

associated persons against whom the claim has been filed.⁸

Finally, NASD is proposing to amend the pilot rule to clarify that it applies to respondents who are terminated members and associated persons.⁹ As of June 5, 2003, there were 33 cases in which all customers and active industry parties had signed waivers, but the terminated members or associated persons had not signed. Another 51 pending cases involved both active and terminated industry parties that had not yet signed waivers; these cases could not proceed even if the active industry parties were deemed to have waived, unless the rule covered terminated parties. The proposed rule change will eliminate any confusion regarding the scope of the rule and will facilitate the administration of cases against such parties in California while the rule is in effect.

2. Statutory Basis

NASD Dispute Resolution believes that the proposed rule change as amended is consistent with the provisions of section 15A(b) of the Exchange Act,¹⁰ in general, and furthers the objectives of section 15A(b)(6),¹¹ in particular, which requires, among other things, that the NASD's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. NASD believes that the proposed rule change will allow customers and associated persons with claims against a member firm or another associated person to exercise their contractual rights to proceed in arbitration in California, notwithstanding the confusion caused by the disputed California Standards.

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

NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

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

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

NASD has designated the proposed rule change as one that: (i) Does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest. A proposed rule change filed under Rule 19b-4(f)(6) normally requires that a self-regulatory organization give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change. However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time. NASD seeks to have the five-business-day pre-filing requirement waived with respect to the proposed rule change. The Commission has determined to waive the five-business-day pre-filing requirement with respect to this proposal. Therefore, the foregoing rule change has become effective pursuant to section 19(b)(3)(A) of the Act¹² and Rule 19b-4(f)(6) thereunder.¹³

Pursuant to Rule 19b-4(f)(6)(iii) under the Act,¹⁴ the proposal may not become operative for 30 days after the date of its filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. NASD has requested that the Commission waive the 30-day operative delay so that the proposed rule change will become immediately effective upon filing. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest to waive the 30-day period and to designate that the proposed rule change has become operative as of July 14, 2003.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate the rule change if it appears to the Commission that the action is necessary

or appropriate in the public interest, for the protection of investors, or would otherwise further the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposal 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 the NASD. All submissions should refer to File No. SR-NASD-2003-106 and should be submitted by August 13, 2003.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 03-18653 Filed 7-22-03; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48191; File No. SR-OC-2003-06]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by OneChicago, LLC Relating to MicroSector Futures

July 17, 2003.

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 June 20, 2003, 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

⁸ The NASD amended this paragraph as it was originally filed to delete a phrase it inadvertently included. Telephone call between Laura Gansler, Counsel, NASD Dispute Resolution, and Andrew Shipe, Special Counsel, Division of Market Regulation, Commission, dated July 14, 2003.

⁹ An associated person or member firm's obligation to arbitrate under the NASD Code of Arbitration Procedure survives resignation or termination from membership. See *O'Neel v. NASD*, 667 F. 2d 804 (9th Cir. 1982); *Muh v. Newburger, Loeb & Co., Inc.*, 540 F.2d 970 (9th Cir. 1976).

¹⁰ 15 U.S.C. 78o-3(b).

¹¹ 15 U.S.C. 78o-3(b)(6).

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(6).

¹⁴ 17 CFR 240.19b-4(f)(6)(iii).

¹⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(7).

² 17 CFR 240.19b-7.

by OneChicago.³ 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")⁴ on June 19, 2003.

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

OneChicago is proposing to establish listing standards and amend its rules providing position limits, final settlement prices for futures on cash-settled narrow-based security indices, and employee confidentiality all of which are attached to the proposed rule change. The text of the proposed rule change follows; additions are *italicized*; deletions are [bracketed].

* * * * *

LISTING STANDARDS

For MicroSectors

CASH SETTLED NARROW-BASED INDEX FUTURES

V. Initial eligibility criteria for a MicroSector security futures product, based on an index composed of two or more securities.

A. For a cash settled Dow Jones MicroSector security futures product, the Dow Jones MicroSector Index must:

(i) Meet the definition of a narrow-based security index in Section 1a(25) of the Commodity Exchange Act and Section 3(a)(55) of the Exchange Act; and

(ii) Meet the following requirements:
(a) It must be approximately equal dollar-weighted composed of one or more securities in which each component security will be weighted equally based on its market price on the Selection Date.

(b) Each of its component securities must be registered under Section 12 of the Exchange Act.

(c) Each of its component securities must be a component security in the Dow Jones U.S. Total Market Index or an ADR linked to a security in the Dow Jones Global Index.

(d) Each of its component securities must be the subject of a U.S. exchange-traded option on the date of selection for inclusion in the index.

(e) Each of its component securities must have a trading history on a U.S. exchange for at least 12 months.

(f) Each of its component securities must have a "float market capitalization" of at least one billion dollars.

(g) Each of its component securities close at or above \$7.50 for each of the trading days in the three months prior to selection for the index.

(h) Subject to (g), (i) and (k) below, component securities that account for at least 90 per cent of the total index weight and at least 80 per cent of the total number of component securities in the index must meet the requirements for listing a single-security future contract, as set forth in Section I.

(i) Each of its component securities must have an average daily trading volume in each of the preceding 12 months prior to selection for inclusion in the index greater than 109,000 shares (an ADR must have an average daily trading volume greater than 100,000 receipts).

(j) Each of its component securities must be (1) listed on an Exchange or traded through the facilities of an Association and (2) reported as an NMS security.

