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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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”) proposes to amend its Rules as set forth below in order to establish a money-only settlement system for payment of obligations between clearing members related to transactions cleared by OCC. Material proposed to be added is underlined and material proposed to be deleted is bracketed. Proposed Rule 504 is not underlined as it is entirely new.

THE OPTIONS CLEARING CORPORATION

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RULES

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CHAPTER V**Daily Cash [Premium and Futures Variation] Settlement**

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Money-Only Settlement Service

RULE 504. (a) A Clearing Member may use the Corporation’s money-only settlement service to settle money differences arising in connection with cleared contracts or other transactions cleared by the Corporation, subject to such further limitations as may be described in procedures prescribed by the Corporation from time to time. The money-only settlement system shall be used solely for the purposes described in the preceding sentence, and shall not be used for any other purpose.

(b) A Clearing Member may initiate a money-only settlement by transmitting a money-only settlement instruction (an “Instruction”) to the recipient Clearing Member in accordance with the procedures established by the Corporation. Instructions transmitted on a particular business day must be approved on the same business day by such deadline as shall be specified by the Corporation from time to time. If the recipient Clearing Member does not approve the Instruction by such deadline, the Instruction shall be deemed null and void. If the Instruction is approved by the recipient Clearing Member by such deadline, the Corporation shall act as agent

for each Clearing Member in effecting such money-only settlement in accordance with paragraphs (c) and (d).

(c) On or before such time as shall be specified by the Corporation, each Clearing Member that is a paying Clearing Member in respect of Instructions approved in accordance with paragraph (b) shall be obligated to pay the Corporation, as agent, and the Corporation shall be authorized to withdraw from such Clearing Member's bank account established with respect to its firm account, any money-only settlement amounts shown to be due other Clearing Members in such Instructions.

(d) Subject to Rule 504(e), on or before such deadline as shall be specified by the Corporation from time to time, the Corporation, as agent, shall pay to each Clearing Member that is a collecting Clearing Member in respect of Instructions approved in accordance with paragraph (b), any money-only settlement amounts shown to be due from other Clearing Members in such Instructions.

(e) The Corporation shall not be obligated to make payment to a Clearing Member pursuant to Rule 504(d) unless the Clearing Member has satisfied all payment obligations then owing to the Corporation. Any money-only settlement amounts withheld by the Corporation as a result of a Clearing Member's failure to satisfy such obligations shall be retained by the Corporation and used to satisfy any such obligations.

(f) Anything else herein to the contrary notwithstanding, money-only settlement payments are not guaranteed by the Corporation, and in facilitating money-only settlements between Clearing Members pursuant to this Rule 504, the Corporation shall act solely as agent for such Clearing Members, and shall have no obligation to pay or credit to any Clearing Member money-only settlement amounts not theretofore collected from other Clearing Members. If a Clearing Member is suspended by the Corporation pursuant to Chapter XI, any pending Instructions initiated by or transmitted to such suspended Clearing Member shall be deemed null and void to the extent that such suspended Clearing Member is the paying Clearing Member.

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, 2004.

Questions regarding the proposed rule change should be addressed to Jean M. Cawley, First 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 proposed rule change is to establish a money-only settlement service for use by clearing members.

Clearing members have asked OCC to provide a facility that effects transfers of daily money differences and claims between clearing members.¹ These money differences may result from transfers of accounts and commission billing for trade execution, among other things. Clearing members presently settle these differences through invoices and checks sent via the U.S. Mail or by messenger deliveries. However, clearing members have advised OCC that items sent by either of these means are frequently lost, mis-delivered, or delayed, and ultimately are written off as uncollectible.

In response to these requests, OCC has determined to add a money-only settlement service that would be available for clearing member use through OCC's ENCORE system. This service, which would only be available for money differences arising from transactions cleared by OCC, would be governed by proposed Rule 504.² Clearing members desiring to settle an open money item with another clearing member would initiate an Instruction on any business day through the ENCORE system. OCC will specify a time by which Instructions will have to be approved. If the clearing member receiving the Instruction does not

¹ In making their request, clearing members advised OCC that other securities clearing agencies, including The Depository Trust Company ("DTC") and National Securities Clearing Corporation ("NSCC"), offer a comparable service to their participants.

² Proposed Rule 504 is based on Rule 503 pursuant to which OCC, as agent, effects premium settlements between banks or depositories and clearing members in respect of their escrow depository receipt activity under Rule 613.

approve it by the deadline, the Instruction will be deemed null and void, and will be deleted from the system. If the Instruction is approved,³ OCC, as agent, would draft a paying clearing member's designated bank account at a time to be specified by OCC. OCC will similarly specify a time by which OCC, as agent, would pay to the collecting clearing member the amount specified in the Instruction. Initially, OCC intends to effect money-only settlements on the business day after Instructions are approved. In the future, however, OCC may effect money-only settlements on the same business day that Instructions are approved. OCC will notify clearing members before implementing a change with respect to settlement times.

OCC will withhold money-only settlement amounts owed to any clearing member if the clearing member has any unsatisfied payment obligation to OCC. Any amounts withheld would be used to reduce the unpaid obligation.

In drafting a paying clearing member's bank account, or making payment to a collecting clearing member, in connection with money-only settlement transactions, OCC may combine multiple transactions for which the clearing member is obligated to make or entitled to receive payment. However, OCC will not net money-only settlement amounts payable by a clearing member with any amounts payable to the clearing member by OCC with respect to any account maintained by the clearing member with OCC, nor will it net money-only settlement amounts payable to a clearing member with amounts payable by the clearing member to OCC. Money-only settlement amounts would appear as a separate line item on a settlement report made available to clearing members on each business day.⁴

³ Approval of an Instruction by clearing members will be detailed in audit trails created and maintained by OCC.

⁴ This report is made available to clearing members via OCC's on-line report inquiry service.

The money differences to be processed through the money-only settlement system are between clearing members, and OCC will accordingly only act as agent for each clearing member in facilitating their settlement. OCC will not guarantee money-only settlements, and will not be obligated to make a money-only settlement payment unless it has collected the amount of the payment from the paying clearing member. If a clearing member is suspended by OCC pursuant to Chapter XI of the Rules, any pending instructions of such clearing member will be deemed null and void to the extent that the suspended clearing member is a paying clearing member.⁵ OCC does not believe that the money-only settlement service will adversely affect its capacity to settle transactions in cleared securities, because its cash settlement system has more than sufficient capacity to handle the anticipated daily volume of money-only settlements.

* * *

The proposed rule change is consistent with Section 17A of the Securities Exchange Act of 1934, as amended (“Exchange Act”) because the service it proposes would provide a more efficient means for clearing members to settle money differences relating to transactions or positions in cleared contracts, thereby improving the likelihood that these amounts will be collected by clearing members. 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.

⁵ OCC’s determination not to guarantee money-only settlement items is consistent with the rules of other clearing agencies that offer a comparable service. See, e.g., NSCC Rule 41, Section 10.

Item 5. Self-Regulatory Organizations 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 any extension of time for action by the Commission.

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) of the Securities and Exchange Act of 1934 and Rule 19b-4 thereunder, the proposed rule change is filed for immediate effectiveness in that it creates a service as an accommodation to clearing members and therefore does not significantly affect the protection of investors or the public interest and does not impose any significant burden on competition. The proposed rule change will not take effect until the necessary system changes are installed and made available to clearing members, which is currently anticipated to occur on or about April 4, 2005.

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

The proposed rule change is not based on a rule of another self-regulatory organization or of the Commission.

Item 9. Exhibits

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, 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
First Vice President and
Deputy General Counsel