

# OneChicago ✕

141 West Jackson, Suite 2240  
Chicago, Illinois 60604

[dhorwitz@onechicago.com](mailto:dhorwitz@onechicago.com)

C.F.T.C.  
OFFICE OF THE SECRETARIAT  
2009 JUN 9 PM 4 30

June 9, 2009

Mr. David Stawick  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

Re: Security Futures Products Rule Submission and Rule Certification

Dear Mr. Stawick:

Pursuant to section 5c(c)(1) of the Commodity Exchange Act, as amended (the "Act"), and section 41.23 of the regulations promulgated by the Commission under the Act, submitted herewith is an amendment to OneChicago, LLC Rule **515(n)(ii)(C)**, "Exclusion for Market Makers" and the "Market Maker Registration Policy and Procedures." The rule amendment will be effective on June 10, 2009.

On behalf of OneChicago, I hereby certify that the amendment complies with the Act and the regulations promulgated thereunder.

/s/ Donald L. Horwitz  
Managing Director and  
General Counsel  
OneChicago, LLC

Enclosures:

- (i) Rule Amendment
- (ii) Market Maker Registration Policy and Procedures

## RULE AMENDMENT

Rule 515      General Requirements; Offsetting Positions; Exclusion for Market Makers

(n)      *Exclusion for Market Makers.*

(i)      No Change

(ii)      (A) – (B)      No Change

(C) holds itself out as being willing to buy and sell security futures for its own account on a regular or continuous basis.

A Market Maker satisfies condition (C) above if:

(1) such Market Maker: (x) provides continuous two-sided quotations throughout the trading day for all delivery months of Contracts representing a meaningful proportion of the total trading volume on the Exchange, subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a Contract or a security underlying such Contract) at which times such Market Maker must use its best-efforts to quote continuously and competitively; and (y) when providing quotations, quotes with a maximum bid/ask spread of no more than the greater of \$5.00 ~~\$0.20~~ or 150% of the bid/ask spread in the primary market for the security underlying each Contract;

(2) such Market Maker: (x) responds to at least 75% of the requests for quotation for all delivery months of Contracts representing a meaningful proportion of the total trading volume on the Exchange, subject to relaxation during unusual market conditions as determined by the Exchange (such as a fast market in either a Contract or a security underlying such Contract) at which times such Market Maker must use its best efforts to quote competitively; and (y) when responding to requests for quotation, quotes within five seconds with a maximum bid/ask spread of no more than the greater of \$5.00 ~~\$0.20~~ or 150% of the bid/ask spread in the primary market for the security underlying each Contract; or

(3) (w) such Market Maker is assigned to a group of Contracts that is either unlimited in nature (“Unlimited Assignment”) or is assigned to no more than 20% of the Contracts listed on the Exchange (“Limited Assignment”); (x) at least 75% of such Market Maker’s total trading activity in Exchange products is in its assigned Contracts, measured on a quarterly basis; (y) during at least 50% of the trading day such Market Maker has bids or offers in the market that are at or near the best market, except in unusual market conditions as determined by the Exchange (such as a fast market in either a Contract or a security underlying such Contract), with respect to at least 25% (in the case of an Unlimited Assignment) or at least one (in the case of a Limited Assignment) of its assigned Contracts; and (z) the requirements set forth in clauses (x) and (y) are satisfied on at least 90% (in the case of an Unlimited Assignment)

or 80% (in the case of a Limited Assignment) of the trading days in each calendar quarter.

For purposes of clauses (1) and (2) above, beginning on the 181st calendar day after the commencement of trading on the Exchange, a “meaningful proportion of the total trading volume on the Exchange” shall mean a minimum of 20% of such trading volume in the OneChicago contracts in which the market maker has been designated.

\* \* \*

(Proceed to next page.)

- (4) hold itself out as being willing to buy and sell security futures for its own account on a regular or continuous basis.

In addition, the market maker exclusion provides that any market maker that fails to comply with the rules of OneChicago or the margin rules adopted by the SEC and the CFTC shall be subject to disciplinary action in accordance with Chapter 7 of OneChicago's rules, and that appropriate sanctions in the case of any such failure shall include, without limitation, a revocation of such market maker's registration as a dealer in security futures.