(k)(1) OneChicago must have in place an effective surveillance sharing agreement with the primary exchange in the home country where the stock underlying each component ADR is traded;

(2) The combined trading volume of each component ADR and other related ADRs and securities in the U.S. ADR market, or in markets with which OneChicago has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least 50% of the combined worldwide trading volume in the ADR, the security underlying the ADR, other classes of common stock related to the underlying security, and ADRs overlying such other stock over the three-month period preceding the dates of selection of the ADR for futures trading ("Selection Date");

(3)(A) The combined trading volume of each component ADR and other related ADRs and securities in the U.S. ADR market, and in markets with which OneChicago has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least 20% of the combined worldwide trading volume in the ADR and in other related ADRs and securities over the three-month period preceding the Selection Date;

(B) The average daily trading volume for the ADR in the U.S. markets over the three-month period preceding the

Selection Date is at least 100,000 receipts; and

(C) The daily trading volume for the ADR is at least 60,000 receipts in the U.S. markets on a majority of the trading days for the three-month period preceding the Selection Date;

(4) The Securities and Exchange Commission and Commodity Futures Trading Commission have otherwise authorized the listing; or

(5) Foreign securities or ADRs thereon that are not subject to comprehensive surveillance sharing agreements must not represent more than 20% of the weight of the index.

(l) The current underlying index value must be reported at least once every 15 seconds during the time the MicroSector futures product is traded on OneChicago.

(m) An index underlying a MicroSector future must be reconstituted and rebalanced if the notional value of the largest component is at least twice the notional volume of the smallest component for 50 per cent or more of the trading days in the three months prior to December 31 of each year. For purposes of this provision the "notional value" is the market price of the component times the number of shares of the underlying component in the index. Reconstitution and rebalancing are also mandatory if the number of component securities in the index is greater than five at the time of rebalancing. In addition, OneChicago reserves the right to rebalance quarterly at its discretion.

(n) The MicroSector futures products will be AM settled.

(o) The initial indexes underlying MicroSector futures products will be created only for industry groups that have five or more qualifying securities.

VI. Maintenance standards for a MicroSector futures product based on an index composed of two or more securities.

A. OneChicago will not open for trading MicroSector futures products that are cash settled based on an index composed of two or more securities with a new delivery month unless the underlying index:

(i) Meets the definition of a narrow-based security index in Section 1a(25) of the Commodity Exchange Act and Section 3(a)(55) of the Exchange Act; and

(ii) Meets the following requirements:
(a) All of its component securities must be registered under Section 12 of the Exchange Act;

(b) Subject to (d) and (i) below, component securities that account for at least 90 per cent of the total index weight and at least 80 per cent of the

³ With the permission of OneChicago, the Commission made a typographical, non-substantive correction to the text of the proposed rule change. See telephone conversation between Madge Hamilton, Deputy General Counsel, OneChicago and Andrew Shipe, Special Counsel, Division of Market Regulation, Commission, July 7, 2003.

⁴ 7 U.S.C. 7a-2(c).

total number of component securities in the index must meet the requirements for listing a single-security future, as set forth in Section I.

(c) Each component security in the index must have a market capitalization of at least \$75 million, except that each of the lowest weighted component securities that in the aggregate account for no more than 10 per cent of the weight of the index may have a market capitalization of only \$50 million.

(d) The average daily trading volume in each of the preceding six months for each component security in the index must be at least 22,750 shares or receipts, except that each of the lowest weighted component 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 average daily trading volume of at least 18,200 shares for each of the last six months.

(e) Each component security in the index must be (1) listed on an Exchange or traded through the facilities of an Association and (2) reported as an NMS security.

(f) The current underlying index value must be reported at least once every 15 seconds during the time the security futures product is traded on OneChicago.

(g) An approximately equal dollar weighted index underlying a MicroSector future must be reconstituted and rebalanced if the notional value of the largest component is at least twice the notional volume of the smallest component for 50 per cent or more of the trading days in the three months prior to December 31 of each year. For purposes of this provision the "notional value" is the market price of the component times the number of shares of the underlying component in the index. Reconstitution and rebalancing are also mandatory if the number of component securities in the index is greater than five at the time of rebalancing. In addition, OneChicago reserves the right to rebalance quarterly at its discretion.

(h) The total number of component securities in the index must not increase or decrease by more than 33 $\frac{1}{3}$ % from the number of component securities in the index at the time of its initial listing.

(i)(1) OneChicago must have in place an effective surveillance sharing agreement with the primary exchange in the home country where the stock underlying each component ADR is traded;

(2) The combined trading volume of each component ADR and other related ADRs and securities in the U.S. ADR market, or in markets with which OneChicago has in place an effective

surveillance sharing agreement, represents (on a share equivalent basis) at least 50 per cent of the combined worldwide trading volume in the ADR, the security underlying the ADR, other classes of common stock related to the underlying security, and ADRs overlying such other stock over the three-month period preceding the dates of selection of the ADR for futures trading ("Selection Date");

(3)(a) The combined trading volume of the ADR and other related ADRs and securities in the U.S. ADR market, and in markets with which OneChicago has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least 20 per cent of the combined worldwide trading volume in the ADR and in other related ADRs and securities over the three-month period preceding the Selection Date;

(b) The average daily trading volume for the ADR in the U.S. markets over the three-month period preceding the Selection Date is at least 100,000 receipts; and

(c) The daily trading volume for the ADR is at least 60,000 receipts in the U.S. markets on a majority of the trading days for the three-month period preceding the Selection Date;

(4) The Securities and Exchange Commission and Commodity Futures Trading Commission have otherwise authorized the listing, or

(5) Foreign securities or ADRs thereon that are not subject to comprehensive surveillance sharing agreements must not represent more than 20 per cent of the weight of the index.

