

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47114; File No. SR-OC-2002-04]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by OneChicago, LLC Relating to Listing Standards for Security Futures Products

December 31, 2002.

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-7 under the Act,² notice is hereby given that on November 7, 2002, OneChicago, LLC ("OneChicago") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change described in Items I and II below, which Items have been prepared by OneChicago. On December 11, 2002, OneChicago filed Amendment No. 1 to the proposed rule change. The Commission is publishing this notice to solicit comments on the proposed rule changes from interested persons. OneChicago also filed the proposed rule change with the Commodity Futures Trading Commission ("CFTC"), together with written certifications under Section 5c(c) of the Commodity Exchange Act ("CEA")³ on November 6 and 7, 2002.

I. Self-Regulatory Organization's Description of the Proposed Rules

OneChicago is proposing to adopt rules on listing standards for security futures contracts ("Eligibility and Maintenance Criteria for Security Futures Products") to comply with the requirements under Section 6(h)(3) of the Act⁴ and the criteria under Section 2(a)(1)(D)(i) of the CEA.⁵ The OneChicago Listing Standards are, for the most part, substantially identical to the sample listing standards (the "Sample Listing Standards") included in Staff Legal Bulletin No. 15 ("SLB 15"),⁶ except that the OneChicago Listing Standards:

- Reflect the modifications to the statutory listing standards requirements adopted by the Commission and the CFTC with respect to shares of exchange-traded funds, trust-issued receipts, shares of registered closed-end

management investment companies, and American Depositary Receipts ("ADRs")⁷ and

- Establish an approximately equal dollar-weighting methodology for physically settled futures based on narrow-based security indices (such indices are referred to hereafter as "NBIs"), which (i) Requires the number of each component security to be rounded up or down to the nearest multiple of 100 shares or receipts in the course of the initial index composition and any subsequent rebalancing, (ii) contemplates mandatory annual rebalancing of such indices under specified circumstances, complemented by OneChicago's ability to rebalance indices on an interim basis if it so elects, and (iii) ensures that outstanding contracts will not be affected by any rebalancing.

In connection with the adoption of the OneChicago Listing Standards, OneChicago is proposing the following rule changes, which are referenced in Item II.A.1.b below, from the version of the OneChicago Rulebook filed as part of OneChicago's notice registration with the Commission on Form 1-N:⁸

- An amendment to its Rule 213 (the "Information Sharing Rule"), to add the following text after the first sentence: "The Chief Executive Officer, or his or her delegate, is authorized to provide information to any such organization, association, board of trade or regulator that is a party to an information sharing agreement with the Exchange, in accordance with the terms and subject to the conditions set forth in such agreement.";

- An amendment to its Rule 603 (the "Market Manipulation Rule"), to (i) remove the reference to market demoralization from the heading and (ii) replace the reference to "upsetting the equilibrium of the market in any Contract" with the words "generating unnecessary volatility";

- An amendment to its Rule 605 (the "Sales Practice Rule"), to provide that each Clearing Member, Exchange Member (including its Related Parties) and Access Person shall comply with any and all sales practice rules from time to time promulgated by the

National Futures Association ("NFA") (in the case of any Clearing Member, Exchange Member or Access Person that is registered with the NFA) or the National Association of Securities Dealers, Inc. ("NASD") (in the case of any other Clearing Member, Exchange Member or Access Person) with respect to security futures.

- An amendment to its Rule 610 (the "Trading Ahead Rule") to remove the requirement that a customer's consent under such rule be in writing and indicated on each relevant order; and

- An amendment to its Rule 611 (the "Trading Against Rule"), to remove the requirement that a customer's consent under such rule be in writing and given or renewed within 12 months of the transaction at issue.

OneChicago is also filing herewith proposed Rules 403, 415, 419, 501, 601, 602, 604, 612 and 613, which remain unchanged from the Rulebook filed with the Commission as part of OneChicago's notice registration on Form 1-N.⁹ OneChicago Rule 515, while also referenced in Item II.A.1.b below, is not filed in this proposed rule change because it was the subject of a separate filing by OneChicago on Form 19b-4, and was approved by the Commission on November 7, 2002.¹⁰

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

OneChicago has prepared statements concerning the purpose of, and statutory basis for, the proposed rules, burdens on competition, and comments received from members, participants, and others. The text of these statements may be examined at the places specified in Item IV below. These statements are set forth in Sections A, B, and C below.

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

1. Purpose

Section 6(h)(3) of the Act¹¹ sets forth a number of requirements for listing standards applicable to security futures products. Among other things, that Section provides that such listing standards must (i) be no less restrictive than comparable listing standards for options traded on a national securities

¹ 15 U.S.C. 78s(b)(7).

² 17 CFR 240.19b-7.

³ 7 U.S.C. 7a-2(c).

⁴ 15 U.S.C. 78f(h)(3).

⁵ 7 U.S.C. 2(a)(1)(D)(i).

⁶ SEC, Division of Market Regulation, Staff Legal Bulletin No. 15: Listing Standards for Trading Security Futures Products (September 5, 2001) [available at <http://sec.gov>].

⁷ See Joint Order Granting the Modification of Listing Standards Requirements (Exchange-Traded Funds, Trust-Issued Receipts and shares of Closed-End Funds), Securities Exchange Act Release No. 46090 (June 19, 2002), 67 FR 42760 (June 25, 2002) and Joint Order Granting the Modification of Listing Standards Requirements (American Depositary Receipts), Securities Exchange Act Release No. 44725 (August 20, 2001), 67 FR 42760 (June 25, 2002).

⁸ See Securities Exchange Act Release No. 46669 (October 16, 2002); 67 FR 65156 (October 23, 2002) (File No. 10-133).

⁹ See Securities Exchange Act Release No. 46669 (October 16, 2002); 67 FR 65156 (October 23, 2002) (File No. 10-133).

¹⁰ See Securities Exchange Act Release No. 46787 (November 7, 2002); 67 FR 69059 (November 14, 2002) (SR-OC-2002-01).

¹¹ 15 U.S.C. 78f(h)(3).