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File No. SR-OCC-2005-03

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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 By-Laws and Rules as set forth below to provide for the establishment of an electronic pledge system.

Material proposed to be added is underlined and material proposed to be deleted is bracketed.

THE OPTIONS CLEARING CORPORATION

BY LAWS

ARTICLE I

Definitions

SECTION 1. Unless the context requires otherwise (or except as otherwise specified in the By-Laws), the terms defined herein shall, for all purposes of these By-Laws and the Rules of the Corporation, have the meanings herein specified.

A. - D. [Unchanged]

E. (1) [Unchanged]

EDP Pledge System

(2) The term "EDP Pledge System" shall mean an electronic data processing system through which Clearing Members may pledge securities to the Corporation in accordance with the By-Laws and Rules and: (i) operated by the Corporation, or (ii) [of] operated by an approved depository and [that has been] approved by the Corporation [as a method by which Clearing Members may pledge securities to the Corporation in accordance with the By-Laws and Rules].

(3) – (20) [Unchanged]

F. – Z. [Unchanged]

* * *

RULES

* * *

CHAPTER VI

* * *

Forms of Margin**RULE 604.** [Introductory language to Rule 604 is unchanged]

(a) [Unchanged]

(b) Securities. The types of securities specified in subparagraphs (1) - (4) of this paragraph (b) may be deposited with the Corporation in the manner specified for each:

(1) *Government Securities.* Clearing Members may deposit, as hereinafter provided, Government securities which are free from any limitation as to negotiability. Government securities shall be valued for margin purposes at 99.5% of the current market value for maturities of up to one year; 98% of the current market value for maturities in excess of one year through five years; 96.5% of the current market value for maturities in excess of five years through ten years; and 95% of the current market value for maturities in excess of ten years. Government securities deposited pursuant hereto shall be deposited by the Clearing Member in an approved depository either in the name of the Corporation or under irrevocable arrangements (i) permitting such securities to be promptly sold by or upon the order of the Corporation and the proceeds to be paid over to the Corporation for the account of the Clearing Member without notice and (ii) requiring the Clearing Member to pay all fees and expenses incident to the ownership or sale of such securities or the arrangement with the depository. The margin shall be deemed to be deposited with the Corporation at the time the Corporation is furnished with the depository's receipt for such deposit or, at the time the Corporation receives confirmation satisfactory to it that such securities have been pledged to the Corporation through an EDP Pledge System. All interest or gain received or accrued on such Government securities prior to any sale or negotiation thereof shall belong to the depositing Clearing Member. Current market value shall be determined by the Corporation at such intervals as the Membership/Margin Committee shall from time to time prescribe, but not less often than [(1) monthly, in the case of U.S. Government securities, or (2)] daily[, in the case of foreign Government securities,] on the basis of the quoted bid prices therefor supplied by a source designated by the Corporation.

(2) *GSE Debt Securities.* Clearing Members may deposit, as hereinafter provided, GSE debt securities which are free from any limitation as to negotiability. GSE debt securities shall be valued for margin purposes at (1) 99% of the current market value for maturities of up to one year; (2) 97% of the current market value for maturities in excess of one year through five years; (3) 95% of the current market value for maturities in excess of five years through ten years; and (4) 93% of the current market value for maturities in excess of ten years. Such GSE

debt securities deposited pursuant hereto shall be deposited by the Clearing Member in an approved depository either in the name of the Corporation or under irrevocable arrangements (i) permitting such securities to be promptly sold by or upon the order of the Corporation and the proceeds to be paid over to the Corporation for the account of the Clearing Member without notice and (ii) requiring the Clearing Member to pay all fees and expenses incident to the ownership or sale of such securities or the arrangement with the depository. GSE debt securities shall be deemed to be deposited with the Corporation at the time the Corporation is furnished with the depository's receipt for such deposit or, at the time the Corporation receives confirmation satisfactory to it that such securities have been pledged to the Corporation through an EDP Pledge System. All interest or gain received or accrued on such GSE debt securities prior to any sale or negotiation thereof shall belong to the depositing Clearing Member. Current market value shall be determined by the Corporation at such intervals as the Membership/Margin Committee shall from time to time prescribe, but not less often than [monthly]daily on the basis of the quoted bid prices therefor supplied by a source designated by the Corporation.