B. (1) If the foregoing maintenance standards are not satisfied prior to opening a MicroSector futures product with a new delivery month, OneChicago will either (i) replace the component security or securities that fail to meet the maintenance standards with a security or securities that qualify under the initial listing standards for MicroSector futures products set forth in Section V, or (ii) receive the approval of the Securities and Exchange Commission and the Commodity Futures Trading Commission.

* * * * *

210. Confidentiality

(a) No member of the Board or any committee established by the Board or the Rules of the Exchange shall use or disclose any material non-public information, obtained in connection with such member's participation in the Board or such committee, for any purpose other than the performance of his or her official duties as a member of the Board or such committee.

(b) No officer, employee or agent of the Exchange shall (i) trade in any commodity interest or security if such officer, employee or agent has access to material non-public information concerning such commodity interest or security (ii) disclose to any other Person material non public information obtained in connection with such employee's, officer's or agent's employment, if such employee, officer or agent could reasonably expect that such information may assist another Person in trading any commodity interest.

(c) For purposes of this Rule 210, the terms "employee," "material information," "non-public information" and "commodity interest" shall have the meanings ascribed to them in Commission Regulation § 1.59. For purposes of this Rule 210, the term "security" shall have the meaning ascribed to it in Section 3(a)(10) of the Exchange Act.

* * * * *

Rule 1002 Contract Specifications

(a)-(d) No Change

(e) Position Limit. (1) Pursuant to [For purposes of] Rule 414(a), [the position limit applicable to positions in any] the Exchange shall establish speculative position limits for each cash-settled Stock Index Future held during the last five trading days of an expiring contract month, [shall be] determined according to the methodology set forth in subparagraph (2).

(2) The position limit for each cash-settled Stock Index Future shall be the number of contracts calculated according to formula (A) "Market Cap Position Limit" or (B) "SSF Position Limit" below, whichever is less, rounded to the nearest multiple of 1,000 contracts; provided, however, that if formula (A) or (B), whichever is less, calculates a number less than 500 but not less than 400 for any such Future, the position limit will be 1,000 contracts.

(A) "Market Cap Position Limit"

i. The Exchange will determine the market capitalization of the Standard & Poor's 500 index (the "S&P 500") as of the selection date for the component securities in an underlying Stock Index (the "Selection Date") (the "S&P 500 Market Cap"); then

ii. The Exchange will calculate the notional value of a future position in CME's S&P 500 futures contract at its maximum limit (the "S&P 500 Notional Value Limit") by multiplying the S&P 500 by the position limit for Chicago Mercantile Exchange's ("CME") S&P 500 futures (20,000 contracts in all

months combined) and by the S&P 500 contract multiplier (\$250) to calculate: S&P 500 Notional Value Limit = S&P

500 * 20,000 * \$250; then

iii. The Exchange will divide the S&P 500 Market Cap by the S&P 500 Notional Value Limit to calculate the "Market Cap Ratio":

Market Cap Ratio =

S&P 500 Market Cap

S&P 500 Notional Value Limit then

iv. The Exchange will calculate the market capitalization of the Stock Index by adding together the market capitalization of each stock comprising the Stock Index (the "Stock Index Market Cap"); then

v. The Exchange will calculate the notional value of the Stock Index Future (the "Notional Value") as follows:

Notional Value =

Stock Index level * contract multiplier

vi. The Exchange will calculate the Market Cap Position Limit of the Stock Index by dividing the Stock Index Market Cap by the product of the Notional Value of the Stock Index Future and the Market Cap Ratio:

Market Cap Position Limit = Stock

Index Market Cap

Notional Value * Market Cap Ratio

(B) "SSF Position Limit"

i. The Exchange will calculate the notional value of the Stock Index Future (same as (A)(v) above):

Notional Value = Stock Index level * contract multiplier

ii. For each component security in the Stock Index, the Exchange will multiply its index weight* by the Notional Value to determine that security's proportion of the Stock Index Future.

iii. For each component security, the Exchange will divide the result in (B)(ii) by the security's price. This equals the number of shares of that security represented in the Stock Index contract.

iv. For each component security, the Exchange will divide the number of shares calculated in (B)(iii) by 100 to obtain the implied number of 100-share contracts per Stock Index Future contract.

v. The Exchange will divide the applicable single stock futures contract speculative position limit set in Commission Regulation 41.25(a)(3) (either 13,500 or 22,500 contracts) by the number of implied 100-share contracts. This provides the number of Stock Index Futures contracts that could be held without violating the speculative position limit on a futures contract on

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

that component security (if such single stock futures contract existed). If the security qualifies for position accountability, ignore that security for purposes of this calculation.

vi. The Exchange will list the results of (B)(iv) and (B)(v). The SSF Position Limit is the minimum number of implied contracts based on this list.

(f)-(h) No Change

(i) Settlement Price.

(1) Daily Settlement Price. The daily settlement price for cash-settled Stock Index Futures will be calculated in the same manner as Rule 902(j).

(2) Final Settlement Price. (A) The final settlement price for cash-settled Stock Index Futures shall be determined on the third Friday of the contract month. If the Exchange is not open for business on the third Friday of the contract month, the final settlement price shall be determined on the Business Day prior to the third Friday of the contract month. The final settlement price for cash-settled Stock Index Futures shall be based on a special opening quotation of the underlying stock index ("Stock Index").

(B) Notwithstanding subparagraph (2)(A) of this Rule, if an opening price for one or more securities underlying a Stock Index Future is not readily available, the Chief Executive Officer of the Exchange or his designee for such purpose (referred to hereafter in this Rule 1002(i) as the "Designated Officer") will determine whether the security or securities are likely to open within a reasonable time.

