



THE OPTIONS CLEARING  
CORPORATION

C.F.T.C.  
OFFICE OF THE SECRETARIAT  
2010 JUL 30 PM 3 51

July 29, 2010

**VIA E-MAIL**

Mr. David A. Stawick  
Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, DC 20581

**Re: Rule Filing SR-OCC-2010-12 Rule Certification**

Dear Mr. Stawick:

Attached is a copy of the above-referenced rule filing, which The Options Clearing Corporation ("OCC") is submitting pursuant to the self-certification procedures of Commission Regulation 40.6. This rule filing has been, or is concurrently being, submitted to the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (the "Exchange Act").

In conformity with the requirements of Regulation 40.6(a)(3), OCC states the following: The text of the rule is set forth at Item 1 of the enclosed filing. The date of implementation of the rule is when the proposed rule has been approved by the SEC. No substantive opposing views were expressed to OCC by governing board or committee members, clearing members of OCC, or market participants, that were not incorporated into the rule.

OCC hereby certifies that the rule set forth at Item 1 of the enclosed filing complies with the Commodity Exchange Act and the Commission's regulations thereunder.

JEAN M. CAWLEY

SENIOR VICE PRESIDENT AND DEPUTY GENERAL COUNSEL

ONE N. WACKER DRIVE, SUITE 500 CHICAGO, ILLINOIS 60606 TEL 312.322.6269 FAX 312.322.6280

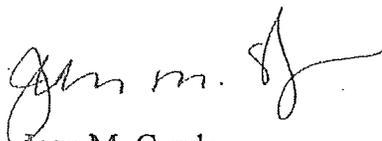
JCAWLEY@THEOCC.COM WWW.OPTIONSCLEARING.COM



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Should you have any questions regarding this matter, please do not hesitate to contact the undersigned at (312) 322-6269.

Sincerely,

  
Jean M. Cawley

Attachments

cc: CFTC Central Region (w/ enclosure)  
525 West Monroe Street, Suite 1100  
Chicago, IL 60661  
Attn: Frank Zimmerle

OCC-2010-12 cftc.ltr

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 19b-4

Proposed Rule Change  
by

THE OPTIONS CLEARING CORPORATION

Pursuant to Rule 19b-4 under the  
Securities Exchange Act of 1934

**Item 1. Text of the Proposed Rule Change**

The Options Clearing Corporation ("OCC" or the "Corporation") proposes to amend its by-laws as set forth below. Material proposed to be added is marked by underlining.

**THE OPTIONS CLEARING CORPORATION**

**BY-LAWS**

**ARTICLE I**

SECTION 1. [no change]

A. – F. [no change]

G. (1) – (3) [no change]

**Government Securities**

(4) The term "Government securities" means securities issued or guaranteed by the United States or Canadian Government, or by any other foreign government acceptable to the Corporation, except Separate Trading of Registered Interest and Principal Securities issued on Treasury Inflation Protected Securities (commonly called TIP-STRIPS). The term "short-term Government securities" means Government securities maturing within one year. The term "long-term Government securities" means all other Government securities.

(5) [no change]

H. – Z. [no change]

\* \* \*

**Item 2. Procedures of the Self-Regulatory Organization**

The proposed rule change was approved by the Board of Directors of OCC at a meeting held on May 25, 2010.

Questions regarding the proposed rule change should be addressed to Jean M. Cawley, Senior Vice President and Deputy General Counsel, at (312) 322-6269.

**Item 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

The purpose of this rule change is to exclude from the definition of Government securities Separate Trading of Registered Interest and Principal Securities ("STRIPS") on Treasury Inflation Protected Securities ("TIPS"), commonly known as TIP-STRIPS. The reason for the proposed exclusion is the absence of a liquid secondary market for TIP-STRIPS.

U.S. and Canadian Government securities are acceptable forms of collateral for margin and clearing fund purposes. OCC defines Government securities to be securities issued or guaranteed by the United States or Canadian Government or any other government acceptable to OCC. U.S. Government securities include bills, bonds, notes, TIPS and STRIPS. The U.S. Government does not issue STRIPS, but does guarantee their principal payments making them eligible as Government securities for purposes of OCC's by-laws and rules. The U.S. Government also does not issue TIP-STRIPS. Nonetheless, TIP-STRIPS come within OCC's definition of Government securities as their principal is guaranteed by the U.S. Government.

TIP-STRIPS were first issued in the late 1990's by an investment bank to meet the needs of certain clients and the securities are registered in the Federal Reserve Bank's book entry system. The securities have a de minimis circulation, and there currently is no active secondary market for them, resulting in a lack of price transparency and liquidity and no reliable means by which to determine their value. OCC's ability to liquidate this form of collateral in the event of a clearing member default could be severely compromised as a result of these factors.

Accordingly, OCC has concluded TIP-STRIPS should be excluded from the definition of Government securities. OCC is unaware of any instance in which a clearing member has pledged TIP-STRIPS to meet its margin or clearing fund obligation. Therefore, OCC believes excluding TIP-STRIPS from the definition of Government securities enhances the protection of OCC, clearing members and the investing public without imposing a burden on clearing members depositing Government securities to meet their margin and clearing fund obligations.

