



COMMODITY FUTURES TRADING COMMISSION
2033 K Street, N. W., Washington, DC 20581

Mary L. Schapiro
Chairman

(202) 254 - 6970

June 16, 1995

Mr. David E. King, Chief Executive
London Metal Exchange Limited
56 Leadenhall St.
London, England EC3A2BJ

Dear Mr. King:

It was a pleasure meeting with you on April 19, 1995, during your trip to Washington. I appreciated the opportunity to discuss with you the Commission's concerns regarding London Metal Exchange's ("LME") delivery points for copper in the United States and hearing your views regarding regulatory and surveillance cooperation. We appreciate receiving from you the information regarding movements of stock certified for LME delivery.

At our meeting, you also offered to have LME staff respond further to any questions which our staff might have in connection with the surveillance of the United States commodity markets. I have taken the liberty of attaching a list of questions that could form the basis for beginning an ongoing dialogue between our surveillance staffs.

As you know, we recently met with other national regulators at Windsor to discuss the need for heightened international cooperation in the regulation of futures trading. We would like to discuss with you mechanisms for sharing information concerning trading in related contracts.

Thank you for your continued cooperation.

Sincerely,

Mary L. Schapiro
Chairman

enclosure

cc: Andrew Winckler
Securities Investments Board

The following is a list of staff questions regarding London Metal Exchange trading:

- (1) How does the LME handle position reporting? What is the reporting level for copper? If a trader is reportable in one expiration, is that trader reportable in every expiration in copper? Is "expiration" synonymous with "prompt date"?
- (2) Who reviews position data? Are both clearing members and clients' names reported and reviewed? Describe generally the market surveillance of futures and options expiration dates.
- (3) Does the LME publish a Daily Market Report? If so, can we obtain a sample copy? Does the market report contain firm or estimated kerb data? What, if any, transactions that are considered to be LME transactions (i.e., subject to LME rules) are excluded from the market report?
- (4) What information is available on deliveries on a contract? Is information available with respect to delivery location?
- (5) What records are maintained by the LME with respect to stock ownership? To whom is this ownership information available?
- (6) (a) Cash and Forwards -- Do published volume and open interest figures for cash and forward contracts reported (for example, in the Financial Times) include kerb trading? If not, is any estimate of kerb volume and open interest available? What percent of cash and forward contracts are done in the ring as compared with the kerb? Where can we obtain printed data for forward expirations other than the three-month position?

(b) Options -- Again, is kerb trading included in the volume reported? What percent of options volume is done in the ring vs. the kerb? Are data for other strike prices available?

(c) What type of trade documentation and related audit trail information is available from the LME regarding ring and kerb trades? How are principal-to-principal trades documented?

(d) Does the LME have educational pamphlets similar to those used by U.S. exchanges?
- (7) Define the terms "close" and "A.M. Official Price."
 - (a) What is the closing price? Actual prices or a bid/ask range?
 - (b) How are closing prices determined and by whom? How is the final price determined, and how does it differ from closing prices?