

GSCC filed an amendment to the proposed rule change. Notice of the proposed rule change was published in the **Federal Register** on July 30, 2003.³ No comment letters were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

II. Description

In the beginning of 2002, GSCC implemented various rule changes that effectuated GSCC's new governance structure resulting from the integration of GSCC with The Depository Trust & Clearing Corporation.⁴ As part of the new structure, the newly formed GSCC/MBSCC Membership and Risk Management Committee ("Committee") was given the authority to approve or reject applications for netting membership and for comparison-only membership.⁵ Upon further review, GSCC has determined that it would be more appropriate for GSCC management to approve or reject applications for comparison-only membership.⁶

The proposed rule change will permit GSCC to effectively balance the interests involved in the membership approval process, including the need for a prudent review of membership applicants as well as the need to admit members on a timely basis. This goal is most appropriately met by having management approve GSCC comparison-only membership applicants.⁷ GSCC believes that, given the difference in the level of risk posed by the two types of GSCC membership applicants, only applications to become members of GSCC's netting service should require the Committee's review and approval.⁸

GSCC will activate comparison-only membership for qualified applicants

upon completion of the requisite financial and/or other operational reviews and upon receipt of all membership documentation as is required by GSCC's rules. In addition, management will provide the Committee with a list of comparison-only firms being considered for approval by management prior to activating any firm's comparison-only membership.

Consistent with these changes and in order to clarify relevant terms for members, GSCC is also expanding the current definition of "Corporation" in its Rule 1. Going forward, "Corporation" will also mean "Management" unless otherwise indicated, and these terms will be used interchangeably. This is not a substantive change and is not a delegation of duties currently reserved for the Board.

III. Discussion

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible.⁹ Because the comparison-only service provides only for the comparison of submitted trades, does not provide for any transfer between members of securities and funds, and does not provide guarantee of settlements, comparison-only members bring basically no risk to GSCC. As such, management's determination that all requisite financial and operational reviews have been completed with satisfactory results and that all requisite membership documentation have been filed is sufficient for activation of an applicant's comparison-only membership. Accordingly, the proposed rule change should not negatively affect GSCC's ability to safeguard securities and funds which are in its custody or control or for which it is responsible, and therefore, is consistent with GSCC's obligations under section 17A of the Act.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act and the rules and regulations thereunder.

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-

GSCC-2002-03) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48660; File No. SR-OC-2003-08]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by OneChicago, LLC Relating to Maintenance Standards for a Security Futures Product Based on a Single Security

October 20, 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 October 14, 2003, OneChicago, LLC ("OneChicago" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule changes described in Items I, II, and III below, which Items have been prepared by OneChicago. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

OneChicago also has filed the proposed rule change with the Commodity Futures Trading Commission ("CFTC"). OneChicago filed a written certification with the CFTC under section 5c(c) of the Commodity Exchange Act³ on October 13, 2003.

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

OneChicago proposes to amend the maintenance standards requirement ("Maintenance Standards") for a security futures product based on a single security ("Single Stock Future") relating to the market price of the underlying security. The text of the proposed rule change appears below. New text is in *italics*.

Eligibility And Maintenance Criteria For Security Futures Products

I. No Change.

¹⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(7).

² 17 CFR 240.19b-7.

³ 7 U.S.C. 7a-2(c).

³ Securities Exchange Act Release No. 48220 (July 23, 2003), 68 FR 44825.

⁴ Securities Exchange Act Release No. 45378 (January 31, 2002), 67 FR 6064 [File No. SR-GSCC-2001-13].

⁵ The term "comparison-only member" means a member that is a member only of the comparison system.

⁶ The Committee voted to delegate the authority to approve comparison-only membership applicants to management during its March 7, 2002 meeting. The purpose of this rule filing is to allow GSCC to implement this change.

⁷ This is consistent with the process currently employed by the National Securities Clearing Corporation ("NSCC"). The President of NSCC or a Managing Director of NSCC Risk Management may authorize a Vice President of NSCC Risk Management to approve non-guaranteed service applicants that meet membership requirements. The NSCC Membership and Risk Management Committee receives a list showing the name of each approved non-guaranteed service member.

⁸ GSCC's netting service provides for GSCC's guarantee of settlement. GSCC's comparison-only service does not do so.

⁹ 15 U.S.C. 78q-1(b)(3)(F).

II. Maintenance standards for a security futures product based on a single security.

A. OneChicago will not open for trading any security futures product that is physically settled with a new delivery month, and may prohibit any opening purchase transactions in the security futures product already trading, to the extent it deems such action necessary or appropriate, unless the underlying security meets each of the following maintenance requirements; provided that, if the underlying security is an ETF Share, TIR or Closed-End Fund Share, the applicable requirements for initial listing of the related security futures product (as described in I.A. above) shall apply in lieu of the following maintenance requirements:

(i)–(iv) No Change.