(i) If the Designated Officer determines that one or more component securities are not likely to open within a reasonable time, then for the component security or securities which the Designated Officer determined were not likely to open within a reasonable time, the last trading price of the underlying security or securities during the most recent regular trading session for such security or securities will be used to calculate the special opening quotation.

(ii) If the Designated Officer determines that the security or securities are likely to open within a reasonable time, then for the component security or securities which the Designated Officer determined were likely to open within a reasonable time, the next available opening price of such security or securities will be used to calculate the special opening quotation.

(C) For purposes of this provision:

(i) "Opening price" means the official price at which a security opened for trading during the regular trading session of the national securities exchange or national securities

association that lists the security. If the security is not listed on a national securities exchange or a national securities association, then "opening price" shall mean the price at which a security opened for trading on the primary market for the security. Under this provision, if a component security is an American Depository Receipt ("ADR") traded on a national securities exchange or national securities association, the opening price for the ADR would be derived from the national securities exchange or national securities association that lists it.

(ii) "Special opening quotation" means the Stock Index value that is derived from the sum of the opening prices of each security of the Stock Index.

(iii) "Regular trading session" of a security means the normal hours for business of a national securities exchange or national securities association that lists the security.

(iv) The price of a security is "not readily available" if the national securities exchange or national securities association that lists the security does not open on the day scheduled for determination of the final settlement price, or if the security does not trade on the securities exchange or national securities association that lists the security during regular trading hours.

(D) Notwithstanding any other provision of this Rule, this Rule shall not be used to calculate the final settlement price of a Stock Index Future if The Options Clearing Corporation fixes the final settlement price of such Stock Index Future in accordance with its rules and by-laws and as permitted by Commission Regulation § 41.25(b) and SEC Rule 6h-1(b)(3).

* * * * *

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. 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

The proposed rule change would establish listing standards ("Listing Standards") for cash-settled futures on

narrow-based security indices that would trade under the brand name "OneChicago Dow Jones MicroSector Futures" ("MicroSector Futures"). The proposed rule change would also amend OneChicago Rule 1002(e) relating to position limits, Rule 1002(i) relating to the final settlement price of MicroSector Futures and Rule 210 relating to employee confidentiality.

Dow Jones & Company, Inc. ("Dow Jones") with the assistance of OneChicago will maintain the Dow Jones MicroSector Index on which each MicroSector Futures is based in a manner consistent with the proposed Listing Standards.⁵ Each Dow Jones MicroSector Index will initially be comprised of five component securities, which will be approximately equal dollar weighted. The five component securities will be selected based on their market capitalization, option volume, dollar volume and correlation to one another within an industry group as defined by the Dow Jones Global Classification Standard.

Weighting of Dow Jones MicroSectors

The initial notional value of each Dow Jones MicroSector Index will be \$40,000. Share lots will be created to "approximate equal dollar weighting" for each component security in a Dow Jones MicroSector Index. Therefore, the aggregate market value of the shares in each share lot will initially equal \$8,000.⁶

Composition of Dow Jones MicroSector Indexes

The proposed Listing Standards require each security to meet all of the following qualifications to be included in a Dow Jones MicroSector Index:

- Be registered under section 12 of the Exchange Act;⁷

- Be a common stock or an American Depositary Receipt ("ADR") representing common stock or ordinary shares;

- Be a component security in the Dow Jones U.S. Total Market Index or an ADR linked to a company in the Dow Jones Global IndexSM;⁸

- Have U.S. exchange-traded options on the security;

- Have a trading history on a U.S. exchange for at least 12 months;

- Have a "float market capitalization"⁹ of at least one billion dollars;¹⁰

- Have at least seven million shares or receipts evidencing the underlying security outstanding that are owned by persons other than those required to report their security holdings pursuant to Section 16(a) of the Act;¹¹*

- Have at least 2,000 security holders;*

- Close at or above \$7.50 for each of the trading days in the three months prior to the Selection Date; and

- Have an average daily trading volume ("ADTV") for each of the 12 months prior to the Selection Date greater than 109,000 shares (an ADR must have an ADTV greater than 100,000 receipts).

A Dow Jones MicroSector will only be created if five or more securities in an eligible industry group qualify under the foregoing criteria.

Reconstitution and Rebalancing the Index

Under the proposed Listing Standards, a Dow Jones MicroSector Index will be reconstituted and rebalanced if the aggregate market value of the largest component is at least twice the aggregate market value of the smallest component for 50 percent or more of the trading days in the three

months prior to the Selection Date. Reconstitution and rebalancing are mandatory if, as a result of spin-offs or other corporate action, the number of component securities in the index exceeds five. OneChicago also reserves the right to rebalance quarterly at its discretion.

Corporate Actions

In the event Dow Jones needs to remove a stock from a Dow Jones MicroSector as a result of a bankruptcy, ten consecutive no-trade days, delisting from NYSE, Nasdaq, or Amex, or financial distress, Dow Jones will add a replacement security on the effective date of the removal to maintain a total of five component securities in the index. If a Dow Jones MicroSector falls below four stocks, either Dow Jones will replace the component securities to bring the number of component securities in the index back up to five or OneChicago will delist the related MicroSector Future.

Corporate actions affecting the price of the component securities in a Dow Jones MicroSector (e.g., splits and dividends) will require an adjustment of the share lots to maintain index integrity. The adjustments will be made before the open of trade on the effective date of the action. All adjustments to the share lots will preserve the weighting prior to and after the corporate event, causing no change to the index level or divisor. When a component security is removed from a Dow Jones MicroSector due to a merger, the common stock of the acquiring company will replace the component security in the index and will be kept in the index until the next Selection Date.