\* \* \*

The proposed change is consistent with Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), because it assures the safeguarding of securities and funds which are in OCC's custody and control and provides for the protection of investors and the public interest. The proposed change meets these objectives by making a security with de minimis circulation, liquidity and price transparency ineligible for deposit as a form of collateral. As OCC has not identified an instance in which a clearing member has deposited such security as collateral, the proposed change does not burden clearing members or adversely affect

their ability to meet their obligations to OCC. The proposed rule change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

**Item 4. Self-Regulatory Organization's Statement on Burden on Competition**

OCC does not believe that the proposed rule change would impose any burden on competition.

**Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others**

Written comments were not and are not intended to be solicited with respect to the proposed rule change and none have been received.

**Item 6. Extension of Time Period for Commission Action**

OCC does not consent to an extension of the time period for Commission action on the proposed rule change.

**Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

Pursuant to Section 19(b)(3)(A) and Rule 19b-4(f)(4), the proposed rule change is filed for immediate effectiveness inasmuch as it affects a change in an existing service of a registered clearing agency that: (i) does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible, and (ii) does not significantly

affect the respective rights or obligations of the clearing agency or the persons using the service. OCC is unaware of any instance in which clearing members have deposited TIP-STRIPS to meet their margin or clearing fund obligations. Therefore, the proposed change will not adversely affect securities within OCC's custody or control or for which it is responsible. For the same reason, it does not significantly affect the rights and obligations of OCC or its clearing members.

**Item 8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission**

Not applicable.

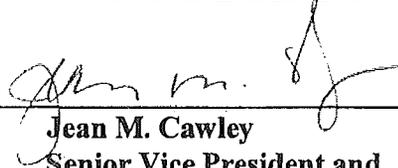
**Item 9. Exhibits**

Exhibit 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, The Options Clearing Corporation has caused this filing to be signed on its behalf by the undersigned hereunto duly authorized.

**THE OPTIONS CLEARING CORPORATION**

By: 

**Jean M. Cawley**  
**Senior Vice President and**  
**Deputy General Counsel**

**EXHIBIT 1**

**SECURITIES AND EXCHANGE COMMISSION**

(Release No. 34-\_\_\_\_\_ ; File No. SR-OCC-2010-12

**SELF-REGULATORY ORGANIZATION**

Proposed Rule Change By  
The Options Clearing Corporation

Relating to the Definition of  
Government Securities

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Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1), notice is hereby given that on \_\_\_\_\_, 2010, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. 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 the Substance of the Proposed Rule Change**

The proposed rule change would exclude from the definition of Government securities Separate Trading of Registered Interest and Principal Securities ("STRIPS") on Treasury Inflation Protected Securities ("TIPS"), commonly known as TIP-STRIPS.

**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 self-regulatory organization 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 self-regulatory organization 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**

The purpose of this rule change is to exclude from the definition of Government securities Separate Trading of Registered Interest and Principal Securities ("STRIPS") on Treasury Inflation Protected Securities ("TIPS"), commonly known as TIP-STRIPS. The reason for the proposed exclusion is the absence of a liquid secondary market for TIP-STRIPS.

U.S. and Canadian Government securities are acceptable forms of collateral for margin and clearing fund purposes. OCC defines Government securities to be securities issued or guaranteed by the United States or Canadian Government or any other government acceptable to OCC. U.S. Government securities include bills, bonds, notes, TIPS and STRIPS. The U.S. Government does not issue STRIPS, but does guarantee their principal payments making them eligible as Government securities for purposes of OCC's by-laws and rules. The U.S. Government also does not issue TIP-STRIPS. Nonetheless, TIP-STRIPS come within OCC's definition of Government securities as their principal is guaranteed by the U.S. Government.

TIP-STRIPS were first issued in the late 1990's by an investment bank to meet the needs of certain clients and the securities are registered in the Federal Reserve Bank's book entry system. The securities have a de minimis circulation, and there currently is no active secondary market for them, resulting in a lack of price transparency and liquidity and no reliable means by which to determine their value. OCC's ability to liquidate this form of collateral in the event of a clearing member default could be severely compromised as a result of these factors. Accordingly, OCC has concluded TIP-STRIPS should be excluded from the definition of Government securities. OCC is unaware of any instance in which a clearing member has pledged TIP-STRIPS to meet its margin or clearing fund obligation. Therefore, OCC believes excluding TIP-STRIPS from the definition of Government securities enhances the protection of OCC, clearing members and the investing public without imposing a burden on clearing members depositing Government securities to meet their margin and clearing fund obligations.

\* \* \*

The proposed change is consistent with Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), because it assures the safeguarding of securities and funds which are in OCC's custody and control and provides for the protection of investors and the public interest. The proposed change meets these objectives by making a security with de minimis circulation, liquidity and price transparency ineligible for deposit as a form of collateral. As OCC has not identified an instance in which a clearing member has deposited such security as collateral, the proposed change does not burden clearing members or adversely affect their ability to meet their obligations to OCC. The proposed rule change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

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

OCC does not believe that the proposed rule change would impose any burden on competition.

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

Written comments were not and are not intended to be solicited with respect to the proposed rule change and none have been received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and paragraph (f) of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of 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 proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

*Electronic Comments:*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-OCC-2010-12 on the subject line.

*Paper Comments:*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-OCC-2010-12. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). 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 Section, 100F Fifth Street, N.E., Washington, D.C. 20549-1090. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-OCC-2010-12 in the caption above and should be submitted on or before [insert date 21 days from publication in the Federal Register.] \_\_\_\_\_.

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

Secretary

Dated: \_\_\_\_\_