daily basis?	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES	YES	YES	YES	YES	YES	YES
5. Recordkeeping - Maintenance, Retention Period, Availability and Confidentiality																		
(a) Do procedures exist to record transactions effected on the exchange?	YES	YES	YES	YES	YES	YES ²⁴	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
(b) If so, is the promulgation of such "audit trail" procedures a prerequisite to recognition of an exchange?	NO	N/A	YES	YES	YES	YES	N/A	YES	YES	NO	YES	NO	YES	YES ⁷	YES	YES	YES	YES

	ASC	COB	SIB	CFTC	SEC	MOF	CONSOB	OSC	CVMQ	SFC	SVS	FSA	NZSC	CNMV	SC	BAWe	CNV	FSB
(c) Must daily records be maintained regarding transactions?	N/A	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
<i>(i)</i> Must such records be maintained for each customer?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
<i>(ii)</i> Must such records be maintained for a specified period of time?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
<i>(iii)</i> Must records be kept that will track a customer order from placement with the financial intermediary through execution?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
<i>(iv)</i> Must these records also reflect factors such as:																		
- transaction date or time?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
- price or premium?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
- delivery month?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
- quantity?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
<i>(v)</i> Must each exchange maintain a single record containing all identifying information regarding a transaction?	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO
(d) Is the volume of trading for each contract required to be made public?	NO	YES	YES	YES	YES	YES	YES	YES	YES	NO ⁹	YES	YES	YES	YES	YES	YES	YES	YES
(e) If so, are the following types of information to be included:																		
<i>(i)</i> price, volume or open interest?	N/A	YES	YES	YES	YES	YES	YES	YES	YES	N/A	YES	YES	YES	YES	YES	YES	YES	YES
<i>(ii)</i> total volume of trading?	N/A	YES	YES	YES	YES	YES	YES	YES	YES	N/A	YES	YES	YES	YES	YES	YES	YES	YES
<i>(iii)</i> total quantity of exchanges for physicals?	N/A	NO	NO	YES	N/A	YES	N/A	NO	NO	N/A	YES	N/A	YES	N/A	YES	YES	YES	N/A
<i>(iv)</i> total gross open contracts?	N/A	NO	YES	YES	YES	YES	YES	NO	NO	N/A	YES	N/A	YES	YES	YES	YES	YES	YES
<i>(v)</i> highest and lowest price of offer?	N/A	NO	YES	YES	YES	N/A	NO	YES	NO	N/A	YES	N/A	YES	YES	YES	YES	YES	YES
(f) Must statements be prepared for each customer indicating the open contracts acquired?	YES	YES	YES	YES	YES	YES	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
(g) Must each financial intermediary prepare statements providing information regarding reportable positions?	YES	NO	NO	YES	YES	YES	NO	YES	YES	YES	YES	YES	YES	NO	YES	YES	NO	YES
(h) Are financial intermediaries required to provide customers with monthly statements?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	N/A	YES
(i) Are financial intermediaries required to provide customers with confirmation statements?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	N/A	YES
(j) Are large trader reports required to be filed?	NO	NO	NO	YES	YES	NO	NO ⁵	NO ¹⁰	YES	YES	NO	NO	NO	NO	YES	YES	NO	N/A
(k) Are reports required to be submitted by traders that hold reportable positions?	YES	NO	NO	YES	YES	YES	NO	YES	YES	YES	NO	NO	NO	NO	YES	YES	NO	YES

	ASC	COB	SIB	CFTC	SEC	MOF	CONSOB	OSC	CVMQ	SFC	SVS	FSA	NZSC	CNMV	SC	BAWe	CNV	FSB	
(l) Must each trader holding a reportable position maintain and furnish its books and records upon request?	YES	YES	N/A	YES	YES	N/A	NO ⁵	YES	YES	YES	YES	YES	YES	YES	YES	YES	N/A	YES	
(m) Do standards exist that limit or restrict the dissemination of information to the public?	NO	NO	NO	YES	YES	YES	NO	YES	YES	NO	YES	YES	YES	YES	YES	NO	NO	NO	
6. Market Disruption Programs																			
(a) Does the regulatory authority set position limits for individual contracts?	NO	YES	NO	YES	NO ¹⁰	YES	NO ⁶	NO	NO	NO ¹⁰	YES	NO	NO	NO	NO	YES	NO	NO	
(b) Do the exchanges impose position limits on individual contracts?	NO	YES	NO	YES	YES	NO ²⁵	NO ⁵	YES	YES	YES	YES	YES	NO	YES	YES	YES	YES	NO	
(c) Has the regulatory authority adopted special call procedures by which it can request specific information from certain industry participants?	NO	NO	YES	YES	YES	YES	NO	YES	YES	NO	YES	YES	NO	YES	YES	YES	YES	NO	
(d) Do the exchanges provide for the temporary cessation of trading by establishing price limits for particular contracts?	NO	YES	YES	YES	NO	YES ²⁶	NO ⁷	YES	YES	YES	YES	YES	NO	YES ⁸	YES	YES	YES	NO	
(e) Do the exchanges have circuit breakers?	NO	YES	NO	YES ²⁴	YES	YES	NO	YES	YES	YES	YES	YES	NO	NO	YES	NO	NO	NO	
(f) Can the regulatory authority take emergency action where appropriate to ensure, <i>inter alia</i> , that trade is conducted in an orderly manner?	YES	YES	YES	YES	YES	YES ²⁷	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	
(g) Do exchange rules provide for emergency actions?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	
7. Compliance Programs; Enforcement																			
(a) Do the exchanges maintain market surveillance programs?	YES	YES	YES	YES	YES	YES ²⁸	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	
(b) Does the regulatory authority conduct investigations of the derivative markets?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES	
(c) Do the exchanges perform trade practice surveillance?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	
(d) Does the regulatory authority have the authority to investigate exchange operations?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	
8. Customer Dispute Resolution Procedures and Other Forms of Customer Redress																			
(a) Do the SROs have arbitration rules and procedures for the resolution of customer-member disputes?	YES	YES	YES	YES	YES	YES	N/A	YES	YES	NO	N/A	NO	YES	YES	YES	YES	YES	YES	

	ASC	COB	SIB	CFTC	SEC	MOF	CONSOB	OSC	CVMQ	SFC	SVS	FSA	NZSC	CNMV	SC	BAWe	CNV	FSB
(b) Does the regulatory authority maintain a forum for customer redress?	YES	NO	YES	YES	NO	YES	YES	NO	YES	YES	NO	YES	YES	NO ⁹	NO	YES	NO	YES
(c) Does a customer have a private right of action under the relevant regulatory act?	YES	N/A	YES	YES	YES	NO	YES	NO	YES	YES	YES	YES	YES	NO	YES	YES	YES	YES
C. MARKET EFFICIENCY																		
1. Product Design																		
(a) Do the regulations and legislation prescribe an economic purpose test or non-wagering criteria for individual contracts?	YES	YES	NO	YES	YES	YES ²⁹	NO	YES	YES	NO ¹¹	YES	NO	NO	YES	YES	NO	NO	N/A
(b) Are there any restrictions on the types of products?	YES	YES	NO	YES ²⁵	NO	NO ³⁰	NO	NO	YES	NO ¹²	YES	YES	NO	NO	NO	NO	NO	YES
(c) Do the regulations provide for exercise and / or delivery allocation procedures?	YES	YES	YES	YES	YES	YES ³¹	YES	YES	YES	YES	YES	YES	NO	YES	YES	YES	NO	YES
(d) Do the regulations or legislation provide criteria for cash settlement contracts?	YES	N/A	YES	YES	YES	YES ³²	YES	NO	YES	YES	YES	YES	NO	YES	YES	YES	NO	YES
(e) Does the regulatory authority establish any volume requirements?	NO	NO	NO ²⁴	YES	NO	NO ³³	NO	NO	NO	YES	YES	NO	NO	NO	NO	NO	NO	NO
(f) If the answer is yes to the questions above, must an exchange obtain regulatory approval in order to list additional months or permit trading to recommence in any contract in which no trading has occurred for a specified period?	N/A	N/A	N/A	YES	N/A	N/A	N/A	N/A	N/A	YES	YES	N/A	N/A	N/A	N/A	N/A	N/A	NO
(g) If the answer to the second question is yes, is the exchange required to file with the regulatory authority specific information about a low volume contract?	N/A	NO	N/A	YES	N/A	N/A	N/A	N/A	N/A	NO	YES	N/A	N/A	N/A	N/A	N/A	N/A	NO
2. Position Limits (discussed above)																		
(a) If the exchange is required to establish speculative limits, can certain positions be exempted?	N/A	N/A	N/A	YES	YES	N/A	N/A	YES	N/A	N/A	NO	N/A	N/A	N/A	YES	YES	N/A	N/A
3. Price Limits Circuit Breakers (discussed above)	N/A	N/A	N/A	YES	YES	N/A	N/A	YES	N/A	N/A	NO	N/A	N/A	N/A	YES	YES	N/A	N/A
4. Order Execution																		
(a) Are there rules regarding priority of order execution?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES

	ASC	COB	SIB	CFTC	SEC	MOF	CONSOB	OSC	CVMQ	SFC	SVS	FSA	NZSC	CNMV	SC	BAWe	CNV	FSB
(b) Do the exchanges establish priority rules?	YES	YES	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES
(c) For purposes of executing orders are there any rules addressing procedures between large and / or small orders?	NO	NO	NO	YES ²⁶	YES	NO	NO	YES	NO	NO	YES	YES	NO	YES ¹⁰	NO	NO	N/A	NO
(d) Are off-exchange transactions permitted?	NO	YES	YES	YES ²⁷	YES	YES ³⁴	YES ⁸	YES	YES	NO	NO	YES	NO	YES	YES	NO	N/A	YES
(e) Do regulatory or self-regulatory rules address manipulation?	YES	YES	YES	YES	YES	YES ³⁵	YES	YES	YES	YES	YES	NO	YES	YES	YES	YES	NO	YES
(f) Is the regulatory authority permitted to institute enforcement proceedings if it believes an individual has manipulated or attempted to manipulate, <i>inter alia</i> , the market price of any derivative?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES
(g) Do exchange rules provide for market makers?	YES	YES	YES	YES	YES	NO	YES	YES	YES	NO	NO	YES	NO	YES	YES	YES	NO	NO
(h) Are there any restrictions on an exchange providing for a market maker function?	NO	NO	NO	NO ⁵	NO	N/A	YES	NO	N/A	NO	N/A	YES	NO	NO	NO	YES	NO	NO
III. Information Sharing and Coordination																		
A. Intra-Jurisdiction																		
Do exchanges routinely provide financial and fitness data to the regulatory authority?	YES	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	NO	YES	YES	YES	YES	YES
Are there restrictions on the information available to the regulatory authority that the authority may release?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES	YES	N/A	YES	YES
Are exchanges required to make certain data regarding the markets available to the general public?	NO	YES	YES	YES	YES	YES	YES	YES	YES	NO ⁹	YES	YES	YES	YES	YES	N/A	NO	YES
Can the regulatory authority release information on an emergency sharing basis?	YES	YES	YES ²⁵	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Can the regulatory authority release confidential information upon request?	YES	YES	YES	YES	YES	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES ³
Is such disclosure restricted?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
B. Inter-Jurisdiction																		
Is there routine information sharing by the regulatory authority with foreign authorities?	NO	NO	YES	YES	YES	NO	NO	YES	NO	YES	NO	YES	YES	NO	NO	NO	NO	YES
Can the regulatory authority share information with foreign authorities upon special request?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	NO	YES

FOOTNOTES TO CROSS REGULATORY SUMMARY CHART

The Securities and Investments Board (SIB)

- 1/ The location of the head office is the determining factor (The Financial Services Act 1986 ("FSA"), Sections 37 and 40).
- 2/ A domestic exchange must be recognised or acquire authorisation to carry on investment business in the United Kingdom ("UK").
- 3/ The requirements are set out in Schedule 4 to the FSA.
- 4/ The location of the head office is the determining factor (FSA, Sections 39 and 40).
- 5/ A domestic clearing house must be recognised or acquire authorisation to carry on investment business in the UK.
- 6/ The requirements are set out in Section 39 of the FSA.
- 7/ The requirements are set out in Section 40 of the FSA.
- 8/ These are included as part of the statutory requirements.
- 9/ A foreign exchange must be either a Recognised Investment Exchange or a Designated Investment Exchange to qualify as an exchange upon which contingent liability transactions may be affected by an authorised firm on behalf of private customers (SFA's CBRs, 5-44). There is a minor exception to this (SFA's CBRs, 5-44 (b)).
- 10/ These are included as part of the statutory requirements.
- 11/ The applicability of regulations varies depending on the relationship of a financial intermediary to the jurisdiction. See particularly, paragraph 27 of Schedule 1 to the FSA in relation to I.B.1. (b) (iii).
- 12/ The UK has a specific regime applicable to service companies.
- 13/ A recognised exchange must have financial resources which are deemed sufficient for the proper performance of its functions (FSA, Schedule 4, paragraph 1).
- 14/ A recognised clearing house must have financial resources sufficient for the proper performance of its functions (FSA, § 39 (4) (a)).
- 15/ Chapter 3 of SFA's rulebook sets out the financial rules governing firms regulated by it.
- 16/ As a requirement of recognition, the exchange must have adequate arrangements for ensuring the performance of transactions effected on the exchange (FSA, Schedule 4, paragraph 2 (4)).
- 17/ A clearing house may be independent or affiliated to an exchange.
- 18/ Note, however, that in relation to the account of segregated customers, that account must be

kept separate from other accounts.

19/ FSA, Schedule 2, paragraph 4, and FSA § 49c.

20/ "Client Money" is defined in the Financial Services (Client Money) Regulations 1991 (regulation 2.01).

21/ However, private customers may not opt out of segregation.

22/ By virtue of client money being held on trust, segregated customers receive priority for their claims against defaulting firms.

23/ Private customers must return the signed risk disclosure statement (SFA's CBR 5-30).

24/ But exchanges must limit dealings on the exchange to investments in which there is a proper market.

25/ Note, however, that relevant memoranda of understanding must be in place.

Commodity Futures Trading Commission (CFTC)

1/ A distinction is made between the commodity exchange and the contract market. The exchange itself must have rules by which it and its members operate, many of which must be approved by the Commodity Futures Trading Commission ("Commission"). Separately, each commodity contract must be submitted to the Commission for designation (e.g., the Chicago Board of Trade ("CBT") is an exchange; it also has a separate designation as a contract market for corn).

2/ While the Commission has no minimum financial / net capital requirements for commodity exchanges, when a new exchange submits its rules for consideration, minimal review is made of its capitalization. Commodity exchanges, however, must have financial requirements for members and must audit members for compliance with such requirements.

3/ The Commodity Exchange Act ("CEA") does not require separate designation of clearing houses, however, a contract market must have a clearing arrangement to be designated. Further, for regulatory purposes, the clearing house is deemed to be subject to the same regulatory treatment as the exchange for which it clears. This means that all rules of a clearing organization are subject to the Commission review and approval process, and clearing organizations are subject to inspection and rule enforcement reviews.

4/ Certain conditions are applicable before futures contracts based on foreign stock indexes and non-exempt foreign government debt instruments may be offered or sold for or on behalf of a U.S. customer.

5/ The Commission's Part 30 rules state that the Commission will consider the treatment of U.S. firms by foreign markets and jurisdictions in connection with comparability petitions.

6/ In general, Commission rules do not vary according to the status of the customer. However, the Commission recently provided relief to certain CPOs and CTAs in their dealings with

institutional-type customers (see rule 4.7). See also Part 36 rules for professional markets.

- 7/ Generally, the regulations which apply to exchange trading apply to trading occurring on screen-based systems. In reviewing the rules submitted by exchanges to effect screen-based trading, the Commission has considered other factors such as the level of security, down time, and volatility. On April 24, 1990, the Commission issued an interpretive rule clarifying the obligations of self-regulatory organizations ("SROs") to retain documentation regarding the development, implementation and operation of their transaction-related automated systems. On November 15, 1990, the Commission adopted as a statement of regulatory policy, the ten "*Principles for the Oversight of Screen-Based Trading Systems for Derivative Products*" which were adopted by IOSCO on November 15, 1990.
- 8/ Although no requirements, regulatory or self-regulatory, mandate the relationship between an exchange and clearing house, the rules of the organizations will define the relationship. E.g., the CBT requires members to clear trades at the Board of Trade Clearing Corporation ("BOTCC").
- 9/ In addition, each commodity exchange specifies minimum margins which member futures commission merchants ("FCMs") must collect from their customers. The CEA requires exchanges to file margin rules setting or changing the levels of margin on stock index futures and options with the U.S. Federal Reserve Board which can request and also direct changes in margin levels. The Federal Reserve Board has delegated authority to review stock index margins to the Commission. The Commission also retains emergency authority to set temporary margin levels on any contract market.
- 10/ Usually, these securities are not equity securities. However, the Commission has approved a CME rule permitting shares of mutual funds to be deposited both with the clearing house and with clearing members as margin. The Commission has approved a CME rule that would permit the CME Clearing House to accept equity securities to meet a clearing member's "reserve" performance bond margin requirement.
- 11/ United States SROs are required to make biennial full scale financial audits, and limited record reviews in the off-year. In addition, these are supplemented by periodic in-field debit / deficit margin reviews and "for cause" reviews.
- 12/ No insurance programs exist, however, in addition to the segregation protection (including priority for customers in a bankruptcy) other investor protections include: the Commission's net capital requirements; exchange guaranty funds; clearing house guaranty of contract fulfillment; SRO / Commission audit and ongoing surveillance programs; audit trail requirements.
- 13/ Priority exists with respect to any funds that are, or should have been, in a segregated account. Also, customers who have U.S. dollar denominated claims against an FCM have priority over funds segregated outside the U.S. The priority is over customers whose claims are denominated in other than U.S. dollars as well as over general creditors.
- 14/ In addition, firms are required to notify regulators when conditions exist for the development of financial problems. The Commission's rules include "early warning" provisions relating to capital levels, margin calls, recordkeeping deficiencies, and

internal accounting controls.

- 15/ Price limits are not imposed on all contracts. For example, futures contracts on stock indices, foreign currencies, silver, gold, treasury bills, and eurodollars do not have price limits. Stock indices, however, are subject to "circuit breakers" which provide for cessation of trading for specified time periods whenever the underlying index moves a certain number of points.
- 16/ See no. 15 above with respect to stock index futures contracts.
- 17/ Commission regulation 1.63 requires self-regulatory organizations to prohibit persons with certain disciplinary histories from serving on governing boards, exchange disciplinary committees and arbitration panels. The Commission has proposed Rule 1.64 which would require various SROs to adopt rules establishing composition requirements for their governing boards and major disciplinary committees. Commission staff is drafting proposed regulations to implement a section of the CEA added in 1992 requiring exchanges to adopt rules and procedures to avoid conflicts of interest.
- 18/ Commission Rule 1.39 which governs the simultaneous buying and selling orders of different principals, permits an exemption from the requirements of that rule for certain large order execution procedures. On September 27, 1991, the Commission approved Rule 549 of the Chicago Mercantile Exchange establishing a large order execution procedure at the CME.
- 19/ Commission has required National Futures Association ("NFA") to adopt a "know your customer" rule which generally requires NFA members to obtain from each customer information including, without limitation, his age, occupation and income, and to provide special risk disclosure where necessary.
- 20/ However, NFA Rules 2.29 (d) requires all NFA members to have written supervisory procedures for the review of all promotional material. Also, NFA has an optional voluntary pre-review program.
- 21/ Subject to the antifraud provision of the CEA, no restrictions exist with respect to fees.
- 22/ The CEA requires each futures association (i.e. NFA), subject to Commission approval, to adopt supervisory guidelines covering telephone solicitations of new accounts. The Commission has approved NFA's Compliance Rule 2-9 which authorizes NFA's Board of Directors to require certain member firms to adopt specific supervisory procedures.
- 23/ The Commission's Division of Economic Analysis and Division of Trading and Markets review contract specifications when new contracts are submitted. See §§ 5 and 5a (a), and Guideline 1.
- 24/ Only with respect to stock index futures contracts.
- 25/ For example, the term "commodities" does not include an onion and there are restrictions on futures contracts on individual securities which are not exempted securities.
- 26/ The CEA authorizes the Commission to exempt transactions from the exchange trading

requirement. The CFTC adopted rules under its exemptive authority to exempt certain "hybrid instruments" and swap transactions from certain sections of the CEA, including the exchange trading requirement. See also no. 18.

27/ Id.

United States Securities and Exchange Commission (SEC)

- 1/ A foreign clearing house need not be recognized if it is not operating in the U.S. or clearing and settling trades executed on a market not operating or soliciting participants in the U.S.
- 2/ A foreign market need not be recognized if it is not operating a market in the U.S. or soliciting participants in the U.S.
- 3/ A foreign product which is not offered for sale in the U.S. to U.S. customers is not required to be registered under the Securities Act of 1933.
- 4/ Margin for clearing members is set by the Clearing House, while customer margin is set by the exchanges. The setting of clearing member and customer margin is subject to SEC oversight pursuant to delegated authority by the Fed.
- 5/ Original margin for clearing members is calculated by using simulated options pricing models. Public customers who take "short" options positions must deposit premium plus a percentage of the value of the underlying options contract.
- 6/ Public customer margin is calculated in this manner, however, clearing member margin is based on a risk assessment under simulated options pricing models.
- 7/ Audits are required annually.
- 8/ SEC Rule 15c3-3 defines the term "customer funds".
- 9/ Although the disclosure document need not be signed by the by the customer, the disclosure document is usually given to the customer in conjunction with the account opening document, which is initialed for receipt of the disclosure document.
- 10/ The exchanges submit for SEC approval position limits for individual contracts.

Securities Bureau of the Ministry of Finance (MOF)

- 1/ At present, markets operated by stock exchanges established and licensed in our jurisdiction are regarded as domestic markets. (It is prohibited to operate a market or a quasi-market in Japan without a license.)

ex.) TOKYO STOCK EXCHANGE: JGB futures, T-bond futures, TOPIX futures, TOPIX options;
OSAKA STOCK EXCHANGE: STOCK FUTURES 50, NIKKEI 300 futures, NIKKEI 300 options;
NAGOYA STOCK EXCHANGE: OPTION 25 stock index options.

2/ Licensed stock exchanges are required to obtain approval of the Finance Minister in order to open securities-related futures and options markets.

3/ Securities companies and financial institutions are required to obtain necessary licenses to trade such products. Licenses are given by each category of products.

In order to prevent inappropriate solicitation of investments into the foreign markets with inadequate investor protection, the Japan Securities Dealers Association designates eligible foreign markets (exchange and OTC) to which JSDA members can solicit, and receive investment orders from individual investors. This rule is not applied to the transactions with institutional investors and large corporate investors.

4/ Any person who performs securities business (including futures and options) with Japanese investors must either be established or have a branch office in Japan. Any person who is established or has a branch office in Japan must get a license from the Finance Minister, in order to perform securities business.

With regard to the foreign products, the licensed broker / dealers are allowed to transact the "foreign securities" and the "foreign futures and options", as defined by the Securities and Exchange Law. As far as the product falls into the categories above, it can be freely transacted by the broker / dealers without individual recognition.

5/ No differences exist in the regulations applied to Japanese securities companies and foreign securities companies with branch offices in Japan.

Almost same business regulations are applied to the securities companies incorporated in Japan and the branches of the licensed foreign securities companies.

6/ When a screen-based system is operated by a licensed stock exchange, it is regulated by general rules applied to stock exchange transactions, and there are no specific rules applied only to screen-based trading. However, we have not yet reached a conclusion on the treatment of screen-based trading systems operated by foreign exchanges and other entities.

7/ No capital-based qualification is imposed on exchanges.

8/ In the case of Exchange Members, Capital-based qualifications are imposed by each exchange.

9/ Stock exchanges have clearing capabilities. (No independent clearing houses exist in Japan.)

10/ Operational requirements, and clearing guarantees: (1) 4th settlement rule, (2) guarantee by the default compensation reserve (in the case of the Tokyo Stock Exchange, 9 billion Yen) which is supported by the members' unlimited responsibility to replenish the reserve, and other specific requirements are set in the stock exchange rules.

11/ Margin levels, etc.: In the case of domestic markets, minimum margin levels for customers

are stipulated in the stock exchange rules for brokerage contracts, which, in turn, shall not be lower than the levels stipulated by an order of the Ministry of Finance.

- ex) JGB futures: 3.0% of face value;
T-bond futures: 4.5% of face value;
stock index futures: Nikkei Stock Index 300 - 15.0% of contract value;
Nikkei Stock Index 225 - 20.0% of contract value;
stock index options: Nikkei Stock Index 300 - premium value plus 15.0% of strike price;
Nikkei Stock Index 225 - premium value plus 20.0% of strike price.

Note) 1. Minimum margin levels for stock exchange members are not regulated by MOF order. Current levels as set forth by the stock exchanges are described below.

- JGB futures: 2.0% of face value;
T-bond futures: 3.0% of face value;
Stock index futures: Nikkei Stock Index 300 - 10.0% of contract value;
Nikkei Stock Index 225 - 15.0% of contract value;
Stock index options: Nikkei Stock Index 300 - premium value plus 10.0% of index value of the cash market;
Nikkei Stock Index 225 - premium value plus 15.0% of index value of the cash market.

2. Minimum margin levels for domestic customers of foreign futures and options contracts are set by the Japan Securities Dealers Association in balance with those for similar domestic products.

12/ Means of collection: Margins for customers are collected on a gross basis and margins for stock exchange members on a net basis.

13/ Frequency of settlement and collection: Customer margins are collected on the 3rd day counting from the date of contract, and margins for members on the 4th day.

14/ Permitted collateral: Government securities, municipal bonds, listed stocks, etc.

15/ Price limits, etc.: Stock exchanges have price limits as shown below.

- JGB futures: 2.0% of last closing price;
T-bond futures: 3.0% of last closing price of CBOT;
Stock index futures: 5.0% of last closing price;
Stock index options: 5.0% of last index value of the cash market.

Note) Stock Exchange have circuit breakers. Futures trading shall be suspended for 15 minutes, when futures price advances (or declines), and exceeds a specified price range and at the same time a specified point of internals of the fair value. Moreover, stock exchanges can stop trading in all of the cash, futures and options markets in case of emergency.

16/ Super margins: In case of emergency, stock exchanges can increase margin levels.

- 17/ Exchange members: Stock exchanges review the overall business results and competency of person applying for membership.
- 18/ Competitive execution requirement: Price priority and time priority are ensured under the so-called "auction system".
- 19/ Capacity restrictions: Although dual trading is not prohibited, the "auction system" gives little or no room for arbitrary trade execution. Insider trading is prohibited under new legislation enacted in May 1988 (an amendment of the Securities and Exchange Law). However, futures trading is exempt from this regulation, since futures trading is based only on government bonds and large baskets or indices of stocks.
- 20/ Price and volume dissemination, etc.: Price information is disseminated every minute through quotation systems of information vendors. Volume information is disseminated 4 times a day.
- 21/ Risk specific disclosure: Securities companies and banks with brokerage licenses must send risk disclosure documents to their customers (except securities companies and financial institutions) at least once a year.
- 22/ Brokerage fees: In order to protect investors from extremely high fees, the stock exchanges fix maximum levels of brokerage fees for futures and options. (In the case of futures transactions with physical delivery (JGB futures, Stock futures 50, etc.), brokerage fee schedules are fixed by the stock exchanges).
- 23/ Delivery procedures and the procedures for determining settlement prices are stipulated by stock exchanges rules.
- 24/ All the data retained by the stock exchanges. Although, some aggregate data re publicly available, specific individual data are kept in strict confidentiality.
- 25/ Position limits, etc: In normal situations, stock exchanges impose no position limits to their members. (The Ministry of Finance imposes position limits to securities companies etc. in order to maintain their financial soundness.)
- 26/ Trading halts, circuit breakers: (mentioned above).
- 27/ Emergency procedures: Stock exchanges can take such measures as trading halts, strengthening of price limits, shortening of time limits for margin payments, increase of margin levels, position limits etc.
- 28/ Stock exchanges perform surveillances of the markets and trade practices every day, and inform the Ministry of Finance upon detecting any abuses or other problems.
- 29/ Economic purpose test (non-wagering test): In the approval process of new trade listings, stock exchanges must present to the Ministry of Finance sound purposes for introducing the new products.
- 30/ Restrictions on types of products: Legally, no specific futures and options products are

prohibited.

- 31/ Exercise and / or delivery allocation procedures: No system of delivery allocation is necessary since, for futures, delivery is performed wholly on a specified date determined by stock exchange rules. Exercise allocation of options trading is done under the rules of the stock exchanges.
- 32/ Cash settlement: For stock index futures and stock index options, only cash settlement is permitted. For JGB futures, T-bond futures and Stock Futures 50, physical delivery is required for final settlement.
- 33/ Volume requirement: There are no dormancy rules.
- 34/ Off-exchange transactions: Permitted only in the case of correction. (Special permission of the exchange is necessary.) An over-the-counter market exists for JGB options.
- 35/ Anti-manipulation provisions: Manipulation is prohibited by law.

Commissione Nazionale per le Società e la Borsa (CONSOB)

- 1/ Nationals are free to buy or sell products on unrecognized foreign markets. When financial intermediaries receive orders to trade on unrecognized foreign markets are subject to the general rules governing the securities investment business in Italy.
- 2/ Only securities issued by the Italian government are eligible for guarantee deposits.
- 3/ In Italy, there are not SROs, however the Exchange must comply with financial surveillance.
- 4/ In situation of danger for customers or markets, the Chairman of the Consob may suspend the administrative bodies of an investment firm, appointing a special administrator for a maximum of sixty days. Furthermore, in the event of serious irregularities in the management of markets the Ministry of the Treasury, acting on a proposal from Consob, will dissolve the administrative and control bodies of the management company, conferring the powers to a special administrator.
- 5/ The issue is under consideration.
- 6/ The Decree instituting the Italian Futures Markets provides for the possibility of position limits being imposed, but at present such limits are not in force.
- 7/ M.I.F. and I.D.E.M. regulations do not foresee automatic trading halts when price variations exceed fixed limits; on the other hand, on the cash stock market price limits beyond which trades are temporarily suspended are provided.
- 8/ General regulations allow off exchange transactions only if a customer has authorized this transaction in advance in writing and when it permits the customer to obtain a better price.

Securities and Futures Commission (SFC)

- 1/ At this time, the law generally prohibits operation of a commodity exchange in Hong Kong other than the Hong Kong Futures Exchange ("HKFE"). The definition of commodity exchange refers to an exchange trading in specified contracts. Accordingly, a screen-based system trading any other products would not necessarily be prohibited nor explicitly be required to be licensed as an exchange. A screen-based system could be required to register as a dealer if its activities included offers to make an agreement with another person in Hong Kong to enter into a futures contract.
- 2/ HKFE and HKFE Clearing Corporation Ltd. ("HKCC") currently impose capital-based qualification requirements on their members. The Securities and Futures Commission ("SFC") has recently issued a consultative paper on the Financial Resources Rules which propose modifications to the HKFE / HKCC requirements and are intended to apply to all commodity dealers registered with the SFC.
- 3/ Under the Commodity Trading Ordinance, HKFE can use one or more clearing houses if approved by the SFC. The SFC has approved HKFE's use of the HKCC which is a wholly-owned subsidiary of HKFE. HKCC must obtain SFC approval of its constitution and rules and any change to them.
- 4/ HKCC's rules govern the scope, nature and timing of guarantee of clearing members.
- 5/ HKCC's rules allow margin in forms other than cash. Currently Exchange Fund Bills and foreign currencies may be accepted as collateral.
- 6/ Although it is not required by statute, HKFE does maintain financial surveillance programs.
- 7/ HKFE's rules require HKFE members to notify HKFE when it fails to comply with financial requirements.
- 8/ However, in order to be a member of HKCC, one must also be a member of HKFE.
- 9/ There is no statutory requirement for HKFE to make public information on trading volumes and other data of each contract, but HKFE normally does release such information on a daily basis.
- 10/ The SFC is authorized to set position limits, but it has not done so.
- 11/ The SFC and the Hong Kong Government, however, consider economic purposes in deciding whether to approve new products.
- 12/ Only specified commodities can be traded on HKFE.
- 13/ There has historically been no routine or emergency sharing of confidential reporting, fitness, or financial data, but the SFC normally supplies available public information to foreign regulatory bodies, but only if it first makes certain formal determinations. The SFC currently is discussing several information sharing arrangements with foreign regulatory bodies.

