

September 16, 2003

Ms. Jean A. Webb
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington DC 20581

Re: U.S. Futures Exchange, L.L.C. Application for Contract Market Designation

Dear Ms. Webb:

U.S. Futures Exchange, L.L.C. (the "Exchange") hereby submits an application for designation as a contract market to the Commodity Futures Trading Commission (the "Commission") pursuant to the Sections 5(b) and 6 of the Commodity Exchange Act and Part 38 of the Commission's Rules.

This letter contains a summary description of the governance of the Exchange, membership rights and obligations, the Exchange's electronic trading system for futures and options on futures, the proposed trade matching algorithm, the Exchange's clearing and settlement arrangements, and the compliance and surveillance program.

Annexed as exhibits hereto are the following:

1. Chart Demonstrating Compliance with the Core Principles
2. U.S. Futures Exchange, L.L.C. Certificate of Formation
3. U.S. Futures Exchange, L.L.C. Agreement and Bylaws
4. U.S. Futures Exchange, L.L.C. Exchange Rules
5. U.S. Futures Exchange, L.L.C. Membership Applications and Agreement
6. NFA Regulatory Services Agreement
7. Market Supervision Trading Business Procedures
8. General Services Agreement with Eurex
9. Service Level Agreement Between Deutsche Börse AG and Eurex
10. Clearing Services Agreement with The Clearing Corporation
11. U.S. Futures Exchange, L.L.C. Disaster Recovery Plan
12. Eurex US User Guide Release 1.0
13. U.S. Futures Exchange, L.L.C. Responses to CFTC Technical Questionnaire

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14. a/c/e CBOT Information Manual and System Overview with Change Log
15. a/c/e CBOT Operations Manual with Change Log
16. a/c/e CBOT Front End Installation Guide with Change Log
17. a/c/e CBOT Front End Operations Guide with Change Log
18. a/c/e 1.1 Internal Trading Manual with Change Log
19. a/c/e CBOT Security Manual with Change Log
20. a/c/e CBOT Security Coordinator/Master Terminal Operator Manual with Change Log

Please be advised that Exhibits 5 through 20 contain trade secrets and confidential and proprietary commercial and financial information of U.S. Futures Exchange, L.L.C. The Exchange therefore requests confidential treatment of these materials for as long as the documents remain in the possession of the Commission or any other government agency pursuant to 5 U.S.C. § 552(b)(4) of the Freedom of Information Act and Section 145.9(d)(1)(ii) of the Commission's regulations.

On behalf of the U.S. Futures Exchange, we request that the Exchange be provided with advance notice by telephone and letter of any request to the Commission to disclose these documents so that the Exchange and its counsel may be heard on the question of the propriety of any proposed disclosure. Such notice may be provided to me at the above address and telephone number.

Overview

A. Governance

The Exchange will be a Designated Contract Market, organized and operated in the United States. The Exchange will be organized as a Limited Liability Company and a wholly owned subsidiary of U.S. Exchange Holdings, Inc. U.S. Exchange Holdings, Inc. is a separately capitalized, wholly owned subsidiary of Eurex Frankfurt, A.G.

B. Membership

The eligibility requirements for Exchange membership include demonstrating sufficient operational capabilities (including hardware, software, communications systems, and staff) as the Exchange may determine is appropriate in view of the applicant's anticipated type and level of trading activity. In addition, a non-clearing member must file with the Exchange an agreement under which a clearing member

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agrees to accept for clearance all transactions effected by that non-clearing member. No direct investment in the Exchange will be required.

Each member is responsible for diligently supervising all activities of its employees relating to transactions effected on the Exchange's Trading System or subject to Exchange Rules. Members are required to designate one or more senior officers who are responsible for such supervision and to provide the Exchange with the necessary contact information. The Exchange, by rule, will exercise authority over all market participants (including customers of FCMs).

