

Comments also may be submitted electronically to the following e-mail address: [rule-comments@sec.gov](mailto:rule-comments@sec.gov). 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 these filings also will be available for inspection and copying at the principal office of OneChicago. All submissions should refer to File No. SR-OC-2003-08 and should be submitted by November 14, 2003.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>15</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48663; File No. SR-PHLX-2003-66]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment Nos. 1 and 2 by the Philadelphia Stock Exchange, Inc., Relating to the Listing and Trading of Options on the Nasdaq Composite Index®

October 20, 2003.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 29, 2003, the Philadelphia Stock Exchange, Inc. ("PHLX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the PHLX. The PHLX filed Amendment Nos. 1 and 2 to the proposal on October 17, 2003.<sup>3</sup> The

Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The PHLX proposes to list and trade cash-settled, European-style options on the Nasdaq Composite Index® (the "Nasdaq Composite Index" or "Index"), a broad-based, market capitalization-weighted, A.M.-settled index comprised of approximately 3,400 stocks listed and traded on The Nasdaq Stock Market, Inc. ("Nasdaq"). In addition to trading full-size options on the Index ("Full-Size Index Options"), the PHLX proposes to trade mini Index options that are 1/10th the size of full-size Index options ("Mini Index Options"), Flexible Exchange Index ("FLEX®") options on the Index ("FLEX Index Options"), and mini-FLEX Index Options ("Mini FLEX Index Options") (the Full-Size Index Options, Mini Index Options, FLEX Index Options, and Mini FLEX Index Options may be referred to, collectively, as the "Index Options"). The PHLX will trade the Index Options pursuant to current PHLX rules governing the trading of index options.<sup>4</sup> The PHLX proposes to amend PHLX Rules 1001A, "Position Limits," and 1079, "FLEX Index and Equity Options," to establish position limits for the proposed Index Options. The text of the proposed rule change appears below. Proposed additions are italicized.

#### Position Limits

Rule 1001A. (a) Position limits for options on market indexes shall be as follows, except certain positions must be aggregated in accordance with paragraph (d) below:

(i)—(ii) No change.

(iii) *Respecting the Nasdaq Composite Index, (1) 50,000 contracts total for full-size options, with 30,000 contracts in the nearest expiration month, and (2) 500,000 contracts total for mini size options, with 300,000 contracts total in the nearest expiration month.*

(b)—(d) No change.

(e) Aggregation—Full value, reduced value, long term and quarterly expiring options based on the same index shall be aggregated.

(i)—(ii) No change.

(iii) *For aggregation purposes, one full-size Nasdaq Composite Index option contract is the equivalent of 10 mini size Nasdaq Composite Index option contracts.*

#### FLEX Index and Equity Options

Rule 1079. A Requesting Member shall obtain quotes and execute trades in certain non-listed FLEX options at the specialist post of the non-FLEX option on the Exchange. The term "FLEX option" means a FLEX option contract that is traded subject to this Rule. Although FLEX options are generally subject to the rules in this section, to the extent that the provisions of this Rule are inconsistent with other applicable Exchange rules, this Rule takes precedence with respect to FLEX options.

(a)—(c) No change.

(d) Position Limits.

(1) FLEX index options shall be subject to a separate position limit of 200,000 contracts on the same side of the market respecting market index options (TPX, VLE and XOC); *50,000 contracts on the same side of the market, with 30,000 contracts on the same side of the market in the nearest expiration month, respecting full-size Nasdaq Composite Index® Options; 500,000 contracts on the same side of the market, with 300,000 contracts on the same side of the market in the nearest expiration month respecting mini-size Nasdaq Composite Index® Options; 36,000, 48,000, or 60,000 contracts respecting industry index options, depending on the position limit tier determined pursuant to Rule 1001A(b)(i).* However, positions in P.M.-settled FLEX index options shall be aggregated with positions in quarterly expiring options listed pursuant to Rule 1101A(b)(iv) on the same underlying index, if the FLEX index option expires at the close of trading on or within two business days of the last day of trading in each calendar quarter. Positions in FLEX index options shall otherwise not be taken into account when calculating position limits for non-FLEX index options.

(2) No change.

(e)—(f) No change.

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

In its filing with the Commission, the PHLX 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

<sup>15</sup> 17 CFR 200.30-3(a)(75).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See letter from Mark I. Salvacion, Director and Counsel, PHLX, to Kelly Riley, Senior Special Counsel, Division of Market Regulation ("Division"), Commission, dated October 17, 2003 ("Amendment No. 1"); and letter from Mark I. Salvacion, Director and Counsel, PHLX, to Yvonne Fraticelli, Special Counsel, Division, Commission,

dated October 17, 2003 ("Amendment No. 2"). Amendment No. 1 revises the position and exercise limits for the proposed options. Amendment No. 2 proposes to list mini FLEX options on the Nasdaq Composite Index.

<sup>4</sup> See, particularly, PHLX Rules 1000A through 1102A (Rules Applicable to Trading of Options on Indices) and, generally, PHLX Rules 1000 through 1090 (Options Rules of the PHLX).