



David G. Downey
Chief Executive Officer

January 26, 2011

Via E-Mail and On-Line Submission

Ms. Elizabeth M. Murphy
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
rule-comments@sec.gov

Re: Regulation SBSR – Reporting and Dissemination of Security-Based Swap Information. Release No. 34-63345; File No.S7-34-10

Dear Ms Murphy,

OneChicago, LLC (“OCX”) appreciates the opportunity to comment on the Securities and Exchange Commission’s Notice of Proposed Rulemaking (“Release”) that was published in the Federal Register on December 2, 2010. In the Release, the Commission requested comment on proposed rules for the reporting and dissemination of security-based swap information.

OCX is jointly regulated by both the Securities and Exchange Commission and the Commodity Futures Trading Commission. OCX is a Designated Contract Market for the listing and trading of Single Stock Futures (SSF) on individual equities, ETFs and narrow based indices. All transactions are cleared through the ‘AAA’ rated Options Clearing Corporation.

OCX serves the efficient financing needs of the equity market by allowing market participants to carry their long and short delta exposure, via the SSF, at a more favorable interest rate than they pay at their brokerage firm.

OCX facilitates transactions through two Central Limit Order Books. One for the trading of small size transactions and the second for the trading of Blocks and Exchange for Physical (“EFP”) trades which may include the reporting of privately negotiated transactions.

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XI. Section 31 Fees

An OCX EFP transaction is substantially similar to a Swap, a Repo, and a Securities Lending Transaction.¹ They are all variants of a financing transaction unrelated to price discovery. The EFP combines a purchase of a SSF with the sale of the underlying instrument and vice versa. The Swap, Repo and Securities Lending Transaction are all OTC transactions that includes a swap of an underlying for a forward agreement to unwind the transaction in the future. The SSF and the forward agreement have the same function. The sale of the stock in the EFP and the swap or loan of the stock in the OTC trade can be viewed as the same.

OCX is greatly concerned that the Commission's proposal to exempt Security-Based Swaps from the calculation of Section 31 fees will put our EFP transaction at a distinct competitive disadvantage and discourage participation in our markets. Today the buyer of an EFP (the 'lender' of stock) is subject to a Section 31 assessment on the SSF leg as well as \$19.20/million on the Stock leg. So on a 10,000 lot EFP of a \$40 stock the buyer would pay \$.0021 assessment on the SSF or \$21 as well as \$768 ((1,000,000 shares of stock * 40) * .0000192) for total \$789 additional fee. If the stock price was \$80/share the combined fee is \$1587 which exceeds exchange and clearing fees combined.

These fees are not present in the OTC market and while we recognize the exemptive authority² of the Commission we see the imposition of Section 31 fees on our transactions but not on Security-Based Swaps as being inconsistent with "...the equal regulation of markets and brokers and dealers, and the development of a national market system."

More troubling is the prospect that the added burden of regulating these new Security-Based Swaps may increase the Commission's costs which would require higher Section 31 fees and assessments borne by OCX market participants but not the Security-Based Swaps participants.

¹ Securities Lending Transactions fees in Hard-to-Borrow stocks do materially distort the pricing of exchange traded derivative products in a non-competitive and non-transparent way.

² The Commission, by rule, may exempt any sale of securities or any class of sales of securities from any fee or assessment imposed by this section, if the Commission finds that such exemption is consistent with the public interest, the equal regulation of markets and brokers and dealers, and the development of a national market system.

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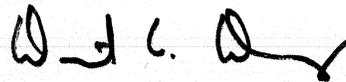
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Accordingly OCX would recommend that Commission not create a disincentive to participate in our established marketplace. Either our EFP transactions should also be exempt from the Section 31 fees or the Security-Based Swaps must bear the same costs.

OCX thanks the Commission for the opportunity to comment on this subject. We would be happy to discuss any related issues with SEC staff. If you have any questions, please do not hesitate to contact me at (312) 424-8520 or via email at Ddowney@onechicago.com.

Sincerely,

A handwritten signature in black ink, appearing to read "D. G. Downey", with a stylized flourish at the end.

David G. Downey