C. Trading System; Trading Algorithm; Dissemination of Trade Data

The Exchange's trading system will be an enhanced version of the "a/c/e/" trading system. Eurex has operated this trading platform in the United States in a joint venture with the Chicago Board of Trade since 2000.

The Exchange's trading system will be fully anonymous from order entry through clearing. It will make no distinction in the order execution of members and customers. All members will have access to the same order book and the ten best bid/ask prices. Trades will be matched using a price/time priority matching engine, with the highest priority given to market orders.

The fully automated electronic trading system will provide full audit trail of orders, bids and transactions. Audit trail information will be provided directly to the National Futures Association ("NFA") with whom the Exchange will contract for certain regulatory services. Trade data will be analyzed by NFA on a T+1 basis.

In addition to the trading system, the Exchange will also offer several special electronic execution facilities. These include an electronic Block Trading Facility, on which block trades may be executed subject to the rules of the Exchange; an Exchange of Futures for Swaps Trading Facility, to permit exchanges of futures for swaps (for members pre-approved by clearing members and clearinghouse); and a Basis Trading Facility, to permit exchanges of futures for physicals (for members pre-approved by clearing members and clearinghouse). The Exchange will also provide a Vola Trading Facility, for the matching of Vola Trades by members and by their customers. (A vola trade is the entry by members or by customers into the exchange of an option or options (either exchange-traded or OTC) and the contract on the underlying futures or commodity in either a simultaneous or sequential transaction.)

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The Exchange has contracted with Eurex to provide certain system-related services, including: (1) Maintenance Services (certain software development and maintenance services with respect to the Licensed Programs); and (2) Operation Services (certain network related services required for the operation of the Exchange Platform). It is also contracting with Eurex for other related corporate services. This is similar to the operation of the a/c/e project.

D. Clearing and Settlement

The Clearing Corporation, formerly the Board of Trade Clearing Corporation, has agreed to provide settlement and clearing services for the Exchange. The Clearing Corporation will process and guarantee in its own name contracts traded on the Exchange trading system. The Clearing Corporation is a Derivatives Clearing Organization registered with the Commission and has cleared a/c/e traded contracts since 2000. Clearing members of the Exchange will be authorized to act in that capacity by, and subject to the rules of The Clearing Corporation. As part of the clearing services agreement, The Clearing Corporation will remain an independent U.S. clearinghouse, free to offer its clearing services to other trade execution platforms.

E. Compliance and Surveillance Programs

Regulatory surveillance will be performed by NFA pursuant to a regulatory services agreement. The scope of surveillance services to be provided includes trade practice surveillance and market surveillance. In addition, NFA will provide certain compliance services, including conducting investigations and litigating disciplinary cases in conformity with Exchange Compliance Rules. The NFA will also provide its arbitration forum for the resolution of customer/member disputes and member/member disputes.

These market and trade practice surveillance activities are in addition to the real time surveillance performed by the Exchange using Market Supervision tools and procedures developed for the Eurex trade system and in connection with the a/c/e trading platform.

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F. Proposed Terms and Conditions of Futures Contracts

The Exchange intends to offer both futures and options on futures contracts. It intends to certify that the contracts to be traded on the Exchange comply with the Commodity Exchange Act and the regulations thereunder.

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If you have any questions concerning this application, please contact Michael McErlean, President and Chief Executive Officer of the Exchange (312) 408 4536, Daniel Waldman (202) 942 5804, Geoffrey Aronow (202) 942 5181 or Susan Lee (202) 942 5702 of Arnold & Porter.

Sincerely,



Daniel Waldman

Enclosures

cc w/enclos: Edward W. Colbert
Deputy Secretary of the Commission for FOI,
Privacy and Sunshine Act Compliance

cc w/o enclos: The Honorable James E. Newsome, Chairman
The Honorable Barbara Penderson Holum, Commissioner
The Honorable Walter K. Lukken, Commissioner
The Honorable Sharon Brown-Hruska, Commissioner