Comisión Nacional del Mercado de Valores (CNMV)

- 1/ Investment funds and investment companies.
- 2/ The market and clearing house are the same entity.
- 3/ Upon implementation of European Community Second Banking Directive.
- 4/ See (3).
- 5/ Requires approval of Controller.
- 6/ Only in markets for derivatives on interest rates and Government Bonds.
- 7/ It is not completed in the Law but it is performed in fact.
- 8/ Only for equity and derivatives on interest rates and currency.
- 9/ Complaints office at CNMV's premises.
- 10/ For transactions above 200 contracts.

Financial Services Board (FSB)

- 1/ Specific rules apply.
- 2/ Do however need to disclose risks of market to clients.
- 3/ Provided certain criteria are met.

ADDENDA

ADDENDUM
(Comisión Nacional de Valores of Argentina)

1. A) Mercado a Término de Buenos Aires S.A. (MAT/BA)

B) Mercado a Término de Rosario S.A. (ROFEX)

2. AGRICULTURAL COMMODITIES

A) Mercado a Término de Buenos Aires S.A. (MAT/BA)

Futures Contract on Wheat

Options Contact on Wheat Futures

Futures Contract on Com

Options Contact on Com Futures

Futures Contract on Soybean

Options Contact on Soybean Futures

Futures Contract on Sunflower

Options Contact on Sunflower Futures

B) Mercado a Término de Rosario S.A. (ROFEX)

Futures Contract on ROSAFE Soybean Index

Options Contact on ROSAFE Soybean Index Futures

Futures Contract on Wheat

Options Contact on Wheat Futures

Futures Contract on Corn

Options Contact on Corn Futures

Futures Contract on Sunflower

Options Contact on Sunflower Futures

3. A) Mercado a Término de Buenos Aires S.A. (MAT/BA)

Total volume of futures and options on futures contracts trade during 1996

Contracts	Year 1996
Wheat	69.608
Corn	39.214
Soybean	15.006
Sunflower	19.272
TOTAL	143.100

B) Mercado a Término de Rosario S.A. (ROFEX)

Total volume of futures and options on futures contracts trade during 1996

Contracts	Año 1996
Rosafe Soybean Index	11.144
Wheat	3.357
Corn	2.179
Sunflower	447
TOTAL	17.127

Futures Contract	Exchange	Country	Type	Category	1996	
3 Year Swaps	CBT	US		F&O	Interest Rate	
5 Year Swaps	CBT	US		F&O	Interest Rate	
30- Day Interest Rate	CBT	US		F	Interest Rate	
30 Day Fed Funds	CBT	US		F	Interest Rate	608,308
Brady Bond Index	CBT	US		F&O	Interest Rate	509
Canadian Gov't Bonds	CBT	US		F&O	Interest Rate	
Commercial Paper (30Day)	CBT	US		F	Interest Rate	
Commercial Paper (90 Day)	CBT	US		F	Interest Rate	
Corporate Bond Index	CBT	US		F	Interest Rate	
Flexible U.S. T-Bonds	CBT	US		F	Interest Rate	94,453
Flexible U.S. T-Notes (2 Year-cash)	CBT	US		F	Interest Rate	0
Flexible U.S. T-Notes (5 Year)	CBT	US		F	Interest Rate	6,990
Flexible U.S. T-Notes (10 Year)	CBT	US		F	Interest Rate	12,735
GNMA Mrtges, CD	CBT	US		F	Interest Rate	
GNMA Mrtgs, Cash Settle	CBT	US		F	Interest Rate	
GNMA Mrtgs, CDR	CBT	US		F	Interest Rate	
Japanese Gov't Bond	CBT	US		F&O	Interest Rate	
Mortgage Backed 7.5%	CBT	US		F&O	Interest Rate	
Mortgage Backed 8.0%	CBT	US		F&O	Interest Rate	
Mortgage Backed 8.5%	CBT	US		F&O	Interest Rate	
Mortgage Backed 9.0%	CBT	US		F&O	Interest Rate	
Mortgage Backed 9.5%	CBT	US		F&O	Interest Rate	
T-Bonds	CBT	US		F&O	Interest Rate	110,655,789
T-Notes (2Year)	CBT	US		F&O	Interest Rate	646,651
T-Note (2 Year-Cash)	CBT	US	US	F	Interest Rate	
T-Notes (5Year)	CBT	US		F&O	Interest Rate	14,187,165
T-Notes (10Year)	CBT	US		F&O	Interest Rate	29,847,375
Yield Curve Spread	CBT	US	US	F&O	Interest Rate	7,055
CBOE 250 Index	CBT	US		F	Stock Index	
Institutional Index	CBT	US		F	Stock Index	
MMI Maxi	CBT	US		F	Stock Index	
Major Market Index	CBT	US		F&O	Stock Index	
NASDAQ-100	CBT	US		F	Stock Index	
Topix	CBT	US		F	Stock Index	
Wilshire Small Cap Index	CBT	US		F&O	Stock Index	
Corn	CBT	US		F&O	Agriculture	26,222,198
Corn Yield	CBT	US		F&O	Agriculture	2,404
Edible Oil Index	CBT	US		F	Agriculture	
Iced Broilers	CBT	US		F	Agriculture	
Rough Rice	CBT	US		F&O	Agriculture	134,558
Soybeans	CBT	US		F&O	Agriculture	19,371,419
Soybean Meal	CBT	US		F&O	Agriculture	6,549,142
Soybean Oil	CBT	US		F&O	Agriculture	5,265,551
Oats	CBT	US		F&O	Agriculture	546,895
Wheat	CBT	US		F&O	Agriculture	7,272,876
Winter Wheat	CBT	US		F	Agriculture	
US Dollar Index	CBT	US		F	Currency	
Gold	CBT	US		F	Metal	
Gold (100 oz.)	CBT	US		F	Metal	335
Gold (kilo)	CBT	US		F	Metal	17,687
Silver (1,000 oz.)	CBT	US		F&O	Metal	42,090

Silver (5,000 oz)	CBT		US		F	Metal	110	
AnHydrous Ammonia		CBT		US		F	Other	351
Barge Freight Index		CBT		US		F	Other	
DiAmmo. Phosphate		CBT		US		F	Other	3,985
Eastern Cat. Insurance		CBT		US		F&O	Other	66
Midwest Cat. Insurance		CBT		US		F	Other	
Municipal Bond Index		CBT		US		F&O	Other	927,120
National Cat. Insurance		CBT		US		F&O	Other	
PCS Catastrophe Insurance		CBT		US		F&O	Other	14,688
Plywood	CBT		US		F	Other		
Structural Panel Index		CBT		US		F	Other	
Stud Lumber		CBT		US		F	Other	
Western Insurance - Annual		CBT		US		F	Other	
1 Year T-Bills		CME		US		F	Interest Rate	
3 Month Eurodollars		CME		US		F&O	Interest Rate	111,118,007
90 Day T-Bills		CME		US		F&O	Interest Rate	251,433
Argentine FRB Bond		CME		US		F&O	Interest Rate	9,610
Brazilian C Bond	CME		US		F&O	Interest Rate	10,228	
Brazilian EL Bond		CME		US		F&O	Interest Rate	253
Domestic CD (90 Day)		CME		US		F	Interest Rate	
Euromark 3 month		CME		US		F&O	Interest Rate	
Federal Funds Rate		CME		US		F&O	Interest Rate	47,495
Mexican Par Bond		CME		US		F&O	Interest Rate	2,056
One Month Libor	CME		US		F&O	Interest Rate	1,206,683	
T- Notes 4 Year		CME		US		F	Interest Rate	
FT-SE 100		CME		US		F&O	Stock Index	
Goldman Sachs Comm. Index		CME		US		F&O	Stock Index	448,157
Major Market		CME		US		F&O	Stock Index	
Major Market		CME		US		F&O	Stock Index	5,321
Mexican IPC Index		CME		US		F&O	Stock Index	4,556
NASDAQ 100 Index		CME		US		F&O	Stock Index	404,955
Nikkei 225		CME		US		F&O	Stock Index	507,794
Russell 2000		CME		US		F&O	Stock Index	
Russell 2000		CME		US		F&O	Stock Index	80,442
S&P 100 Index		CME		US		F	Stock Index	
S&P 400 Index		CME		US		F&O	Stock Index	
S&P 400 Index		CME		US		F&O	Stock Index	292,190
S&P 500 Index		CME		US		F&O	Stock Index	24,536,235
S&P 500 Barra Growth Index		CME		US		F&O	Stock Index	6,360
S&P 500 Barra Value Index		CME		US		F&O	Stock Index	12,296
S&P OTC 250 Index		CME		US		F	Stock Index	
Boneless Beef		CME		US		F	Agriculture	
Broilers		CME		US		F&O	Agriculture	
Butter		CME		US		F	Agriculture	365
Feeder Cattle		CME		US		F&O	Agriculture	946,740
Fluid Milk		CME		US		F	Agriculture	2,643
Fresh Eggs		CME		US		F	Agriculture	
Frozen Eggs		CME		US		F	Agriculture	
Grain Sorghum		CME		US		F	Agriculture	
Hams		CME		US		F	Agriculture	
Idaho Potatoes		CME		US		F	Agriculture	
Lean Hogs		CME		US		F&O	Agriculture	347,178
Live Cattle		CME		US		F	Agriculture	4,465,715
Live Hogs		CME		US		F	Agriculture	1,953,778
Nest-Run Eggs		CME		US		F	Agriculture	

Pork Bellies		CME		US		F&O	Agriculture	664,689
Turkeys	CME			US	F		Agriculture	
Australian Dollar	CME			US	F&O		Currency	466,869
Brazilian Real		CME		US		F&O	Currency	161,429
British Pound		CME		US		F&O	Currency	5,847,823
British Pound Rolling Spot		CME		US		F&O	Currency	
BP/DM Cross		CME		US		F&O	Currency	
Canadian Dollar	CME			US	F&O		Currency	2,130,470
Deutschemark		CME		US		F&O	Currency	7,802,113
DeutscheMark Forward		CME		US		F&O	Currency	
DeutscheMark Rolling Spot		CME		US		F&O	Currency	
DM/JY Cross (new)		CME		US		F&O	Currency	
DM/JY Cross (old)		CME		US		F&O	Currency	
DM/SFCross		CME		US		F&O	Currency	
Dollar/Mark Diff	CME			US	F		Currency	
Dollar/Pound Diff		CME		US		F	Currency	
Dollar/Yen Diff		CME		US		F	Currency	
Dutch Guilders		CME		US		F	Currency	
ECU		CME		US		F	Currency	
Euroyen	CME			US	F&O		Currency	503,104
French Franc		CME		US		F&O	Currency	69,984
Japanese Rolling Spot		CME		US		F&O	Currency	
Japanese Yen		CME		US		F&O	Currency	6,836,005
Japanese Yen Forward		CME		US		F&O	Currency	
Mexican Peso		CME		US		F	Currency	863,506
Swiss Franc		CME		US		F&O	Currency	4,682,643
Gold		CME		US		F	Metal	
U.S. Silver Coins	CME			US	F		Metal	
Canadian Silv. Coins		CME		US		F	Metal	
Copper		CME		US		F	Metal	
Lumber		CME		US		F&O	Other	
Orient Strand Board Lumber		CME		US		F&O	Other	321
Random Lumber	CME			US	F&O		Other	304,703
Stud Lumber		CME		US		F&O	Other	28,046
GNMA Mrtges, CD		COMEX		US		F	Interest Rate	
T-Bills (90 Day)	COMEX			US	F		Interest Rate	
T-Notes (2 Year)	COMEX			US	F		Interest Rate	
Eurotop 100 Index		COMEX		US		F&O	Stock Index	38,925
Moody's Index		COMEX		US		F	Stock Index	
Gold		COMEX		US		F&O	Metal	10,981,842
Gold (5day)		COMEX		US		O	Metal	150
Silver		COMEX		US		F&O	Metal	5,820,047
Silver(5 Day)		COMEX		US		O	Metal	96
Platinum	COMEX			US	F&O		Metal	
Aluminun		COMEX		US		F	Metal	
Copper (5 Day)		COMEX		US		O	Metal	0
Copper High Grade		COMEX		US		F&O	Metal	2,462,258
Mercury	COMEX			US	F		Metal	
Paladium		COMEX		US		F	Metal	
Zinc		COMEX		US		F	Metal	
Rubber		COMEX		US		F	Other	
Int'l Market Index		CSCE		US		F	Stock Index	
Brazil Diff Coffee		CSCE		US		F	Agriculture	
Cheddar Cheese		CSCE		US		F&O	Agriculture	984
Cocoa		CSCE		US		F&O	Agriculture	2,456,749

"Coffee ""B"""		CSCE		US		F	Agriculture	
"Coffee ""C"""		CSCE		US		F&O	Agriculture	2,896,286
Euro Diff Coffee	CSCE			US		F	Agriculture	
Milk		CSCE		US		F&O	Agriculture	5,907
NonFat Dry Milk	CSCE			US		F&O	Agriculture	303
Sugar #11		CSCE		US		F&O	Agriculture	5,846,731
Sugar #12		CSCE		US		F	Agriculture	
Sugar #14		CSCE		US		F	Agriculture	182,393
Sugar Domes (10&7)		CSCE		US		F	Agriculture	
White Sugar		CSCE		US		F	Agriculture	333
CPI-W		CSCE		US		F	Other	
Rubber		CSCE		US		F	Other	
MiniValue Line Index		KCBT		US		F&O	Stock Index	137,287
Value Line Index	KCBT			US		F	Stock Index	28,663
Corn		KCBT		US		F	Agriculture	
Grain Sorghum		KCBT		US		F	Agriculture	
Wheat		KCBT		US		F&O	Agriculture	1,895,466
Western Natural Gas		KCBT		US		F	Other	91,556
Eurodollars		MCE		US		F	Interest Rate	8,893
T-Bills		MCE		US		F	Interest Rate	753
T-Bonds	MCE			US		F&O	Interest Rate	1,282,497
T-Notes (5 Year)	MCE			US		F	Interest Rate	383
T-Notes (10 Year)		MCE		US		F	Interest Rate	41,849
T-Notes (10 Year)		MCE		US		F	Interest Rate	
Corn		MCE		US		F&O	Agriculture	472,071
Live Cattle (20K)	MCE			US		F	Agriculture	20,983
Live Hogs (25K)	MCE			US		F	Agriculture	21,118
Oats		MCE		US		F	Agriculture	8,449
Soybean	MCE			US		F&O	Agriculture	989,823
Soybean Meal New		MCE		US		F	Agriculture	
Soybean Meal New		MCE		US		F&O	Agriculture	11,638
Soybean Meal Old		MCE		US		F	Agriculture	
Soybean Oil		MCE		US		F&O	Agriculture	14,248
Wheat		MCE		US		F	Agriculture	155,177
Wheat Soft Red Winter		MCE		US		O	Agriculture	
Australian Dollar	MCE			US		F	Currency	266
British Pound		MCE		US		F	Currency	21,424
British Pound		MCE		US		F	Currency	
Canadian Dollar	MCE			US		F	Currency	
Canadian Dollar	MCE			US		F	Currency	7,104
Deutschemark		MCE		US		F	Currency	
DeutscheMark		MCE		US		F	Currency	79,093
Japanese Yen		MCE		US		F	Currency	42,085
Japanese Yen		MCE		US		F	Currency	
Swiss Franc		MCE		US		F	Currency	48,027
Swiss Franc		MCE		US		F	Currency	
U.S. Dollar Index	MCE			US		F	Currency	
Gold		MCE		US		F&O	Metal	
Gold		MCE		US		F	Metal	
Gold NY 33.2 oz	MCE			US		F	Metal	16,013
Silver		MCE		US		F	Metal	
Silver (New York)		MCE		US		F	Metal	8,398
U.S. Silver Coins	MCE			US		F	Metal	
Platinum (25 oz)	MCE			US		F	Metal	6,949
Copper		MCE		US		F	Metal	

Copper (new)	MCE		US		F	Metal	
Barley	MGE		US		F&O	Agriculture	639
Durum Wheat	MGE		US		F	Agriculture	
High Fructose Corn Syrup	MGE		US		F	Agriculture	
Oats	MGE		US		F&O	Agriculture	
Shrimp, Black Tiger	MGE		US		F&O	Agriculture	1,060
Shrimp, White	MGE		US		F&O	Agriculture	63
Sunflower Seeds	MGE		US		F	Agriculture	
Wheat	MGE		US		F&O	Agriculture	996,780
Wheat American Spring	MGE		US		F&O	Agriculture	21,126
Wheat European Spring	MGE		US		F&O	Agriculture	44
Wheat European Spring	MGE		US		O	Agriculture	
White Wheat	MGE		US		F&O	Agriculture	14,602
White Wheat	MGE		US		F&O	Agriculture	5,175
2 Year T-Note	NYCE		US		F	Interest Rate	1,147
5 Year T-Note	NYCE		US		F&O	Interest Rate	45064
Emerging Markets Debt Index	NYCE		US		F&O	Interest Rate	341
NYSE Composite Index	NYCE		US		F&O	Stock Index	840,039
PSE Tech 100	NYCE		US		F&O	Stock Index	10,874
Cotlook World Cotton	NYCE		US		F&O	Agriculture	
Cotton #2	NYCE		US		F&O	Agriculture	3,190,405
O.J. Conc.	NYCE		US		F&O	Agriculture	971,406
Potato	NYCE		US		F&O	Agriculture	770
Wool	NYCE		US		F	Agriculture	
Petroleum	NYCE		US		F	Energy	
Propane	NYCE		US		F	Energy	
Dollar Mark	NYCE		US		F&O	Currency	32,707
ECU	NYCE		US		F&O	Currency	
Mark Lira	NYCE		US		F&O	Currency	75,364
Mark Pound	NYCE		US		F&O	Currency	97,004
Mark Paris	NYCE		US		F&O	Currency	78,736
Mark Swiss Franc	NYCE		US		F&O	Currency	44,879
Mark Yen	NYCE		US		F&O	Currency	169,103
Swedish Krona	NYCE		US		F&O	Currency	8,378
U.S. Dollar Index	NYCE		US		F&O	Currency	
U.S. Dollar/ Swiss Franc	NYCE		US		F&O	Currency	4,098
U.S. Dollar/ Japanese Yen	NYCE		US		F&O	Currency	10,246
U.S. Dollar/ British Pound	NYCE		US		F&O	Currency	2,312
US Dollar Index	NYCE		US		F&O	Currency	559,528
CRB Index	NYCE		US		F&O	Other	85,884
T-Bills (90 Day)	NYFE		US		F	Interest Rate	
T-Bonds	NYFE		US		F	Interest Rate	
NYSE Composite Index	NYFE		US		F&O	Stock Index	24,675
Russell 2000	NYFE		US		F	Stock Index	
Russell 3000	NYFE		US		F	Stock Index	
British Pound	NYFE		US		F	Currency	
Canadian Dollar	NYFE		US		F	Currency	
Deutschemark	NYFE		US		F	Currency	
Japanese Yen	NYFE		US		F	Currency	
Swiss Franc	NYFE		US		F	Currency	
Cmdy Rsrch Bureau Index	NYFE		US		F&O	Other	
NYSE Utility Index	NYFE		US		F	Other	
Frozen Beef	NYMEX		US		F	Agriculture	
Imported Lean Beef	NYMEX		US		F	Agriculture	
Maine Potatoes	NYMEX		US		F	Agriculture	

Potatoes (cash Settle)		NYMEX	US		F	Agriculture	
Rnd. Wh. Potatoes		NYMEX	US		F	Agriculture	
Shell Eggs		NYMEX	US		F	Agriculture	
No. 2 Heating Oil NY		NYMEX	US		F&O	Energy	9,450,812
Alberta Natural Gas		NYMEX	US		F&O	Energy	2,891
Cali./ Oregon Border Electricity		NYMEX	US		F&O	Energy	59,990
Crude Oil		NYMEX	US		F&O	Energy	28,759,277
Gas -Crude Oil Spread		NYMEX	US		F&O	Energy	31,743
Gulf Coast Unleaded Gas	NYMEX		US		F&O	Energy	
Heating Oil- Crude Oil Spread		NYMEX	US		F&O	Energy	45,920
Indust'l Fuel Oil		NYMEX	US		F	Energy	
Leaded Reg. Gas NY		NYMEX	US		F	Energy	
Natural Gas		NYMEX	US		F&O	Energy	10,048,558
Palo Verde Electricity		NYMEX	US		F&O	Energy	21,512
Permian Basin		NYMEX	US		F&O	Energy	8,811
Propane	NYMEX		US		F	Energy	53,903
Residual Fuel Oil	NYMEX		US		F	Energy	
Sour Crude Oil		NYMEX	US		F	Energy	
Unleaded Reg. Gas NY		NYMEX	US		F	Energy	6,968,304
Gold		NYMEX	US		F	Metal	
U.S. Silver Coins	NYMEX		US		F	Metal	
Platinum	NYMEX		US		F&O	Metal	838,643
Palladium		NYMEX	US		F	Metal	205,610
Belgian Francs		NYMEX	US		F	Currency	
British Pound		NYMEX	US		F	Currency	
Canadian Dollar	NYMEX		US		F	Currency	
Deutschemark		NYMEX	US		F	Currency	
Japanese Yen		NYMEX	US		F	Currency	
Mexican Peso		NYMEX	US		F	Currency	
Swiss Franc		NYMEX	US		F	Currency	
Australian Dollar	PBOT		US		F	Currency	2,532
British Pound	PBOT		US		F	Currency	1,761
Canadian Dollar	PBOT		US		F	Currency	91
Deutschemark	PBOT		US		F	Currency	23,904
ECU	PBOT		US		F	Currency	616
French Franc	PBOT		US		F	Currency	3,704
Japanese Yen	PBOT		US		F	Currency	10,871
Swiss Franc	PBOT		US		F	Currency	4,723
			US	Total			499,400,542

OPEN INTEREST 1996

Futures Contract	Exchange	Country	Type	Category	1996	
3 Year Swaps	CBT	US		F&O	Interest Rate	
5 Year Swaps	CBT	US		F&O	Interest Rate	
30- Day Interest Rate	CBT	US		F	Interest Rate	
30 Day Fed Funds	CBT	US		F	Interest Rate	18,369
Brady Bond Index	CBT	US		F&O	Interest Rate	
Canadian Gov't Bonds	CBT	US		F&O	Interest Rate	
Commercial Paper (30Day)	CBT	US		F	Interest Rate	
Commercial Paper (90 Day)	CBT	US		F	Interest Rate	
Corporate Bond Index	CBT	US		F	Interest Rate	
Flexible U.S. T-Bonds	CBT	US		F	Interest Rate	367
Flexible U.S. T-Notes (2 Year)	CBT	US		F	Interest Rate	
Flexible U.S. T-Notes (5 Year)	CBT	US		F	Interest Rate	
Flexible U.S. T-Notes (10 Year)	CBT	US		F	Interest Rate	
GNMA Mrtges, CD #	CBT	US		F	Interest Rate	
GNMA Mrtgs, Cash Settle	CBT	US		F	Interest Rate	
GNMA Mrtgs, CDR #	CBT	US		F	Interest Rate	
Japanese Gov't Bond	CBT	US		F&O	Interest Rate	
Mortgage Backed 7.5%	CBT	US		F&O	Interest Rate	
Mortgage Backed 8.0%	CBT	US		F&O	Interest Rate	
Mortgage Backed 8.5%	CBT	US		F&O	Interest Rate	
Mortgage Backed 9.0%	CBT	US		F&O	Interest Rate	
Mortgage Backed 9.5%	CBT	US		F&O	Interest Rate	
T-Bonds	CBT	US		F&O	Interest Rate	948,540
T-Notes (2Year)	CBT	US		F&O	Interest Rate	19,705
T-Note (2 Year-Cash)	CBT	US		F	Interest Rate	
T-Notes (5Year)	CBT	US		F&O	Interest Rate	225,269
T-Notes (10Year)	CBT	US		F&O	Interest Rate	551,130
Yield Curve Spread	CBT	US		F&O	Interest Rate	1,154
CBOE 250 Index	CBT	US		F	Stock Index	
Institutional Index	CBT	US		F	Stock Index	
MMI Maxi	CBT	US		F	Stock Index	
Major Market Index	CBT	US		F&O	Stock Index	
NASDAQ-100	CBT	US		F	Stock Index	
Topix	CBT	US		F	Stock Index	
Wilshire Small Cap Index	CBT	US		F&O	Stock Index	
Corn	CBT	US		F&O	Agriculture	612,266
Corn Yield	CBT	US		F&O	Agriculture	725
Edible Oil Index	CBT	US		F	Agriculture	
Iced Broilers	CBT	US		F	Agriculture	
Live Cattle cbot	CBT	US		F	Agriculture	
Rough Rice	CBT	US		F&O	Agriculture	
Soybean Oil	CBT	US		F&O	Agriculture	98,155
Soybean Meal	CBT	US		F&O	Agriculture	107,599
Oats	CBT	US		F&O	Agriculture	11,233
Wheat	CBT	US		F&O	Agriculture	159,590
Winter Wheat	CBT	US		F	Agriculture	
US Dollar Index	CBT	US		F	Currency	
Gold	CBT	US		F	Metal	
Gold (100 oz.)	CBT	US		F	Metal	32
Gold (kilo)	CBT	US		F	Metal	305

Silver (1,000 oz.)	CBT	US	F&O	Metal	1,856	
Silver (5,000 oz)	CBT	US	F	Metal	1	
AnHydrous Ammonia	CBT	US		F	Other	9
Barge Freight Index	CBT	US		F	Other	
DiAmmo. Phosphate	CBT	US		F	Other	24
Eastern Cat. Insurance	CBT	US		F&O	Other	
Midwest Cat. Insurance	CBT	US		F	Other	
Municipal Bond Index	CBT	US		F&O	Other	11,128
National Cat. Insurance	CBT	US		F&O	Other	
PCS Catastrophe Insurance	CBT	US		F&O	Other	10,417
Plywood	CBT	US	F	Other		
Structural Panel Index	CBT	US		F	Other	
Stud Lumber	CBT	US		F	Other	
Western Insurance - Annual	CBT	US		F	Other	
1 Year T-Bills	CME	US		F	Interest Rate	
3 Month Eurodollars	CME	US		F&O	Interest Rate	3,969,824
90 Day T-Bills	CME	US		F&O	Interest Rate	7,577
Argentine FRB Bond	CME	US		F&O	Interest Rate	170
Brazilian C Bond	CME	US	F&O	Interest Rate		
Brazilian EL Bond	CME	US		F&O	Interest Rate	
Domestic CD (90 Day)	CME	US		F	Interest Rate	
Euromark 3 month	CME	US		F&O	Interest Rate	
Federal Funds Rate	CME	US		F&O	Interest Rate	295
Mexican Par Bond	CME	US		F&O	Interest Rate	
One Month Libor	CME	US	F&O	Interest Rate	33,644	
T- Notes 4 Year	CME	US		F	Interest Rate	
FT-SE 100	CME	US		F&O	Stock Index	
Goldman Sachs Comm. Index	CME	US		F&O	Stock Index	19,719
Major Market	CME	US		F&O	Stock Index	
Major Market	CME	US		F&O	Stock Index	25
Mexican IPC Index	CME	US		F&O	Stock Index	55
NASDAQ 100 Index	CME	US		F&O	Stock Index	7,022
Nikkei 225	CME	US		F&O	Stock Index	15,901
Russell 2000	CME	US		F&O	Stock Index	
Russell 2000	CME	US		F&O	Stock Index	7,471
S&P 100 Index	CME	US		F	Stock Index	
S&P 400 Index	CME	US		F&O	Stock Index	
S&P 400 Index	CME	US		F&O	Stock Index	10,496
S&P 500 Index	CME	US		F&O	Stock Index	366,239
S&P 500 Barra Growth Index	CME	US		F&O	Stock Index	165
S&P 500 Barra Value Index	CME	US		F&O	Stock Index	1,429
S&P OTC 250 Index	CME	US		F	Stock Index	
Boneless Beef	CME	US		F	Agriculture	
Broilers	CME	US		F&O	Agriculture	
Butter	CME	US		F	Agriculture	160
Feeder Cattle	CME	US		F&O	Agriculture	30,338
Fluid Milk	CME	US		F	Agriculture	36
Fresh Eggs	CME	US		F	Agriculture	
Frozen Eggs	CME	US		F	Agriculture	
Grain Sorghum	CME	US		F	Agriculture	
Hams	CME	US		F	Agriculture	
Idaho Potatoes	CME	US		F	Agriculture	
Lean Hogs	CME	US		F&O	Agriculture	29,445
Live cattle	CME	US		F&O	Agriculture	135,936
Live Hogs	CME	US		F&O	Agriculture	17,870

Nest-Run Eggs		CME		US		F	Agriculture	
Pork Bellies		CME		US		F&O	Agriculture	10,905
Turkeys		CME		US		F	Agriculture	
Australian Dollar		CME		US		F&O	Currency	9,096
Brazilian Real		CME		US		F&O	Currency	24,829
British Pound		CME		US		F&O	Currency	86,046
British Pound Rolling Spot		CME		US		F&O	Currency	
BP/DM Cross		CME		US		F&O	Currency	
Canadian Dollar		CME		US		F&O	Currency	93,632
Deutschemark		CME		US		F&O	Currency	173,458
DeutscheMark Forward		CME		US		F&O	Currency	
DeutscheMark Rolling Spot		CME		US		F&O	Currency	
DM/JY Cross (new)		CME		US		F&O	Currency	
DM/JY Cross (old)		CME		US		F&O	Currency	
DM/SFCross		CME		U		S	F&O	Currency
Dollar/Mark Diff		CME		US		F	Currency	
Dollar/Pound Diff		CME		US		F	Currency	
Dollar/Yen Diff		CME		US		F	Currency	
Dutch Guilders		CME		US		F	Currency	
ECU		CME		US		F	Currency	
Euroyen		CME		US		F&O	Currency	19,227
French Franc		CME		US		F&O	Currency	6,253
Japanese Rolling Spot		CME		US		F&O	Currency	
Japanese Yen		CME		US		F&O	Currency	147,360
Japanese Yen Forward		CME		US		F&O	Currency	
Mexican Peso		CME		US		F	Currency	35,416
Swiss Franc		CME		US		F&O	Currency	97,114
Gold		CME		US		F	Metal	
U.S. Silver Coins		CME		US		F	Metal	
Canadian Silv. Coins		CME		US		F	Metal	
Copper		CME		US		F	Metal	
Lumber		CME		US		F&O	Other	4,394
Orient Strand Board Lumber		CME		US		F&O	Other	106
Random Lumber		CME		US		F&O	Other	
Stud Lumber		CME		US		F&O	Other	
GNMA Mrtges, CD		COMEX		US		F	Interest Rate	
T-Bills (90 Day)		COMEX		US		F	Interest Rate	
T-Notes (2 Year)		COMEX		US		F	Interest Rate	
Eurotop 100 Index		COMEX		US		F&O	Stock Index	2,461
Moody's Index		COMEX		US		F	Stock Index	
Gold		COMEX		US		F&O	Metal	518,172
Gold (5day)		COMEX		US		O	Metal	
Silver		COMEX		US		F&O	Metal	144,012
Silver(5 Day)		COMEX		US		O	Metal	
Platinum		COMEX		US		F&O	Metal	
Aluminun		COMEX		US		F	Metal	
Copper (5 Day)		COMEX		US		O	Metal	
Copper High Grade		COMEX		US		F&O	Metal	61,813
Mercury		COMEX		US		F	Metal	
Paladium		COMEX		US		F	Metal	
Zinc		COMEX		US		F	Metal	
Rubber		COMEX		US		F	Other	
Int'l Market Index		CSCE		US		F	Stock Index	
Brazil Diff Coffee		CSCE		US		F	Agriculture	
Cheddar Cheese		CSCE		US		F&O	Agriculture	59