The following is a chart of how corporate actions will be handled:

CORPORATE ACTIONS

Type		Adjustments		Notes
Action	Company	Close price/action	Share lot	
Special Cash Dividend.	Component of Index.	Adj. Close=Prev. Close – Dividend.	Adj. Share Lot=(Share Lot* Prev Close)/Adj. Close.	
Stock Split or Dividend.	Component of Index.	Adj. Close=Prev. Close/Adjustment Factor.	Adj. Share Lot=Prev. Share Lot* Adjustment Factor.	Adjustment Factor=number of new shares for one old share

⁵ In conjunction with the proposed rule change, OneChicago is amending Rule 210 to prevent potential misuse by OneChicago staff of material, non-public information in connection with the maintenance of the Dow Jones MicroSector Indexes.

⁶ The number of shares will be calculated by dividing the initial notional dollar value of each share lot (\$8,000) by the closing price of the stock on the date on which the terms of the Dow Jones MicroSector Index are finalized or adjusted (the

"Selection Date") carried out to eight decimal places.

⁷ OneChicago (not the index calculation agent, Dow Jones) is responsible for ensuring that the components of the Dow Jones MicroSector Indexes comply with the criteria identified by an asterisk (*).

⁸ Component securities in these indices are listed on the New York Stock Exchange, Inc. ("NYSE"), the American Stock Exchange LLC ("Amex") or the Nasdaq Stock Market, Inc. ("Nasdaq").

⁹ "Float market capitalization" is the aggregate market value of the outstanding shares of the issuer which are available for trading by the public and does not include the market value of shares which are subject to trading restrictions.

¹⁰ All market capitalization data is based on closing prices, number of outstanding shares, and number of shares available for trading by the public as of the Selection Date.

¹¹ 15 U.S.C. 78p(a).

CORPORATE ACTIONS—Continued

Type		Adjustments		Notes
Action	Company	Close price/action	Share lot	
Spin Off	Component of Index (A).	Adj. Close=Close – (Ratio * Spun off company’s Price).		Ratio=number of shares of spun-off company received for every share of parent company owned. Spun-off company be added at a weight such that the market capitalization of the two companies after the event is equal to the market capitalization of the parent prior to the event.
	Spun Off Company (B).	ADDED	Share Lot=((Share Lot A * Prev. Close A) – (Adj. Share Lot A*Adj. Close A))/Close B.	
Two Components Merge in an All Stock, Cash or Combination Deal.	Remaining Companies (A).		Adj. Share Lot=(Share Lot + B’s Share Lot)/number of remaining components)/ A’s Close.	All remaining companies will be adjusted using the formula to the left. Their shares will increase based on their price so as to distribute the weight of the acquired company evenly.
	Acquired Company (B).	DELETED		
A Non-Component Takes Over a Component.	Acquirer (A)	ADDED	Adj. Share Lot=(B’s Share Lot * B’s Close)/A’s Close.	The acquiring company will replace the acquired company in the index and the share lot will be adjusted.
	Acquired Component of Index (B).	DELETED		
Rights Issue	Component of Index (A).	Adj. Close=(Close+(Ratio * Subscription Price))/ (1+Ratio).	Adj. Share Lot=(Close * Share Lot)/Adj. Close.	Ratio=number of rights received for 1 share of A.
Extraordinary Removal.	Replacement Company (A).	ADDED	Adj. Share Lot=(B’s Share Lot * B’s Close) A’s Close.	Component B may be removed for: Bankruptcy proceedings, financial distress (as determined by Dow Jones), delisting from a primary exchange (NYSE, Nasdaq, Amex), or illiquidity (10 consecutive no-trade days). Replacement A would be the highest ranked (as of the most recent Selection Date) of the remaining securities in the industry group which qualify for inclusion.
	Component of Index (B).	DELETED		

Position Limits

The proposed rule change to Rule 1002(e) provides the methodology to calculate position limits¹² for any cash-settled futures contract on a narrow-based security index (“Stock Index”), including the *MicroSector Futures*. The Exchange would calculate two numbers: One is based on the market capitalization of each Stock Index future and the notional value compared to the

market capitalization of the Chicago Mercantile Exchange (“CME”) position limit for its futures contract on the S&P 500 Index (referred to herein as the “Market Cap Method”), and the other is based on the current position limit permitted for single stock futures under CFTC Regulation 41.25¹³ (referred to herein as the “SSF Limit Method”). The Exchange would impose a position limit on each Stock Index future equal to the lower number calculated by the two methods rounded to the nearest 1,000 contracts; provided, however, that if the

result of either calculation is less than 500, but not less than 400 for any such Future, the position limit will be rounded up to 1,000 contracts.

Under the Market Cap Method, the Exchange would determine the market capitalization of the S&P 500 Index,¹⁴ then calculate the notional value of a position at the limit of the CME’s S&P 500 Index futures contract (the “S&P 500 Notional Value Limit”)¹⁵ and

¹² Consistent with CFTC Regulation 41.25, position limits apply to positions in any cash-settled stock index future held during the last five trading days of an expiring contract.

¹³ 17 CFR 41.25.

¹⁴ The Exchange will calculate the market capitalization as of the Selection Date.

¹⁵ The speculative position limit for the CME’s S&P 500 Index futures contract is 20,000 contracts (in all months combined) and the contract

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

CMAA 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.