(3) - (5) [Unchanged]

(c) - (e) [Unchanged]

. . . Interpretations and Policies:

.01 - .12 [Unchanged]

.13 Securities deposited by a Clearing Member that do not at the time of deposit satisfy the requirements of Rule 604 may nevertheless be accepted for deposit by the Corporation. Such securities, if accepted, as well as previously accepted securities that cease to meet the requirements of Rule 604, will be subject to the lien and other rights of the Corporation therein as provided in these Rules or the By-Laws of the Corporation, but will be valued at zero for margin purposes unless and until such securities, as the result of subsequent market movements, or otherwise, meet such requirements.

* * *

Withdrawals of Margin

RULE 608. In the event that the amount of a Clearing Member's margin on deposit exceeds the amount required on a particular day, as shown by the Daily Margin Report for such day, the Corporation shall authorize the withdrawal of the amount of the excess upon the submission to the Corporation by the Clearing Member between [8:00 A.M. and 9:00 A.M. Central Time (9:00 A.M. and 10:00 A.M. Eastern Time) of such day (or between] such times as the Corporation may specify [for margin withdrawals to be effected outside the United States]] of a withdrawal request in such form as the Corporation shall prescribe. Notwithstanding the foregoing, (a) a Clearing Member may not withdraw margin in any form or currency in an amount in excess of the amount of margin of that form or currency deposited in the account from

which the withdrawal is made and (b) the Chairman, the Management Vice Chairman, or President of the Corporation may, if such officer deems it advisable for any of the reasons described in Rule 609, reject any such withdrawal request. In the event of any such rejection, credit shall continue to be given for any margin deposit in respect of which withdrawal was rejected, in each Daily Margin Report for the appropriate account, until such time as the withdrawal of such margin deposit is authorized.

* * *

RULE 610. (a) – (h) [Unchanged]

(i) A depository receipt must be delivered to the Corporation between [10:00 A.M. and 1:00 P.M. Central Time (11:00 A.M. and 2:00 P.M. Eastern Time)] such times as the Corporation may specify, and pledges effected through an EDP Pledge System must be completed between such times [hours] as the Corporation may specify, in order to be taken into account in the Daily Margin Report for the following business day.

(j) A depository receipt may be withdrawn by a Clearing Member between [10:00 A.M. and 1:00 P.M. Central Time (11:00 A.M. and 2:00 P.M. Eastern Time)] such times each business day as the Corporation may specify, and securities pledged through an EDP Pledge System may be released through such system on each business day between such times [hours] as the Corporation may specify, with authorization by the Corporation so long as the conditions of this Chapter VI are met after giving effect to such withdrawal or release. A Clearing Member requesting such withdrawal or release shall comply with such procedures as the Corporation shall prescribe.

* * *

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

Electronic Pledge System

The primary purpose of this proposed rule change is to establish an electronic pledge system through which Clearing Members of OCC may deposit securities with banks acting as agents for OCC to meet margin and clearing fund requirements. Clearing Members already can make margin and clearing fund deposits electronically using an electronic system operated by The Depository Trust Company ("DTC"). However, Clearing Members that wish to make deposits through a bank currently must use paper depository receipts through which they pledge securities to OCC. The paper depository receipts must be signed by the Clearing Member and the bank, and faxed to OCC. Hard copies of the executed receipts must also be mailed to OCC. When OCC releases a margin deposit made through a bank, a representative of OCC must sign the paper depository receipt and fax it to the bank with which the securities were deposited.

ENCORE, OCC's clearing system, has been modified to give banks the ability for the first time to confirm a clearing member's pledge of government and GSE debt securities, and to process approved releases, through a web-based application. OCC anticipates that the use of the electronic pledge system will significantly reduce paperwork and reduce costs for banks, Clearing Members, and OCC.