Cocoa		CSCE		US		F&O	Agriculture	115,740
"Coffee ""B"""		CSCE		US		F	Agriculture	
"Coffee ""C"""		CSCE		US		F&O	Agriculture	66,175
Euro Diff Coffee	CSCE			US		F	Agriculture	
Milk		CSCE		US		F&O	Agriculture	242
NonFat Dry Milk	CSCE			US		F&O	Agriculture	55
Sugar #11		CSCE		US		F&O	Agriculture	293,502
Sugar #12		CSCE		US		F	Agriculture	
Sugar #14		CSCE		US		F	Agriculture	13,910
Sugar Domes (10&7)		CSCE		US		F	Agriculture	
White Sugar		CSCE		US		F	Agriculture	10
CPI-W		CSCE		US		F	Other	
Rubber		CSCE		US		F	Other	
MiniValue Line Index		KCBT		US		F&O	Stock Index	1,442
Value Line Index	KCBT			US		F	Stock Index	597
Corn		KCBT		US		F	Agriculture	
Grain Sorghum		KCBT		US		F	Agriculture	
Wheat		KCBT		US		F&O	Agriculture	39,403
Western Natural Gas		KCBT		US		F	Other	1,976
Eurodollars		MCE		US		F	Interest Rate	474
T-Bills		MCE		US		F	Interest Rate	20
T-Bonds	MCE			US		F&O	Interest Rate	9,399
T-Notes (5 Year)	MCE			US		F	Interest Rate	1
T-Notes (10 Year)		MCE		US		F	Interest Rate	821
T-Notes (10 Year)		MCE		US		F	Interest Rate	
Corn		MCE		US		F&O	Agriculture	9,433
Live Cattle (20K)	MCE			US		F	Agriculture	263
Live Hogs (25K)	MCE			US		F	Agriculture	369
Oats		MCE		US		F	Agriculture	165
Soybean	MCE			US		F&O	Agriculture	11,637
Soybean Meal New		MCE		US		F	Agriculture	
Soybean Meal New		MCE		US		F&O	Agriculture	233
Soybean Meal Old		MCE		US		F	Agriculture	
Soybean Oil		MCE		US		F&O	Agriculture	112
Wheat		MCE		US		F	Agriculture	2,748
Wheat Soft Red Winter		MCE		US		O	Agriculture	
Australian Dollar	MCE			US		F	Currency	8
British Pound		MCE		US		F	Currency	296
British Pound		MCE		US		F	Currency	
Canadian Dollar	MCE			US		F	Currency	70
Canadian Dollar	MCE			US		F	Currency	
Deutschemark		MCE		US		F	Currency	273
DeutscheMark		MCE		US		F	Currency	
Japanese Yen		MCE		US		F	Currency	266
Japanese Yen		MCE		US		F	Currency	
Swiss Franc		MCE		US		F	Currency	435
Swiss Franc		MCE		US		F	Currency	
U.S. Dollar Index	MCE			US		F	Currency	
Gold		MCE		US		F&O	Metal	1
Gold		MCE		US		F	Metal	
Gold NY 33.2 oz	MCE			US		F	Metal	822
Silver		MCE		US		F	Metal	
Silver (New York)		MCE		US		F	Metal	506
U.S. Silver Coins	MCE			US		F	Metal	
Platinum (25 oz)	MCE			US		F	Metal	889

Copper	MCE		US		F	Metal	
Copper (new)	MCE		US		F	Metal	
Barley	MGE		US		F&O	Agriculture	57
Durum Wheat	MGE		US		F	Agriculture	
High Fructose Corn Syrup	MGE		US		F	Agriculture	
Oats	MGE		US		F&O	Agriculture	
Shrimp, Black Tiger	MGE		US		F&O	Agriculture	102
Shrimp, White	MGE		US		F&O	Agriculture	4
Sunflower Seeds	MGE		US		F	Agriculture	
Wheat	MGE		US		F&O	Agriculture	14,247
Wheat American Spring	MGE		US		F&O	Agriculture	2,981
Wheat European Spring	MGE		US		F&O	Agriculture	12
Wheat European Spring	MGE		US		O	Agriculture	
White Wheat	MGE		US		F&O	Agriculture	2,278
White Wheat	MGE		US		F&O	Agriculture	
2 Year T-Note	NYCE		US		F	Interest Rate	
5 Year T-Note	NYCE		US		F&O	Interest Rate	
Emerging Markets Debt Index	NYCE		US		F&O	Interest Rate	25
NYSE Composite Index	NYCE		US		F&O	Stock Index	6,690
PSE Tech 100	NYCE		US		F&O	Stock Index	392
Cotlook World Cotton	NYCE		US		F&O	Agriculture	
Cotton #2	NYCE		US		F&O	Agriculture	111,377
O.J. Conc.	NYCE		US		F&O	Agriculture	73,419
Potato	NYCE		US		F&O	Agriculture	43
Wool	NYCE		US		F	Agriculture	
Petroleum	NYCE		US		F	Energy	
Propane	NYCE		US		F	Energy	
Dollar Mark	NYCE		US		F&O	Currency	328
ECU	NYCE		US		F&O	Currency	
Mark Lira	NYCE		US		F&O	Currency	2,299
Mark Pound	NYCE		US		F&O	Currency	2,968
Mark Paris	NYCE		US		F&O	Currency	1,014
Mark Swiss Franc	NYCE		US		F&O	Currency	4,757
Mark Yen	NYCE		US		F&O	Currency	4,364
Swedish Krona	NYCE		US		F&O	Currency	395
U.S. Dollar Index	NYCE		US		F&O	Currency	
U.S. Dollar/ Swiss Franc	NYCE		US		F&O	Currency	9
U.S. Dollar/ Japanese Yen	NYCE		US		F&O	Currency	254
U.S. Dollar/ British Pound	NYCE		US		F&O	Currency	135
US Dollar Index	NYCE		US		F&O	Currency	8,473
CRB Index	NYCE		US		F&O	Other	2,311
T-Bills (90 Day)	NYFE		US		F	Interest Rate	
T-Bonds	NYFE		US		F	Interest Rate	
NYSE Composite Index	NYFE		US		F&O	Stock Index	
Russell 2000	NYFE		US		F	Stock Index	
Russell 3000	NYFE		US		F	Stock Index	
British Pound	NYFE		US		F	Currency	
Canadian Dollar	NYFE		US		F	Currency	
Deutschemark	NYFE		US		F	Currency	
Japanese Yen	NYFE		US		F	Currency	
Swiss Franc	NYFE		US		F	Currency	
Cmdy Rsrch Bureau Index	NYFE		US		F&O	Other	
NYSE Utility Index	NYFE		US		F	Other	
Frozen Beef	NYMEX		US		F	Agriculture	
Imported Lean Beef	NYMEX		US		F	Agriculture	

Maine Potatoes		NYMEX	US		F	Agriculture	
Potatoes (cash Settle)		NYMEX	US		F	Agriculture	
Rnd. Wh. Potatoes		NYMEX	US		F	Agriculture	
Shell Eggs		NYMEX	US		F	Agriculture	
No. 2 Heating Oil NY		NYMEX	US		F&O	Energy	200,285
Alberta Natural Gas		NYMEX	US		F&O	Energy	162
Cali./ Oregon Border Electricity		NYMEX	US		F&O	Energy	4,939
Crude Oil		NYMEX	US		F&O	Energy	803,706
Gas - Crude Oil Spread		NYMEX	US		F&O	Energy	1,645
Gulf Coast Unleaded Gas	NYMEX		US		F&O	Energy	
Heating Oil- Crude Oil Spread		NYMEX	US		F&O	Energy	2,655
Indust'l Fuel Oil		NYMEX	US		F	Energy	
Leaded Reg. Gas NY		NYMEX	US		F	Energy	
Natural Gas		NYMEX	US		F&O	Energy	264,277
Palo Verde Electricity		NYMEX	US		F&O	Energy	2,117
Permian Basin		NYMEX	US		F&O	Energy	50
Propane	NYMEX		US		F	Energy	3,222
Residual Fuel Oil	NYMEX		US		F	Energy	
Sour Crude Oil		NYMEX	US		F	Energy	
Unleaded Reg. Gas NY		NYMEX	US		F	Energy	92,692
Gold		NYMEX	US		F	Metal	
U.S. Silver Coins	NYMEX		US		F	Metal	
Platinum	NYMEX		US		F&O	Metal	25,990
Palladium		NYMEX	US		F	Metal	7,995
Belgian Francs		NYMEX	US		F	Currency	
British Pound		NYMEX	US		F	Currency	
Canadian Dollar	NYMEX		US		F	Currency	
Deutschemark		NYMEX	US		F	Currency	
Japanese Yen		NYMEX	US		F	Currency	
Mexican Peso		NYMEX	US		F	Currency	
Swiss Franc		NYMEX	US		F	Currency	
Australian Dollar	PBOT		US		F	Currency	71
British Pound		PBOT	US		F	Currency	25
Canadian Dollar	PBOT		US		F	Currency	15
Deutschemark		PBOT	US		F	Currency	204
ECU		PBOT	US		F	Currency	
French Franc		PBOT	US		F	Currency	63
Japanese Yen		PBOT	US		F	Currency	87
Swiss Franc		PBOT	US		F	Currency	231

US Total 11,087,702

ADDENDUM

(China Securities Regulatory Commission).

1. 14 Futures Exchanges in China:

Zhengzhou Commodity Exchange	--ZZCE
Chongqing Commodity Exchange	--CQCE
Dalian Commodity Exchange	--DCE
Shanghai Cereal & Oil Exchange	--SCOE
Shanghai Commodity Exchange	--SHCE
China Commodity Futures Exchange of Hainan	--CCFEH
Shenzhen Mercantile Exchange	--SZME
Guangdong United Futures Exchange	--GUFE
Suzhou Commodity Exchange	--SZCE
Shenyang Commodity Exchange	--SYCE
Tianjing United Futures Exchange	--TUFE
Beijing Commodity Exchange	--BCE
Shanghai Metal Exchange	--SHME
Chengdu United Futures Exchange	--CUFE

2. Listed products in each futures exchange:

ZZCE	green bean, wheat, corn, peanut kernel, soybean meal, .sesame, cotton yarn, plywood ₁ , #425 ordinary silicate, cement, 5 mm achromatic colour float glass
CQCE	copper, aluminium, lead, zinc, tin, nickel
DCE	corn, soybean, dried kelp
SCOE	soybean, corn, wheat, rice, green bean, red bean, barley, yellow hemp, red hemp
SHCE	plywood, rubber, PVC 5, high pressure polyethylene, sulan, cotton yarn, #525 ordinary silicate cement, 5 mm float glass
CCFEH	rubber, paler oil, coffee, cocoa, barley
SZME -	copper, aluminium) lead, zinc, tin, nickel
GUFF	aluminium, Soybean meal
SZCE	plywood, red bean, wool top, soybean meal

SYCE	copper, F. Mandshurica Wood, L. Gmelinii Wood, P. Bungeana Wood, peanut kernel, barley
TUFE	Tianjin red bean; copper, aluminium, soybean, cast pig iron, ferrosilicon, Tianjin plywood
BCE	green bean, plywood, corn, sodium carbonate, copper, peanut, polypropylene, rubber
SHME --	copper, aluminium, lead, tin, zinc, nickel
CUFE	sorghum, corn, wheat, long grain rice

3. Trading volume of each futures exchange in 1996:

ZZCE:	2020.84 billion
CQCE:	35.77 billion
DCE:	732.06 billion
SCOE:	86.68 billion
SHCE:	538.49 billion
CCFEH:	2205.20 billion
SZME:	147.59 billion
GUFE:	94.17 billion
SZCE:	905.41 billion
SYCE:	96.98 billion
TUFE:	387.35 billion
BCE:	834.68 billion
SHME:	230.51 billion
CUFE:	96.11 billion

ADDENDUM

(Bundesaufsichtsamt für den Wertpapierhandel of Germany)

1. In Germany, derivatives within the meaning of the study are primarily traded on the **Deutsche Terminbörse** (German Options and Futures Exchange, DTB) in Frankfurt. Apart from the DTB, options and futures trading is basically possible on all eight German stock exchanges.

On the Commodity Futures Exchange Hannover, which is expected to be set up by the end of 1997, contracts on wheat and hogs are expected to be traded.

2. See C.1. (d) - Cash Settlement.
3. Please refer to the printed version of this report, available by order from IOSCO, to view graphics showing the trading volume and open interest of all traded DTB-products.

ADDENDUM

(Hungarian Banking and Capital Market Supervision)

COMMODITY AND FUTURES MARKETS IN HUNGARY

The Budapest Commodity Exchange (hereinafter: exchange) as the legal successor of the Commodity Exchange Ltd. was established on November 29, 1994.

The highest level of regulation which was passed by the Parliament on March 29, 1994 is laid down in the Act XXXIX of 1994 on the Commodity Exchange and Its Transactions.

The Budapest Commodity Exchange is a self-governing and self-regulating organization which concentrates demand and supply in respect of the goods licensed and traded on the exchange, in the manner, place and trading hours pre-defined and published. On the exchange centralized trading is conducted through standardized contracts, in the case of futures transactions, under a guarantee of performance extended by the Clearing House, providing identical conditions for the conclusion of transactions.

The exchange is a legal entity and may be founded by an incorporated economic association, cooperative or state-owned company.

The conditions of founding are that

- at least 50 founder members providing an initial cash contribution of at least 150 million forints declare the establishment of the exchange, establish the constitution of the exchange, and elect officers;
- the Government approves founding based on the proposal of the Minister of Finance.

Members of the exchange may be incorporated economic associations, state-owned companies and cooperatives which have business rules approved by the Hungarian Banking and Capital Market Supervision (hereinafter: Supervision), and which are admitted as members by the Board of the Exchange.

The HBCMS is one of the agencies of public administration with national jurisdiction which among others does not only supervise the activity of the Budapest Stock Exchange, but that of the Budapest Commodity Exchange as well.

Members of The exchange are entitled to exercise their rights on the basis of the Commodity Exchange Act the Constitution and Regulations, and to conduct trading on the exchange in accordance with business regulations approved by the Supervision.

Each member of the exchange may only have one exchange membership.

The responsibilities of the Supervision are the following, in the interest of the lawful operation of the exchange:

1. approving the Constitution and Regulations of the exchange;
2. licensing the commodities that may be traded;
3. keeping the register of the names of brokers;
4. on-the-spot checking of the

operation of the exchange; 5. monitoring the operation in compliance with the rules of the organs of the exchange; 6. checking compliance with the provisions of the law serving the protection of clients; 7. in the case of the violation of the legal rules, the Constitution and Regulations, establishment of the sanctions falling within its competence; 8. taking the Supervision measures provided in this Act, and making decisions on matters delegated to its competence; 9. if measures beyond its competence are required, contacting the authority or other State organ concerned; 10. approving the business regulations of the members of the exchange.

The Constitution and Regulations of the exchange, and the business regulations of the members of the exchange shall become valid on approval by the Supervision. A resolution on granting approval shall be taken within 8 (eight) days of receipt by the Supervision. If the Supervision invites the applicant to provide missing information, the deadline shall be calculated as of the date on which such missing information is provided. The Constitution or other regulations shall take effect on promulgation of the approving resolution.

The Supervision shall, on a regular basis, check whether the activity of trading and the operation of the exchange are in compliance with the legal rules, the licenses, and the Constitution and Regulations of the exchange.

The Supervision is entitled to have access to any documents and registers of the exchange, the members of the exchange and the brokers related to trading on the exchange. Those mentioned above shall, on request deliver their documents or data concerning their activity to the Supervision, on request.

The participants of trading on the exchange are the members of the exchange, the brokers and the clients.

Members of the exchange shall draw up business regulations, copies of which shall be sent to the Exchange Secretariat, and to the Supervision for approval. Such business regulations may not be in conflict with the Regulations of the exchange.

Transactions on the exchange may only be concluded on their own behalf by members of the exchange, whether for their own accounts, or for their clients, on the basis of approved business regulations. Members of the exchange may not initiate orders for the conclusion of trade deals.

A member of the exchange shall accept orders from third parties for the conclusion of transactions on the exchange if:

- a) the client has made available the financial collateral required by the business regulations of the member of the exchange;
- b) the client makes a written statement whereby it is aware of the risks of trading on the exchange as revealed by the member of the exchange in accordance with the regulations.

A member of the exchange shall proceed in accordance with the instructions of the client, and shall execute them without delay. The member of the exchange, or a broker thereof, shall not be responsible for the unprofessional or unreasonable instructions of the client.

1. Members of the exchange shall deposit the security received from clients as the financial collateral of transactions on the exchange on a client account separated from their own assets,

and register it by types of security. 2. The creditors of a member of the exchange may not, on any grounds, lay claim to the security kept with the member of the exchange and owned by a client 3. A member of the exchange may only use the security for guaranteeing transactions on the exchange, and may not dispose thereof as its own. 4. The types of securities that may be accepted as security are defined in the Regulations.

With the exception of the case of the violation of the contract by the client, a member of the exchange may not terminate a consignment contract one-sidedly.

A broker is a natural person, who concludes transactions on the exchange in the name of a member of the exchange. Only the following persons may act as brokers:

- a) those with unlimited capacity of action and no criminal record;
- b) those who are not under the effect of a final and absolute court ruling pronouncing prohibition from the profession;
- c) those who have passed the professional exchange examination prescribed by the Supervision;
- d) those who have been entered in the register of brokers by the Supervision.

Members of the exchange may only conclude transactions on the exchange through brokers.

Brokers shall keep registers on data carrying facilities certified by the Exchange Secretariat and the Supervision, the contents, and the rules of keeping of which shall be laid down in the Regulations. The Regulations shall prescribe with what technical means the broker shall keep such registers. Registers shall be preserved by the exchange for a period of 5 years following the closing thereof. At the request of a client, the broker shall provide extracts of such registers incorporated in a private deed of full conclusive force, free of charge, In addition thereto, the broker may only provide information on the basis of the written permission of the client.

Orders shall constitute the business secrets of the client Such information may only be disclosed if contacted by the Supervision. A person, organ or organization that has received extracts or information shall handle them as business secrets' and shall preserve the contents thereof.

A transaction effected on the exchange is a transaction that is concluded by the members of the exchange, in the order defined by the exchange, in the course of trading on the exchange, in respect of commodities traded on the exchange. The commodities traded on the exchange are approved by the Supervision, while the different types of commodities are specified in the Order of Proceedings related to the Regulations.

The following transactions are effected on the exchange

1 prompt (direct) transactions; 2.futures transactions; 3 options transactions.

The brokers of both parties shall issue deal slips of the transactions concluded, and shall, within 60 minutes of the end of the trading day, forward them to the Clearing House of the Exchange. Confirmation of a transaction on the exchange to the client and the manner thereof shall be regulated in the business regulations of

the members of the exchange. The order of lodging any complaints by the client in respect of a confirmed transaction shall be defined in the Regulations. If the client does not exercise his or her right to lodge a complaint, he or she may not refer to the invalidity of the transaction subsequently. If a client lodges a complaint in respect of a transaction, the member of the exchange or a broker thereof; and the client shall conduct conciliatory negotiations within 24 hours.

SPECIFICATION OF (FUTURES) CONTRACTS TRADED ON THE BUDAPEST COMMODITY EXCHANGE

Agricultural Section - Meat Market:

1. EUROP Live hog contract I. (VS-I.)
2. EUROP Live hog contract II. ~S-II.)

Agricultural Section - Grains Market:

1. M3lhng wheat contract
2. Feed wheat contract
3. Feed corn contract
4. Feed barley contract
5. High oil-content sunflower seed contract

Financial section - Forex Futures Market:

1. USD contract
2. DEM contract
3. JPY contract
4. ECU contract
5. ITL contract
6. GBP contract
7. CHF contract
8. I-month BUBOR contract (1 B)
9. 3-rnojjth BUBOR contract (3 B)

The 1996 IFR Handbook of World Stock and Commodity Exchanges lists the 300 most important exchanges in 85 countries. According to this Handbook, wheat futures contracts are currently traded in Argentina, Canada, China, USA, Great Britain. corn in Argentina, China, USA, Japan, live hogs in Holland, USA, Great Britain, currencies in USA, Singapore, Brazil, Finland, Philippines, New Zealand, Japan, Great Britain, Russia, Hong Kong, Spain and Holland.

The turnover of the BCE (Budapest Commodity Exchange) was HUF 562 million in 1990, HUF 1.9 billion in 1991, lumped to HUF 6.1 billion in 1992 and reached HUF 12.3 billion in 1993, In 1994 the turnover was HUF 35.2 billion. The total turnover in 1995 exceeded HUF 175 billion. The turnover for the 12 month of 1996 was more than five times higher than the 1995 figure, coming near to the total turnover of 1 000 billion.

	1989-90	1991	1992	1993	1994	1995	1996	1997 (March)
Turnover (M HUF)	574.49	1 916.78	6 136.66	12 331.35	35 260.65	175 347,41	917 799.35	258 295.75
Volume (contracts)	3 618	13 477	39 620	67 701	325 570	1 399 488	5 425 554	1 484 637
Number of trades	200	582	2 617	4 234	4091	7200	15 974	8324
Daily average turnover (M HUF)	10.64	25.22	61.37	61.05	138.82	698.60	3 656.57	4 234.36
Daily average volume (contracts)	67	177	395	335	1 282	5 576	21 628	24 338
Daily average number of trades	4	12	26	21	16	29	76	137
Number of business days	54	76	100	202	254	251	251	61

The BCE currently operates on three sections: financial, grains and livestock. The two dominant markets are the currencies and the grains, altogether providing nearly 99% of BCE's turnover.

	1989-90	1991	1992	1993	1994	1995	1996	1997 (March)
trading days								
grains	54	49	100	102	149	149	150	61
livestock		27	100	102	99	101	101	25
financial				202	254	251	251	61
futures trades								
grains	146	587	2 145	2 913	2 790	3 446	9 947	4 143
livestock		101	178	163	173	401	429	67
financial				644	1 084	3 322	8 536	4 114
turnover (min HUF)								
grains	574	1 746	5798	10 693	8 099	12 686	62 026	25 548
livestock		170	339	190	218	512	605	89
financial				1 448	26 944	162 150	855 169	232 658
volume (contracts)								
grains	3 618	13 001	38 816	53 349	35 009	40 869	125 568	61 692
livestock		476	804	393	353	532	564	81
financial				13 959	290 208	1 358 087	5 302 422	1 422 864
commission paid to BCE (thousand HUF)								
grains			30 682	55 054	26 819	34 789	54 950	20 589
livestock			1 973	1 120	1 000	1 336	483	88
financial				5 496	28 411	148 855	208 852	36 197

Historical records after 3 month of 1997 show that the BCE still has potential for great growth:

Records on the Budapest Commodity Exchange

Grains Section

Highest turnover (HUF thousand)	2,007	25/07/96
Highest number of trades	242	25/07/1996
Highest volume (tons)	64,900	25/07/1996
(contracts)	3.245	
Highest open interest (contracts)	14,076	08/06/1993
Highest volume for delivery (tons)	60,560	12/1991
Prices; highest/lowest (HUF/tons)		
Milling wheat	5.500(1991)	34.500(1996)
Feed wheat	4.650(1991)	33.400(1996)
Corn	5.850(1990)	35.000(1996)
Feed barley	4.800(1991)	32.500(1996)
Sunflower seed	15.860(1993)	46.000 (1996)

Livestock Section

Highest turnover (HUF thousand)	31.505	12/09/1995
Highest number of trades	24	07/03/1996
Highest volume (tons)	375	10/12/1991
(contracts)	75	
Highest open interest (contracts)	126	08/03/1994
Highest volume for delivery (tons)	165	08/1994
HUF/kg)		
Live hog I.	64.50(1991)	295.00(1996)
Live hog II.	62.00(1991)	289.00(1996)

Financial Section

Highest turnover (HUF thousand)	26,003	27/12/~1996
Highest number of trades	127	25/11/1996
Highest volume (contracts)	120,232	27/12/1996
Highest open interest (contracts)	1,020,619	12/08/1996
Prices; highest/lowest		
USD	87.30(1993)	183.50(1996)
DEM	52.56(1993)	123.50(1996)
JPY	113.05(1994)	189.30(1996)
ECU	173.60(1995)	298.08(1995)
GBP	217.90(1996)	247.70(1996)
ITL	92.10(1996)	121.15(1996)
CHF	119.35(1996)	149.50(1996)
I month BUBOR	21.95(1996)	23.00 (1996)
3 month BUBOR	16.90(1996)	23.20(1996)

The Budapest Stock Exchange was the first to open a securities based derivatives market in the Central-European region. Futures trading started on 31 March 1995 for the BUX-index, currencies and the 3 month T-Bin. New contracts were introduced in September and October 1996, namely the 1-month and the 3-month BUBOR contracts, and the 1 2-month T-Bill. USD/DEM cross rate contract will be launched in 1997.

Average monthly turnover of the futures market has increased by in ore than 10 times from 1995 to 1996, the average monthly turnover of the BUX contract has increased nearly 20 times in 1996. Currently the BUX index is traded for 6 maturities (24 months ahead), average number of daily trades was over 70 in 1.1996, with an average daily 500 contracts.

This dynamical development of tile market is due to the growing need of Hungarian market participants of using derivatives, the growth of the underlying stock market (market capitalization increased by 100% from the end of 1995 to the end of 1996, turnover increased by 350% for The same period). The regulatory environment is continuously changing, major step is that foreigners are admitted to trade flux derivatives according to flit Hungarian National Bank's allowance.

The Budapest Stock Exchange has got currently 56 members, including large international players (ABN Amro Hoare Govett Co., Bank-Austria Girocredit Investment Co., Citibank Securities Ltd., Creditanstalt Securities Ltd., CS First Boston Co., Daewoo Securities Co., Hypo-Securities Co., ING Baring Securities Co., Raiffeisen Securities and Investment Co., WestLB Investment Co.). At the moment, approximately 50% of the members are actively trading futures contracts, in comparison with some active brokerages only at the end of 1995. The derivatives trading system is open outcry supported by semi-automated opening and closing periods, and it takes place every trading day between 10.15 a.m. and 1.15 p.m. (CET) in accordance with the underlying markets trading session (which trades on an electronic trading basis). Strong market makers support liquidity and transparency by publicity of their obligations. Futures contracts are settled and cleared by the independent Central Clearing House and Depository Co.(KELER), which is owned by the Hungarian National Bank (50%) and by the two Hungarian exchanges, namely the Budapest Stock Exchange and the Budapest Commodity Exchange (25-25%)

Development and implementation of the futures market were carried out in co-operation with the world's fourth largest futures exchange, the MATIF S.A. In the first half of 1996 a comprehensive study was prepared on the feasibility of introducing options trading. In July 1996 the Options Market Development Project Board was set up in order to support launching standardized option contracts at the Budapest Stock Exchange. This project is devoted to one of the major developments of the Exchange, to be launched prospectively in 1997.

DERIVATIVE PRODUCTS TRADED ON THE BUDAPEST STOCK EXCHANGE

Interest rate contracts:

- DWIX DAIWA-MKB Treasury Bill Index,
based on the yield of the 1-, 3- and 6- month T-bills.
- 3 month discount Treasury bill
- 1 year discount Treasury bill
- 1 month BUBOR*
- 3 month BUBOR

*Budapest Interbank Offered Rate

Share Index:

- BUX Index of the Budapest Stock Exchange

Interest rate contracts:

USD/HUF	Currency
DEM/HUF	Currency
ECU/HUF	Currency
Currency Index (HUFEX) Stock Index (USD/HUF) 0,3* (ECU/HUF) 0,7	
USD/DEM	Currency

* Please refer to the printed version of this report, available by order from IOSCO, to view graphics showing the trading volume and open interest of all traded BSE products

(Exchange)	(Category)	(Trading Volume: 1996)	(Open interest: End of 1996)
• (listed derivatives contracts)		(Units)	(Units)

Tokyo Stock Exchange

• TOPIX Futures	Equity Index	2,857,272	101,066
• Japanese Government Bond (3GB) Futures	Other (Bond)	12,714,339	168,306
• U.S. T-Bond Futures	Other (Bond)	31,030	430
• TOPIX Options	Equity Index	13,444	20
• Options on 3GB Futures	Other (Bond)	1,975,274	48,060

Osaka Securities Exchange

• Nikkei 225 Futures	Equity Index	7,043,977	239,706
• Nikkei 300 Futures	Equity Index	1,872,983	94,223
• Nikkei 225 Options	Equity Index	3,924,543	91,190
• Nikkei 300 Options	Equity Index	44,254	881

Nagoya Stock Exchange

• Option 25	Equity Index	22,823	48
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ADDENDUM
(Securities Commission of New Zealand)

1. Derivative Exchanges Subject to Regulation in New Zealand

New Zealand Futures and Options Exchange Limited.

2. Contracts Traded on the New Zealand Futures and Options Exchange

Exchange Traded Equity Options on the ordinary shares of Brierley Investments Limited, Carter Holt Harvey Limited, Fernz Corporation Limited, Fisher and Paykel Industries Limited, Fletcher Challenge Limited, Goodman Fielder Limited, Independent Newspapers Limited, Lion Nathan Limited and Telecom Corporation of New Zealand Limited.

New Zealand Electricity Futures Contract

NZSE 10 Share Index Futures and Futures Options

90 Day Bank Bill Futures and Futures Options

Three and ten year Government Stock Futures and Futures Options

3. Trading Volume and Open Interest for the Year Ending December 1996

NZFOE 1996 statistics in charted format are available only in the printed version of this report available by order from IOSCO.