Listing Standards for ADRs. Under both the Bulletin No. 15 model listing standards and the proposed Listing Standards, a large portion of component securities must meet the listing standard requirements for single stock futures.³⁵ The ADR requirement for single stock futures deviates from what is suggested for ADRs under the Bulletin No. 15 model listing standard for a security futures product based on narrow-based security index.³⁶ OneChicago states that the listing standard requirement for single stock futures relating to ADRs³⁷ was incorporated into the proposed Listing Standard requirement for MicroSector Futures as an alternative.³⁸ In addition, eight new requirements were added to the proposed Listing Standards to accommodate this unique product.³⁹

One Chicago states that the proposed Listing Standards incorporate the standards announced by the Division in Bulletin No. 15. Therefore, OneChicago believes that the proposed Listing Standards meet the requirement of section 6(h)(3)(C) of the Act.⁴⁰

Section 6(h)(3)(D) of the Act⁴¹ requires that all SFPs be based on common stock and such other equity securities as SEC and CFTC have jointly determined is appropriate. The SEC and CFTC have jointly permitted that SFPs may also be based on depositary shares.⁴² Under the OneChicago Listing Standards, each component security

must meet the initial listing standard requirement for security futures that it be a common stock or an American Depositary Receipt.⁴³ Therefore, OneChicago's Listing Standards meet this requirement.

Section 6(h)(3)(E) of the Act⁴⁴ 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,⁴⁵ the foregoing requirement is deferred until the "compliance date" (as defined therein). OneChicago expects that both The Options Clearing Corporation and the Chicago Mercantile Exchange ("CME") clearinghouse will have in place procedures complying with the requirements of clause (E) after such "compliance date."

Section 6(h)(3)(F) of the Act⁴⁶ requires that broker-dealers must be subject to suitability rules comparable to those of a national securities association to effect transactions in SFPs. OneChicago satisfies this requirement through its Rule 605 which requires members to comply with the sales practice rules of the National Futures Association ("NFA") or the National Association of Securities Dealers, Inc. ("NASD"), which include suitability rules. Therefore, OneChicago meets this listing standard requirement.

Section 6(h)(3)(G) of the Act requires that SFPs be subject to the prohibition against dual trading in section 4j of the CEA⁴⁷ and CFTC regulations. Pursuant to section 4j of the CEA,⁴⁸ CFTC promulgated Regulation 41.27, which states that an electronic futures exchange is subject to the dual trading rule if the exchange provides market participants with a time or place advantage or the ability to override a predetermined algorithm.⁴⁹ Market

participants have no such advantage or ability, so the dual trading rule does not apply to OneChicago.

Section 6(h)(3)(H) of the Act provides that SFPs must not be readily susceptible to manipulation of the price of the SFP, the price of the underlying security, the price of the option on such security, or options on a group or index including such securities. OneChicago believes that the design of the MicroSector futures fulfills this requirement. OneChicago states that the proposed Listing Standards require that component securities be highly capitalized with substantial daily trading volumes for the 12 months preceding the stocks' selection into the Dow Jones MicroSector Index. In addition, the proposed rule change to OneChicago Rule 1002(e) and (i) regarding the final settlement price and position limits of MicroSector Futures are also designed to deter manipulation.

The proposed rule change to Rule 1002(e) proposes a methodology to calculate position limits for cash-settled futures on narrow-based security indices. While OneChicago believes that these limits are appropriate for the launch of these products, because this product is unique and there is no other similar product to look to for guidance as to the appropriate position limit, once trading has begun OneChicago will monitor trading patterns in the MicroSector Futures and reassess the appropriateness of these position limits. OneChicago undertakes that if trading patterns indicate the position limits are not set at levels appropriate to deter manipulation, OneChicago will make the necessary adjustments to the position limits. In addition, OneChicago undertakes to coordinate surveillance with the relevant underlying stock markets to monitor for manipulation.

OneChicago has also proposed a final settlement rule that is designed to deter manipulation. Under proposed Rule 1002(i) the final settlement price of MicroSector Futures would be based on the opening price of each component stock. OneChicago believes that since the termination of MicroSector Futures will coincide with the expiration or termination of stock indices, options on stock indices and futures on stock indices, using the opening prices of each component security will reflect the price of the underlying securities when they are very liquid and thus more difficult to manipulate. The calculation of the final settlement price for these MicroSector Futures will be done on the same day and in a similar manner to the final settlement price for the options on the S&P 500 and the futures on the S&P 500. The expiration or termination of

³⁵ See Bulletin No. 15 model listing standard III.A.ii.c and IV.A.ii.b and proposed Listing Standard V.A.ii.h and VI.A.ii.b, which require that except for ADTV, the component securities that account for at least 90 percent of the total index weight and at least 80 percent of the total number of component securities in the index must meet the requirements for listing a single-security future, as set forth in Section I.

³⁶ See Bulletin No. 15 model listing standard III.A.ii.g and IV.A.ii.f.

³⁷ See OneChicago listing standard I.A.x.

³⁸ See proposed Listing Standards V.A.ii.k and VI.A.ii.k.

³⁹ See proposed Listing Standards V.A.ii.a (approximate equal dollar-weighted), V.A.ii.c. (component securities must be component securities in the Dow Jones U.S. Total Market Index or an ADR linked to a security in the Dow Jones Global Index), V.A.ii.d. (component securities must have U.S. exchange-traded options on the securities), V.A.ii.e. (component securities must have a trading history on a U.S. exchange for at least 12 months), V.A.ii.g (component securities must close at or above \$7.50 for each of the trading days in the three months prior to Selection), V.A.ii.m (rebalancing of the index), V.A.ii.o (indexes will only be created for industry groups having five or more qualifying securities) and VI.A.ii.i (rebalancing of the index).

