

divide the first amount by the second to determine the market capitalization ratio (the "Ratio").¹⁶ The Exchange would then determine the market capitalization and the Notional Value of the Stock Index. To calculate the Market Cap Method number, the Exchange would divide the market capitalization of the Stock Index by the contract size of the Stock Index futures multiplied by the Ratio.¹⁷

Under the SSF Limit Method, the Exchange would calculate the Notional Value of the Stock Index Future.¹⁸ For each component security in the Stock Index, the Exchange would multiply the index weight of the component security¹⁹ by the Notional Value to determine the security's proportion of the Stock Index futures ("Share Weighting"). The Exchange would then divide each security's Share Weighting by its price to calculate the number of shares of that security represented in the Stock Index futures contract ("Implied Shares"). The Exchange would then, for each component security in the Stock Index, divide the Implied Shares by 100 to obtain the implied number of 100-share contracts of each component security in each Stock Index future contract. The Exchange would divide the applicable single stock futures position limit permitted under CFTC Regulation 41.25(a)(3)²⁰ (either 13,500 or 22,500 contracts) for each component security by the number of implied 100-share contracts. This equals the number of Stock Index futures contracts that could be held without exceeding the speculative position limit on a futures contract on the component security ("Implied SSF Speculative Limit"). If a component security qualified for position accountability under CFTC Regulation 41.25(a)(3),²¹ this step would be ignored for that security for purposes of this calculation. After calculating the Implied SSF Speculative Limit for each security in the Stock Index, the Exchange identifies the lowest Implied SSF Speculative Limit as the position limit for such futures contract under the SSF Limit Method.

Final Settlement Price

multiplier is \$250. S&P 500 Notional Value Limit = Index * 20,000 * 250.

¹⁶ Ratio = Market Capitalization of S&P 500 Index / S&P 500 Notional Value Limit.

¹⁷ Market Capitalization Methodology number = market capitalization of the Stock Index / (contract size of the Stock Index Future * Ratio).

¹⁸ Notional Value = index level * contract multiplier.

¹⁹ Index weight of the component security = (assigned shares * price) of the component security / the sum of (assigned shares * price) for each component security.

²⁰ 17 CFR 41.25(a)(3).

²¹ 17 CFR 41.25(a)(3).

OneChicago also proposes to add paragraph (i) to Rule 1002 to establish how the final settlement price will be calculated for Stock Index futures, including MicroSector Futures. Under the proposed rule change to Rule 1002(i), a special opening quotation ("SOQ") of the relevant Stock Index will be calculated using the opening price of each component stock. When all of the component stocks have opened, the final SOQ will be calculated and disseminated.

If the price of a component security or securities is not readily available²² on the day scheduled for determination of the final settlement price, the price of the component security or securities shall be based on the next available opening price of that security unless the Chief Executive Officer or his designee for such purposes ("Designated Officer") determines that such security or securities will not open within a reasonable time. If the Designated Officer makes such a determination, the price of the relevant component security or securities for purposes of calculating the final settlement price, will be the price of the security or securities during the most recent regular trading session for such security or securities.

Proposed Rule 1002(i) also provides that the Rule shall not be used to calculate the final settlement price of a Stock Index futures if The Options Clearing Corporation ("OCC") fixes the final settlement price of the Stock Index future in accordance with OCC's rules and By-Laws and as permitted under the Commission's Rule 6h-1(b)(3)²³ and CFTC Regulation 41.25.²⁴

CFMA Listing Standard Requirements for Security Futures

Section 6(h) of the Act²⁵ requires that certain standards be met for an exchange to trade security futures products ("SFPs"). The proposed rule change meets these standards. First, section 6(h)(3)(A) of the Act²⁶ requires that each security underlying a SFP must be registered pursuant to section 12 of the Act. Both the initial and maintenance Listing Standards for MicroSector Futures meet this requirement.²⁷

²² Under proposed Rule 1002(i)(2)(C)(iv), the price of a security is "not readily available" if the underlying market does not open on the date set for determination of the final settlement price or if the security does not trade on such securities exchange or national securities association during regular trading hours.

²³ 17 CFR 240.6h-1(b)(3).

²⁴ 17 CFR 240.41.25(b).

²⁵ 15 U.S.C. 78f(h)(3)(A).

²⁶ 15 U.S.C. 78l.

²⁷ See proposed Listing Standards requirements V.A.ii.b. and VI.A.ii.a.

Section 6(h)(3)(C) of the Act²⁸ requires that OneChicago's Listing Standards for MicroSector Futures be no less restrictive than comparable listing standards for options traded on a national securities exchange. On September 5, 2001, the SEC Division of Market Regulation (the "Division") published Staff Legal Bulletin No. 15 ("Bulletin No. 15")²⁹ to offer guidance on how a securities exchange can satisfy this requirement. One Chicago states that the proposed Listing Standards follow the model listing standards in Bulletin No. 15 with a few modifications to tailor the Listing Standards to this particular product.

First, under the proposed Listing Standards, OneChicago notes that the component securities of the Dow Jones MicroSector Indices must have a "float market capitalization" of at least *one billion dollars*.³⁰ In contrast, the model listing standards in Bulletin No. 15 state that component securities of an index have a minimum market capitalization of only \$75 million.³¹ Second, OneChicago notes that the proposed Listing Standards require that the component securities of a Dow Jones MicroSector Index have an ADTV of *109,000 shares* in each of the preceding *12 months*,³² whereas the model listing standards in Bulletin No. 15 suggest that each component security have an ADTV of only 45,500 shares for each of the preceding six months.³³

Since the only index weighting methodology that will be permitted for Dow Jones MicroSector Indices is approximate equal dollar weighted, no references to other types of index weighting methodologies in the model listing standards in Bulletin No. 15 were incorporated into the Proposed Listing Standards.³⁴ Another modification from the model listing standards in Bulletin No. 15 was made in the proposed

²⁸ 15 U.S.C. 78f(h)(3)(C).

²⁹ U.S. Securities and Exchange Commission, Division of Market Regulation: Staff Legal Bulletin No. 15 (September 5, 2001).

³⁰ See proposed Listing Standard requirement V.A.ii.f.

³¹ See Bulletin No. 15 model listing standard III.A.ii.d. Under this listing standard, each of the lowest weighted securities in the index that in the aggregate account for no more than 10 per cent of the weight of the index may have a minimum market capitalization of \$50 million.

³² See proposed Listing Standard requirement V.A.ii.i.

³³ See Bulletin No. 15 listing standard III.A.ii.e. Under this listing standard, each of the lowest weighted securities in the index that in the aggregate account for no more than 10 per cent of the weight of the index may have an ADTV of only 22,750 shares for each of the last six months.

³⁴ The following model listing standard requirements in Bulletin No. 15 were not adopted in the proposed Listing Standards III.A.ii.a, i and k, and IV.A.ii.j.