ADDENDUM
(Ontario Securities Commission)

1. The Toronto Futures Exchange (TFE) and the Winnipeg Commodity Exchange (WCE) are recognized derivative exchanges pursuant to the *Commodity Futures Act (Ontario)* and are subject to regulation in our jurisdiction. The Toronto Stock Exchange which is a recognized stock exchange pursuant to the *Securities Act (Ontario)* also trades “derivatives” products as defined in the survey.
- 2 / 3. The following options are traded on the TSE, all of which may be categorized as equity indices:

	<u>Volume for the Year</u> <u>Ending December '96</u>	<u>Open Interest</u>
<u>Toronto Stock Exchange</u>		
Toronto 35 Index Option	254 199	10 639
TSE 100 Index Option	845	2

The following contracts are traded on the TFE, all of which may be categorized as equity indices:

	<u>Volume for the Year</u> <u>Ending December '96</u>	<u>Open Interest</u>
<u>Toronto Futures Exchange</u>		
Toronto 35 Future	155 562	15 401
TSE 100 Future	8 135	3 296

The following contracts are traded on the WCE, all of which may be categorized as agricultural commodity contracts:

	<u>Volume for the Year</u> <u>Ending December '96</u>	<u>Open Interest</u>
<u>Winnipeg Commodities Exchange</u>		
<i>Futures:</i>		
Canola	1 345 952	50 445
Feed Peas	17 979	690
Feed Wheat	206 120	13 084
Flaxseed	99 889	5 550
Oats	3 496	190
Western Barley	334 809	24 689
	<u>Volume for the Year</u> <u>Ending December '96</u>	<u>Open Interest</u>

Options:

Canola	61 233	4 074
Feed Wheat	355	94
Flaxseed	471	25
Western Barley	3 166	97

ADDENDUM

(Comisión Nacional del Mercado de Valores of Spain)

1. Derivatives exchanges subject to regulation in Spanish jurisdiction are:

- MEFF Renta Fija
- MEFF Renta Fija Variable
- FCM (Citrus fruit futures and options market)

2.- Traded Contracts:

a) Interest Rate (MEFF Renta Fija):

- Long-Term National Bond Futures
- Quarterly Options on Long-Term National Bond Futures
- Monthly Options on Long-Term National Bond Futures
- Medium-Term National Bond Futures
- Options on Medium-Term National Bond Futures
- Three-Month MIBOR Futures
- Options on Three-Month MIBOR Futures
- One-Year MIBOR Futures
- MATIF French Bond / Spanish Bond Differential Futures
- LIFFE German Bond / Spanish Bond Differential Futures
- LIFFE Italian Bond / Spanish Bond Differential Futures

b) Equity Indices (MEFF Renta Variable):

- Ibex-35 Stock Index Futures
- Ibex-35 Stock Index Options
- Equity options

c) Agricultural Commodities (FCM):

- Navel-Navelina Orange Futures
- Valencia-Late Orange Futures
- Clementina Futures

3.- Trading Volume and Open Interest (N° Contracts) - December 1996

	Traded Volume	Open Interest
MEFF Renta Fija		
Long-Term National Bond Futures	18 124 849	94 060
Options on Long-Term National Bond Futures	2 597 397	63 828
Medium-Term National Bond Futures	201 814	658
Options on Medium-Term National Bond Futures	7 230	0
Three-Month MIBOR Futures	1 188 954	39 633
Options on Three-Month MIBOR Futures	235 134	31 536
One-Year MIBOR Futures	58 193	3 520
Differential Futures*	134 721	319
MEFF Renta Variable		
Ibex-35 Stock Index Futures	28 192 159	449 871
Ibex-35 Stock Index Options	7 764 207	476 072
Equity Options	854 796	45 435
FCM		
Navel-Navelina Orange Futures	67 079	138
Vallencia-Late Orange Futures	48 258	10
Clementina Futures*	30 113	101

* Diff. Futures and Clementine Futures were introduced in June and September 1996, respectively.

ADDENDUM

(The Financial Supervisory Authority of Sweden)

1. In accordance with Article 16 of the ISD Sweden has forwarded the following list of the regulated markets in Sweden to the European Commission:

- Stockholms Fondbörs AB (Stockholm Stock Exchange)
- Penningmarknadsinformation PmI AB
- OM Stockholm AB

However, only OM Stockholm AB is a derivative exchange.

2. The contracts traded on OM Stockholm AB are the following.

Equity Indices

- Long OMX Options - Options on the Swedish equity market index, OMX, with a term of up to two years
- OMX Sector Indices
- OMX Options and Futures - Options and futures on the Swedish equity market index, OMX

Interest Rate

- Omr5 Options, Options contract on a national 5 year Treasury bond

Other

- Long stock options - Options with a term of up to two years on 8 Swedish stocks
- Stock loans - Securities loans related to Swedish stocks
- Stock Options and Futures - Options and Futures on Swedish stocks

3. Please contact OM Stockholm AB for further information concerning the trading volume and open interest in respect of the above contracts.

ADDENDUM
(The Securities and Investments Board of the United Kingdom)

1. The following derivatives exchanges are Recognised Investment Exchanges under the Financial Services Act 1986:
 - i. the London International Financial Futures and Options Exchange (LIFFE);
 - ii. the International Petroleum Exchange (IPE);
 - iii. the London Metal Exchange (LME); and
 - iv. OMLX, the London Securities and Derivatives Exchange.

2. The following contracts are listed on the above exchanges. The volume for each contract and open interest as at 31/12/96 is also included.

LIFFE

Interest Rate

Futures	Volume (1996)	Open Interest as at 31/12/96
Three Month ECU	602 518	27 478
Three Month Eurolira	6 936 873	208 243
One Euromark	48 644	27 175
Three Month Euromark	36 231 178	973 592
Three Month Euroswiss	3 299 058	80 503
Three Month Euroyen	242 413	N/A
Three Month Sterling	15 793 775	394 820

Options

Three Month Eurolira	953 558	117 365
Three Month Euromark	4 888 942	591 609
Three Month Euroswiss	45 568	8 735
Three Month Sterling	2 213 494	282 812

Equity Indices

Futures	Volume (1996)	Open Interest as at 31/12/96
FT-SE 100	3 627 044	56 954
FT-SE Mid 250	34 068	4 820

Options

FT-SE 100 (American Style)	3 764 079	220 102
FT-SE Mid 250 (European Style)	2 974 876	319 757
FT-SE 100 FLEX	65 701	60 267

Agricultural Commodities

Futures	Volume (1996)	Open Interest as at 31/12/96
Barley	5 112	648
Cocoa	403 715	119 236

Coffee	332 770	41 245
Potatoes	4 020	1 856
Wheat	35 104	6 363
White sugar	150 713	25 564

Options

Barley	0	13
Cocoa	12 088	6 868
Coffee	37 557	10 499
Potatoes	25	35
Wheat	2 891	3 005
White sugar	4 653	2 791

Other

Futures	Volume (1996)	Open Interest as at 31/12/96
BIFLEX	21 778	3 516
Long Gilt	15 408 010	133 139
German Government Bond	39 801 928	217 592
Italian Government Bond	12 603 754	90 584
Japanese Government Bond	816 059	N/A

Options

BIFLEX	131	76
Long Gilt	1 361 344	38 321
German Government Bond	8 462 806	259 345
Italian Government Bond	2 456 177	186 095
Equity options (total)	4 298 010	533 932

IPE

Energy Products

Futures	Volume (1996)	Open Interest as at 31/12/96
Brent Crude oil	10 675 389	161 476
Gasoil	4 361 062	70 578
Natural Gas (commenced trading in January 997)		

Options

Brent Crude oil	374 233	16 328
Gasoil	110 226	8 845

LME

Non-Precious Metals

Futures	Volume (1996)	Open Interest as at 31/12/96
Aluminium Alloy	292 429	5 013
Primary Aluminium	14 552 878	236 973
Cooper	18 482 846	154 056
Lead	2 202 864	34 502
Nickel	3 104 514	45 815
Tin	1 121 836	14 604
Zinc	4,852,942	77 752

Options

Aluminium Alloy	242	20
Primary Aluminium	1 030 703	135 629
Cooper	1 623 575	161 544
Lead	30 992	2 986
Nickel	54 646	4 325
Tin	8 925	222
Zinc	126 094	11 507

OMLX

Equity Indices

Futures	Volume (1996)	Open Interest as at 31/12/96
OMX Index	1 624 997	30 558
OMSX Sector Indices	130	0
SEax Swedish Stocks	146 731	34 812

Options

OMX Index	5 400 133	40 785
OMSX Sector Indices	292	0
SEax Swedish Stocks	12 436 631	903 654

ADDENDUM

(Commodity Futures Trading Commission of the United States)
 Prepared by CFTC 4/15/97

Market Volume 1996

Futures Contract	Exchange	Country	Type	Category	1996
3 Year Swaps	CBT	US	F&O	Interest Rate	
5 Year Swaps	CBT	US	F&O	Interest Rate	
30- Day Interest Rate	CBT	US	F	Interest Rate	
30 Day Fed Funds	CBT	US	F	Interest Rate	608,308
Brady Bond Index	CBT	US	F&O	Interest Rate	509
Canadian Gov't Bonds	CBT	US	F&O	Interest Rate	
Commercial Paper (30 Day)	CBT	US	F	Interest Rate	
Commercial Paper (90 Day)	CBT	US	F	Interest Rate	
Corporate Bond Index	CBT	US	F	Interest Rate	
Flexible U.S. T-Bonds	CBT	US	F	Interest Rate	94,453
Flexible U.S. T-Notes (2 Year-cash)	CBT	US	F	Interest Rate	0
Flexible U.S. T-Notes (5 Year)	CBT	US	F	Interest Rate	6,990
Flexible U.S. T-Notes (10 Year)	CBT	US	F	Interest Rate	12,735
GNMA Mrtgs, CD #	CBT	US	F	Interest Rate	
GNMA Mrtgs, Cash Settle	CBT	US	F	Interest Rate	
GNMA Mrtgs, CDR #	CBT	US	F	Interest Rate	
Japanese Gov't Bond	CBT	US	F&O	Interest Rate	
Mortgage Backed 7.5%	CBT	US	F&O	Interest Rate	
Mortgage Backed 8.0%	CBT	US	F&O	Interest Rate	
Mortgage Backed 8.5%	CBT	US	F&O	Interest Rate	
Mortgage Backed 9.0%	CBT	US	F&O	Interest Rate	
Mortgage Backed 9.5%	CBT	US	F&O	Interest Rate	
T-Bonds	CBT	US	F&O	Interest Rate	110,655,789
T-Notes (2 Year)	CBT	US	F&O	Interest Rate	848,651
T-Note (2 Year-Cash)	CBT	US	F	Interest Rate	
T-Notes (5 Year)	CBT	US	F&O	Interest Rate	14,187,165
T-Notes (10 Year)	CBT	US	F&O	Interest Rate	29,847,375
Yield Curve Spread	CBT	US	F&O	Interest Rate	7,055
CBOE 250 Index	CBT	US	F	Stock Index	
Institutional Index	CBT	US	F	Stock Index	
MMI Maxi	CBT	US	F	Stock Index	
Major Market Index	CBT	US	F&O	Stock Index	
NASDAQ-100	CBT	US	F	Stock Index	
Topix	CBT	US	F	Stock Index	
Wilshire Small Cap Index	CBT	US	F&O	Stock Index	
Corn	CBT	US	F&O	Agriculture	26,222,198
Corn Yield	CBT	US	F&O	Agriculture	2,404
Edible Oil Index	CBT	US	F	Agriculture	
Iced Broilers	CBT	US	F	Agriculture	
Rough Rice	CBT	US	F&O	Agriculture	134,558
Soybeans	CBT	US	F&O	Agriculture	19,371,419
Soybean Meal	CBT	US	F&O	Agriculture	6,549,142
Soybean Oil	CBT	US	F&O	Agriculture	5,265,551
Oats	CBT	US	F&O	Agriculture	546,895
Wheat	CBT	US	F&O	Agriculture	7,272,876
Winter Wheat	CBT	US	F	Agriculture	
US Dollar Index	CBT	US	F	Currency	

Gold	CBT	US	F	Metal	
Gold (100 oz.)	CBT	US	F	Metal	335
Gold (kilo)	CBT	US	F	Metal	17,687
Silver (1,000 oz.)	CBT	US	F&O	Metal	42,090
Silver (5,000 oz)	CBT	US	F	Metal	110
AnHydrous Ammonia	CBT	US	F	Other	351
Barge Freight Index	CBT	US	F	Other	
DiAmmo. Phosphate	CBT	US	F	Other	3,985
Eastern Cat. Insurance	CBT	US	F&O	Other	66
Midwest Cat. Insurance	CBT	US	F	Other	
Municipal Bond Index	CBT	US	F&O	Other	927,120
National Cat. Insurance	CBT	US	F&O	Other	
PCS Catastrophe Insurance	CBT	US	F&O	Other	14,688
Plywood	CBT	US	F	Other	
Structural Panel Index	CBT	US	F	Other	
Stud Lumber	CBT	US	F	Other	
Western Insurance- Annual	CBT	US	F	Other	
1 Year T-Bills	CME	US	F	Interest Rate	
3 Month Eurodollars	CME	US	F&O	Interest Rate	111,118,007
90 Day T-Bills	CME	US	F&O	Interest Rate	251,433
Argentine FRB Bond	CME	US	F&O	Interest Rate	9,610
Brazilian C Bond	CME	US	F&O	Interest Rate	10,228
Brazilian EL Bond	CME	US	F&O	Interest Rate	253
Domestic CD (90 Day)	CME	US	F	Interest Rate	
Euromark 3 month	CME	US	F&O	Interest Rate	
Federal Funds Rate	CME	US	F&O	Interest Rate	47,495
Mexican Par Bond	CME	US	F&O	Interest Rate	2,056
One Month Libor	CME	US	F&O	Interest Rate	1,206,683
T- Notes 4 Year	CME	US	F	Interest Rate	
FT-SE 100	CME	US	F&O	Stock Index	
Goldman Sachs Comm. Index	CME	US	F&O	Stock Index	448,157
Major Market	CME	US	F&O	Stock Index	
Major Market	CME	US	F&O	Stock Index	5,321
Mexican IPC Index	CME	US	F&O	Stock Index	4,556
NASDAQ 100 Index	CME	US	F&O	Stock Index	404,955
Nikkei 225	CME	US	F&O	Stock Index	507,794
Russell 2000	CME	US	F&O	Stock Index	
Russell 2000	CME	US	F&O	Stock Index	80,442
S&P 100 Index	CME	US	F	Stock Index	
S&P 400 Index	CME	US	F&O	Stock Index	
S&P 400 Index	CME	US	F&O	Stock Index	292,190
S&P 500 Index	CME	US	F&O	Stock Index	24,536,235
S&P 500 Barra Growth Index	CME	US	F&O	Stock Index	6,360
S&P 500 Barra Value Index	CME	US	F&O	Stock Index	12,296
S&P OTC 250 Index	CME	US	F	Stock Index	
Boneless Beef	CME	US	F	Agriculture	
Broilers	CME	US	F&O	Agriculture	
Butter	CME	US	F	Agriculture	365
Feeder Cattle	CME	US	F&O	Agriculture	946,740
Fluid Milk	CME	US	F	Agriculture	2,643
Fresh Eggs	CME	US	F	Agriculture	
Frozen Eggs	CME	US	F	Agriculture	
Grain Sorghum	CME	US	F	Agriculture	
Hams	CME	US	F	Agriculture	
Idaho Potatoes	CME	US	F	Agriculture	
Lean Hogs	CME	US	F&O	Agriculture	347,178

Live Cattle	CME	US	F	Agriculture	4,465,715
Live Hogs	CME	US	F	Agriculture	1,953,778
Nest-Run Eggs	CME	US	F	Agriculture	
Pork Bellies	CME	US	F&O	Agriculture	664,689
Turkeys	CME	US	F	Agriculture	
Australian Dollar	CME	US	F&O	Currency	466,869
Brazilian Real	CME	US	F&O	Currency	161,429
British Pound	CME	US	F&O	Currency	5,847,823
British Pound Rolling Spot	CME	US	F&O	Currency	
BP/DM Cross	CME	US	F&O	Currency	
Canadian Dollar	CME	US	F&O	Currency	2,130,470
DeutscheMark	CME	US	F&O	Currency	7,802,113
DeutscheMark Forward	CME	US	F&O	Currency	
DeutscheMark Rolling Spot	CME	US	F&O	Currency	
DM/JY Cross (new)	CME	US	F&O	Currency	
DM/JY Cross (old)	CME	US	F&O	Currency	
DM/SF Cross	CME	US	F&O	Currency	
Dollar/Mark Diff	CME	US	F	Currency	
Dollar/Pound Diff	CME	US	F	Currency	
Dollar/Yen Diff	CME	US	F	Currency	
Dutch Guilders	CME	US	F	Currency	
ECU	CME	US	F	Currency	
Euroyen	CME	US	F&O	Currency	503,104
French Franc	CME	US	F&O	Currency	69,984
Japanese Rolling Spot	CME	US	F&O	Currency	
Japanese Yen	CME	US	F&O	Currency	6,836,005
Japanese Yen Forward	CME	US	F&O	Currency	
Mexican Peso	CME	US	F	Currency	863,506
Swiss Franc	CME	US	F&O	Currency	4,682,643
Gold	CME	US	F	Metal	
U.S. Silver Coins	CME	US	F	Metal	
Canadian Silv. Coins	CME	US	F	Metal	
Copper	CME	US	F	Metal	
Lumber	CME	US	F&O	Other	
Orient Strand Board Lumber	CME	US	F&O	Other	321
Random Lumber	CME	US	F&O	Other	304,703
Stud Lumber	CME	US	F&O	Other	28,046
GNMA Mrtges, CD	COMEX	US	F	Interest Rate	
T-Bills (90 Day)	COMEX	US	F	Interest Rate	
T-Notes (2 Year)	COMEX	US	F	Interest Rate	
Eurotop 100 Index	COMEX	US	F&O	Stock Index	38,925
Moody's Index	COMEX	US	F	Stock Index	
Gold	COMEX	US	F&O	Metal	10,981,842
Gold (5 day)	COMEX	US	0	Metal	150
Silver	COMEX	US	F&O	Metal	5,820,047
Silver(5 Day)	COMEX	US	0	Metal	96
Platinum	COMEX	US	F&O	Metal	

Aluminun	COMEX		US	F	Metal	
Copper (5 Day)	COMEX	US	0		Metal	0
Copper High Grade	COMEX	US	F&O		Metal	2,462,258
Mercury	COMEX	US	F		Metal	
Paladium	COMEX	US	F		Metal	
Zinc	COMEX	US	F		Metal	
Rubber	COMEX	US	F		Other	
Int'l Market Index	CSCE	US	F		Stock Index	
Brazil Diff Coffee	CSCE	US	F		Agriculture	
Cheddar Cheese	CSCE	US	F&O		Agriculture	984
Cocoa	CSCE	US	F&O		Agriculture	2,456,749
Coffee "B"	CSCE	US	F		Agriculture	
Coffee "C"	CSCE	US	F&O		Agriculture	2,896,286
Euro Diff Coffee	CSCE	US	F		Agriculture	
Milk	CSCE	US	F&O		Agriculture	5,907
NonFat Dry Milk	CSCE	US	F&O		Agriculture	303
Sugar#11	CSCE	US	F&O		Agriculture	5,846,731
Sugar#12	CSCE	US	F		Agriculture	
Sugar#14	CSCE	US	F		Agriculture	182,393
Sugar Domes (10&7)	CSCE	US	F		Agriculture	
White Sugar	CSCE	US	F		Agriculture	333
CPI-W	CSCE	US	F		Other	
Rubber	CSCE	US	F		Other	
MiniValue Line Index	KCBT	US	F&O		Stock Index	137,287
Value Line Index	KCBT	US	F		Stock Index	28,663
Corn	KCBT	US	F		Agriculture	
Grain Sorghum	KCBT	US	F		Agriculture	
Wheat	KCBT	US	F&O		Agriculture	1,895,466
Western Natural Gas	KCBT	US	F		Other	91,556
Eurodollars	MCE	US	F		Interest Rate	8,893
T-Bills	MCE	US	F		Interest Rate	753
T-Bonds	MCE	US	F&O		Interest Rate	1,282,497
T-Notes (5 Year)	MCE	US	F		Interest Rate	383
T-Notes (10 Year)	MCE	US	F		Interest Rate	41,849
T-Notes (10 Year)	MCE	US	F		Interest Rate	
Corn	MCE	US	F&O		Agriculture	472,071
Live Cattle (20K)	MCE	US	F		Agriculture	20,983
Live Hogs (25K)	MCE	US	F		Agriculture	21,118
Oats	MCE	US	F		Agriculture	8,449
Soybean	MCE	US	F&O		Agriculture	989,823
Soybean Meal New	MCE	US	F		Agriculture	
Soybean Meal New	MCE	US	F&O		Agriculture	11,638
Soybean Meal Old	MCE	US	F		Agriculture	
Soybean Oil	MCE	US	F&O		Agriculture	14,248
Wheat	MCE	US	F		Agriculture	155,177
Wheat Soft Red Winter	MCE	US	0		Agriculture	
Australian Dollar	MCE	US	F		Currency	266
British Pound	MCE	US	F		Currency	21,424
British Pound	MCE	US	F		Currency	
Canadian Dollar	MCE	US	F		Currency	
Canadian Dollar	MCE	US	F		Currency	7,104
DeutscheMark	MCE	US	F		Currency	
DeutscheMark	MCE	US	F		Currency	79,093
Japanese Yen	MCE	US	F		Currency	42,085
Japanese Yen	MCE	US	F		Currency	
Swiss Franc	MCE	US	F		Currency	48,027

Swiss Franc	MCE	US	F	Currency	
U.S. Dollar Index	MCE	US	F	Currency	
Gold	MCE	US	F&O	Metal	
Gold	MCE	US	F	Metal	
Gold NY 33.2 oz	MCE	US	F	Metal	16,013
Silver	MCE	US	F	Metal	
Silver (New York)	MCE	US	F_	Metal	8,398
U.S. Silver Coins	MCE	US	F	Metal	
Platinum (25 oz)	MCE	US	F	Metal	6,949
Copper	MCE	US	F	Metal	
Copper (new)	MCE	US	F	Metal	
Barley	MGE	US	F&O	Agriculture	639
Durum Wheat	MGE	US	F	Agriculture	
High Fructose Corn Syrup	MGE	US	F	Agriculture	
Oats	MGE	US	F&O	Agriculture	
Shrimp, Black Tiger	MGE	US	F&O	Agriculture	1,060
Shrimp, White	MGE	US	F&O	Agriculture	63
Sunflower Seeds	MGE	US	F	Agriculture	
Wheat	MGE	US	F&O	Agriculture	996,780
Wheat American Spring	MGE	US	F&O	Agriculture	21,126
Wheat European Spring	MGE	US	F&O	Agriculture	44
Wheat European Spring	MGE	US	0	Agriculture	
White Wheat	MGE	US	F&O	Agriculture	14,602
White Wheat	MGE	US	F&O	Agriculture	5,175
2 Year T-Note	NYCE	US	F	Interest Rate	1,147
5 Year T-Note	NYCE	US	F&O	Interest Rate	45064
Emerging Markets Debt Index	NYCE	US	F&O	Interest Rate	341
NYSE Composite Index	NYCE	US	F&O	Stock Index	840,039
PSE Tech 100	NYCE	US	F&O	Stock Index	10,874
Cotlook World Cotton	NYCE	US	F&O	Agriculture	
Cotton #2	NYCE	US	F&O	Agriculture	3,190,405
O.J. Conc.	NYCE	US	F&O	Agriculture	971,406
Potato	NYCE	US	F&O	Agriculture	770
Wool	NYCE	US	F	Agriculture	
Petroleum	NYCE	US	F	Energy	
Propane	NYCE	US	F	Energy	
Dollar Mark	NYCE	US	F&O	Currency	32,707
ECU	NYCE	US	F&O	Currency	
Mark Lira	NYCE	US	F&O	Currency	75,364
Mark Pound	NYCE	US	F&O	Currency	97,004
Mark Paris	NYCE	US	F&O	Currency	78,736
Mark Swiss Franc	NYCE	US	F&O	Currency	44,879
Mark Yen	NYCE	US	F&O	Currency	169,103
Swedish Krona	NYCE	US	F&O	Currency	8,378
U.S. Dollar Index	NYCE	US	F&O	Currency	
U.S. Dollar/ Swiss Franc	NYCE	US	F&O	Currency	4,098
U.S. Dollar/Japanese Yen	NYCE	US	F&O	Currency	10,246
U.S. Dollar/ British Pound	NYCE	US	F&O	Currency	2,312
US Dollar Index	NYCE	US	F&O	Currency	559,528
CRB Index	NYCE	US	F&O	Other	85,884
T-Bills (90 Day)	NYFE	US	F	Interest Rate	
T-Bonds	NYFE	US	F	Interest Rate	
NYSE Composite Index	NYFE	US	F&O	Stock Index	24,675
Russell 2000	NYFE	US	F	Stock Index	
Russell 3000	NYFE	US	F	Stock Index	
British Pound	NYFE	US	F	Currency	

Canadian Dollar	NYFE	US	F	Currency	
DeutscheMark	NYFE	US	F	Currency	
Japanese Yen	NYFE	US	F	Currency	
Swiss Franc	NYFE	US	F	Currency	
Cmdy Rsrch Bureau Index	NYFE	US	F&O	Other	
NYSE Utility Index	NYFE	US	F	Other	
Frozen Beef	NYMEX	US	F	Agriculture	
Imported Lean Beef	NYMEX	US	F	Agriculture	
Maine Potatoes	NYMEX	US	F	Agriculture	
Potatoes (cash Settle)	NYMEX	US	F	Agriculture	
Rnd. Wh. Potatoes	NYMEX	US	F	Agriculture	
Shell Eggs	NYMEX	US	F	Agriculture	
No.2 Heating Oil NY	NYMEX	US	F&O	Energy	9,450,812
Alberta Natural Gas	NYMEX	US	F&O	Energy	2,891
Cali./ Oregon Border Electricity	NYMEX	US	F&O	Energy	59,990
Crude Oil	NYMEX	US	F&O	Energy	28,759,277
Gas -Crude Oil Spread	NYMEX	US	F&O	Energy	31,743
Gulf Coast Unleaded Gas	NYMEX	US	F&O	Energy	
Heating Oil- Crude Oil Spread	NYMEX	US	F&O	Energy	45,920
Indust'l Fuel Oil	NYMEX	US	F	Energy	
Leaded Reg. Gas NY	NYMEX	US	F	Energy	
Natural Gas	NYMEX	US	F&O	Energy	10,048,558
Palo Verde Electricity	NYMEX	US	F&O	Energy	21,512
Permian Basin	NYMEX	US	F&O	Energy	8,811
Propane	NYMEX	US	F	Energy	53,903
Residual Fuel Oil	NYMEX	US	F	Energy	
Sour Crude Oil	NYMEX	US	F	Energy	
Unleaded Reg. Gas NY	NYMEX	US	F	Energy	6,968,304
Gold	NYMEX	US	F	Metal	
U.S. Silver Coins	NYMEX	US	F	Metal	
Platinum	NYMEX	US	F&O	Metal	838,643
Palladium	NYMEX	US	F	Metal	205,610
Belgian Francs	NYMEX	US	F	Currency	
British Pound	NYMEX	US	F	Currency	
Canadian Dollar	NYMEX	US	F	Currency	
DeutscheMark	NYMEX	US	F	Currency	
Japanese Yen	NYMEX	US	F	Currency	
Mexican Peso	NYMEX	US	F	Currency	
Swiss Franc	NYMEX	US	F	Currency	
Australian Dollar	PBOT	US	F	Currency	2,532
British Pound	PBOT	US	F	Currency	1,761
Canadian Dollar	PBOT	US	F	Currency	91
DeutscheMark	PBOT	US	F	Currency	23,904
ECU	PBOT	US	F	Currency	616
French Franc	PBOT	US	F	Currency	3,704
Japanese Yen	PBOT	US	F	Currency	10,871
Swiss Franc	PBOT	US	F	Currency	4,723
				US Total	499,400,542

OPEN INTEREST 1996

Futures Contract	Exchange	Country	Type	Category	1996
3 Year Swaps	CBT	US	F&O	Interest Rate	
5 Year Swaps	CBT	US	F&O	Interest Rate	
30- Day Interest Rate	CBT	US	F	Interest Rate	
30 Day Fed Funds	CBT	US	F	Interest Rate	18,369
Brady Bond Index	CBT	US	F&O	Interest Rate	
Canadian Gov't Bonds	CBT	US	F&O	Interest Rate	
Commercial Paper (30 Day)	CBT	US	F	Interest Rate	
Commercial Paper (90 Day)	CBT	US	F	Interest Rate	
Corporate Bond Index	CBT	US	F	Interest Rate	
Flexible U.S. T-Bonds	CBT	US	F	Interest Rate	367
Flexible U.S. T-Notes (2 Year)	CBT	US	F	Interest Rate	
Flexible U.S. T-Notes (5 Year)	CBT	US	F	Interest Rate	
Flexible U.S. T-Notes (10 Year)	CBT	US	F	Interest Rate	
GNMA Mrtges, CD #	CBT	US	F	Interest Rate	
GNMA Mrtgs, Cash Settle	CBT	US	F	Interest Rate	
GNMA Mrtgs, CDR #	CBT	US	F	Interest Rate	
Japanese Govt. Bond	CBT	US	F&O	Interest Rate	
Mortgage Backed 7.5%	CBT	US	F&O	Interest Rate	
Mortgage Backed 8.0%	CBT	US	F&O	Interest Rate	
Mortgage Backed 8.5%	CBT	US	F&O	Interest Rate	
Mortgage Backed 9.0%	CBT	US	F&O	Interest Rate	
Mortgage Backed 9.5%	CBT	US	F&O	Interest Rate	
T-Bonds	CBT	US	F&O	Interest Rate	948,540
T-Notes (2 Year)	CBT	US	F&O	Interest Rate	19,705
T-Note (2 Year-Cash)	CBT	US	F	Interest Rate	
T-Notes (5 Year)	CBT	US	F&O	Interest Rate	225,269
T-Notes (10 Year)	CBT	US	F&O	Interest Rate	551,130
Yield Curve Spread	CBT	US	F&O	Interest Rate	1,154
CBOE 250 Index	CBT	US	F	Stock Index	
Institutional Index	CBT	US	F	Stock Index	
MM Maxi	CBT	US	F	Stock Index	
Major Market Index	CBT	US	F&O	Stock Index	
NASDAQ-100	CBT	US	F	Stock Index	
Topix	CBT	US	F	Stock Index	
Wilshire Small Cap Index	CBT	US	F&O	Stock Index	
Corn	CBT	US	F&O	Agriculture	612,266
Corn Yield	CBT	US	F&O	Agriculture	725
Edible Oil Index	CBT	US	F	Agriculture	
Iced Broilers	CBT	US	F	Agriculture	
Live Cattle cbot	CBT	US	F	Agriculture	
Rough Rice	CBT	US	F&O	Agriculture	
Soybean Oil	CBT	US	F&O	Agriculture	98,155
Soybean Meal	CBT	US	F&O	Agriculture	107,599
Oats	CBT	US	F&O	Agriculture	11,233
Wheat	CBT	US	F&O	Agriculture	159,590
Winter Wheat	CBT	US	F	Agriculture	
US Dollar Index	CBT	US	F	Currency	
Gold	CBT	US	F	Metal	
Gold (100 oz.)	CBT	US	F	Metal	32
Gold (kilo)	CBT	US	F	Metal	305
Silver (1,000 oz.)	CBT	US	F&O	Metal	1,856
Silver (5,000 oz)	CBT	US	F	Metal	1

