



U.S. COMMODITY FUTURES TRADING COMMISSION

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June 11, 2002

Kenneth M. Raisler
Sullivan & Cromwell
125 Broad Street
New York, NY 10004

Re: Application of OneChicago, LLC Futures Exchange for Designation as a Contract Market

Dear Mr. Raisler:

By submissions dated December 21, 2001 through, June 10, 2002, OneChicago, LLC Futures Exchange ("OneChicago" or "Exchange") has applied to the Commodity Futures Trading Commission ("Commission"), pursuant to Sections 5 and 6(a) of the Commodity Exchange Act ("Act"), 7 U.S.C. §§7 and 8(a), for designation as a contract market. The Commission has reviewed the materials submitted and has determined to designate OneChicago as a contract market, pursuant to Sections 5 and 6(a) of the Act, 7 U.S.C. §§7 and 8(a), subject to the terms and conditions of the accompanying order.

Concurrent with designation, the Commission approved, pursuant to Section 5c(c) of the Act, 7 U.S.C. §7a-2(c), OneChicago Rules: 101-155, 201-206, 301-309, 401-420, 501-514, 601-615, 701-717, 801-802, 901-902, 1001-1002, and 1101-1102; and Policies and Procedures I-VI.

The Commission's conditional designation is based upon, among other things, written submissions, explanations and representations provided by the Exchange describing the manner in which OneChicago will operate. The Commission's conditional designation is also based upon written submissions, explanations, demonstrations, and representations provided by (1) OneChicago and the Chicago Mercantile Exchange ("CME"), a designated contract market and a derivatives clearing organization that will perform several of the Exchange's self-regulatory duties, including conducting trade practice, financial and market surveillance, investigations for the Exchange and that will carry out clearing and settlement services for security futures transactions trading on OneChicago; (2) OneChicago and Chicago Board Options Exchange ("CBOE") a national securities exchange that will provide a modified version of CBOE*direct* electronic trading system that will accept, disseminate, and match OneChicago orders; (3) OneChicago and The Options Clearing Corporation ("OCC") a derivatives clearing organization that will carry out clearing and settlement services for security futures transactions trading on OneChicago; and (4) OneChicago and National Futures Association ("NFA"), a registered futures association that will provide dispute resolution services; concerning how each shall assist OneChicago in meeting the Exchange's self-regulatory obligations.

In approving OneChicago's application, the Commission is not approving the agreements covering services between OneChicago and CME, between OneChicago and CBOE, between OneChicago and OCC, or between OneChicago and NFA and, therefore, is not approving those service agreements. In this connection, OneChicago itself shall remain responsible for ensuring the performance of all self-regulatory functions required of it as a designated contract market under the Act and the Commission's regulations, including enforcement of the terms of all OneChicago rules.

The Commission reminds the Exchange that the following items are considered "rules" under Part 40 of the Commission's regulations and that, accordingly, changes thereto should be submitted to the Commission for review pursuant to 5c(c) of the Act and Part 40 of the Commission's regulations: (1) the exchange trading system; (2) the Policies and Procedures; (3) both the identity of and self-regulatory services provided to the exchange by third-party providers; (4) the no bust range for error trades and adjustments to the trade allocation method, including changes to Lead Market Maker programs; and (5) the minimum contract size thresholds and reporting times for block trades. In addition, the Commission reminds the Exchange that Position Limits or Position Accountability procedures must be specified for futures contracts listed by the Exchange. All Position Limits or Position Accountability procedures should be submitted to the Commission in connection with the listing of each futures contract submitted under the Commission's certification or approval procedures.

Sincerely,

Jean A. Webb
Secretary of the Commission

cc: C. Robert Paul, OneChicago, LLC

UNITED STATES OF AMERICA

Before the

COMMODITY FUTURES TRADING COMMISSION

In the Matter of the Application of
OneChicago, LLC Futures Exchange
for Designation as a Contract Market

ORDER OF CONDITIONAL DESIGNATION

OneChicago, LLC Futures Exchange (“OneChicago” or “Exchange”), a Delaware limited liability company whose partners consist of the Chicago Mercantile Exchange (“CME”), Chicago Board Options Exchange (“CBOE”) and Board of Trade of the City of Chicago, Inc. (“CBOT”), submitted, pursuant to Sections 5 and 6(a) of the Commodity Exchange Act (“Act”), 7 U.S.C. §§ 7 and 8(a), an application for designation as a contract market, having contracted with: (1) The Options Clearing Corporation (“OCC”) and CME, both derivatives clearing organizations, to carry out clearing and settlement services for all security futures transactions trading on OneChicago; (2) CME, a designated contract market, to carry out several self-regulatory duties; (3) National Futures Association (“NFA”), a registered futures association, to provide dispute resolution services; and (4) the CBOE, a national securities exchange, for use of a modified version of CBOE*direct* electronic trading system; all subject to the decision-making authority of the Exchange. The Commodity Futures Trading Commission (“Commission”) having reviewed the application and the complete record in this matter, and for the reasons set forth in the Memorandum submitted to the Commission by the Divisions of Trading and Markets and Economic Analysis recommending that the Commission conditionally designate

OneChicago as a contract market, the Commission finds that for purposes of this application the Exchange has demonstrated that it has or will comply with the requirements under the Act and the Commission's regulations thereunder applicable to it.

Therefore,

IT IS ORDERED, under Sections 5 and 6(a) of the Act, 7 U.S.C. §§ 7 and 8(a), that the application of OneChicago for designation as a contract market is granted;

IT IS FURTHER ORDERED, that this grant of designation shall be subject to compliance with all sections of the Act and regulations thereunder applicable to OneChicago as a contract market and that this grant of designation and the commencement and/or continuance of exchange operations shall be specifically subject to the following conditions:

(a) Prior to the commencement of trading, OneChicago shall provide to the Commission, for staff consideration, an executed agreement between OneChicago and the Securities Industry Automation Corporation ("SIAC"), that supplies OneChicago and/or OneChicago's delegatee with large trader information, which SIAC will consolidate from trading on the Exchange by CME member firms, CBOE firms, and BOTCC member firms; and

(b) Prior to the commencement of trading, OneChicago shall adopt, and submit to the Commission for staff consideration, additions to its Rulebook that provide the Exchange with appropriate governance provisions regarding the powers, rights, responsibilities and limitations on those governing the Exchange.

Issued in Washington, D.C., this 11th day of June 2002.

By the Commission

Jean A Webb
Secretary of the Commission