

whether by particular provisions in the OneChicago Listing Standards or otherwise.

Clause (A) of Section 6(h)(3) of the Act²¹ requires that any security underlying a security future be registered pursuant to Section 12 of the Act.²² This requirement is addressed by sections I.A.(ii), II.A.(i), III.A.(ii)(b) and IV.A.(ii)(a) of the OneChicago Listing Standards.

Clause (B) of Section 6(h)(3) of the Act²³ requires that a market on which a physically settled security futures product is traded have arrangements in place with a registered clearing agency for the payment and delivery of the securities underlying the security futures product. All security futures products initially proposed to be traded on OneChicago will be physically settled. OneChicago has entered into arrangements with both The Options Clearing Corporation ("OCC") and the clearinghouse of the Chicago Mercantile Exchange Inc. ("CME"), both of which are registered clearing agencies, relating to the clearing of security futures products. By virtue of the CME clearinghouse being an associated clearinghouse of OCC, and OCC having in place arrangements with the National Securities Clearing Corporation for the delivery of securities underlying physically settled security futures products, OneChicago believes that the payment and delivery of the securities underlying OneChicago's security futures products in accordance with the statutory requirements should be ensured.

Clause (C) of Section 6(h)(3) of the Act²⁴ provides that listing standards for security futures products must be no less restrictive than comparable listing standards for options traded on a national securities exchange or national securities association registered pursuant to Section 15A(a) of the Act.²⁵ For the reasons discussed under Item II.A.1. above, notwithstanding specified differences between the Sample Listing Standards and the OneChicago Listing Standards, OneChicago believes that the latter are no less restrictive than comparable listing standards for exchange-traded options.

Clause (D) of Section 6(h)(3) of the Act²⁶ requires that each security future be based on common stock or such other equity securities as the Commission and the CFTC jointly determine appropriate.

This requirement is addressed by sections I.A.(i), III.A.(ii)(c) and IV.A.(ii)(b) of the OneChicago Listing Standards.

Clause (E) of Section 6(h)(3) of the Act²⁷ requires that each security futures product be cleared by a clearing agency that has in place provisions for linked and coordinated clearing with other clearing agencies that clear security futures products, which permits the security futures product to be purchased on one market and offset on another market that trades such product. OneChicago notes that pursuant to Section 6(h)(7) of the Act,²⁸ the foregoing requirement is deferred until the "compliance date" (as defined therein). OneChicago expects that both OCC and the CME clearinghouse will have in place procedures complying with the requirements of clause (E) after such "compliance date."

Clause (F) of Section 6(h)(3) of the Act²⁹ requires that only a broker or dealer subject to suitability rules comparable to those of a national securities association registered pursuant to Section 15A(a) of the Act³⁰ effect transactions in a security futures product. This requirement is addressed by the Sales Practice Rule. As amended, the Sales Practice Rule requires all security futures intermediaries entering into transactions on OneChicago to comply with the applicable sales practice rules from time to time promulgated by the NFA (in the case of any Clearing Member, Exchange Member or Access Person that is registered with the NFA) or the NASD (in the case of any other Clearing Member, Exchange Member or Access Person), both of which are national securities associations.

Clause (G) of Section 6(h)(3) of the Act³¹ requires that each security futures product be subject to the prohibition against dual trading in Section 4j of the CEA³² and the rules and regulations thereunder or the provisions of Section 11(a) of the Act³³ and the rules and regulations thereunder. Security futures intermediaries trading on OneChicago will be subject to the aforementioned statutory and regulatory prohibitions against dual trading by virtue of OneChicago Rule 604 previously included in Exhibit A-5 to OneChicago's Form 1-N, filed with the Commission on August 20, 2002,³⁴ which requires such intermediaries to

comply with all applicable law.

OneChicago Rules 610 through 613 contain customary provisions relating to the priority of customers' orders, trading against customers' orders, withholding orders and disclosing orders, consistent with Regulations §§ 155.2 through 155.4 under the CEA.³⁵ The amendments reflected in Rules 610 and 611 as filed herewith reflect the fact that the customer consents referred to therein are not generally required to be in writing or renewed. OneChicago notes, however, that the prohibition of dual trading in security futures products as set forth in Regulation § 41.27³⁶ adopted pursuant to Section 4j(a) of the CEA³⁷ by its terms only applies to a contract market operating an electronic trading system if such market provides participants with a time or place advantage or the ability to override a predetermined algorithm. Since those conditions do not exist on OneChicago, OneChicago has no specific rule prohibiting dual trading.

Clause (H) of Section 6(h)(3) of the Act³⁸ provides that trading in a security futures product must not be readily susceptible to manipulation of the price of such security futures product, nor to causing or being used in the manipulation of the price of any underlying security, option on such security, or option on a group or index including such securities. As discussed in Item II.A.1. above, the eligibility and maintenance criteria for security futures products contained in the OneChicago Listing Standards have been designed to ensure that the products that will be listed on OneChicago and the underlying securities will not be readily susceptible to price manipulation. In addition, Rule 603 in the OneChicago Rulebook, as amended by this filing, prohibits market manipulation (including generating unnecessary volatility or creating a condition where prices do not or will not reflect fair market values). The amendments reflected in Rule 603 as filed herewith were designed to avoid the use of terms or concepts that are not germane to futures markets. OneChicago Rules 415(b) and 419 implement the requirements contained in Rule 6h-1, under the Act³⁹ relating to settlement and regulatory halts with respect to security futures products.

²¹ 15 U.S.C. 78f(h)(3)(A).

²² 15 U.S.C. 78l.

²³ 15 U.S.C. 78f(h)(3)(B).

²⁴ 15 U.S.C. 78f(h)(3)(C).

²⁵ 15 U.S.C. 78o-3(a).

²⁶ 15 U.S.C. 78f(h)(3)(D).

²⁷ 15 U.S.C. 78f(h)(3)(E).

²⁸ 15 U.S.C. 78f(h)(7).

²⁹ 15 U.S.C. 78f(h)(3)(F).

³⁰ 15 U.S.C. 78o-3(a).

³¹ 15 U.S.C. 78f(h)(3)(G).

³² 7 U.S.C. 4j.

³³ 15 U.S.C. 78k(a).

³⁴ See *supra* note 8.

³⁵ 17 CFR 155.2-155.4.

³⁶ 17 CFR 41.27.

³⁷ 7 U.S.C. 4j(a).

³⁸ 15 U.S.C. 78f(h)(3)(H).

³⁹ 17 CFR 240.6h-1.