AnHydrous Ammonia	CBT	US	F	Other	9
Barge Freight Index	CBT	US	F	Other	
DiAmmo. Phosphate	CBT	US	F	Other	24
Eastern Cat. Insurance	CBT	US	F&O	Other	
Midwest Cat. Insurance	CBT	US	F	Other	
Municipal Bond Index	CBT	US	F&O	Other	11,128
National Cat. Insurance	CBT	US	F&O	Other	
PCS Catastrophe Insurance	CBT	US	F&O	Other	10,417
Plywood	CBT	US	F	Other	
Structural Panel Index	CBT	US	F	Other	
Stud Lumber	CBT	US	F	Other	
Western Insurance- Annual	CBT	US	F	Other	
1 Year T-Bills	CME	US	F	Interest Rate	
3 Month Eurodollars	CME	US	F&O	Interest Rate	3,969,824
90 Day T-Bills	CME	US	F&O	Interest Rate	7,577
Argentine FRB Bond	CME	US	F&O	Interest Rate	170
Brazilian C Bond	CME	US	F&O	Interest Rate	
Brazilian EL Bond	CME	US	F&O	Interest Rate	
Domestic CD (90 Day)	CME	US	F	Interest Rate	
Euromark 3 month	CME	US	F&O	Interest Rate	
Federal Funds Rate	CME	US	F&O	Interest Rate	295
Mexican Par Bond	CME	US	F&O	Interest Rate	
One Month Libor	CME	US	F&O	Interest Rate	33,644
T- Notes 4 Year	CME	US	F	Interest Rate	
FT-SE 100	CME	US	F&O	Stock Index	
Goldman Sachs Comm. Index	CME	US	F&O	Stock Index	19,719
Major Market	CME	US	F&O	Stock Index	
Major Market	CME	US	F&O	Stock Index	25
Mexican IPC Index	CME	US	F&O	Stock Index	55
NASDAQ 100 Index	CME	US	F&O	Stock Index	7,022
Nikkei 225	CME	US	F&O	Stock Index	15,901
Russell 2000	CME	US	F&O	Stock Index	
Russell 2000	CME	US	F&O	Stock Index	7,471
S&P 100 Index	CME	US	F	Stock Index	
S&P 400 Index	CME	US	F&O	Stock Index	
S&P 400 Index	CME	US	F&O	Stock Index	10,496
S&P 500 Index	CME	US	F&O	Stock Index	366,239
S&P 500 Barra Growth Index	CME	US	F&O	Stock Index	165
S&P 500 Barra Value Index	CME	US	F&O	Stock Index	1,429
S&P OTC 250 Index	CME	US	F	Stock Index	
Boneless Beef	CME	US	F	Agriculture	
Broilers	CME	US	F&O	Agriculture	
Butter	CME	US	F	Agriculture	160
Feeder Cattle	CME	US	F&O	Agriculture	30,338
Fluid Milk	CME	US	F	Agriculture	36
Fresh Eggs	CME	US	F	Agriculture	
Frozen Eggs	CME	US	F	Agriculture	
Grain Sorghum	CME	US	F	Agriculture	
Hams	CME	US	F	Agriculture	
Idaho Potatoes	CME	US	F	Agriculture	
Lean Hogs	CME	US	F&O	Agriculture	29,445
Live cattle	CME	US	F&O	Agriculture	135,936
Live Hogs	CME	US	F&O	Agriculture	17,870
Nest-Run Eggs	CME	US	F	Agriculture	
Pork Bellies	CME	US	F&O	Agriculture	10,905
Turkeys	CME	US	F	Agriculture	

Australian Dollar	CME	US	F&O	Currency	9,096
Brazilian Real	CME	US	F&O	Currency	24,829
British Pound	CME	US	F&O	Currency	86,046
British Pound Rolling Spot	CME	US	F&O	Currency	
BP/DM Cross	CME	US	F&O	Currency	
Canadian Dollar	CME	US	F&O	Currency	93,632
DeutscheMark	CME	US	F&O	Currency	173,458
DeutscheMark Forward	CME	US	F&O	Currency	
DeutscheMark Rolling Spot	CME	US	F&O	Currency	
DM/JY Cross (new)	CME	US	F&O	Currency	
DM/JY Cross (old)	CME	US	F&O	Currency	
DM/SF Cross	CME	US	F&O	Currency	
Dollar/Mark Diff	CME	US	F	Currency	
Dollar/Pound Diff	CME	US	F	Currency	
Dollar/Yen Diff	CME	US	F	Currency	
Dutch Guilders	CME	US	F	Currency	
ECU	CME	US	F	Currency	
Euroyen	CME	US	F&O	Currency	19,227
French Franc	CME	US	F&O	Currency	6,253
Japanese Rolling Spot	CME	US	F&O	Currency	
Japanese Yen	CME	US	F&O	Currency	147,360
Japanese Yen Forward	CME	US	F&O	Currency	
Mexican Peso	CME	US	F	Currency	35,416
Swiss Franc	CME	US	F&O	Currency	97,114
Gold	CME	US	F	Metal	
U.S. Silver Coins	CME	US	F	Metal	
Canadian Silv. Coins	CME	US	F	Metal	
Copper	CME	US	F	Metal	
Lumber	CME	US	F&O	Other	4,394
Orient Strand Board Lumber	CME	US	F&O	Other	106
Random Lumber	CME	US	F&O	Other	
Stud Lumber	CME	US	F&O	Other	
GNMA Mrtges, CD	COMEX	US	F	Interest Rate	
T-Bills (90 Day)	COMEX	US	F	Interest Rate	
T-Notes (2 Year)	COMEX	US	F	Interest Rate	
Eurotop 100 Index	COMEX	US	F&O	Stock Index	2,461
Moody's Index	COMEX	US	F	Stock Index	
Gold	COMEX	US	F&O	Metal	518,172
Gold (5 day)	COMEX	US	0	Metal	
Silver	COMEX	US	F&O	Metal	144,012
Silver(5 Day)	COMEX		US	0	Metal
Platinum	COMEX	US	F&O	Metal	
Aluminum	COMEX	US	F	Metal	
Copper (5 Day)	COMEX	US	0	Metal	
Copper High Grade	COMEX	US	F&O	Metal	61,813
Mercury	COMEX	US	F	Metal	
Paladium	COMEX	US	F	Metal	
Zinc	COMEX	US	F	Metal	
Rubber	COMEX	US	F	Other	
Int'l Market Index	CSCE	US	F	Stock Index	
Brazil Diff Coffee	CSCE	US	F	Agriculture	
Cheddar Cheese	CSCE	US	F&O	Agriculture	59
Cocoa	CSCE	US	F&O	Agriculture	115,740
Coffee "B"	CSCE	US	F	Agriculture	
Coffee "C"	CSCE	US	F&O	Agriculture	66,175
Euro Diff Coffee	CSCE	US	F	Agriculture	

Milk	CSCE	US	F&O	Agriculture	242	
NonFat Dry Milk	CSCE	US	F&O	Agriculture	55	
Sugar#11	CSCE	US	F&O	Agriculture	293,502	
Sugar#12	CSCE	US	F	Agriculture		
Sugar#14	CSCE	US	F	Agriculture	13,910	
Sugar Domes (10&7)	CSCE	US	F	Agriculture		
White Sugar	CSCE	US	F	Agriculture	10	
CPI-W	CSCE	US	F	Other		
Rubber	CSCE	US	F	Other		
MiniValue Line Index	KCBT	US	F&O	Stock Index	1,442	
Value Line Index	KCBT	US	F	Stock Index	597	
Corn	KCBT	US	F	Agriculture		
Grain Sorghum	KCBT	US	F	Agriculture		
Wheat	KCBT	US	F&O	Agriculture	39,403	
Western Natural Gas	KCBT	US	F	Other	1,976	
Eurodollars	MCE	US	F	Interest Rate	474	
T-Bills	MCE	US	F	Interest Rate	20	
T-Bonds	MCE	US	F&O	Interest Rate	9,399	
T-Notes (5 Year)	MCE	US	F	Interest Rate	1	
T-Notes (10 Year)	MCE	US	F	Interest Rate	821	
T-Notes (10 Year)	MCE	US	F	Interest Rate		
Corn	MCE	US	F&O	Agriculture	9,433	
Live Cattle (20K)	MCE	US	F	Agriculture	263	
Live Hogs (25K)	MCE	US	F	Agriculture		369
Oats	MCE	US	F	Agriculture		165
Soybean	MCE	US	F&O	Agriculture	11,637	
Soybean Meal New	MCE	US	F	Agriculture		
Soybean Meal New	MCE	US	F&O	Agriculture	233	
Soybean Meal Old	MCE	US	F	Agriculture		
Soybean Oil	MCE	US	F&O	Agriculture	112	
Wheat	MCE	US	F	Agriculture		2,748
Wheat Soft Red Winter	MCE	US	0	Agriculture		
Australian Dollar	MCE	US	F	Currency		8
British Pound	MCE	US	F	Currency		296
British Pound	MCE	US	F	Currency		
Canadian Dollar	MCE	US	F	Currency	70	
Canadian Dollar	MCE	US	F	Currency		
DeutscheMark	MCE	US	F	Currency	273	
DeutscheMark	MCE	US	F	Currency		
Japanese Yen	MCE	US	F	Currency	266	
Japanese Yen	MCE	US	F	Currency		
Swiss Franc	MCE	US	F	Currency	435	
Swiss Franc	MCE	US	F	Currency		
U.S. Dollar Index	MCE	US	F	Currency		
Gold	MCE	US	F&O	Metal	1	
Gold	MCE	US	F	Metal		
Gold NY 33.2 oz	MCE	US	F	Metal	822	
Silver	MCE	US	F	Metal		
Silver (New York)	MCE	US	F	Metal	506	
U.S. Silver Coins	MCE	US	F	Metal		
Platinum (25 oz)	MCE	US	F	Metal	889	
Copper	MCE	US	F	Metal		
Copper (new)	MCE	US	F	Metal		
Barley	MGE	US	F&O	Agriculture	57	
Durum Wheat	MGE	US	F	Agriculture		
High Fructose Corn Syrup	MGE	US	F	Agriculture		

Oats	MGE	US	F&O	Agriculture	
Shrimp, BlackTiger	MGE	US	F&O	Agriculture	102
Shrimp, White	MGE	US	F&O	Agriculture	4
Sunflower Seeds	MGE	US	F	Agriculture	
Wheat	MGE	US	F&O	Agriculture	14,247
Wheat American Spring	MGE	US	F&O	Agriculture	2,981
Wheat European Spring	MGE	US	F&O	Agriculture	12
Wheat European Spring	MGE	US	0	Agriculture	
White Wheat	MGE	US	F&O	Agriculture	2,278
White Wheat	MGE	US	F&O	Agriculture	
2 Year T-Note	NYCE	US	F	Interest Rate	
5 Year T-Note	NYCE	US	F&O	Interest Rate	
Emerging Markets Debt Index	NYCE	US	F&O	Interest Rate	25
NYSE Composite Index	NYCE	US	F&O	Stock Index	6,690
PSE Tech 100	NYCE	US	F&O	Stock Index	392
Cotlook World Cotton	NYCE	US	F&O	Agriculture	
Cotton #2	NYCE	US	F&O	Agriculture	111,377
O.J. Conc.	NYCE	US	F&O	Agriculture	73,419
Potato	NYCE	US	F&O	Agriculture	43
Wool	NYCE	US	F	Agriculture	
Petroleum	NYCE	US	F	Energy	
Propane	NYCE	US	F	Energy	
Dollar Mark	NYCE	US	F&O	Currency	328
ECU	NYCE	US	F&O	Currency	
Mark Lira	NYCE	US	F&O	Currency	2,299
Mark Pound	NYCE	US	F&O	Currency	2,968
Mark Paris	NYCE	US	F&O	Currency	1,014
Mark Swiss Franc	NYCE	US	F&O	Currency	4,757
Mark Yen	NYCE	US	F&O	Currency	4,364
Swedish Krona	NYCE	US	F&O	Currency	395
U.S. Dollar Index	NYCE	US	F&O	Currency	
U.S. Dollar/ Swiss Franc	NYCE	US	F&O	Currency	9
U.S. Dollar/ Japanese Yen	NYCE	US	F&O	Currency	254
U.S. Dollar/ British Pound	NYCE	US	F&O	Currency	135
US Dollar Index	NYCE	US	F&O	Currency	8,473
CRB Index	NYCE	US	F&O	Other	2,311
T-Bills (90 Day)	NYFE	US	F	Interest Rate	
T-Bonds	NYFE	US	F	Interest Rate	
NYSE Composite Index	NYFE	US	F&O	Stock Index	
Russell 2000	NYFE	US	F	Stock Index	
Russell 3000	NYFE	US	F	Stock Index	
British Pound	NYFE	US	F	Currency	
Canadian Dollar	NYFE	US	F	Currency	
DeutscheMark	NYFE	US	F	Currency	
Japanese Yen	NYFE	US	F	Currency	
Swiss Franc	NYFE	US	F	Currency	
Cmdy Rsrch Bureau Index	NYFE	US	F&O	Other	
NYSE Utility Index	NYFE	US	F	Other	
Frozen Beef	NYMEX	US	F	Agriculture	
Imported Lean Beef	NYMEX	US	F	Agriculture	
Maine Potatoes	NYMEX	US	F	Agriculture	
Potatoes (cash Settle)	NYMEX	US	F	Agriculture	
Rnd. Wh. Potatoes	NYMEX	US	F	Agriculture	
Shell Eggs	NYMEX	US	F	Agriculture	
No.2 Heating Oil NY	NYMEX	US	F&O	Energy	200,285
Alberta Natural Gas	NYMEX	US	F&O	Energy	162

Cali./ Oregon Border Electricity	NYMEX	US	F&O	Energy	4,939
Crude Oil	NYMEX	US	F&O	Energy	803,706
Gas -Crude Oil Spread	NYMEX	US	F&O	Energy	1,645
Gulf Coast Unleaded Gas	NYMEX	US	F&O	Energy	
Heating Oil- Crude Oil Spread	NYMEX	US	F&O	Energy	2,655
Indust'l Fuel Oil	NYMEX	US	F	Energy	
Leaded Reg. Gas NY	NYMEX	US	F	Energy	
Natural Gas	NYMEX	US	F&O	Energy	264,277
Palo Verde Electricity	NYMEX	US	F&O	Energy	2,117
Permian Basin	NYMEX	US	F&O	Energy	50
Propane	NYMEX	US	F	Energy	3,222
Residual Fuel Oil	NYMEX	US	F	Energy	
Sour Crude Oil	NYMEX	US	F	Energy	
Unleaded Reg. Gas NY	NYMEX	US	F	Energy	92,692
Gold	NYMEX	US	F	Metal	
U.S. Silver Coins	NYMEX	US	F	Metal	
Platinum	NYMEX	US	F&O	Metal	25,990
Palladium	NYMEX	US	F	Metal	7,995
Belgian Francs	NYMEX	US	F	Currency	
British Pound	NYMEX	US	F	Currency	
Canadian Dollar	NYMEX	US	F	Currency	
DeutscheMark	NYMEX	US	F	Currency	
Japanese Yen	NYMEX	US	F	Currency	
Mexican Peso	NYMEX	US	F	Currency	
Swiss Franc	NYMEX	US	F	Currency	
Australian Dollar	PBOT	US	F	Currency	71
British Pound	PBOT	US	F	Currency	25
Canadian Dollar	PBOT	US	F	Currency	15
DeutscheMark	PBOT	US	F	Currency	204
ECU	PBOT	US	F	Currency	
French Franc	PBOT	US	F	Currency	63
Japanese Yen	PBOT	US	F	Currency	87
Swiss Franc	PBOT	US	F	Currency	231
			US Total		11,087,702

ADDENDUM

(United States Securities and Exchange Commission)

1. The options exchanges subject to regulation by the SEC include the Chicago Board Options Exchange, Inc. ("CBOE"), the American Stock Exchange, Inc. ("AMEX"), the Philadelphia Stock Exchange, Inc. ("Phlx"), the Pacific Exchange, Inc. ("PCX"), and the New York Stock Exchange, Inc. ("NYSE").
2. The following options contracts traded on exchanges subject to regulation by the SEC during calendar year 1996:¹ The particular exchanges on which specific contracts are traded are identified as they are in the OCC Form 8, as (P)(1) (CBOE); (P)(2) (AMEX); (P)(3) (PHLX); (P)(4) (PCX); and (P)(5) (NYSE).

Aames Financial Corp.	(P)(1)
AAR Corporation	(P)(3)
Abacan Resource Corp.	(P)(1)
Abbey Healthcare Group Incorporated	(P)(2)
Abbott Laboratories	(P)(3)
Abitibi Price Inc.	(P)(1)
ABR Information Services, Inc.	(P)(2)
ACC Corporation	(P)(3)
Access Health, Inc.	(P)(4), (P)(5)
Acclaim Entertainment, Inc.	(P)(1)
AccuStaff, Inc.	(P)(1)
Ace Ltd.	(P)(4)
ACNielsen Corporation	(P)(2)
ACT Networks, Inc.	(P)(1)
Actel Corporation	(P)(3), (P)(4)
Action Performance Companies, Inc.	(P)(1)
Activision, Inc.	(P)(1)
Acuson Corporation	(P)(4)
ACX Technologies, Inc.	(P)(2)
Acxiom Corporation	(P)(2)
ADAC Laboratories	(P)(2)
Adaptec, Inc.	(P)(2)
ADC Telecommunications, Inc.	(P)(4)
Adobe Systems Incorporated	(P)(4)
ADT Limited	(P)(1)
ADTRAN, Inc.	(P)(2), (P)(3), (P)(4)
Advanced Semiconductor Materials International N.V.	(P)(1), (P)(2)
Advanced Tissue Sciences, Inc.	(P)(4)
Advanced Polymer Systems, Inc.	(P)(4)
Advanced Micro Devices, Inc.	(P)(4)
ADVANTA Corp., Class B	(P)(1), (P)(2)
ADVANTA Corporation	(P)(1), (P)(2)
AES Corp.	(P)(4), (P)(5)
Aetna Inc.	(P)(2)
Aetna Life & Casualty Co.	(P)(2)
Affiliated Computer Services	(P)(4)

¹ This information was compiled by the Options Clearing Corporation ("OCC"). For current information on options products traded on each of these exchanges, please refer to Form 8, periodically filed with the SEC by the OCC.

Affiliated Publications, Inc.	(P)(1)
Affinity Technology Group, Inc.	(P)(2), (P)(3)
Affymax N.V.	(P)(1)
Affymetrix, Inc.	(P)(3)
AGCO Corporation	(P)(4)
Agency Rent-A-Car, Inc.	(P)(2)
Agnico-Eagle Mines Ltd.	(P)(1), (P)(2), (P)(4)
Agouron Pharmaceuticals, Inc.	(P)(1), (P)(2)
Agrium, Inc.	(P)(1)
AH Belo Corp.	(P)(1)
Ahmanson (H.F.) & Company	(P)(2)
Air Products and Chemicals, Inc.	(P)(3)
Airborne Freight Corporation	(P)(1), (P)(3)
Airgas, Inc.	(P)(1), (P)(3)
Airline Sector (The)	(P)(3)
Airline Index (The)	(P)(2)
AK Steel Holding Corp.	(P)(5)
A.L. Laboratories Inc.	(P)(3)
ALANTEC Corporation	(P)(1), (P)(2)
Alaska Air Group, Inc.	(P)(2)
Albemarle Corp.	(P)(4), (P)(5)
Albertson's, Incorporated	(P)(3)
ALC Communications Corporation	(P)(1), (P)(2)
Alcan Aluminum Limited	(P)(2)
Alcatel Alsthom ADR	(P)(1)
Alco Standard Corporation	(P)(5)
Aldila, Inc.	(P)(1)
Aldus Corporation	(P)(4)
Alex Brown, Inc.	(P)(3)
Alexander & Alexander Services, Inc.	(P)(1)
Alias Research Inc.	(P)(1)
Alkermes, Inc.	(P)(4)
Allegheny Ludlum Corporation	(P)(1), (P)(2)
Allegheny Power Systems, Inc.	(P)(4)
Allegiance Corporation	(P)(1), (P)(2)
Allen Group Inc. (The)	(P)(2)
Allergan, Inc.	(P)(3)
Alliance Entertainment Corp.	(P)(1)
Alliance Pharmaceutical Corporation	(P)(1), (P)(2)
Alliance Semiconductor Corporation	(P)(1), (P)(2), (P)(4), (P)(5)
Alliant Techsystems Inc.	(P)(1), (P)(3), (P)(5)
Allied-Signal Inc.	(P)(3)
Allied Waste Industries, Inc.	(P)(1)
Allmerica Financial Corporation	(P)(2)
Allstate Corporation (The)	(P)(1), (P)(2), (P)(4), (P)(5)
Alltel Corporation	(P)(4)
Allwaste, Inc.	(P)(2)
Alpha Industries, Inc.	(P)(3)
Alpha-Beta Technology, Inc.	(P)(1)
Alteon, Inc.	(P)(4)
Altera Corporation	(P)(4), (P)(5)
Alternative Resources Corp.	(P)(5)
Altron Inc.	(P)(1)
Alumax Inc.	(P)(2), (P)(3)
Aluminum Co. of America	(P)(1)

Alza Corporation	(P)(4)
Amati Communications, Inc.	(P)(1), (P)(2), (P)(4)
Amax Gold Inc.	(P)(1)
AMAX Inc.	(P)(2)
AMBAC, Incorporated	(P)(4)
Amdahl Corporation	(P)(1)
Amerada Hess Corporation	(P)(3)
America Online, Inc.	(P)(1), (P)(2), (P)(4)
America West Airlines, Inc.	(P)(1), (P)(2)
American Barrick Resources Corporation	(P)(2)
American Brands, Inc.	(P)(2)
American Business Information, Inc.	(P)(3)
American Can Company	(P)(2)
American Colloid Co.	(P)(3)
American Cyanamid Company	(P)(2)
American Electric Power Company, Inc.	(P)(1)
American Express Company	(P)(1), (P)(2)
American Family Corporation	(P)(2)
American Freightways Corp.	(P)(2), (P)(3)
American General Corporation	(P)(1)
American Greetings Corporation	(P)(4)
American Greetings Corporation - Class A	(P)(2)
American Health Properties	(P)(3)
American Home Products Corporation	(P)(2)
American Homepatient, Inc.	(P)(3)
American International Group, Inc.	(P)(1)
American Management Systems, Inc.	(P)(1), (P)(5)
American Medical Response, Inc.	(P)(2)
American Mobile Satellite Corporation, Inc.	(P)(1), (P)(4)
American Oncology Resources, Inc.	(P)(1)
American Pad & Paper Company	(P)(3)
American Portable Telecom, Inc.	(P)(1)
American Power Conversion Corp.	(P)(1)
American President Companies, Ltd.	(P)(4)
American Radio & Systems Corp.	(P)(1), (P)(5)
American Re Corporation	(P)(3), (P)(4)
American Sensors	(P)(1)
American Shares evidenced by American Depositary Receipts	(P)(3)
American Standard Companies, Inc.	(P)(1), (P)(5)
American States Financial Corporation	(P)(2)
American Stores Company	(P)(1)
American Telecasting, Inc.	(P)(3)
American Telephone and Telegraph Company	(P)(1)
American Television and Communication Corp., Class A	(P)(1)
American Travellers Corporation	(P)(2)
AmeriCredit Corp.	(P)(1)
Amerin Corporation	(P)(3)
Ameritech	(P)(1)
Ametek, Incorporated	(P)(3)
AMEX/Oscar Gross Israel Index (The)	(P)(2)
Amgen Inc.	(P)(2)
Amoco Corp.	(P)(1)
AMP Incorporated	(P)(1)
Ampex Corporation	(P)(1), (P)(2)

Amphenol Corporation	(P)(3)
AMR Corporation	(P)(2)
Amresco Inc.	(P)(1), (P)(4)
AmSouth Bancorporation	(P)(2), (P)(3)
Amtech Corp.	(P)(4)
Amway Asia Pacific Ltd.	(P)(1), (P)(2)
Amylin Pharmaceuticals, Inc.	(P)(4)
Anadarko Petroleum	(P)(1)
Analog Devices, Inc.	(P)(3)
Andrew Corp.	(P)(1)
Angeion Corporation	(P)(1), (P)(5)
Anheuser-Busch Companies, Inc.	(P)(3)
AnnTaylor Stores Corporation	(P)(4), (P)(5)
Antec Corporation	(P)(1), (P)(5)
Anthem Electronics, Inc.	(P)(5)
Aon Corporation	(P)(4)
APAC TeleServices, Inc.	(P)(3)
Apache Corporation	(P)(5)
Apertus Technologies, Inc.	(P)(1)
Apogee Enterprises, Inc.	(P)(4)
Apollo Computer Inc.	(P)(2)
Apollo Group, Inc.	(P)(5)
Apple South, Inc.	(P)(1), (P)(2)
Apple Computer, Inc.	(P)(1), (P)(2)
Applebee's International, Inc.	(P)(1)
Applied Bioscience Int'l	(P)(3)
Applied Digital Access, Inc.	(P)(3)
Applied Extrusion Technologies, Inc.	(P)(4)
Applied Innovation, Inc.	(P)(4)
Applied Magnetics Corporation	(P)(1), (P)(4)
Applied Materials, Inc.	(P)(4)
Applix, Inc.	(P)(1), (P)(5)
Aracruz Cellulose S.A.	(P)(1)
Arakis Energy Corporation	(P)(1), (P)(2)
Arbor Software Corporation	(P)(1)
Arcadian Corporation	(P)(1), (P)(2), (P)(3)
Arch Communications Group, Inc.	(P)(1), (P)(3)
Archer Daniels Midland Company	(P)(3)
ARCO Chemical Company	(P)(2)
Arctco, Inc.	(P)(1), (P)(3)
Argosy Gaming Company	(P)(1), (P)(3)
Aristech Chemical Corporation	(P)(2)
Arkla, Inc.	(P)(2)
Armco Inc.	(P)(3)
Armstrong World Industries, Inc.	(P)(3)
Arris Pharmaceuticals Corp.	(P)(4)
Arrow Electronics, Inc.	(P)(2)
Arterial Vascular Engineering, Inc.	(P)(1), (P)(2)
Artisoft, Inc.	(P)(1)
Arvin Industries, Inc.	(P)(2)
ASA Limited	(P)(2)
ASARCO Incorporated	(P)(2)
Ascend Communications, Inc.	(P)(1), (P)(2), (P)(3), (P)(4)
Ashland Oil Inc.	(P)(3)
Asia Pacific Fund, Inc.	(P)(2)

Asia Pulp & Paper Company Ltd.	(P)(1), (P)(2)
ASK Computer Systems, Inc.	(P)(3)
ASM Lithography Holding NV	(P)(1)
Aspect Telecommunications Corp.	(P)(4)
Aspen Technology, Inc.	(P)(2)
Associates First Capital Corp.	(P)(1), (P)(2)
AST Research, Inc.	(P)(2)
Astoria Financial Corp.	(P)(1), (P)(3)
Astra AB ADR	(P)(3)
Atari Corporation	(P)(1), (P)(2)
ATC Communications Group, Inc.	(P)(2), (P)(5)
Athena Neurosciences, Inc.	(P)(4)
Atlantic Richfield Corp.	(P)(1)
Atlantic Southeast Airlines, Inc.	(P)(1)
Atlas Air, Inc.	(P)(1)
Atmel Corporation	(P)(1)
Atria Software, Inc.	(P)(1)
Atrix Laboratories, Inc.	(P)(3)
Au Bon Pain Co., Inc.	(P)(1), (P)(3)
Augat Inc.	(P)(2)
Aura Systems, Inc.	(P)(1)
Auspex Systems, Inc.	(P)(1)
Australian Dollar	(P)(3)
Authentic Fitness Corp.	(P)(4)
Autodesk, Inc.	(P)(4)
AutoImmune, Inc.	(P)(1), (P)(2), (P)(4)
Automatic Data Processing, Inc.	(P)(3)
Automotive Industries Holding, Inc.	(P)(1)
Autotote - Class A	(P)(1)
Autozone, Inc.	(P)(1), (P)(5)
Avery International Corporation	(P)(3)
Avid Technology, Inc.	(P)(2), (P)(5)
Avnet, Inc.	(P)(2)
Avon Products, Inc.	(P)(1)
Avondale Industries, Inc.	(P)(3)
AVX Corporation	(P)(1), (P)(2), (P)(3)
Axent Technologies, Inc.	(P)(3)
Aztar Coporation (AZTR)	(P)(1)
B.A.T. Industries PLC ADR	(P)(1)
Baan Company NV	(P)(1), (P)(5)
Baby Superstores, Inc.	(P)(1), (P)(2), (P)(4)
Bachman Information Systems, Inc.	(P)(5)
Baker Hughes, Inc.	(P)(4)
Baker (J.), Inc.	(P)(1)
Ball Corporation	(P)(2)
Ballard Medical Products	(P)(2)
Bally Gaming International, Inc.	(P)(2)
Bally Manufacturing Corporation	(P)(1), (P)(2), (P)(5)
Baltimore Gas & Electric Co.	(P)(3)
Banc One Corporation	(P)(4)
Banco Frances Del Rio De La Plats - ADR	(P)(1), (P)(2)
Bancorp Hawaii, Inc.	(P)(2), (P)(3)
BancTec, Inc.	(P)(1)
Bandag, Inc.	(P)(1)
Bank South Corporation	(P)(1)

Bank of Boston Corporation	(P)(3)
Bank of New York Company, Inc. (The)	(P)(1)
BankAmerica Corporation	(P)(1)
Bankers Trust New York Corporation	(P)(4)
Bankers Life and Casualty Company	(P)(1)
Banta Corp.	(P)(3), (P)(5)
Banyan Systems Incorporated	(P)(1), (P)(2)
Bard (C.R.) Inc.	(P)(3)
Barnes & Noble, Inc.	(P)(1), (P)(2)
Barnett Banks, Inc.	(P)(2)
Barrett Resources Corp.	(P)(3)
Battle Mountain Gold Company	(P)(1)
Bausch & Lomb Incorporated	(P)(2)
Baxter International, Inc.	(P)(1)
BayBanks, Inc.	(P)(1)
BCE, Inc.	(P)(3), (P)(4)
BE Aerospace Inc.	(P)(3)
Bear Stearns Companies, Inc.	(P)(1)
Beckman Instruments, Inc.	(P)(1)
Becton, Dickinson and Company	(P)(3)
Bed Bath & Beyond Inc.	(P)(1), (P)(5)
Bell Sports Corporation	(P)(1), (P)(2)
Bell Microproducts, Inc.	(P)(4)
Bell and Howell Holdings Co.	(P)(3)
Bell Atlantic Corporation	(P)(1)
BellSouth Corporation	(P)(2)
Belmac Corporation	(P)(2)
Bemis Co., Inc.	(P)(1)
Beneficial Corporation	(P)(4)
Benson Eyecare	(P)(4)
Benton Oil and Gas Co.	(P)(2), (P)(3), (P)(4)
Berg Electronics Corporation	(P)(3)
Bergen Brunswig Corporation	(P)(1)
Best Buy Co., Inc.	(P)(1)
Bethlehem Steel Corporation	(P)(1)
Betz Laboratories, Inc.	(P)(4)
Beverly Enterprises	(P)(4)
BHC Communications Inc.	(P)(1)
Big Flower Press Holdings, Inc.	(P)(3)
Big B, Inc.	(P)(1)
Billing Information Concepts Corp.	(P)(4)
Bindley Western Industries, Inc.	(P)(3)
Bio Vascular Inc.	(P)(1)
Bio-Technology General Corp.	(P)(1)
Biochem Pharma, Inc.	(P)(1), (P)(4)
Biogen, Inc.	(P)(1), (P)(2), (P)(4)
Biomet, Inc.	(P)(1), (P)(2)
BioTech Index (CBOE)	(P)(1)
Biotechnology Index Options (AMEX)	(P)(2)
Biovail Corporation International	(P)(2), (P)(5)
Birmingham Steel Corporation	(P)(5)
BISYS Group, Inc. (The)	(P)(2), (P)(3)
BJ Services Company	(P)(1)
Black & Decker Manufacturing Company	(P)(1)
Black Box Corp.	(P)(4)