### **Market Maker Categories**

OneChicago Rule 515(n) specifies three alternative ways for a member to satisfy the requirement that a security futures dealer hold itself out as being willing to buy and sell security futures for its own account on a regular or continuous basis. Each member seeking market maker designation must register for one of the following three market maker categories and will undertake to perform all of the obligations set forth in the elected category:

- Category 1.* The member will provide continuous two-sided quotations throughout the trading day for all delivery months of Contracts representing a meaningful proportion of the total trading volume on the Exchange,\* subject to relaxation during unusual market conditions as determined by OneChicago (such as a fast market in either a Contract or a security underlying such Contract) at which times such member must use its best efforts to quote continuously and competitively; and when providing quotations, quotes for a minimum of one Contract with a maximum bid/ask spread of no more than the greater of ~~\$5.00~~ \$0.20 or 150 per cent of the bid/ask spread in the primary market for the security underlying each Contract; or
- Category 2.* The member will respond to at least 75 per cent of the requests for quotations for all delivery months of Contracts representing a meaningful proportion of the total trading volume on the Exchange,\* subject to relaxation during unusual market conditions as determined by the Exchange (such as fast market in either a Contract or a security underlying such Contract) at which times such member must use its best efforts to quote competitively; and when responding to requests for quotation, quotes within five seconds for a minimum of one Contract with a maximum bid/ask spread of no more than the greater of ~~\$5.00~~ \$0.20 or 150 per cent of the bid/ask spread in the primary market for the security underlying each Contract; or
- Category 3.* The member will be (i) assigned to a group of Contracts that is either unlimited in nature ("Unlimited Assignment") or is assigned to no more than 20 per cent of the Contracts listed on OneChicago ("Limited Assignment"); (ii) at least 75 per cent of such member's total trading activity in Exchange products is in its assigned Contracts, measured on a quarterly basis; (iii) during at least 50 per cent of the trading day such member has bids or offers in the market that are at or near the best market, except in unusual market conditions as determined by OneChicago

---

\* A "meaningful proportion of the total trading volume on the Exchange" shall mean a minimum of 20 per cent of such trading volume in the OneChicago contracts in which the market maker has been designated.

(such as fast market in either a Contract or a security underlying such Contract), with respect to at least 25 per cent (in the case of an Unlimited Assignment) or at least one (in the case of a Limited Assignment) of its assigned Contracts; and (iv) the requirements set forth in (ii) and (iii) are satisfied on at least 90 per cent (in the case of an Unlimited Assignment) or 80 per cent (in the case of a Limited Assignment) of the trading days in each calendar quarter.

#### **Qualification for "60/40" Tax Treatment**

To qualify as a "dealer" in security futures contracts within the meaning of section 1256(g)(9) of the Internal Revenue Code of 1986, as amended, (the "Code") a member is required (i) to register as a market maker for purposes of OneChicago's margin rules under Category 1 or Category 2 above; (ii) to undertake in its registration form to provide quotations for all products specified for the market maker exclusion from the OneChicago margin rules; and (iii) to quote a minimum size of

(A) ten (10) contracts for each product not covered by (B) or (C) below;

(B) five (5) contracts for each product specified by the member to the extent such quotations are provided for delivery months other than the next two delivery months then trading; and

(C) one (1) contract for any single stock futures Contract where the average market price for the underlying stock was \$100 or higher for the preceding calendar month or for any futures contract on a narrow-based security index, as defined by Section 1a(25) of the Commodity Exchange Act.

#### **Products**

As noted above in completing the OneChicago Market Maker Registration Form, a member must specify all OneChicago Contracts for which it intends to act as a market maker. The Exchange will assign to the member all of the Contracts listed on its registration form, unless the Exchange provides written notice to the member identifying any Contracts for which such assignment is withheld. A member may change the list of Contracts for which he undertakes to act as market maker for any calendar quarter by filing a revised Market Maker Registration Form with the Exchange on any business day prior to the last trading day of such quarter, and such change shall be effective retroactive to the first trading day of such quarter. Each market maker shall be responsible for maintaining books and records that confirm that it has fulfilled its quarterly obligations under the market maker category elected on its Market Maker Registration Form in respect of all Contracts designated for that calendar quarter.