⁴⁰ 15 U.S.C. 78f(h)(3)(C).

⁴¹ 15 U.S.C. 78f(h)(3)(D).

⁴² Securities Exchange Act Release No. 44725 (August 20, 2001). "A depositary share is defined as a security evidenced by an American Depositary Receipt that represents a foreign security or a multiple or fractions thereof. See 17 CFR 240.12b-2." Id. at footnote 14.

⁴³ Proposed Listing Standard V.A.ii.h requires that except for the ADTV, "component securities that account for at least 90% of the total index weight and at least 80% of the total number of component securities in the index must meet the requirements for listing a single-security futures contract, as set forth in Section I." Section I.A.i. requires that the security underlying futures product based on a single security be a common stock or an American Depositary Receipt representing common stock.

⁴⁴ 15 U.S.C. 78f(h)(3)(D).

⁴⁵ 15 U.S.C. 78f(h)(7).

⁴⁶ 15 U.S.C. 78f(h)(3)(F).

⁴⁷ 7 U.S.C. 6i.

⁴⁸ Id.

⁴⁹ 17 C.F.R. 41.27(b)(2).

these large S&P 500 contracts will provide more liquidity to the opening of the underlying markets. Thus, the final settlement price based on opening prices is designed to deter manipulation.

In addition, OneChicago Rule 603 specifically prohibits market manipulation, and OneChicago Rule 604 prohibits members or access persons from violating applicable laws. Therefore, OneChicago believes that it meets this requirement.

Section 6(h)(3)(I)⁵⁰ of the Act requires that procedures be in place for coordinated surveillance among the market on which the SFP is traded, any market on which any security underlying the SFP is traded and other markets on which any related security is traded to detect manipulation and insider trading. OneChicago is an affiliate member of the Intermarket Surveillance Group through which it has an agreement to share market surveillance and regulatory information with other members of the group, which includes all of the predominant U.S. securities exchanges. OneChicago is also a member of the Joint Audit Committee, in which the futures self-regulatory organizations have an agreement to share information for regulatory purposes. Therefore, OneChicago believes it meets this requirement.

Section 6(h)(3)(J) of the Act⁵¹ requires that an exchange have audit trails that are necessary or appropriate to facilitate the coordinated surveillance required under Section 6(h)(3)(I) of the Act.⁵² The audit trail capability provided by CBOE*direct*®, the trade matching engine used by OneChicago, will create and maintain an electronic transaction history database that contains information with respect to all orders, whether executed or not, and resulting transactions on the Exchange. This applies to orders entered through CBOE*direct*® terminals as well as to orders routed to CBOE*direct*® through CME's Globex® system. The information recorded with respect to each order includes: time received (by CBOE*direct*® or Globex®), terms of the order, order type, instrument and contract month, price quantity, account type, account designation, user code and clearing firm.

OneChicago's electronic audit trail will consist of data recorded by CBOE*direct*® and Globex®, and OneChicago will have full access to all such data. Information logged by CBOE*direct*®, including in respect of

orders received through CBOE*direct*® terminals, will be archived and provided to OneChicago each day. Orders received through Globex® will be archived and maintained at CME. Together these data sets will enable OneChicago to trace each order back to the clearing firm by or through which it was submitted. If any question or issue arises as to the source of an order prior to submission by or through a clearing firm, OneChicago will request that the clearing firm provide an electronic or other record of the order.

For orders that cannot be immediately entered into either CBOE*direct*® and Globex®, and therefore will not be recorded electronically at the time they are placed, OneChicago Rule 403(b) requires that the Clearing Member or, if applicable, the Exchange Member or the Access Person receiving such order must prepare an order form in a non-alterable written medium, which must be time-stamped when received and include the account designation, date and other required information (*i.e.*, order terms, order type, instrument and contract month, price and quantity). Each such form must be retained for at least five years from the time it is prepared. In addition, OneChicago Rule 501 establishes a general recordkeeping requirement pursuant to which each Clearing Member, Exchange Member and Access Person must keep all books and records as required to be kept by it pursuant to the Commodity Exchange Act, CFTC regulations, the Act, regulations under the Act and the Rules of the Exchange. OneChicago Rule 501 also requires that such books and records be made available to the Exchange upon request. Current CFTC regulations require books and records to be maintained for a period of five years. OneChicago believes that its audit trail meets the requirement of section 6(h)(3)(J) of the Act.⁵³

Block trades will be entered in CBOE*direct*® by OneChicago's operations management after they are verbally reported by designated individuals at the Clearing Member for the selling party. At the time of each such verbal report, a trade identification number will be assigned and provided to the caller. Both the buyer and the seller in each trade will then follow up the verbal report by submitting a block trade reporting form via facsimile or email to OneChicago. Generally, the same procedures apply to exchange of futures for physical ("EFP") transactions, except that no verbal report is required for such transactions. Since block trades and EFP transactions

involve orders that cannot be immediately entered into either CBOE's or CME's systems, the Clearing Members or, if applicable, Exchange Members or Access Persons involved must comply with the procedures specified in the preceding paragraph.

Section 6(h)(3)(K) of the Act⁵⁴ requires that a market on which a security futures product is traded have in place procedures to coordinate trading halts between such market and any market on which any security underlying the security futures product is traded and other markets on which any related security is traded. OneChicago Rule 419 requires that trading in a security future be halted at all times that a regulatory halt has been instituted for the relevant underlying security or securities.