Block (H & R), Inc.	(P)(2)
Blockbuster Entertainment Corporation	(P)(1), (P)(2)
BMC Industries, Inc.	(P)(3), (P)(4)
BMC Software, Inc.	(P)(1), (P)(4)
BMC West Corporation	(P)(4)
Boatmen's Bancshares, Inc.	(P)(1)
Bob Evans Farms, Inc.	(P)(4)
Boca Research, Inc.	(P)(2)
Boeing Company	(P)(1)
Boise Cascade Corp.	(P)(1)
Boise Cascade Office Products Corporation	(P)(1)
Bolar Pharmaceutical Co., Inc.	(P)(1)
Bolt Beranek & Newman Inc.	
Bombay Company Inc.	(P)(3)
Books-A-Million, Inc.	(P)(2)
Boomtown Inc.	(P)(1)
Borden, Inc.	(P)(4)
Borden Chemicals and Plastics Limited Partnership	(P)(5)
Borders Group, Inc.	(P)(1), (P)(2), (P)(5)
Borland International, Inc.	(P)(1)
Boston Beer Company, Inc. (The)	(P)(2), (P)(3)
Boston Chicken, Inc.	(P)(1), (P)(2)
Boston Scientific Corporation	(P)(1)
Boston Technology, Inc.	(P)(2)
Bowater, Incorporated	(P)(4)
Box Energy Corporation	(P)(2)
Boyd Gaming Corporation	(P)(3)
Bradlees, Inc.	(P)(2)
BRE Properties	(P)(4)
Bre-X Minerals Ltd.	(P)(1)
Breed Technologies Inc.	(P)(3)
Briggs and Stratton Corporation	(P)(3)
Brightpoint, Inc.	(P)(1)
Brinker International, Inc.	(P)(3), (P)(4)
Bristol-Myers Co.	(P)(1)
Brite Voice Systems, Inc.	(P)(2)
British Airways PLC	
(American Depositary Shares)	(P)(3)
British Petroleum Co., Ltd. (The)	
(American Depositary Receipts)	(P)(4)
British Pound	(P)(3)
British Pound/Deutsche Mark Cross Rate	(P)(3)
British Pound/Deutsche Mark Cross Rate Month End Expiration	(P)(3)
British Sky Broadcasting Group plc	(P)(1)
British Steel plc	(P)(5)
British Telecommunications plc	(P)(1), (P)(2)
Broad, Inc.	(P)(3)
Broadband Technology, Inc.	(P)(1)
Broderbund Software, Inc.	(P)(1), (P)(4)
Brooks Fiber Properties, Inc.	(P)(3)
Brooktree Corporation	(P)(3)
Brooktrout Technology, Inc.	(P)(2), (P)(4)
Brothers Gourmet Coffees, Inc.	(P)(1)
Brown Group, Inc.	(P)(2)

Browning-Ferris Industries, Inc.	(P)(2)
Bruno's Inc.	(P)(1)
Brunswick Corporation	(P)(1)
Bucyrus/Erie Company	(P)(2)
Buenos Aires Embotelladora	(P)(1), (P)(2)
Buffets, Inc.	(P)(1)
Burlington Coat Factory Warehouse Company	(P)(3)
Burlington Industries Equity Inc.	(P)(2)
Burlington Northern, Inc.	(P)(1)
Burlington Resources Inc.	(P)(3)
Burr-Brown Corp.	(P)(1), (P)(2), (P)(4)
Business Objects S.A.	(P)(1)
C-COR Electronics, Inc.	(P)(1), (P)(2)
C-Cube Microsystems Inc.	(P)(1), (P)(2)
C-TEC Corp.	(P)(4)
C&S/Sovran Corporation	(P)(2)
Cable & Wireless PLC ADS	(P)(1)
Cable Design Technologies Corporation	(P)(3), (P)(4)
Cabletron Systems, Inc.	(P)(2), (P)(3)
Cablevision Systems Corporation	(P)(1)
Cabot Corporation	(P)(1)
Cadbury Schweppes p.l.c.	(P)(2), (P)(3)
Cadence Design Systems, Inc.	(P)(1), (P)(2)
Caere Corp.	(P)(2)
Caesars World, Inc.	(P)(2)
CAI Wireless Systems, Inc.	(P)(4)
Calgene, Inc.	(P)(2)
Calgon Carbon Corp.	(P)(3)
California Amplifier, Inc.	(P)(1), (P)(4), (P)(5)
California Energy, Inc.	(P)(4)
California Federal Bank, Inc.	(P)(1)
California Microwave	(P)(1), (P)(2)
Callaway Golf Company	(P)(1), (P)(2), (P)(5)
Cambridge Biotech Corporation	(P)(1)
Cambridge Technology Partners (Mass.), Inc.	(P)(3)
Campbell Soup Company	(P)(5)
Canadaigu Wine Co., Inc., Class A	(P)(1), (P)(2)
Canadian Dollar	(P)(3)
Canadian National Railway Co.	(P)(1)
Canadian Pacific Limited	(P)(3)
Capital Cities Communications, Inc.	(P)(1)
Capital One Financial Corporation	(P)(1), (P)(2), (P)(4)
Capped Institutional Index Options	(P)(2)
Capped Major Market Index Options	(P)(2)
Capstone Pharmacy Services, Inc.	(P)(4), (P)(5)
Caraustar Industries, Inc.	(P)(3)
Cardinal Health, Inc.	(P)(2)
Career Horizons, Inc.	(P)(5)
Caremark International, Inc.	(P)(1), (P)(2), (P)(3)
Carl Karcher Enterprises, Inc.	(P)(1)
Carmike Cinemas, Inc.	(P)(3)
Carnival Cruise Lines, Inc.	(P)(1)
Carolina First Corporation	(P)(4)
Carolina Power & Light Company	(P)(3), (P)(4)
Carr Realty Corp.	(P)(5)

Carrington Laboratories, Inc.	(P)(3)
Carson Pirie Scott & Co.	(P)(3)
Carter Hawley Hale Stores, Inc.	(P)(4)
Carter-Wallace, Inc.	(P)(1)
Cascade Communications Corp.	(P)(1), (P)(2), (P)(3), (P)(4)
Cascade Corporation	(P)(4)
Case Corporation	(P)(2)
Casey's General Stores, Inc.	(P)(1)
Casino America, Inc.	(P)(1), (P)(3), (P)(4)
Casino Data Systems	(P)(1), (P)(2), (P)(5)
Casino Magic Corp.	(P)(1), (P)(2), (P)(3), (P)(4), (P)(5)
Castech Aluminum Group, Inc.	(P)(3)
Catellus Development Corp.	(P)(1), (P)(2)
Caterpillar Tractor Co.	(P)(2)
Cato Corporation	(P)(1)
CBOE Computer Software Index	(P)(1)
CBOE Environmental Index	(P)(1)
CBOE Gaming Index	(P)(1)
CBOE Global Telecommunications Index	(P)(1)
CBOE Israel Index	(P)(1)
CBOE Mexico Index	(P)(1)
CBOE Nikkei Index	(P)(1)
CBOE REIT Index	(P)(1)
CBOE Technology Index	(P)(1)
CBOE Telecommunications Index	(P)(1)
CBS Incorporated	(P)(1)
CCP Insurance, Inc.	(P)(1), (P)(5)
CDW Computer Centers, Inc.	(P)(1)
Celgene Corp.	(P)(1)
CellPro, Inc.	(P)(1)
CellStar Corporation	(P)(1), (P)(2)
Cellular Inc.	(P)(3)
Cellular Technical Services, Inc.	(P)(1), (P)(4)
Cellular Communications, Inc.	(P)(4)
Cellular Communications International, Inc.	(P)(4)
Cellular Communications of Puerto Rico	(P)(4)
CenCall Communications Corp.	(P)(1)
Centel Corporation	(P)(2)
Centennial Cellular Corp.	(P)(4)
Centennial Technologies, Inc.	(P)(1), (P)(2)
Centerior Energy Corporation	(P)(4)
Centex Corporation	(P)(5)
Centex Telemanagement, Inc.	(P)(4)
Centocor, Inc.	(P)(1)
Central & South West Corporation	(P)(4)
Central Fidelity Banks, Inc.	(P)(3)
Central Garden & Pet Co.	(P)(1), (P)(5)
Century Communications Corporation	(P)(1)
Century Telephone Enterprises, Inc.	(P)(4)
Cephalon, Inc.	(P)(1), (P)(2)
Cerner Corp.	(P)(1)
Cetus Corporation	(P)(2)
Chambers Development Co., Inc.	(P)(1)
Champion Enterprises, Inc.	(P)(2)
Champion International Corporation	(P)(1)

Charles Schwab Corporation	(P)(1)
Charming Shoppes, Inc.	(P)(2), (P)(3)
Charter Golf, Inc.	(P)(2)
Charter Medical Corp.	(P)(3)
Charter One Financial, Inc.	(P)(3)
Chase Manhattan Corporation	(P)(2)
Checkers Drive-In Restaurants, Inc.	(P)(1), (P)(2)
Checkfree Corporation	(P)(1), (P)(2), (P)(5)
Checkpoint Systems, Inc.	(P)(4)
Cheesecake Factory Incorporated (The)	(P)(2), (P)(4)
Chemical Banking Corporation	(P)(2)
Chemical Waste Management, Inc.	(P)(2)
Chesapeake Corporation	(P)(2), (P)(5)
Chesapeake Energy Corp.	(P)(3), (P)(4)
Chevron Corporation	(P)(2)
Cheyenne Software, Inc.	(P)(1)
Chicago and North Western Transportation Company	(P)(1), (P)(2)
Chipcom Corporation, Inc.	(P)(1)
Chips & Technologies, Inc.	(P)(2), (P)(4)
Chiquita Brands International, Inc.	(P)(3)
Chiron Corp.	(P)(1), (P)(2), (P)(4)
Choice Hotels Holdings, Inc.	(P)(3)
Chris-Craft Industries, Inc.	(P)(1), (P)(2)
Chronimed, Inc.	(P)(1)
Chrysler Corporation	(P)(1)
Chubb Corporation (The)	(P)(5)
CIBER, Inc.	(P)(2)
CIDCO, Inc.	(P)(1), (P)(3)
CIGNA Corporation	(P)(1)
Cincinnati Bell Inc.	(P)(1)
Cincinnati Financial Corporation	(P)(2)
Cincinnati Microwave, Inc.	(P)(1)
Cincinnati Milacron Inc.	(P)(3)
Cineplex Odeon Corp.	(P)(3)
CINergy Corp.	(P)(1)
Cintas Corporation	(P)(2)
Circon Corporation	(P)(2), (P)(3)
Circuit City Stores, Inc.	(P)(4)
Circus Circus Enterprises, Inc.	(P)(2)
Cirrus Logic, Inc.	(P)(1), (P)(4)
Cisco Systems, Inc.	(P)(1), (P)(4)
Citicorp	(P)(1)
Citizens and Southern Corporation (The)	(P)(2)
Citizens Utilities Corporation, Class B	(P)(2)
Citrix Systems, Inc.	(P)(1), (P)(5)
City National Corp.	(P)(1)
Cityscape Financial Corp.	(P)(1), (P)(4), (P)(5)
Claire's Stores Inc.	(P)(5)
Clarify, Inc.	(P)(1)
Clayton Homes, Inc.	(P)(3), (P)(5)
Clear Channel Communications, Inc.	(P)(1)
Clearly Canadian Beverage Corporation	(P)(2)
Clearnet Communications, Inc. (Class A)	(P)(2)
Clintrials Research, Inc.	(P)(1)
Clorox Company (The)	(P)(3)

Clothestime, Inc. (The)	(P)(4)
CML Group	(P)(3)
CMS Energy Corp.	(P)(5)
CNA Financial Corporation	(P)(2)
CNS, Inc.	(P)(1), (P)(2), (P)(3), (P)(5)
CNW Corp.	(P)(1)
Coast Savings Financial, Inc.	(P)(1)
Coastal Corporation (The)	(P)(1), (P)(2)
Coastal Healthcare Group Inc.	(P)(3)
Cobra Golf, Inc.	(P)(1), (P)(2), (P)(4), (P)(5)
Coca Cola Enterprises	(P)(1)
Coca-Cola Femsa S.A.	(P)(1)
Coca-Cola Company (The)	(P)(1)
Coeur d'Alene Mines Corporation	(P)(1)
Cognex Corporation	(P)(3), (P)(4)
Cognizant Corporation	(P)(2)
Cognos Incorporated	(P)(2)
Coherent Communications Systems Corporation	(P)(2), (P)(4)
Coherent, Inc.	(P)(4)
Cohu, Inc.	(P)(4)
Colgate-Palmolive Company	(P)(1)
Collagen Corporation	(P)(2)
Collective Bancorp, Inc.	(P)(3)
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Conner Peripherals, Inc.	(P)(4)
Conseco, Inc.	(P)(1), (P)(2)
Consolidated Edison Company of New York, Inc.	(P)(2)
Consolidated Freightways Corp.	(P)(5)
Consolidated Freightways, Inc.	(P)(5)
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Consolidated Rail Corporation	(P)(3)
Consolidated Stores Corp.	(P)(3)
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Coral Gables Fedcorp. Inc.	(P)(1)
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Corel Corporation	(P)(1)
COREStaff, Inc.	(P)(1)
CoreStates Financial Corp.	(P)(2)
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Dana Corporation	(P)(5)
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Danek Group, Inc.	(P)(1)
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Darden Restaurants, Inc.	(P)(1)
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Donaldson, Lufkin & Jenrette, Inc.	(P)(2), (P)(3), (P)(5)
Donna Karan International, Inc.	(P)(1), (P)(2), (P)(5)
Donnelley (R.R.) and Sons Company	(P)(2)
Donnkenny, Inc.	(P)(3), (P)(5)
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Dura Pharmaceuticals, Inc.	(P)(1), (P)(2), (P)(4)
Duracell International Inc.	(P)(1), (P)(2), (P)(3), (P)(5)

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E*TRADE Group, Inc.	(P)(1), (P)(2)
Eagle Hardware & Garden, Inc.	(P)(1), (P)(2), (P)(3)
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Eastman Chemical Company	(P)(1)
Eastman Kodak Company	(P)(1)
Eaton Corporation	(P)(1)
Echlin, Inc.	(P)(4)
Echo Bay Mines, Ltd.	(P)(4)
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ECI Telecom LTD.	(P)(1)
Eckerd Corporation	(P)(2)
Ecogen, Inc.	(P)(1)
Ecolab Inc.	(P)(5)
Edwards (A.G.) & Sons, Inc.	(P)(1)
EG & G, Inc. (P)(3)	
Egghead, Inc.	(P)(2)
EIS International, Inc.	(P)(2)
El Paso Natural Gas Company	(P)(2)
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Electro Scientific Industries, Inc.	(P)(1)
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EMC Corporation	(P)(1)
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Empresas ICA Sociedad Controladora S.A. de C.V.	(P)(1), (P)(2), (P)(5)
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Energy Service Co.	(P)(2), (P)(5)
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Engelhard Corporation	(P)(1)
Enron Corp.	(P)(1)
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ENZON, Inc.	(P)(2)
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Equifax, Inc.	(P)(4)
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ESC Medical Systems Limited	(P)(1)
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Etec Systems, Inc.	(P)(2), (P)(3)
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Everex Systems, Inc.	(P)(1)
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Fireman's Fund Corporation	(P)(1)
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First Bank System, Inc.	(P)(1), (P)(2)
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First Executive Corporation	(P)(3)
First Fidelity Bancorporation	(P)(1)
First Financial Management Corp.	(P)(5)
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First Interstate Bancorp	(P)(1)
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FISERV, Inc.	(P)(3)
Fisher Price, Inc.	(P)(2)
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Fleet Call, Inc.	(P)(1)
Fleet/Norstar Financial Group, Inc.	(P)(2)
Fleetwood Enterprises, Inc.	(P)(2)
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Fuisz Technologies Limited	(P)(1)
Fuqua Industries Incorporated	(P)(1)
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G.P. Financial Corp.	(P)(1)
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Galoob (Lewis) Toys, Inc.	(P)(1), (P)(2)
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Global Marine Inc.	(P)(1), (P)(2), (P)(4)
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Goodrich (B.F.) Company (The)	(P)(1)
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Grancare Inc.	(P)(3)
Grand Casinos, Inc.	(P)(1), (P)(2), (P)(4)
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Great Lakes Chemical Corporation	(P)(1)
Great Northern Nekoosa	(P)(1)
Great Western Financial Corporation	(P)(1)
Greater New York Savings Bank	(P)(1), (P)(3)
Green Tree Acceptance, Inc.	(P)(1), (P)(3)
Greenwich Pharmaceuticals Incorporated	(P)(1)
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GSTI Hardware Index	(P)(1)
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GSTI Semiconductor Index	(P)(1)
GSTI Software Index	(P)(1)
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Harper Group, Inc.	(P)(4)
Harris Corporation	(P)(1)
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Hasbro, Inc.	(P)(4)
Hauser Chemical Research, Inc.	(P)(1)
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HCIA Inc.	(P)(2)
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Health Images, Inc.	(P)(4)
Health Management Associates	(P)(1)
Health Management Systems, Inc.	(P)(3)
Health Systems International, Inc.	(P)(1)
HealthCare COMPARE Corp.	(P)(1), (P)(4)
Healthdyne, Inc.	(P)(4)
Healthsource, Inc.	(P)(1)
Healthsouth Rehabilitation Corp.	(P)(5)
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Heart Technology, Inc.	(P)(1)

Heartland Express Inc.	(P)(4)
Heartland Wireless Communications, Inc.	(P)(2)
Heartport, Inc.	(P)(1), (P)(3)
Heartstream, Inc.	(P)(2)
Hechinger Company, Class A	(P)(3)
Heilig-Meyers Co.	(P)(1)
Heinz (H.J.)	(P)(1)
Helix Technology Corp.	(P)(1), (P)(2), (P)(4)
Helmerich & Payne, Inc.	(P)(5)
Hemlo Gold Mines Inc.	(P)(2)
Henley Group, Inc. (The)	(P)(3)
Henry (Jack) & Associates, Inc.	(P)(2)
Henry Schein, Inc.	(P)(1), (P)(4)
Herbalife International, Inc.	(P)(1), (P)(2)
Hercules Incorporated	(P)(2)
Heritage Media Corp.	(P)(2)
Hershey Foods Corporation	(P)(2)
Hewlett-Packard Company	(P)(1)
Hibernia Corporation	(P)(1)
Hillenbrand Industries, Inc.	(P)(2)
Hillhaven Corporation (The)	(P)(2)
Hilton Hotels Corporation	(P)(4)
Hitachi, Ltd.	(P)(1)
HMO America, Inc.	(P)(1)
HMT Technology Corporation	(P)(1), (P)(2), (P)(3), (P)(5)
HNC Software, Inc.	(P)(3)
Holiday Corporation	(P)(1)
Holly Farms Corporation	(P)(1)
Hollywood Casino Corporation	(P)(2), (P)(4)
Hollywood Entertainment Corp.	(P)(1), (P)(2)
Hollywood Park Inc.	(P)(1)
Hologic, Inc.	(P)(2)
Home Depot, Inc. (The)	(P)(3)
Home Financial Corp.	(P)(5)
Home Intensive Care, Inc.	(P)(2)
Home Shopping Network, Inc.	(P)(1)
Homedco Group, Inc.	(P)(1)
Homefed Corp.	(P)(1)
Homestake Mining Company	(P)(1)
Honda Motor Co., Ltd.	(P)(3)
Honeywell, Inc.	(P)(1)
Hong Kong Options Index (The)	(P)(2)
Hong Kong Telecommunications Limited	(P)(1), (P)(2), (P)(5)
Horizon/CMS Healthcare Corp.	(P)(3)
Horizon Healthcare Corp.	(P)(1), (P)(2)
Hormel (Geo. A.) & Co.	(P)(3)
Hornbeck Offshore Services, Inc.	(P)(5)
Horsham Corporation	(P)(1), (P)(5)
Hospital Corporation of America	(P)(1), (P)(2), (P)(3)
Hospitality Francise Systems, Inc.	(P)(1)
Host Marriott Services Corporation	(P)(3)
Houghton Mifflin Company	(P)(4)
Household Finance Corporation	(P)(2)
Houston Industries Incorporated	(P)(5)
HS Resource Inc.	(P)(4)

HSN, Inc.	(P)(1)
Human Genome Sciences, Inc.	(P)(4)
Humana Inc.	(P)(1)
Hummingbird Communications Ltd.	(P)(1), (P)(3)
Hunt (J.B.) Transport Services, Inc.	(P)(4)
Huntington Bancshares, Inc.	(P)(1), (P)(3)
Hyperion Software Corp.	(P)(1), (P)(5)
I.I.S. Intelligent Information Systems Ltd.	(P)(1), (P)(4)
i-STAT Corp.	(P)(1), (P)(2)
IBP, Inc. Common Stock, \$0.05 Par Value	(P)(2), (P)(3)
ICN Pharmaceuticals, Inc.	(P)(1), (P)(4)
ICOS Corporation	(P)(1)
Idaho Power Company	(P)(3)
IDB Communications Group Inc.	(P)(1)
IDEC Pharmaceuticals, Inc.	(P)(3), (P)(4)
Identix Incorporated	(P)(2)
IDEXX Laboratories, Inc.	(P)(1), (P)(2)
IDT Corporation	(P)(3)
IGI, Inc.	(P)(2)
IHOP Corporation	(P)(3)
IKOS Systems, Inc.	(P)(4), (P)(5)
Illinois Central Corp.	(P)(3)
Illinois Tool Works, Inc.	(P)(3)
Imation Corp.	(P)(1), (P)(2)
IMC Global, Inc.	(P)(4), (P)(5)
Imclone Systems, Inc.	(P)(1)
ImmuLogic Pharmaceutical Corporation	(P)(2)
Immune Response Corporation	(P)(1)
Immunex Corporation	(P)(2), (P)(4)
ImmunoGen, Inc.	(P)(2)
Immunomedics Inc.	(P)(1)
Imnet Systems, Inc.	(P)(1), (P)(2), (P)(5)
IMP, Inc.	(P)(1)
Imperial Credit Industries, Inc.	(P)(4), (P)(5)
Imperial Oil Ltd.	(P)(2), (P)(4), (P)(5)
Imperial Oil Ltd. - Class A	(P)(1)
Imperial Chemical Industries PLC	(P)(5)
In Focus Systems, Inc.	(P)(1)
InaCom Corp.	(P)(2), (P)(3)
Inco Limited	(P)(2)
Incyte Pharmaceuticals, Inc.	(P)(3)
Indigo N.V.	(P)(1), (P)(4)
Infinity Broadcasting Company	(P)(1)
Information Resources, Inc.	(P)(1)
Informix Corporation	(P)(1), (P)(2)
Ingersoll-Rand Company	(P)(5)
Inland Steel Industries, Inc.	(P)(3)
Innovex, Inc.	(P)(1), (P)(2), (P)(3), (P)(5)
Input Output, Inc.	(P)(1)
Insituform Technologies, Inc.	(P)(4)
INSO Corporation	(P)(3)
Institutional Index	(P)(2)
Instrument Systems Corp.	(P)(5)
Integrated Circuit Systems, Inc.	(P)(1), (P)(4)
Integrated Device Technology	(P)(1), (P)(4), (P)(5)

Integrated Health Services, Inc.	(P)(1)
Integrated Process Equipment Corporation	(P)(1), (P)(3)
Integrated Silicon Solution, Inc.	(P)(1), (P)(2)
Integrated Systems, Inc.	(P)(4)
Intel Corporation	(P)(2)
IntelCom Group Inc.	(P)(1), (P)(2)
Intellect Communications Systems Limited	(P)(2)
Intelligent Electronics, Inc.	(P)(1), (P)(4)
Inter-Tel, Inc.	(P)(4)
Interactive Network, Inc.	(P)(1)
Intercel, Inc.	(P)(4)
Intergra LifeSciences Corporation	(P)(3)
Intergraph Corporation	(P)(2)
Intergroup Healthcare Co.	(P)(4)
Interim Services Inc.	(P)(5)
Interleaf, Inc.	(P)(2)
Intermagnetics General Corporation	(P)(1), (P)(2)
Intermec Corporation	(P)(1)
Intermedia Communications of Florida	(P)(4)
Internet Corporation	(P)(2)
International Business Machines Corporation	(P)(1)
International CabelTel Incorporated	(P)(1)
International Colin Energy Corporation	(P)(2)
International Family Entertainment, Inc.	(P)(5)
International Flavors & Fragrances Inc.	(P)(1)
International Game Technology	(P)(2)
International Lease Finance Corporation	(P)(1)
International Market Index	(P)(2)
International Minerals & Chemical Corp.	(P)(1)
International Mobile Machines Corp.	(P)(4)
International Murex Technologies Corporation	(P)(2)
International Paper Company	(P)(1)
International Rectifier Corporation	(P)(1)
International Speciality Products, Inc.	(P)(2)
International Totalizator Systems, Inc.	(P)(1), (P)(5)
Interneuron Pharmaceuticals, Inc.	(P)(3), (P)(4)
Interpublic Group of Companies, Inc.	(P)(5)
Intersolv, Inc.	(P)(1)
Interstate Bakers Corp.	(P)(1)
InterVoice, Inc.	(P)(1), (P)(5)
Intimate Brands, Inc.	(P)(1), (P)(2), (P)(3), (P)(5)
Intuit Corp.	(P)(1)
Invacare Corporation	(P)(4)
Iomega, Corp.	(P)(1), (P)(2), (P)(3), (P)(4)
Ionics Incorporated	(P)(2), (P)(4)
Isis Pharmaceuticals, Inc.	(P)(1), (P)(2)
Isolyser Company, Inc.	(P)(2)
Itel Corporation	(P)(1)
Itron, Inc.	(P)(3)
ITT Corp.	(P)(1)
ITT Corporation (New)	(P)(1)
ITT Hartford Group, Inc.	(P)(1)
ITT Industries, Inc.	(P)(1)
IVAX Corporation	(P)(1)
IWERKS Entertainment, Inc.	(P)(2)

J&L Specialty Steel, Inc.	(P)(3)
Jabil Circuit, Inc.	(P)(5)
Jackpot Enterprises	(P)(1)
Jacor Communications, Inc.	(P)(2)
James River Corporation of Virginia	(P)(5)
Jan Bell Marketing, Inc.	(P)(1), (P)(2)
Japan Index (The)	(P)(2)
Japanese Yen	(P)(3)
Jefferson Smurfit Corp.	(P)(1), (P)(5)
Jefferson Pilot Corporation	(P)(2)
JLG Industries, Inc.	(P)(5)
John Alden Financial Corporation	(P)(2)
Johnson Controls, Inc.	(P)(3)
Johnson & Johnson	(P)(1)
Jones Apparel Group	(P)(1), (P)(4)
Jones Medical Industries, Inc.	(P)(1), (P)(2), (P)(5)
Jostens, Inc.	(P)(5)
Just For Feet, Inc.	(P)(1), (P)(2), (P)(4)
Justin Industries, Inc.	(P)(1)
JWP Inc.	(P)(2)
K2, Inc.	(P)(3)
K Mart Corporation	(P)(1)
K-III Communications Corp.	(P)(3), (P)(4)
Kaiser Aluminum Corporation	(P)(3), (P)(4)
Kansas City Southern Industries, Inc.	(P)(4)
Kaufman and Broad Home Corp.	(P)(3)
Kay Jewelers, Inc.	(P)(3)
Keane, Inc.	(P)(2), (P)(3)
Kelley Oil Corp.	(P)(1)
Kellogg Company	(P)(2)
Kelly Services Inc. Cl. A	(P)(1)
KEMET Corporation	(P)(1), (P)(2)
Kendall Square Research Corp.	(P)(4)
Kenetech Corp.	(P)(4)
Kennametal, Inc.	(P)(3)
Kent Electronics Corporation	(P)(1)
Kerr-McGee Corporation	(P)(1)
KeyCorp	(P)(3), (P)(4)
Keystone International, Inc.	(P)(4)
Kimberly-Clark Corporation	(P)(2)
King World Productions, Inc.	(P)(4)
Kinross Gold Corporation	(P)(4)
Kirby Corp.	(P)(5)
KLA Instruments Corporation	(P)(4), (P)(5)
KLM Royal Dutch Airlines	(P)(1)
Knight-Ridder Inc.	(P)(3)
KnowledgeWare, Inc.	(P)(4)
Kohl's Corporation	(P)(1)
Komag, Inc.	(P)(4)
Kopin Corp.	(P)(1)
Korea Mobile Telecommunications ADR	(P)(1)
Kroger Co. (The)	(P)(2)
Kulicke & Soffa Industries, Inc.	(P)(1)
L.A. Gear, Inc.	(P)(1)
La Jolla Pharmaceutical Company	(P)(1)

La Quinta Inns, Inc.	(P)(3), (P)(4), (P)(5)
Laboratory Corp. of America Holdings	(P)(3), (P)(4)
Lac Minerals Ltd.	(P)(1)
Lafarge Corporation	(P)(3)
Laidlaw Transportation Ltd. - Class B	(P)(2)
Lam Research Corporation	(P)(4)
Lancaster Colony	(P)(5)
Landmark Graphics Corporation	(P)(2)
Landry's Seafood Restaurants, Inc.	(P)(1), (P)(2)
Lands' End, Inc.	(P)(1)
Landstar Systems, Inc.	(P)(3)
Lannet Data Communications, Ltd.	(P)(1), (P)(2), (P)(4)
Latin 15 Index	(P)(1)
Lattice Semiconductor Corporation	(P)(1)
Lawter International, Inc.	(P)(3)
LCI International Inc.	(P)(1)
LDDS Communications, Inc. - CUSIP #50182K100	(P)(4)
LDDS Communications, Inc. - CUSIP #50182L108	(P)(4)
Lear Seating Corporation	(P)(2)
Legato Systems, Inc.	(P)(1)
LEGENT Corporation	(P)(1)
Leggett & Platt, Inc.	(P)(2)
Lehman Brothers Holdings Inc.	(P)(1),(P)(2),(P)(4),(P)(5)
Lehman Corporation (The)	(P)(3)
Lennar Corporation	(P)(2)
Level One Communications, Inc.	(P)(1), (P)(2)
Levitz Furniture, Inc.	(P)(1)
Lexmark International Group, Inc.	(P)(1), (P)(2), (P)(3)
Liberty Media Corp.	(P)(1)
Life Partners Group Inc.	(P)(3)
Life Technologies, Inc.	(P)(4)
Life USA Holding Inc.	(P)(3)
Ligand Pharmaceuticals Incorporated	(P)(2)
Lilly (Eli) and Company	(P)(2)
Limited Inc. (The)	(P)(1)
Lin Television Corp.	(P)(1), (P)(3), (P)(5)
Lincare Holdings, Inc.	(P)(2), (P)(3)
Lincoln National Corporation	(P)(2)
Lincoln Telecommunications Co.	(P)(4)
Linear Technology Corporation	(P)(4)
Liposome Company, Inc.	(P)(1)
Liposome Technology, Inc.	(P)(2)
Litton Industries Inc.	(P)(1)
Living Centers of America, Inc.	(P)(2)
Liz Claiborne, Inc.	(P)(1)
Lockheed Corporation	(P)(4)
Lockheed Martin Corp.	(P)(4)
Loctite Corporation	(P)(3)
Loewen Group, Inc.	(P)(1)
Loews Corporation	(P)(1)
LoJack Corporation	(P)(1), (P)(5)
Lomak Petroleum Inc.	(P)(4)
Lomas & Netleton Financial Corporation	(P)(3)
Lone Star Industries, Inc.	(P)(3)
Lone Star Steakhouse & Saloon, Inc.	(P)(1)