(v) The market price per share of the underlying security *has not* closed below \$3.00 on the previous trading day to the Expiration Day of the nearest expiring Contract on the underlying security. The market price per share of the underlying security will be measured by the closing price reported in the primary market in which the underlying security traded.

Requirement (v) as Applied to Restructure Securities:

If a Restructure Security is approved for security futures product trading under the initial listing standards in Section I, the market price history of the Original Equity Security prior to the commencement of trading in the Restructure Security, including “when-issued” trading, may be taken into account in determining whether this requirement is satisfied.

(vi) No Change.

B—DNo Change.

III.–IV. No Change.

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

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

1. Purpose

OneChicago proposes to correct Maintenance Standard II.A.v in which

the words “has not” were inadvertently omitted. On February 24, 2003, OneChicago filed a proposed rule change with the Commission that amended OneChicago’s maintenance standards for Single Stock Future that would prevent OneChicago from opening a Single Stock Future contract in a new delivery month if the market price per share of the underlying security closed below \$3.00 on the previous trading day to the expiration of the nearest expiring Contract on the underlying security.⁴ OneChicago states that the purpose clause of the February 24, 2003 proposed rule filing properly described the maintenance requirement; however, the rule text inadvertently left out the words “has not.”⁵

The correction made today is consistent with changes made on the option exchanges. Section 6(h)(3)(C) of the Act requires that Listing Standards for security futures “be no less restrictive than comparable Listing Standards for options traded on a national securities exchange. * * *⁶” The Commission has approved similar rule changes for the Chicago Board Options Exchange, Inc. (“CBOE”),⁷ the American Stock Exchange LLC (“Amex”),⁸ the International Stock Exchange, Inc. (“ISE”),⁹ the Philadelphia Stock Exchange, Inc.

⁴ See Securities Exchange Act Release No. 47445 (March 5, 2003), 68 FR 11595 (March 11, 2003). The Commission received no comments during the comment period.

⁵ The current rule text reads:

II.A. OneChicago will not open for trading any security futures product that is physically settled with a new delivery month, and may prohibit any opening purchase transactions in the security futures product already trading, to the extent it deems such action necessary or appropriate, unless the underlying security meets each of the following maintenance requirements; provided that, if the underlying security is an ETF Share, * * *:

v. The market price per share of the underlying security closed below \$3.00 on the previous trading day to the Expiration Day of the nearest expiring Contract on the underlying security. The market price per share of the underlying security will be measured by the closing price reported in the primary market in which the underlying security traded.

Requirement (v) as Applied to Restructure Securities:

If a Restructure Security is approved for security futures product trading under the initial listing standards in Section I, the market price history of the Original Equity Security prior to the commencement of trading in the Restructure Security, including “when-issued” trading, may be taken into account in determining whether this requirement is satisfied.

⁶ 15 U.S.C. 78f(h)(3)(C).

⁷ See Securities Exchange Act Release No. 44964 (October 19, 2001), 66 FR 54559 (October 29, 2001).

⁸ See Securities Exchange Act Release No. 59278 (November 16, 2001), 66 FR 59278 (November 27, 2001).

⁹ See Securities Exchange Act Release No. 45087 (November 20, 2001), 66 FR 60232 (December 3, 2001).

(“Phlx”),¹⁰ and the Pacific Exchange, Inc. (“PCX”).¹¹ Since CBOE, Amex, ISE, Phlx and PCX have comparable maintenance Listing Standards, the proposed rule change meets the requirement of section 6(h)(3)(C) of the Act.¹²

2. Statutory Basis

The proposed rule change is consistent with section 6(b)(5) of the Act¹³ in that it is reasonably designed to prevent fraudulent and manipulative acts and practices, and promote just and equitable principles of trade.

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

OneChicago does not believe that the proposed rule change will have a negative impact on competition. In fact, OneChicago believes the proposed rule change would promote competition since the proposed rule change is no less restrictive than comparable options exchanges.

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

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

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

The proposed rule change has become effective on October 14, 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.¹⁴

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change conflicts 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.

¹⁰ See Securities Exchange Act Release No. 45086 (November 19, 2001), 66 FR 59832 (November 30, 2001).

¹¹ See Securities Exchange Act Release No. 45038 (November 6, 2001), 66 FR 57764 (November 16, 2001).

¹² 15 U.S.C. 17f(h)(3)(C).

¹³ 15 U.S.C. 78f(b)(5).

¹⁴ 15 U.S.C. 78s(b)(1).

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 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 these filings also will be available for inspection and copying at the principal office of OneChicago. All submissions should refer to File No. SR-OC-2003-08 and should be submitted by November 14, 2003.