Section 6(h)(3)(L) of the Act⁵⁵ requires that the margin requirements for a security futures product comply with the regulations prescribed pursuant to section 7(c)(2)(B) of the Act.⁵⁶ The Commission approved OneChicago Rule 515, which fulfills this requirement.⁵⁷

2. Statutory Basis

OneChicago states that the proposed rule change is consistent with section 6(b)(5) of the Act⁵⁸ in that it promotes competition, is designed to prevent fraudulent and manipulative acts and practices, and is designed to protect investors and the public interest. OneChicago states that the proposed rule change would promote competition by making new products available to the public. OneChicago also states that the proposed rule change is also designed to deter manipulation of MicroSector Futures and to prevent using the product for fraudulent or manipulative trading in the component securities and their derivatives. In addition, the proposed position limit and final settlement rules along with surveillance and enforcement of these proposed rules are intended to deter manipulative activity in this product. In this manner, OneChicago states that the proposed rule change is designed to protect investors and the public interest.

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 because it

⁵⁰ 15 U.S.C. 78f(h)(3)(I).

⁵¹ 15 U.S.C. 78f(h)(3)(J).

⁵² 15 U.S.C. 78f(h)(3)(I).

⁵³ 15 U.S.C. 78f(f)(3)(J).

⁵⁴ 15 U.S.C. 78(h)(3)(K).

⁵⁵ 15 U.S.C. 78f(h)(3)(L).

⁵⁶ 15 U.S.C. 78g(c)(2)(B).

⁵⁷ Securities Exchange Act Release No. 46787 (November 7, 2002), 67 FR 69059 (November 14, 2002) (SR-OC-2002-01).

⁵⁸ 15 U.S.C. 78f(b)(5).

believes that the proposed rule change will promote competition by permitting OneChicago to bring new products to the market.

C. Self-Regulatory Organization's Statement on Comments on Proposed Rules Received From Members, Participants, or Others

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

III. Date of Effectiveness of the Proposed Rules and Timing for Commission Action

Pursuant to section 19(b)(7)(B) of the Act,⁵⁹ the proposed rule change became effective on June 20, 2003. Within 60 days of the date of effectiveness of the proposed rule change, the Commission, after consultation with the CFTC, may summarily abrogate the proposed rule change and require that the proposed rule change be refiled in accordance with the provisions of section 19(b)(1) of the Act.⁶⁰

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rules conflict with the Act. Persons making written submissions should file nine copies of the submission with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Comments also may be submitted electronically to the following e-mail address: rule-comments@sec.gov.

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rules that are filed with the Commission, and all written communications relating to the proposed rules 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 will also be available for inspection and copying at the principal office of OneChicago. Electronically submitted comments will be posted on the Commission's Internet Web site (<http://www.sec.gov>). All submissions should refer to File No. SR-OC-2003-06 and should be submitted by August 13, 2003.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶¹

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 03-18736 Filed 7-22-03; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48193; File No. SR-PCX-2003-33]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Pacific Exchange, Inc. Relating to Minor Rule Plan Housekeeping Changes

July 17, 2003.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on July 8, 2003, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange is proposing to amend the Exchange's Minor Rule Plan ("MRP") and Recommended Fine Schedule ("RFS") (PCX Rule 10.13) in order to make a number of non-substantive and technical changes. The text of the proposed rule changes is available at the PCX and at the Commission.

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 PCX 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 IV below. The Exchange 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

The Exchange is proposing to amend its MRP and RFS (PCX Rule 10.13) in order to make a number of non-substantive and technical changes. The Exchange also proposes to make minor conforming changes to various other rules where appropriate.

First, the Exchange proposes to amend PCX Rule 6.37(d) to correct a minor technical error. PCX Rule 6.37(d) states that formal disciplinary action may be taken if aggravating circumstances are found, pursuant to PCX Rule 10.3. The Exchange proposes to amend the text to reflect the correct rule number, which is "10.4". Second, the Exchange proposes to amend PCX Rule 6.37(h)(6) so that the first sentence in the rule will read "action and suspension" instead of "action or suspension." This was a technical error that the Exchange wishes to correct at this time.

Third, the Exchange proposes to correct a technical error in PCX Rules 10.13(h)(34) and 10.13(k)(i)(34). The text incorrectly references that PCX Rule 10.13(h)(34) is a violation of "Rule 6.87(d)(3)". The Exchange wishes to amend the text to reflect the correct rule number, which is "Rule 6.87(e)(3)". Fourth, the Exchange proposes to amend PCX Rule 6.89(b)(7), where the Exchange inadvertently used the acronym "PSE" instead of "PCX" in the rule text. Thus, the Exchange proposes to correct the technical error and replace the acronym PSE with the current acronym, PCX.

Fifth, the Exchange proposes to amend PCX Rules 10.13(h)(2) and 10.13(k)(i)(2) of the MRP and RFS. The purpose of this change is to replace the term "floor broker" with the term "member" in the text as the underlying rule violation (PCX Rule 6.67) is not limited to floor brokers and applies to all members. Sixth, the Exchange proposes to amend PCX Rule 10.13(e) in order to correct a technical error. Under the proposed amendment, the term "Compliance Department" will be replaced with the term "Corporate Secretary" as the latter is the correct office for this process at the Exchange.

Seventh, the Exchange proposes to amend PCX Rules 10.13(j)(1) and 10.13(k)(iii)(1) of the MRP and RFS. Under the proposed amendment, the rule referenced in the text, "Rule 10.2(c)," will be amended to reflect the correct corresponding rule number, which is "Rule 10.2(e)." Finally, the

⁵⁹ 15 U.S.C. 78s(b)(7)(B).

⁶⁰ 15 U.S.C. 78s(b)(1).

⁶¹ 17 CFR 200.30-3(a)(75).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.