Long Island Bancorp., Inc.	(P)(1)
Long Island Lighting Company	(P)(5)
Longhorn Steaks, Inc.	(P)(3), (P)(4)
Longview Fibre Company	(P)(1)
Loral Corporation	(P)(1)
Loral Space & Communications Ltd.	(P)(1)
Lorimar-Telepictures (P)(1)	
Lotus Development Corporation	(P)(2)
Louisiana Land & Exploration Company (The)	(P)(3)
Louisiana-Pacific Corporation	(P)(2)
Lowe's Companies, Inc.	(P)(3)
LSI Logic Corporation	(P)(1)
LT-20 Index (The)	(P)(2)
LTV Corporation (The)	(P)(1), (P)(2)
LTX Corp.	(P)(1), (P)(2)
Lubrizol Corporation	(P)(3)
Luby's Cafeterias, Inc.	(P)(1)
Lucent Technologies, Inc.	(P)(1), (P)(2), (P)(3), (P)(5)
Lukens Inc.	(P)(4)
Lyondell Petrochemical Company	(P)(5)
M/A-Com, Inc.	(P)(1)
MacFrugal's Bargains Close-Outs, Inc.	(P)(1)
Macromedia Inc.	(P)(4)
Maderas Y Sinteticos S.A.	(P)(1), (P)(2)
Madge, N.V.	(P)(1), (P)(2)
Magainin Pharmaceuticals, Inc.	(P)(1)
Magma Copper Company	(P)(1)
Magma Power Co.	(P)(1)
Magna International Inc.	(P)(1)
MagneTek, Inc.	(P)(4)
Mail Boxes Etc.	(P)(5)
Major Market Index	(P)(2)
Manor Care, Inc.	(P)(3)
Manpower Inc.	(P)(1)
Manufacturers Hanover Corporation	(P)(2)
Manville Corp.	(P)(1), (P)(4)
MAPCO, Inc.	(P)(4)
Marcam Corporation	(P)(2)
Margaretten Financial Corp.	(P)(1)
Marine Drilling Company, Inc.	(P)(1), (P)(5)
Mariner Health Group, Inc.	(P)(3), (P)(5)
Marion Merrell Dow, Inc.	(P)(4)
Mark IV Industries, Inc.	(P)(5)
Marquette Electronics	(P)(4)
Marriott Corporation	(P)(3)
Marriott International Inc.	(P)(3)
Marsam Pharmaceuticals Inc.	(P)(4)
Marsh McLennan Companies, Inc.	(P)(4)
Marshall & Ilsley Corporation	(P)(2), (P)(3)
Marshalls Industries, Inc.	(P)(4)
Martek Biosciences Corporation	(P)(3)
Martin Marietta Corporation	(P)(3)
Marvel Entertainment Group Inc.	(P)(1), (P)(2), (P)(5)
Masco Corporation	(P)(2)
Masco Industries, Inc.	(P)(1)

Masland Corporation		(P)(3)
Material Science Corporation		(P)(3)
Matrix Pharmaceuticals, Inc.		(P)(1), (P)(5)
Mattel, Inc.		(P)(2)
Mattson Technology, Inc.		(P)(4)
Maxicare Health Plans, Inc.		(P)(2)
Maxim Integrated Products, Inc.		(P)(4)
Maxtor Corporation		(P)(1), (P)(2), (P)(4)
Maxus Energy Corporation	(P)(4)	
May Department Stores		(P)(1)
Maybelline Inc.		(P)(1)
Maytag Company (The)		(P)(5)
MBIA Inc.		(P)(3)
MBNA Corp.		(P)(1), (P)(2)
MCA Inc.		(P)(3)
McAfee Associates, Inc.		(P)(1), (P)(2), (P)(4)
McCaw Cellular Communications, Inc. - Class A		(P)(1), (P)(2)
McCormick and Company, Inc. - Non Voting Common		(P)(3)
McDermott Inc.		(P)(3)
McDonald's Corporation		(P)(1)
McDonnell Douglas Corporation		(P)(4)
McGraw Hill, Inc.		(P)(3)
MCI Communications Corporation		(P)(1)
McKesson Corporation		(P)(4)
MCN Corp.		(P)(4)
MDL Information Systems, Inc.		(P)(4)
Mead Corporation		(P)(1)
Measurex Corporation		(P)(4)
Medaphis Corporation		(P)(1), (P)(2)
Medarex, Inc.		(P)(1)
MedCath Incorporated		(P)(2)
Medco Research, Inc.		(P)(2)
Medeva PLC ADS		(P)(1)
Media Vision Technology, Inc.		(P)(1)
Medic Computer Systems		(P)(1)
Medical Care America, Inc.		(P)(1)
Medical Care International, Inc.		(P)(1)
Medical Resources, Inc.		(P)(3)
Medicis Pharmaceutical Corp.		(P)((1), (P)(2)
MedImmune, Inc.		(P)(2)
Medisense, Inc.		(P)(1), (P)(2)
MedPartners, Inc.		(P)(2), (P)(3)
MEDSTAT Group, Inc.		(P)(4)
Medtronic, Inc.		(P)(1)
Megahertz Corporation		(P)(1)
Mellon Bank Corporation		(P)(5)
Melville Corporation		(P)(4)
MEMC Electronic Materials, Inc.		(P)(1), (P)(2)
Men's Wearhouse, Inc. (The)		(P)(3)
Mentor Corporation		(P)(2), (P)(4)
Mentor Graphics Corporation		(P)(2)
Mercantile Bancorporation Inc.		(P)(2)
Mercantile Stores Company, Inc.		(P)(3)
Mercer International, Inc.		(P)(1)
Merck & Co., Inc.		(P)(1)

Mercury Finance Co.	(P)(5)
Mercury Interactive Corp.	(P)(1), (P)(3)
Meridian Data, Inc.	(P)(2), (P)(4), (P)(5)
Merisel, Inc.	(P)(1)
Merrill Lynch & Company, Inc.	(P)(1), (P)(2)
Merry-Go-Round Enterprises, Inc.	(P)(1), (P)(2)
Mesa Airlines, Inc.	(P)(1)
Mesa Inc.	(P)(1), (P)(2)
Mesa Limited Partnership (Depository Units)	(P)(2)
Mesa Petroleum Company	(P)(2)
Mesaba Holdings, Inc.	(P)(4)
Methanex Corporation	(P)(1)
Methode Electronics, Inc.	(P)(4)
Metricom, Inc.	(P)(1)
Metrocall, Inc.	(P)(2)
Mexico Fund (The)	(P)(1), (P)(2)
Mexico Index (The)	(P)(2)
Mexico LEAPS Index (The)	(P)(2)
MFS Communication Company, Inc.	(P)(1), (P)(2), (P)(4)
MGI Pharma, Inc.	(P)(2)
MGIC Investment Corporation	(P)(2)
MGM Grand, Inc.	(P)(2)
Michaels Stores, Inc.	(P)(4)
Michigan National Corporation	(P)(2)
Micro Warehouse, Inc.	(P)(2), (P)(3)
MicroAge, Inc.	(P)(1)
Microchip Technology, Inc.	(P)(1)
Microcom Inc.	(P)(3), (P)(4)
Micrografx, Inc.	(P)(1), (P)(3)
Micron Technology, Inc.	(P)(1), (P)(4)
Micropolis Corporation	(P)(4)
Microsoft Corporation	(P)(4)
MicroTouch Systems, Inc.	(P)(1), (P)(2), (P)(4)
Mid Atlantic Medical Services, Inc.	(P)(2)
MIDCOM Communications, Inc.	(P)(2)
Middle South Utilities, Inc.	(P)(1)
Midlantic Corporation	(P)(2)
Midway Airlines, Inc.	(P)(1)
Millennium Chemicals Inc.	(P)(1)
Miller (Herman) Inc.	(P)(5)
Miller Industries, Inc.	(P)(3), (P)(4)
Millicom, Incorporated	(P)(1)
Millicom International Cellular, S.A.	(P)(1)
Millipore Corporation	(P)(2)
Minerals Technologies, Inc.	(P)(4)
Minnesota Mining and Manufacturing Company	(P)(1)
MIPS Computer Systems, Inc.	(P)(1), (P)(2)
Mississippi Chemical Corp.	(P)(1)
Mitchell Energy & Development Corp. - Class B	(P)(4)
MNC Financial, Inc.	(P)(1), (P)(2)
Mobil Corporation	(P)(1)
Mobile Telecommunication Technologies Corp.	(P)(1)
MobileMedia Corp.	(P)(1)
Modine Manufacturing, Inc.	(P)(4)
Mohawk Industries, Inc.	(P)(4)

Molecular Biosystems, Inc.	(P)(2)
Molecular Dynamics, Inc.	(P)(4)
Molex Inc.	(P)(1)
Molten Metal Technology, Inc.	(P)(1)
Money Store, Inc. (The)	(P)(2), (P)(4)
Monsanto Company	(P)(1)
Moore Corp. LTD	(P)(5)
Morgan (J.P.) & Co., Incorporated	(P)(3)
Morgan Stanley Commodity Related Equity Index (The)	(P)(2)
Morgan Stanley Consumer Index	(P)(2)
Morgan Stanley Cyclical Index	(P)(2)
Morgan Stanley Group, Inc.	(P)(3)
Morgan Stanley Healthcare Payor Index (The)	(P)(2)
Morgan Stanley Healthcare Product Index (The)	(P)(2)
Morgan Stanley Healthcare Provider Index (The)	(P)(2)
Morgan Stanley High Technology 35 Index (The)	(P)(2)
Morrison Inc.	(P)(5)
Morton Thiokol, Inc.	(P)(3)
Morton International, Inc.	(P)(3)
Motel 6 L.P.	(P)(1)
Motorola, Inc.	(P)(2)
Movie Gallery, Inc.	(P)(3)
MRV Communications, Inc.	(P)(1), (P)(2), (P)(4), (P)(5)
MTC Electronic Technologies Co. Ltd.	(P)(1)
MTS Systems Corporation	(P)(4)
Mueller Industries Inc.	(P)(3)
Multicare Cos., Inc.	(P)(1), (P)(3)
Murphy Oil Corporation	(P)(4)
Mycogen Corporation	(P)(4)
Mylan Laboratories Inc.	(P)(2)
Mylex Corp.	(P)(1)
Myriad Genetics, Inc.	(P)(3)
Nabisco Holdings Corporation, Class A	(P)(1), (P)(2), (P)(3), (P)(5)
Nabors Industries Inc.	(P)(1)
Nac Re Corporation	(P)(3)
Nalco Chemical Company	(P)(3)
NASDAQ-100 Index	(P)(1)
Nashua Corporation	(P)(2)
National City Corporation	(P)(2)
National Data Corp.	(P)(3)
National Distillers and Chemical Corporation	(P)(2)
National Education Corporation	(P)(3)
National Gypsum Company	(P)(1), (P)(4)
National Media Corporation	(P)(2)
National Medical Enterprises, Inc.	(P)(2)
National Over-the-Counter Index	(P)(3)
National Semiconductor Corporation	(P)(1)
National Service Industries, Inc.	(P)(3)
National Steel Corporation	(P)(1)
National TechTeam, Inc.	(P)(1), (P)(4)
National Vision Associates Ltd.	(P)(1)
Natural Gas Index (The)	(P)(2)
Nature's Bounty, Inc.	(P)(4)
Nature's Sunshine Products, Inc.	(P)(2)
Nautica Enterprises, Inc.	(P)(1)

Navistar International Group	(P)(1), (P)(2)
NCNB Corporation	(P)(3)
NCR Corporation	(P)(1), (P)(2)
Neiman-Marcus Group, Inc.	(P)(5)
Nellcor Incorporated	(P)(4), (P)(5)
Neopath, Inc.	(P)(3), (P)(4), (P)(5)
Neoprobe Corp.	(P)(1)
Netcom Online Communications Services, Inc.	(P)(1), (P)(2), (P)(3), (P)(5)
NetFRAME Systems, Inc.	(P)(1)
NetManage, Inc.	(P)(1), (P)(4)
Netscape Communications Corporation	(P)(1), (P)(2), (P)(3), (P)(4)
NetStar, Inc.	(P)(1), (P)(2)
Network Appliance Corporation	(P)(3)
Network Computing Devices, Inc.	(P)(1)
Network Equipment Technologies, Inc.	(P)(1), (P)(4)
Network Express, Inc.	(P)(1), (P)(2)
Network General Corporation	(P)(1)
Network Peripherals, Inc.	(P)(1), (P)(2)
Network Systems Corporation	(P)(2)
Networking Index (The)	(P)(2)
Neurex Corporation	(P)(2)
Neurogen Corporation	(P)(2), (P)(3)
Neuromedical Systems, Inc.	(P)(1), (P)(2)
New Line Cinema Corp.	(P)(2)
New Plan Realty Trust	(P)(2)
New World Communications Group	(P)(1), (P)(2)
New York Times Company - Class A.	(P)(4)
New York State Electric & Gas	(P)(4)
New York Stock Exchange Composite Index	(P)(5)
Newbridge Networks Corp.	(P)(4)
Newell Co.	(P)(5)
Newmont Gold Company	(P)(3)
Newmont Mining Corporation	(P)(3)
Newport News Shipbuilding	(P)(2)
News Corporation (The)	(P)(1), (P)(2), (P)(3), (P)(5)
NexGen, Inc.	(P)(1), (P)(2)
NeXstar Pharmaceuticals, Inc.	(P)(4)
Niagara Mohawk Power Corporation	(P)(2)
NICOR, Inc.	(P)(4)
NIKE, Inc. (Class B)	(P)(4)
Nimbus CD International, Inc.	(P)(4),
Nine West Group, Inc.	(P)(4), (P)(5)
NL Industries Inc.	(P)(3)
Noble Drilling Corporation	(P)(5)
Noble Affiliates, Inc.	(P)(2)
Nokia Corporation	(P)(1), (P)(2)
Nordson Corporation	(P)(4)
Nordstrom, Inc.	(P)(2)
Norfolk Southern Corporation	(P)(1)
Norrell Corporation	(P)(3)
North American Biologicals, Inc.	(P)(1)
North American Mortgage Co.	(P)(3)
North American Telecommunications Index (The)	(P)(2)
North American Vaccine, Inc.	(P)(2)
Northeast Utilities	(P)(3)

Northern Trust Corporation	(P)(1)
Northern Telecom Ltd.	(P)(1)
Northfield Laboratories, Inc.	(P)(1), (P)(3)
Northrop Corporation	(P)(1)
Northwest Airlines Corporation, Class A	(P)(1), (P)(2), (P)(5)
Norton Company	(P)(1)
Norwest Corporation	(P)(4)
Nova Corp.	(P)(1)
Nova Pharmaceutical Corporation	(P)(1)
NovaCare, Inc.	(P)(4)
Novadigm, Inc.	(P)(3)
Novell, Inc.	(P)(2)
Novellus Systems, Inc.	(P)(1), (P)(4), (P)(5)
Noven Pharmaceuticals, Inc.	(P)(4)
Noxell Corporation	(P)(1)
NTN Communications, Inc.	(P)(2)
Nu Horizons Electronics Corporation	(P)(3)
Nu-Kote Holdings, Inc.	(P)(3)
Nucor Corporation	(P)(1)
Nuevo Energy Company	(P)(1), (P)(3)
Nuveen Company (The John), (Class A)	(P)(2)
NWA Inc.	(P)(1)
NWNL Companies, Inc. (The)	(P)(1), (P)(2)
NYNEX Corporation	(P)(5)
O'Sullivan Industries Holdings, Inc.	(P)(2)
Oak Technology, Inc.	(P)(1), (P)(2), (P)(4)
Oak Industries Inc.	(P)(2)
Oakley, Inc.	(P)(1), (P)(3)
Oakwood Homes Corporation	(P)(3)
Objective Systems Integrators, Inc.	(P)(3)
Occidental Petroleum Corporation	(P)(1)
OccSystems, Inc.	(P)(1), (P)(2)
Oceaneering International, Inc.	(P)(4)
Octel Communications Corporation	(P)(4)
OEA, Inc.	(P)(2)
OEX CAPS	(P)(1)
Office Depot, Inc.	(P)(2)
OfficeMax, Inc.	(P)(1), (P)(2), (P)(5)
Offshore Logistics, Inc.	(P)(2)
Ogden Corp.	(P)(1)
Ogilvy Group, Inc. (The)	(P)(2)
Ohio Mattress Company (The)	(P)(3)
Ohio Edison Company	(P)(4)
OHM Corporation	(P)(2)
Oil and Gas Index	(P)(2)
Oil Index	(P)(2)
Old Republic International Corp.	(P)(3)
Old Kent Financial Corp.	(P)(1), (P)(3)
Olicom A/S	(P)(1)
Olin Corporation	(P)(2)
Olsten Corporation (The)	(P)(2)
Olympic Steel, Inc.	(P)(1), (P)(5)
Olympic Financial Ltd.	(P)(1), (P)(2)
OM Group, Inc.	(P)(4)
Omega Environmental, Inc.	(P)(1), (P)(2)

Omnicare, Inc.		(P)(3), (P)(4)
Omnicom Group Inc.		(P)(4)
Omnipoint Corporation		(P)(1), (P)(2), (P)(3)
ONBANCORP, Inc.		(P)(3)
Oncogene Science, Inc.		(P)(2)
ONEOK, Inc.		(P)(3)
Open Market, Inc.		(P)(1), (P)(2)
OPTi Inc.		(P)(2), (P)(5)
Optical Data Systems, Inc.		(P)(1), (P)(2)
Oracle Systems Corporation		(P)(1)
Orbital Sciences Corporation		(P)(1), (P)(2)
Oregon Metallurgical Corporation		(P)(2), (P)(5)
Oregon Steel Mills, Inc.		(P)(3)
Organogenesis, Inc.		(P)(1), (P)(5)
OrNda Health Corp.		(P)(1), (P)(2)
Orthodontic Centers of America, Inc.		(P)(2)
Orthologic Corporation		(P)(1), (P)(2), (P)(5)
Oryx Energy Company		(P)(1), (P)(2), (P)(3)
Oshkosh B'Gosh, Inc.		(P)(1)
Ostex International, Inc.		(P)(2)
Outback Steakhouse, Inc.		(P)(1), (P)(2), (P)(4)
Outboard Marine Corporation		(P)(1)
Owens-Corning Fiberglas Corporation		(P)(3)
Owens-Illinois, Inc.		(P)(1)
Oxford Health Plans, Inc.		(P)(1)
P.T. Telekomunikasi Indonesia		(P)(2), (P)(4)
P-COM, Inc.		(P)(3), (P)(4), (P)(5)
Paccar Inc.		(P)(5)
PACE Membership Warehouse Inc.		(P)(3)
Pacific Gas & Electric Company		(P)(2)
Pacific Lighting Corporation		(P)(2)
Pacific Physician Services, Inc.		(P)(2)
Pacific Scientific Company		(P)(1), (P)(2)
Pacific Telesis Group		(P)(4)
PacifiCare Health Systems, Inc.		(P)(1)
Pacificorp		(P)(4)
PacTel Corporation		(P)(1), (P)(2), (P)(4)
Paging Network Inc.		(P)(3)
PaineWebber Incorporated		(P)(1)
PairGain Technologies, Inc.		(P)(1)
Pall Corporation		(P)(1)
Palmer Wireless, Inc.		(P)(3)
Panamerican Beverages, Inc.		(P)(1), (P)(2)
PanAmSat Corp.		(P)(1),(P)(3),(P)(5)
Panhandle Eastern Corporation		(P)(3)
Pansophic Systems, Inc.	(P)(1)	
Papa John's International, Inc.		(P)(1)
Paragon Trade Brands, Inc.		(P)(1)
Parametric Technology Corp.		(P)(3)
Paramount Communications, Inc.	(P)(1)	
Park Electrochemical Corporation		(P)(3)
Parker Drilling Company		(P)(1), (P)(3), (P)(4)
Parker Hannifin Corporation	(P)(3)	
Parker & Parsley Petroleum Company		(P)(2)
Parlux Fragrances, Inc.		(P)(5)

Paychex, Inc.	(P)(3)
Payless Cashways, Inc.	(P)(1)
Payless ShoeSource, Inc.	(P)(1), (P)(5)
PC DOCS Group International, Inc.	(P)(1)
Pegasus Gold Inc.	(P)(1)
Penn Central Corporation (The)	(P)(3)
Penney (J.C.) Company, Inc.	(P)(2)
Pennwalt Corporation	(P)(2)
Pennzoil Company	(P)(1)
People's Bank Bridgeport	(P)(1), (P)(5)
Peoples Heritage Financial Group, Inc.	(P)(5)
PeopleSoft, Inc.	(P)(1), (P)(2), (P)(4), (P)(5)
Pep Boys (The),- Manny, Moe & Jack	(P)(5)
Pepsico, Inc.	(P)(1)
Performance Systems International, Inc.	(P)(1), (P)(2), (P)(3)
Perkin-Elmer Corporation	(P)(4)
Perrigo Co.	(P)(1)
PerSeptive Biosystems, Inc.	(P)(1), (P)(5)
Personnel Group of America, Inc.	(P)(4)
Perusahaan Perseroan (Persero) P.T. Indonesian Satellite	(P)(1)
Pet Incorporated	(P)(1), (P)(5)
Petco Animal Supplies, Inc.	(P)(4)
Petrie Stores Corporation	(P)(3)
Petroleum Geo-Services, Inc.	(P)(1), (P)(2)
PETsMART, Inc.	(P)(3)
Pfizer Inc. (P)(2)	
Pharmaceutical Index Options	(P)(2)
Pharmaceutical LEAPS Index	(P)(2)
Pharmaceutical Resources, Inc.	(P)(1), (P)(2)
Pharmacia and Upjohn, Inc.	(P)(1)
Phelps Dodge Corporation	(P)(2)
Phibro-Salomon, Inc.	(P)(3)
Philadelphia Electric Company	(P)(4)
Philadelphia Stock Exchange	
(The) Keefe, Bruyette & Woods, Inc. Bank Index	(P)(3)
Philip Environmental, Inc.	(P)(3)
Philip Morris Companies, Inc.	(P)(2)
Philippine Long Distance	(P)(1)
Philippine Long Distance Telephone company	(P)(1)
Philips Industries, Inc. (P)(3)	
Philips N.V.	(P)(5)
Phillips Petroleum Company	(P)(2)
Phillips Van Heusen Corporation	(P)(1)
PHLX European Style Expiration	
National Over-the-Counter Sector	(P)(3)
PHM Corporation	(P)(3)
Phoenix Technologies Ltd.	(P)(2), (P)(3)
Phoenix Resource Companies, Inc. (The)	(P)(2)
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Photronics, Inc.	(P)(2)
PHP Healthcare Corp.	(P)(1)
Phycor	(P)(3), (P)(4)
Physician Computer Network, Inc.	(P)(1)
Physician Corporation of America	(P)(1)

Physician Reliance Network, Inc.	(P)(2)
Physicians Resource Group, Inc.	(P)(3), (P)(4)
Physician Sales and Service, Inc.	(P)(3)
Pictoretel Corp.	(P)(3)
Pier 1 Imports, Inc.	(P)(5)
Pinelands Inc.	(P)(2), (P)(3)
Pinnacle West Capital Corporation	(P)(4)
Pioneer Hi-Bred International, Inc.	(P)(2)
Piper Jaffray Companies Inc.	(P)(2), (P)(3)
Pitney-Bowes, Inc.	(P)(2)
Pittencrieff Communications, Inc.	(P)(1), (P)(2)
Pittston Brink's Group	(P)(3)
Pittston Burlington Group	(P)(3)
Pittston Company	(P)(3)
Pixar, Inc.	(P)(1), (P)(2), (P)(3)
Placer Dome Inc.	(P)(3)
Plains Resources Inc.	(P)(1), (P)(2)
Planar Systems, Inc.	(P)(2), (P)(3)
Planet Hollywood International, Inc.	(P)(1), (P)(2)
Platinum Software Corp.	(P)(1)
PLATINUM technology, Inc.	(P)(1)
Players International, Inc.	(P)(1), (P)(2)
Playtex Products, Inc.	(P)(2)
PLC Systems, Inc.	(P)(1), (P)(2)
Plum Creek Timber Company L.P.	(P)(2)
PlyGem Industries, Inc.	(P)(2)
PMI Group, Inc.	(P)(2), (P)(4), (P)(5)
PMT Services, Inc.	(P)(1), (P)(5)
PNC Financial Corp	(P)(3)
Pogo Producing Company	(P)(4), (P)(5)
Polaris Industries Inc.	(P)(2)
Polaroid Corporation	(P)(1)
Policy Management Systems Corporation	(P)(2)
Pool Energy Services Co.	(P)(5)
Possis Medical, Inc.	(P)(4)
Potash corp. of Saskatchewan	(P)(1)
Potlatch Corporation	(P)(5)
Potomac Electric Power Co.	(P)(1), (P)(3)
PP & L Resources, Inc.	(P)(3)
PPG Industries, Inc.	(P)(3)
Praxair, Inc.	(P)(2)
Pre Paid Legal Services	(P)(3)
Precision Castparts Corp.	(P)(1)
Preferred Health Care Ltd.	(P)(2)
Premark International, Inc.	(P)(1)
Premiere Technologies, Inc.	(P)(1), (P)(2)
Premisys Communications, Inc.	(P)(1), (P)(5)
President Riverboat Casinos, Inc.	(P)(1)
Presley Companies (The)	(P)(2)
Presstek, Inc.	(P)(1), (P)(2), (P)(4)
Price/Costco, Inc.	(P)(2)
Pride Petroleum Services Inc.	(P)(3)
Primadonna Resorts, Inc.	(P)(1)
Prime Computer Inc.	(P)(2)
Prime Hospitality Corporation	(P)(3), (P)(4)

Prime Medical Services, Inc.	(P)(1), (P)(2), (P)(5)
Primerica Corporation	(P)(3)
Proctor & Gamble Company (The)	(P)(2)
ProCyte Corporation	(P)(4)
Proffitts Inc.	(P)(3)
Progress Software Corporation	(P)(2), (P)(5)
Progressive Corporation	(P)(3)
Promus Hotel Corporation	(P)(1)
ProNet Inc.	(P)(2)
Protein Design Labs, Inc.	(P)(1)
Proteon Inc.	(P)(1)
Provident Companies, Inc.	(P)(3)
Providian Corporation	(P)(5)
Proxim, Inc.	(P)(1), (P)(4), (P)(5)
Prudential Reinsurance Holdings, Inc.	(P)(2), (P)(5)
PSC, Inc.	(P)(4)
PSE Technology Index	(P)(4)
Public Service Company of Colorado	(P)(3)
Public Service Enterprise Group Incorporated	(P)(2)
Public Storage, Inc.	(P)(3)
Puget Sound Bancorp	(P)(3)
Pure Atria Corp.	(P)(1), (P)(5)
Puritan Bennett Corp.	(P)(4)
Pyramid Technology Corporation	(P)(4)
Pyxis Corporation	(P)(2)
QLT PhotoTherapeutics, Inc.	(P)(3)
Quaker Oats Company (The)	(P)(3)
Quaker State Corporation	(P)(2)
QUALCOMM Inc.	(P)(1)
QualMed, Inc.	(P)(1)
Quantum Chemical Corporation	(P)(2)
Quantum Corp.	(P)(5)
Quantum Health Resources, Inc.	(P)(4)
Quarterdeck Corp.	(P)(1), (P)(2), (P)(4)
Quarterdeck Office Systems	(P)(1)
Questar Corporation	(P)(3)
Quick and Reilly Group, Inc. (The)	(P)(1), (P)(2), (P)(3)
Quickturn Design Systems Inc.	(P)(1)
Quintiles Transnational Corporation	(P)(1), (P)(2)
Quorum Health Group Inc.	(P)(2), (P)(3)
R. P. Scherer Corporation	(P)(2)
Racal Telecom Plc	(P)(1), (P)(2)
Radius, Inc.	(P)(4)
Rainforest Cafe, Inc.	(P)(1)
Ralcorp Holdings, Inc.	(P)(4)
Rally's, Inc.	(P)(1)
Ralston Purina Company	(P)(1)
Ramtron International Corporation	(P)(1), (P)(2), (P)(4)
Ranger Oil Ltd.	(P)(1)
Rational Software Corp.	(P)(1), (P)(5)
Raychem Corporation	(P)(4)
Raymond James Financial, Inc.	(P)(2)
Rayonier Inc.	(P)(1)
Raytheon Company	(P)(1)
Read-Rite Corp.	(P)(1), (P)(4)

Readers Digest Association, Inc. (The)	(P)(1), (P)(2)
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Recoton Corporation	(P)(2)
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Reebok International Ltd.	(P)(2)
Regal Cinemas, Inc.	(P)(3)
Regency Health Services, Inc.	(P)(1), (P)(2)
Regeneron Pharmaceuticals, Inc.	(P)(2), (P)(3)
Regis Corporation	(P)(3)
Reliance Bancorp, Inc.	(P)(1)
Reliance Electric Company	(P)(2)
Remedy Corporation	(P)(3), (P)(4), (P)(5)
Renal Treatment Centers, Inc.	(P)(3)
Reno Air, Inc.	(P)(1)
Renters Choice, Inc.	(P)(3)
Repap Enterprises Inc.	(P)(1), (P)(2)
Repligen Corporation	(P)(2)
Repsol, S.A.	(P)(1), (P)(2)
Republic New York Corp.	(P)(3)
Republic Waste Industries, Inc.	(P)(1), (P)(2)
Research Industries Corp.	(P)(3)
ReSound Corporation	(P)(1), (P)(2)
Respironics, Inc.	(P)(1)
Retix	(P)(1)
Reuters Holdings, PLC American Depositary Shares	(P)(2)
Revco D.S. Inc.	(P)(3)
Revlon, Inc.	(P)(1), (P)(2), (P)(3), (P)(5)
Rexall Sundown, Inc.	(P)(1), (P)(2), (P)(3)
Rexene Corp.	(P)(1), (P)(2)
Reynolds & Reynolds Company	(P)(5)
Reynolds Metals Company	(P)(4)
Ribi ImunnoChem Research, Inc.	(P)(1)
Richfood Holdings, Inc.	(P)(4)
Ride, Inc.	(P)(1), (P)(3), (P)(5)
Riggs National Corporation	(P)(4)
Rio Hotel & Casino, Inc.	(P)(1)
Riscorp, Inc.	(P)(3)
Rite Aid Corporation	(P)(3)
RJR Nabisco, Inc.	(P)(1)
RJR Nabisco Holdings Corporation, Preferred	(P)(1), (P)(2)
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Roberts Pharmaceutical Corp.	(P)(1)
Robotic Vision Systems, Inc.	(P)(2)
Rochester Community Savings Bank	(P)(2)
Rochester Telephone Corp.	(P)(1), (P)(3)
Rockefeller Center Properties, Inc.	(P)(2)
Rockwell International Corporation	(P)(1)
Rohm and Haas Company	(P)(2)
Rohr Industries, Inc.	(P)(3)
Rollins Environmental Services, Inc.	(P)(4)
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Roosevelt Financial Group, Inc.	(P)(2)
Roper Industries, Inc.	(P)(3)
Rorer Group Inc. (P)(2)	
Ross Stores, Inc.	(P)(4)
Ross Systems, Inc.	(P)(1)
RoTech Medical Corporation	(P)(2), (P)(3)
Rouge Steel Company	(P)(4)
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Rowan Companies, Inc.	(P)(2)
Royal Appliance Mfg. Co.	(P)(2)
Royal Caribbean Cruises Ltd.	(P)(2), (P)(4)
RPM, Inc.	(P)(5)
Rubbermaid, Incorporated	(P)(4)
Russ Berrie & Company Inc.	(P)(1)
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Ryan's Family Steak Houses, Inc.	(P)(1)
Ryder Systems, Inc.	(P)(4)
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7th Level, Inc.	(P)(2), (P)(3)
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S&P Bank Index	(P)(1)
S&P Chemical Index	(P)(1)
S&P Health Care Index	(P)(1)
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S&P Retail Index	(P)(1)
S&P Small Cap 600 Index	(P)(1)
S&P Transportation Index	(P)(1)
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Saatchi & Saatchi Co. PLC	(P)(1)
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SAFECO Corporation	(P)(5)
Safeguard Scientifics, Inc.	(P)(2), (P)(3), (P)(5)
Safeskin Corp.	(P)(2)
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Safeway, Inc.	(P)(1), (P)(2)
Sage Technologies, Inc.	(P)(1)
Saks Holdings, Inc.	(P)(1), (P)(2)
SanDisk Corporation	(P)(3)
Sanifill Inc.	(P)(4)
Sanmina Corp.	(P)(2), (P)(4), (P)(5)
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Santa Cruz Operation, Inc.	(P)(1), (P)(4)
Santa Fe Energy Resources, Inc.	(P)(1), (P)(2)
Sapiens International Corporation, N.V.	(P)(1)
Sara Lee Corporation	(P)(2)
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Sbarro, Inc.	(P)(2), (P)(3)
Scana Corp.	(P)(3)
SCECORP.	(P)(4)
Schering-Plough Corporation	(P)(4)
Schlumberger Limited	(P)(1)

