

## Customer Margin Requirements

### 515. General Requirements; Offsetting Positions; Exclusion for Market Makers

(a)–(n)(ii)(B) No Change.

(C) Hold itself out as being willing to buy and sell security futures for its own account on a regular or continuous basis.

A Market Maker satisfies condition (C) above if:

(1) Such Market Maker: (x) provides continuous two-sided quotations throughout the trading day for all delivery months of Contracts representing a meaningful proportion of the total trading volume on the Exchange, subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a Contract or a security underlying such Contract) at which times such Market Maker must use its best efforts to quote continuously and competitively; and (y) when providing quotations, quotes with a maximum bid/ask spread of no more than the greater of \$0.20 or 150% of the bid/ask spread in the primary market for the security underlying each Contract;

(2) Such Market Maker: (x) responds to at least 75% of the requests for quotation for all delivery months of Contracts representing a meaningful proportion of the total trading volume on the Exchange, subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a Contract or a security underlying such Contract) at which times such Market Maker must use its best efforts to quote competitively; and (y) when responding to requests for quotation, quotes within five seconds with a maximum bid/ask spread of no more than the greater of \$0.20 or 150% of the bid/ask spread in the primary market for the security underlying each Contract; or

(3) (w) Such Market Maker is assigned to a group of Contracts that is either unlimited in nature ("Unlimited Assignment") or is assigned to no more than 20% of the Contracts listed on the Exchange ("Limited Assignment"); (x) at least 75% of such Market Maker's total trading activity in Exchange products is in its assigned Contracts, measured on a quarterly basis; (y) during at least 50% of the trading day such Market Maker has bids or offers in the market that are at or near the best market, except in unusual market conditions as determined by the Exchange (such as a fast market in either a Contract or a security underlying such Contract), with respect to at least 25% (in the case of an Unlimited Assignment) or at least one (in the case of a Limited

Assignment) of its assigned Contracts; and (z) the requirements set forth in clauses (x) and (y) are satisfied on at least 90% (in the case of an Unlimited Assignment) or 80% (in the case of a Limited Assignment) of the trading days in each calendar quarter.

For purposes of clauses (1) and (2) above, beginning on the 181st calendar day after the commencement of trading on the Exchange, a "meaningful proportion of the total trading volume on the Exchange" shall mean a minimum of 20% of such trading volume.

(n)(iii) No Change.

Schedule A—No Change.

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## II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, OneChicago included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item III below. OneChicago has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

#### 1. Purpose

OneChicago proposes to adopt, on a permanent basis, the Margin Rule, which sets forth the standards under which a OneChicago member may be excluded from the Exchange's margin requirements as a "market maker." OneChicago believes that the Margin Rule, consistent with Rule 400(c)(2)(v) under the Act<sup>5</sup> and the CFTC Rule 41.42(c)(2)(v),<sup>6</sup> establishes standards by which members may qualify as Security Futures Dealers and therefore be excluded from OneChicago's margin rules.

The Commission did not receive any comments on the Margin Rule during the pilot period. Since OneChicago believes that the Margin Rule has been performing as anticipated during the pilot period and OneChicago proposes no changes to the Margin Rule, OneChicago now proposes to adopt the Margin Rule on a permanent basis.

<sup>5</sup> 17 CFR 242.400(c)(2)(v).

<sup>6</sup> 17 CFR 41.42(c)(2)(v).

#### 2. Statutory Basis

OneChicago believes that the proposed rule change is consistent with section 6(b)(5) of the Act,<sup>7</sup> in that the proposal promotes competition, and is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and to protect investors and the public interest. OneChicago believes that the proposed rule change is designed to accomplish these goals by permitting members to qualify as Security Futures Dealers, as permitted under the Commission's Rule.<sup>8</sup>

### B. Self-Regulatory Organization's Statement on Burden on Competition

OneChicago does not believe that the proposed rule change will have an impact on competition.

### C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Comments on the proposed rule change have not been solicited and none have been received.

## III. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change, as amended, is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549–0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of OneChicago. All submissions should refer to File No. SR–OC–2003–05 and should be submitted by June 5, 2003.

## IV. Commission Findings and Order Granting Accelerated Approval of a Proposed Rule Change

The Commission finds that the proposed rule change, as amended, is

<sup>7</sup> 15 U.S.C. 78f(b)(5).

<sup>8</sup> See 17 CFR 240.400(c)(2)(v).