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

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48663; File No. SR-PHLX-2003-66]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment Nos. 1 and 2 by the Philadelphia Stock Exchange, Inc., Relating to the Listing and Trading of Options on the Nasdaq Composite Index®

October 20, 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 September 29, 2003, the Philadelphia Stock Exchange, Inc. ("PHLX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the PHLX. The PHLX filed Amendment Nos. 1 and 2 to the proposal on October 17, 2003.³ The

Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The PHLX proposes to list and trade cash-settled, European-style options on the Nasdaq Composite Index® (the "Nasdaq Composite Index" or "Index"), a broad-based, market capitalization-weighted, A.M.-settled index comprised of approximately 3,400 stocks listed and traded on The Nasdaq Stock Market, Inc. ("Nasdaq"). In addition to trading full-size options on the Index ("Full-Size Index Options"), the PHLX proposes to trade mini Index options that are 1/10th the size of full-size Index options ("Mini Index Options"), Flexible Exchange Index ("FLEX®") options on the Index ("FLEX Index Options"), and mini-FLEX Index Options ("Mini FLEX Index Options") (the Full-Size Index Options, Mini Index Options, FLEX Index Options, and Mini FLEX Index Options may be referred to, collectively, as the "Index Options"). The PHLX will trade the Index Options pursuant to current PHLX rules governing the trading of index options.⁴ The PHLX proposes to amend PHLX Rules 1001A, "Position Limits," and 1079, "FLEX Index and Equity Options," to establish position limits for the proposed Index Options. The text of the proposed rule change appears below. Proposed additions are italicized.

Position Limits

Rule 1001A. (a) Position limits for options on market indexes shall be as follows, except certain positions must be aggregated in accordance with paragraph (d) below:

(i)—(ii) No change.

(iii) *Respecting the Nasdaq Composite Index, (1) 50,000 contracts total for full-size options, with 30,000 contracts in the nearest expiration month, and (2) 500,000 contracts total for mini size options, with 300,000 contracts total in the nearest expiration month.*

(b)—(d) No change.

(e) Aggregation—Full value, reduced value, long term and quarterly expiring options based on the same index shall be aggregated.

(i)—(ii) No change.

(iii) *For aggregation purposes, one full-size Nasdaq Composite Index option contract is the equivalent of 10 mini size Nasdaq Composite Index option contracts.*

FLEX Index and Equity Options

Rule 1079. A Requesting Member shall obtain quotes and execute trades in certain non-listed FLEX options at the specialist post of the non-FLEX option on the Exchange. The term "FLEX option" means a FLEX option contract that is traded subject to this Rule. Although FLEX options are generally subject to the rules in this section, to the extent that the provisions of this Rule are inconsistent with other applicable Exchange rules, this Rule takes precedence with respect to FLEX options.

(a)—(c) No change.

(d) Position Limits.

(1) FLEX index options shall be subject to a separate position limit of 200,000 contracts on the same side of the market respecting market index options (TPX, VLE and XOC); *50,000 contracts on the same side of the market, with 30,000 contracts on the same side of the market in the nearest expiration month, respecting full-size Nasdaq Composite Index® Options; 500,000 contracts on the same side of the market, with 300,000 contracts on the same side of the market in the nearest expiration month respecting mini-size Nasdaq Composite Index® Options; 36,000, 48,000, or 60,000 contracts respecting industry index options, depending on the position limit tier determined pursuant to Rule 1001A(b)(i).* However, positions in P.M.-settled FLEX index options shall be aggregated with positions in quarterly expiring options listed pursuant to Rule 1101A(b)(iv) on the same underlying index, if the FLEX index option expires at the close of trading on or within two business days of the last day of trading in each calendar quarter. Positions in FLEX index options shall otherwise not be taken into account when calculating position limits for non-FLEX index options.

(2) No change.

(e)—(f) No change.

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 PHLX 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

¹⁵ 17 CFR 200.30-3(a)(75).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See letter from Mark I. Salvacion, Director and Counsel, PHLX, to Kelly Riley, Senior Special Counsel, Division of Market Regulation ("Division"), Commission, dated October 17, 2003 ("Amendment No. 1"); and letter from Mark I. Salvacion, Director and Counsel, PHLX, to Yvonne Fraticelli, Special Counsel, Division, Commission,

dated October 17, 2003 ("Amendment No. 2"). Amendment No. 1 revises the position and exercise limits for the proposed options. Amendment No. 2 proposes to list mini FLEX options on the Nasdaq Composite Index.

⁴ See, particularly, PHLX Rules 1000A through 1102A (Rules Applicable to Trading of Options on Indices) and, generally, PHLX Rules 1000 through 1090 (Options Rules of the PHLX).