Scholastic Corporation	(P)(1)
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SCI Systems, Inc.	(P)(1)
SciClone Pharmaceuticals, Inc.	(P)(1)
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Scientific Games Holdings Corp.	(P)(1), (P)(2)
SciMed Life Systems, Inc.	(P)(1)
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Scopus Technology, Inc.	(P)(1)
Score Board, Inc.	(P)(1), (P)(2)
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SDL, Inc.	(P)(2), (P)(5)
Sea Containers Ltd.	(P)(1)
Seacor Holdings, Inc.	(P)(1)
Seagate Technology, Inc.	(P)(2)
Seagram Company, Ltd. (The)	(P)(4)
Seagull Energy Corporation	(P)(3)
Sealed Air Corporation	(P)(3)
Sears, Roebuck & Co.	(P)(1)
Seattle Filmworks Inc.	(P)(4)
Secure Computing Corporation	(P)(2)
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Sepracor Inc.	(P)(1)
Sequent Computer Systems, Inc.	(P)(2)
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Service Merchandise Company, Inc.	(P)(3)
SGS-Thomson Microelectronics	(P)(1)
Shaman Pharmaceuticals	(P)(4)
Shandong Huaneng Power Development Co. Ltd.	(P)(1), (P)(2), (P)(3)
Shanghai Petrochemical Co. Ltd.	(P)(1)
Shared Medical Systems Corp.	(P)(4)
Shaw Industries, Inc.	(P)(1)
Shawmut National Corporation	(P)(2)
Shell Transport & Trading Co., p.l.c. (The)	(P)(1)
Sherwin-Williams Company (The)	(P)(1)
Shiva Corp.	(P)(1)
SHL Systemhouse Inc.	(P)(5)
Shoney's, Inc.	(P)(4)
ShopKo Stores, Inc.	(P)(3)
Shorewood Packaging	(P)(4)
ShowBiz Pizza Time, Inc.	(P)(4)
Showboat, Inc.	(P)(1)
Shuffle Master, Inc.	(P)(2)
Siebel Systems, Inc.	(P)(1), (P)(2)
Sierra Health Services, Inc.	(P)(3)
Sierra On-Line, Inc.	(P)(1), (P)(3)
Sierra Semiconductor Corp.	(P)(3), (P)(4)
Sigma Aldrich Corporation	(P)(1)
Sigma Designs, Inc.	(P)(1)

Signet Banking Corporation	(P)(4)
Silicon General, Inc.	(P)(4)
Silicon Graphics, Inc.	(P)(2)
Silicon Storage Technology, Inc.	(P)(1), (P)(2), (P)(4), (P)(5)
Silicon Valley Group Inc.	(P)(5)
Simon Property Group, Inc.	(P)(2)
Singer Company N.V. (The)	(P)(2), (P)(5)
Sizzler International, Inc.	(P)(1)
Skyline Corporation	(P)(1)
Skywest Inc.	(P)(1), (P)(4)
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Smart Modular Technologies, Inc.	(P)(4), (P)(5)
Smith Corona Corporation	(P)(5)
Smith International, Inc.	(P)(3)
Smith's Food & Drug Centers, Inc.	(P)(5)
Smithfield Foods Inc.	(P)(3)
Smithkline Beecham PLC ADR (SBH)	(P)(1)
SmithKline Beecham PLC ADS (SBH)	(P)(4)
SmithKline Beecham p.l.c. (SBE)	(P)(4)
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Snapple Beverage Corp.	(P)(1), (P)(2), (P)(4)
Snyder Communications, Inc.	(P)(1), (P)(2)
Snyder Oil Corporation	(P)(2)
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Society Corp.	(P)(4)
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Softkey International Inc.	(P)(1), (P)(2), (P)(5)
Software 2000, Inc.	(P)(2)
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Solelectron Corporation	(P)(1)
Somatix Therapy Corporation	(P)(1)
Somatogen, Inc.	(P)(1)
Sonat Offshore Drilling	(P)(3)
Sonat Inc.	(P)(2)
Sonoco Products Co.	(P)(1), (P)(3)
Sony Corporation	(P)(1), (P)(2), (P)(3), (P)(4)
Sotheby's Holdings Inc., Class A	(P)(1), (P)(2)
Southeast Banking Corporation	(P)(1)
Southern Company	(P)(1)
Southern National Corporation	(P)(3), (P)(5)
Southern New England Telecommunications Corp.	(P)(5)
Southern Pacific Rail Corporation	(P)(1), (P)(2), (P)(4)
Southern Union Company	(P)(3), (P)(4)
Southtrust Corp.	(P)(4)
Southwest Airlines Company	(P)(1)
Southwestern Bell Corp.	(P)(4)
Sovereign Bancorp, Inc.	(P)(3)
Spacelabs Medical Inc.	(P)(3)
Spain Fund, Inc. (The)	(P)(1)
Spartan Motors, Inc.	(P)(4)
Spectravision, Incorporated	(P)(1)
Spectrum HoloByte, Inc.	(P)(4)
Spectrum Information Technologies, Inc.	(P)(1), (P)(2)
Spectrum Signal Processing, Inc.	(P)(4)

Speedway Motorsports, Inc.	(P)(2)
Spelling Entertainment Group, Inc.	(P)(1)
SPI Pharmaceuticals, Inc.	(P)(2)
Spiegel, Incorporated Class A	(P)(1)
Spine-Tech, Inc.	(P)(3)
Sports Authority, Inc. (The)	(P)(1), (P)(2), (P)(5)
Sports and Recreation, Inc.	(P)(1), (P)(2), (P)(5)
SPX CAPS	(P)(1)
SPX Corp.	(P)(5)
Spyglass, Inc.	(P)(1), (P)(2), (P)(3), (P)(5)
Squibb Corporation	(P)(1)
St. Paul Bancorp, Inc.	(P)(1)
St. Paul Companies, Inc. (The)	(P)(1)
St. Jude Medical, Inc.	(P)(1)
STAAR Surgical Co.	(P)(1), (P)(5)
Stac Electronics	(P)(1), (P)(2)
Standard Federal Bancorporation	(P)(1)
Standard Microsystems Corp.	(P)(1), (P)(2)
Standard & Poor's MidCap 400 Index Options	(P)(2)
Standard & Poor's 100 Stock Index	(P)(1)
Stanhome Inc.	(P)(2)
Stanley Works (The)	(P)(4)
Staples, Inc.	(P)(3)
Star Banc Corp.	(P)(4)
Starbucks Corp.	(P)(1)
Starsight Telecast, Inc.	(P)(1), (P)(4)
Starter Corporation	(P)(1), (P)(2), (P)(3)
State of the Art, Inc.	(P)(4)
State Street Boston Corp.	(P)(3)
Station Casinos, Inc.	(P)(1), (P)(2), (P)(3)
Stein Mart, Inc.	(P)(3)
Steris Corporation	(P)(1)
Sterling Chemicals Inc.	(P)(1), (P)(3)
Sterling Commerce, Inc.	(P)(1), (P)(3)
Sterling Software Inc.	(P)(3)
Stewart Enterprises, Inc.	(P)(4), (P)(5)
Stewart & Stevenson Services, Inc.	(P)(4)
Stillwater Mining Co.	(P)(4)
Stone Container Corporation	(P)(4)
Stop & Shop Companies Inc.	(P)(5)
Storage Technology Corporation	(P)(1)
STORMEDIA INC.	(P)(5)
StrataCom, Inc.	(P)(2)
Stratosphere Corp.	(P)(1)
Stratus Computer, Inc.	(P)(4)
Stride Rite Corporation	(P)(4)
Structural Dynamics Research Corp.	(P)(3)
Stryker Corporation	(P)(3)
Student Loan Marketing Association	(P)(1)
Sturm Ruger & Company, Inc.	(P)(1)
Subaru of America, Inc.	(P)(3)
SubMicron Systems Corporation	(P)(2), (P)(4)
Sulcus Company Corporation	(P)(1)
Summit Bancorporation	(P)(2)
Summit Technology, Inc.	(P)(2), (P)(4), (P)(5)

Sun Healthcare Group, Inc.	(P)(1)
Sun International Hotels Ltd.	(P)(1)
Sun Oil Company	(P)(3)
Sun Microsystems, Inc.	(P)(4)
Sunbeam-Oster Company, Inc.	(P)(2)
Sungard Data Systems, Inc.	(P)(3)
Sunglass Hut International, Inc.	(P)(1)
Sunrise Medical, Inc.	(P)(4)
Sunstrand Corporation	(P)(5)
SunTrust Banks, Inc.	(P)(4)
Super Cap Sector (The)	(P)(3)
Super Valu Stores, Inc.	(P)(3)
Superior Industries International	(P)(1)
SuperMac Technology, Inc.	(P)(1)
Supertex, Inc.	(P)(3), (P)(4)
Surgical Laser Technologies, Inc.	(P)(2)
Swift Transportation Co., Inc.	(P)(1)
Swiss Franc	(P)(3)
Sybase, Inc.	(P)(4)
Sylvan Learning Systems, Inc.	(P)(2)
Symantec Corporation	(P)(4)
Symbol Technologies, Inc.	(P)(2)
Sync Research, Inc.	(P)(3)
Synergen, Inc.	(P)(4)
Synopsys, Inc.	(P)(1)
SynOptics Communications, Inc.	(P)(1)
Syntex Corporation	(P)(1)
Syquest Technology, Inc.	(P)(4)
Sysco Corporation	(P)(5)
System Software Associates, Inc.	(P)(4)
Systemed, Inc.	(P)(1)
Systems & Computer Technology Corporation	(P)(2)
SystemSoft Corp.	(P)(1), (P)(2)
360 Communications Company	(P)(3), (P)(5)
3Com Corporation	(P)(4)
3DO Company (The)	(P)(1), (P)(2), (P)(3), (P)(4)
T Cell Sciences, Inc.	(P)(2)
T. Rowe Price	(P)(1)
T2 Medical, Inc.	(P)(4)
Taco Cabana Inc. - Class A	(P)(3)
Tadiran Limited	(P)(1)
Talbots, Inc.	(P)(4)
Tambrands Inc.	(P)(5)
Tandem Computers Incorporated	(P)(2)
Tandy Corporation	(P)(1), (P)(2)
Target Therapeutics, Inc.	(P)(1), (P)(3), (P)(4)
Taseko Mines Ltd.	(P)(1)
Taubman Centers Inc.	(P)(5)
TBC Corporation	(P)(5)
TCA Cable TV, Incorporated	(P)(1)
TCBY Enterprises, Inc.	(P)(4)
TCF Financial Corp.	(P)(4), (P)(5)
TCI Satellite Entertainment, Inc.	(P)(1), (P)(2)
TCSI Corp.	(P)(1), (P)(4)
Tech Data Corp.	(P)(4)

Technology Solutions Co.	(P)(1), (P)(5)
Tecnol Medical Products, Inc.	(P)(2)
TECO Energy	(P)(3), (P)(4)
Tecumseh Products Company, Class A	(P)(2)
Tee Comm. Electronics Inc.	(P)(1)
Tektronix, Inc.	(P)(2), (P)(4)
Tele-Communications, Inc., Class A	(P)(2)
Tele-Communications, Inc. Liberty Media Group, Series A	(P)(2)
Tele-Communications International, Inc. Class A	(P)(1), (P)(2)
Tele-Danmark A/S	(P)(1)
Telebit Corporation	(P)(1)
Telecom Argentina Stet-France Telecom S.A.	(P)(1), (P)(2), (P)(3), (P)(5)
Telecom Corporation of New Zealand Limited - ADR	(P)(2), (P)(4)
Telecom USA, Inc.	(P)(3)
Telecomunicacoes Brasileiras S/A-Telebras	(P)(1), (P)(2), (P)(3), (P)(5)
Telecredit, Inc.	(P)(1)
Teledyne, Inc.	(P)(1)
Teleflex, Inc.	(P)(3), (P)(4)
Telefonica de Argentina S.A.	(P)(1), (P)(2), (P)(4)
Telefonica Del Peru S.A. ADR	(P)(1), (P)(2), (P)(4)
Telefonics de Espana, S.A.	(P)(2)
Telefonos de Mexico, S.A. de C.V.	(P)(1), (P)(2), (P)(3), (P)(5)
Telegraph Ltd. Israel Index	(P)(4)
Telematics International, Inc.	(P)(1), (P)(2)
Telephone & Data Systems, Inc.	(P)(4)
Teleport Communications Group, Inc.	(P)(1), (P)(2), (P)(3)
TeleSpectrum Worldwide, Inc.	(P)(1)
TeleTech Holdings, Inc.	(P)(1)
Tellabs, Inc.	(P)(4)
Telxon Corporation	(P)(1)
Temple-Inland Inc.	(P)(2)
Templeton Emerging Markets Fund, Inc. (The)	(P)(2)
Tencor Instruments	(P)(5)
Tenneco Inc.	(P)(2)
Teradata Corporation	(P)(1)
Teradyne, Inc. (P)(4)	
Terra Industries Inc.	(P)(1)
Tesoro Petroleum Corporation	(P)(3)
Tetra Technologies, Inc.	(P)(3)
Teva Pharmaceutical Industries Ltd.	(P)(1), (P)(2), (P)(4)
Texaco Inc.	(P)(2)
Texas Eastern Corporation	(P)(3)
Texas Instruments Incorporated	(P)(1)
Texas Meridian Resources Corporation	(P)(2)
Texas Utilities Company	(P)(4)
Textron Inc.	(P)(3)
Theragenics Corporation	(P)(1)
TheraTech, Inc.	(P)(2)
TheraTx, Inc.	(P)(3)
Thermedics Inc.	(P)(2)
Thermo Cardiosystems, Inc.	(P)(2)
Thermo Electron Corp.	(P)(5)
Thermo Instrument Systems Inc.	(P)(2)
ThermoLase Corporation	(P)(2)
ThermoTrex Corp.	(P)(2)

Thrifty Payless Holdings, Inc.	(P)(1), (P)(2)
Tidewater Inc.	(P)(3), (P)(5)
Tiffany & Company	(P)(3)
TIG Holdings Inc.	(P)(3), (P)(5)
Time Warner Inc.	(P)(1), (P)(3)
Times Mirror Company (The)	(P)(5)
Timken Company	(P)(5)
Titan Wheel International, Inc.	(P)(2)
Titanium Metals Corporation	(P)(3), (P)(4)
TJ International Inc.	(P)(3)
TNT Freightways Corp.	(P)(5)
Tokos Medical Corporation	(P)(3)
Toll Brothers, Inc.	(P)(2), (P)(3)
Tom Brown, Inc.	(P)(4)
Tommy Hilfiger Corporation	(P)(1)
Tonka Corporation	(P)(2)
Top Source Technologies, Inc.	(P)(1), (P)(2), (P)(5)
Topps Company, Inc. (The)	(P)(3)
Torchmark Corporation	(P)(2)
Toronto Dominion Bank	(P)(2)
Tosco Corporation	(P)(2)
Total Systems Services, Inc.	(P)(3)
Total	(P)(2)
Toys "R" Us, Inc.	(P)(1)
TPI Enterprises, Inc.	(P)(4)
Tracor, Inc.	(P)(1)
Trans World Airlines, Inc.	(P)(1), (P)(2), (P)(3), (P)(5)
Transaction Systems Architects, Inc.	(P)(3)
Transamerica Corporation	(P)(3)
TransCanada PipeLines Ltd.	(P)(5)
Transco Energy Company	(P)(5)
Transmedia Network, Inc.	(P)(4)
Transportacion Maritima Mexicana S.A. de C.V.	(P)(1), (P)(3)
Transwitch Corporation	(P)(3)
Travelers/Aetna Property Casualty Corporation	(P)(2), (P)(3)
Travelers Corporation	(P)(4)
Tri-Continental Corporation	(P)(3)
Tribune Company	(P)(1)
Tricord Systems, Incorporated	(P)(1)
Trident Microsystems, Inc.	(P)(4)
Trimble Navigation Limited	(P)(4)
Trimedyn, Inc.	(P)(1)
Trinity Industries, Inc.	(P)(2)
Trinova Corporation	(P)(3)
Triquint Semiconductor, Inc.	(P)(1), (P)(4)
Triton Energy Corporation	(P)(1), (P)(2), (P)(3), (P)(5)
Trump Hotels and Casino Resorts, Inc.	(P)(2), (P)(3)
TRW, Inc.	(P)(2)
Tseng Labs, Inc.	(P)(2)
TSI Corp.	(P)(1)
Tubos de Acero de Mexico SA	(P)(1)
Tuboscope Vetco Int'l Corporation	(P)(1), (P)(2), (P)(5)
Tucson Electric Power Company	(P)(2), (P)(4)
Tupperware Corporation	(P)(1), (P)(2), (P)(3), (P)(5)
Turner Broadcasting System, Inc.	(P)(1)

TVX Gold, Inc.	(P)(1), (P)(4)
Twentieth Century Industries	(P)(1)
TYCO Laboratories, Inc.	(P)(3)
Tyco Toys, Inc.	(P)(3)
Tyson Foods, Inc., Class A	(P)(4)
14 Week U.S. Treasury Bills	(P)(2)
7 1/4% U.S. Treasury Bond maturing May 15, 2016	(P)(1)
7 7/8% U.S. Treasury Bond maturing February 15, 2021	(P)(1)
7 3/4% U.S. Treasury Note maturing February 15, 1995	(P)(1)
7 7/8% U.S. Treasury Note maturing February 15, 1996	(P)(1)
8 5/8% U.S. Treasury Note maturing August 15, 1994	(P)(1)
8 3/4% U.S. Treasury Bond maturing August 15, 2020	(P)(1)
8 3/4% U.S. Treasury Bond maturing May 15, 2020	(P)(1)
8 7/8% U.S. Treasury Bond maturing February 15, 2019	(P)(1)
8 1/2% U.S. Treasury Bond maturing February 15, 2020	(P)(1)
8 1/8% U.S. Treasury Bond maturing May 15, 2021	(P)(1)
8 1/8% U.S. Treasury Bond maturing August 15, 2019	(P)(1)
8 1/2% U.S. Treasury Note maturing May 15, 1995	(P)(1)
8 1/2% U.S. Treasury Note maturing August 15, 1995	(P)(1)
8 1/4% U.S. Treasury Note maturing November 15, 1994	(P)(1)
8 1/2% U.S. Treasury Note maturing November 15, 1995	(P)(1)
9 1/8% U.S. Treasury Bond due May 15, 2018	(P)(1)
9% U.S. Treasury Bond maturing November 15, 2018	(P)(1)
U.S. Bancorp	(P)(2), (P)(4)
U.S. Bioscience, Inc.	(P)(2), (P)(4), (P)(5)
U.S. Diagnostic Labs, Inc.	(P)(1), (P)(4), (P)(5)
U.S. Healthcare, Inc.	(P)(2)
U.S. Long Distance Corp.	(P)(4)
U.S. Order, Inc.	(P)(2)
U.S. Robotics, Inc.	(P)(1), (P)(2)
U S WEST, Inc.	(P)(2)
U.S. Top 100 Index	(P)(3)
UAL Corporation	(P)(1)
UCAR International Inc.	(P)(1)
UICI	(P)(5)
UJB Financial Corp.	(P)(1)
Ultrak, Inc.	(P)(4), (P)(5)
Ultramar Corp.	(P)(3)
Ultramar Diamond Shamrock Corp.	(P)(1)
Ultratech Stepper, Inc.	(P)(1), (P)(2), (P)(4)
Unifi Inc.	(P)(1)
Unilever N.V.	(P)(2)
Union Camp Corporation	(P)(1)
Union Carbide Corporation	(P)(2)
Union Electric Co.	(P)(3)
Union Pacific Resources Group, Inc.	(P)(1), (P)(3)
Union Pacific Corporation	(P)(3)
Union Planters Corporation	(P)(1)
Union Texas Petroleum Holdings Inc.	(P)(3)
Uniphase Corp.	(P)(4), (P)(5)
Uniroyal Chemical Corp.	(P)(4)
Unisys Corporation	(P)(1), (P)(2)
United States Filter Corporation	(P)(1)
United States Health Care Systems, Inc.	(P)(2)
United States Steel Corporation	(P)(2)

United States Surgical Corporation	(P)(2)
United Telecommunications, Inc.	(P)(3)
United Technologies Corporation	(P)(1)
United Video Satellite	(P)(4)
United Waste Systems, Inc.	(P)(3)
United States Cellular	(P)(2), (P)(4)
United States Satellite Broadcasting Companies, Inc.	(P)(1), (P)(2), (P)(5)
United HealthCare Corporation	(P)(1), (P)(2), (P)(5)
United Meridian Corp.	(P)(1), (P)(4)
United Asset Management Corp.	(P)(4)
United Companies Financial Corporation	(P)(3)
Unitrin Inc.	(P)(1)
Unitrode Corporation	(P)(3)
Universal Foods Corporation	(P)(3)
Universal Health Services, Inc.	(P)(3)
Unocal Exploration Corporation	(P)(1)
UNOCAL	(P)(4)
UNUM Corporation	(P)(2)
Upjohn Company (The)	(P)(1)
US Industries	(P)(1)
US Office Products Company	(P)(1), (P)(5)
US West Media Group	(P)(2)
USA Waste Services, Inc.	(P)(1), (P)(2)
USAIR Group	(P)(4)
USF&G Corporation	(P)(3)
USG Corp.	(P)(5)
UST Inc.	(P)(1)
USX Delhi Group	(P)(2)
USX-Marathon Group	(P)(2)
USX-U.S. Steel Group	(P)(2)
UUNET Technologies, Inc.	(P)(1), (P)(2), (P)(3)
UroMed Corporation	(P)(3)
Utah Medical Products, Inc.	(P)(2)
Valassis Communications, Inc.	(P)(5)
Valence Technology, Inc.	(P)(1)
Valero Energy Corporation	(P)(2)
Valley National Corporation	(P)(2)
Valmont Industries, Inc.	(P)(4)
Value Health Inc.	(P)(1)
Value Line Composite Index	(P)(3)
ValueVision International, Inc.	(P)(1)
ValuJet Airlines, Inc.	(P)(1), (P)(2), (P)(3)
Vanguard Cellular Systems, Inc.	(P)(1)
Vans, Inc.	(P)(1), (P)(2)
Vanstar Corp.	(P)(1), (P)(4)
Vantive Corp.	(P)(1)
Varco International, Inc.	(P)(2), (P)(3)
Varian Associates	(P)(2)
Varity Corp.	(P)(1)
Vastar Resources, Inc.	(P)(3)
Vencor, Inc.	(P)(3)
Ventritex, Inc.	(P)(1)
Venture Stores, Inc.	(P)(1)
VeriFone Inc.	(P)(1)
VERITAS Software Corporation	(P)(2), (P)(5)

Verity, Inc.	(P)(2), (P)(5)
Vertex Pharmaceuticals, Inc.	(P)(3), (P)(4)
Veterinary Centers of America, Inc.	(P)(2), (P)(4)
VF Corporation	(P)(5)
Viacom, Inc.	(P)(3)
Viacom Inc. Class B	(P)(1)
VIASOFT, Inc.	(P)(1), (P)(2), (P)(5)
Vical, Inc.	(P)(4)
Vicor Corp.	(P)(1)
Video Lottery Technologies, Inc.	(P)(1), (P)(2)
VideoServer, Inc.	(P)(1), (P)(4), (P)(5)
Viewlogic Systems, Inc.	(P)(1), (P)(4)
Vigoro Corporation	(P)(4)
Viking Office Products, Inc.	(P)(4)
Virginia Electric and Power Company	(P)(3)
Vishay Intertechnology Inc.	(P)(4)
VISX, Incorporated	(P)(2)
Vitesse Semiconductor Corp.	(P)(1)
Vitro, Sociedad Anonima ADR	(P)(1)
Vivra Inc.	(P)(4)
Vivus, Inc.	(P)(3)
VLSI Technology, Inc.	(P)(1), (P)(2)
VMARK Software, Inc.	(P)(2)
Volvo AB	(P)(1), (P)(3), (P)(5)
Vons Companies, Inc.	(P)(4), (P)(5)
VTEL Corp.	(P)(1), (P)(4)
Waban, Inc.	(P)(1)
Wabash National Corp.	(P)(1)
Wachovia Corporation	(P)(4)
Wackenhut Corrections Corp.	(P)(1), (P)(4)
Wal-Mart Stores, Inc.	(P)(1)
Walgreen Co.	(P)(2)
Wall Data Inc.	(P)(1)
Wallace Computer Services, Inc.	(P)(3)
Wang Laboratories, Inc.	(P)(1)
Warner Communications Inc.	(P)(1)
Warner-Lambert Company	(P)(2)
Washington Mutual Savings Bank	(P)(2)
Washington Federal Inc.	(P)(4)
Waste Management International plc	(P)(1), (P)(2), (P)(5)
Waste Management, Inc.	(P)(3)
Waterhouse Investor Services, Inc.	(P)(2)
Waters Corporation	(P)(3)
Watson Pharmaceuticals Inc.	(P)(1)
Watts Industries, Inc.	(P)(3)
Wavephore, Inc.	(P)(3)
Weatherford International, Inc.	(P)(2)
Weirton Steel Corporation	(P)(3)
Wellcome plc	(P)(1), (P)(2)
Wellfleet Communications	(P)(1)
Wellman, Inc.	(P)(5)
WellPoint Health Networks Inc. (New)	(P)(1), (P)(2)
WellPoint Health Networks Inc., Class A	(P)(1), (P)(2)
Wells Fargo & Company	(P)(2)
Wendy's International, Inc.	(P)(4)

Werner Enterprises, Inc.	(P)(3)
West One Bancorp	(P)(2)
West Point-Pepperell, Inc.	(P)(1)
Westamerica Bancorp.	(P)(4)
Westcott Communications, Inc.	(P)(1)
Westell Technologies, Inc.	(P)(1)
Western Atlas Inc.	(P)(1), (P)(5)
Western Company of North America (The)	(P)(1), (P)(2), (P)(4)
Western Digital Corporation	(P)(2)
Western National Corporation	(P)(1)
Western Pacific Airlines, Inc.	(P)(2), (P)(3)
Western Publishing Group, Inc.	(P)(3)
Western Resources, Inc.	(P)(1), (P)(2)
Western Wireless Corporation	(P)(3)
Westinghouse Electric Corporation	(P)(2)
Westmark International Inc.	(P)(3)
WestPoint Stevens Inc.	(P)(4), (P)(5)
Westvaco Corporation	(P)(4)
Westwood One Inc.	(P)(3)
Wet Seal, Inc.	(P)(5)
Weyerhaeuser Company	(P)(1)
Wheelabrator Technologies, Inc. (Cusip #962899100)	(P)(2)
Wheelabrator Technologies Inc. (Cusip #962901104)	(P)(2)
Wheeling Pittsburgh Corp.	(P)(1)
Whirlpool Corporation	(P)(1)
Whitman Corp.	(P)(1)
Whittaker Corp.	(P)(4)
Whole Foods Market, Inc.	(P)(2)
Willamette Industries, Inc.	(P)(5)
Williams Companies	(P)(1)
Williams-Sonoma, Inc.	(P)(1), (P)(2), (P)(4)
Wilshire Small Cap Index	(P)(4)
Wind River Systems, Inc.	(P)(2)
Windmere Corp.	(P)(4)
Winn-Dixie Stores Inc.	(P)(1)
Winnebago Industries, Inc.	(P)(1), (P)(2)
WinStar Communications, Inc.	(P)(1), (P)(2), (P)(5)
Wireless Telecom Group, Inc.	(P)(1), (P)(2)
Wisconsin Central Transportation Corp.	(P)(1)
Witco Corporation	(P)(5)
WMS Industries, Inc.	(P)(3)
Wolverine Tube, Inc.	(P)(2)
Wonderware Corp.	(P)(1), (P)(4)
Woolworth (F.W.) Co.	(P)(3)
World Color Press, Inc.	(P)(1)
Worldcorp. Inc.	(P)(4)
Worthington Industries, Inc.	(P)(3)
Wrigley (Wm.) Jr. Company	(P)(2)
Wyle Electronics	(P)(4)
Wyman-Gordon Co.	(P)(3), (P)(5)
Wyse Technology, Inc.	(P)(2)
X-Rite, Incorporated	(P)(2)
Xerox Corporation	(P)(1), (P)(4)
Xicor, Inc.	(P)(1)
Xilinx, Inc.	(P)(1), (P)(4)

Xircom Inc.	(P)(1)
XOMA Corporation	(P)(1), (P)(2)
XTRA Corp.	(P)(2), (P)(4)
Xylan Corporation	(P)(1), (P)(2), (P)(4), (P)(5)
Yellow Freight System, Inc.	(P)(1)
YES! Entertainment Corp.	(P)(1)
Yield Based Options on 5 year U.S. Treasury Note	(P)(1)
Yield Based Options on 10 year U.S. Treasury Note	(P)(1)
Yield Based Options on 30 year U.S. Treasury Yield	(P)(1)
York International Corporation	(P)(1)
YPF Sociedad Anonima	(P)(1), (P)(2), (P)(5)
Zale Corp.	(P)(1)
Zayre Corporation	(P)(1)
Zebra Technologies Corp.	(P)(1), (P)(4)
Zeigler Coal Holding	(P)(4)
Zeneca Group PLC	(P)(1)
Zenith Electronics Corporation	(P)(2)
Zenith Laboratories, Inc.	(P)(4)
Zeos International, Ltd.	(P)(1), (P)(2), (P)(4)
Zilog, Inc.	(P)(2)
Zitel Corp.	(P)(1)
Zoltek Companies, Inc.	(P)(1), (P)(2)
Zurn Industries, Inc.	(P)(2)
Zycad Corporation	(P)(1),(P)(2)