Other Proposed Revisions

In addition to the changes needed to support the electronic pledge system, OCC is proposing to make other changes to its rules relating to margin deposits. First, OCC is proposing to update Rule 604, governing forms of margin, to conform to its practice of valuing all government securities, whether U.S. or foreign, as well as securities issued by congressionally-

chartered corporations, known in OCC's rules as "GSE debt securities," on a daily basis. The rule currently provides that foreign government securities are valued no less frequently than daily but that U.S. government securities and GSE debt securities are valued no less frequently than monthly. The second proposed revision is the deletion of references in OCC's rules to time "windows" during which Clearing Members may make requests for margin withdrawals or deliver or withdraw depository receipts in respect of deposits in lieu of margin in favor of language which would allow OCC to specify the times that these transactions could be effected. This change would allow OCC greater flexibility in altering these time windows in response to changing business needs. Third, OCC is proposing to add an interpretation and policy to Rule 604 to state that OCC will accept for deposit securities that do not satisfy the requirements of the rule, or retain on deposit previously deposited securities that no longer satisfy such requirements, but will not give margin credit for these deposits. For example, the rule requires, among other things, that for stocks to be eligible as a margin deposit they must have a market value greater than \$10 per share. Clearing Members sometimes desire to deposit with OCC stocks with a market price slightly below \$10 in anticipation that the price will rise above \$10. Alternatively, the market price of a previously deposited stock may fall below \$10. The proposed rule change clarifies that in either case, OCC would hold the deposit if the Clearing Member so desired, but would assign a value of zero for margin purposes unless and until the price exceeded \$10.

OCC's Proposed By-Law and Rule Changes

The following proposed revisions to OCC's By-Laws and Rules are necessary to provide for the use of electronic depository receipts and to make the other changes described above.

Amendment to Definition of Electronic Pledge System: OCC proposes to amend the definition of "EDP Pledge System" in Article I of its By-Laws to include an OCC system such as ENCORE. The term EDP Pledge System is used in, among other locations, Rule 604, which requires that for an electronic margin deposit to be effective it must be made through an "EDP Pledge System." Currently the definition of "EDP Pledge System" includes only systems of an "approved depository," such as DTC. The proposed amendment is necessary to allow electronic deposits to be made through the ENCORE system.

Amendment to Rule 604 in Connection with Valuation of Government and GSE Debt Securities: OCC is proposing to amend Rule 604(b)(1) to provide that both U.S. and foreign government securities must be valued no less frequently than daily. The rule currently provides that U.S. government securities are valued no less frequently than monthly. The change will conform the rule to OCC's practice of valuing these securities daily. For similar reasons, OCC is proposing to amend Rule 604(b)(2) to provide that GSE debt securities will be valued no less frequently than daily.

Addition of Interpretation and Policy to Rule 604: OCC proposes to add an interpretation and policy to Rule 604 to state that OCC will accept for deposit securities that do not satisfy the requirements of the rule, or retain on deposit previously deposited securities that

no longer meet those requirements, but will not give margin credit for these deposits until they do satisfy the rule.

Amendments to Rules in Connection with Margin Deposits and

Withdrawals: OCC is proposing to amend Rules 608, 610(i) and 610(j), which currently prescribe specific time windows during which Clearing Members may request withdrawals of margin, deliver depository receipts in respect of deposits in lieu of margin, or withdraw such depository receipts, respectively. The amendments would replace references to specific times with a reference to “such times as [OCC] may specify,” which would allow OCC to establish these times as business needs require without the necessity of a rule change. The amendments to Rule 610 would also make minor changes to the existing language to make the terminology regarding time windows consistent throughout the rule.

* * *

The proposed rule change is consistent with Section 17A of the Securities Exchange Act of 1934, as amended (“Exchange Act”). The primary purpose of the change is to establish a web-based application that would provide a more efficient means for Clearing Members and banks to process deposits and releases of securities used as margin deposits or clearing fund contributions. The remaining proposed changes are designed to clarify provisions of OCC’s rules, conform the rules to its current practices, or provide OCC with greater flexibility to establish time windows with regard to withdrawals of margin and delivery and withdrawal of depository receipts. The proposed rule change is not inconsistent with the existing rules of OCC, including those 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 specified in Section 19(b)(2) of the Exchange Act.

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), the proposed rule change is filed for immediate effectiveness inasmuch as it effects 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. This rule change will be effective with the availability of the related system changes to ENCORE, which are currently scheduled for implementation on 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: _____
William H. Navin
Executive Vice President and
General Counsel

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-OCC-2005-03

SELF-REGULATORY ORGANIZATION

Proposed Rule Change By
The Options Clearing Corporation

Relating to an OCC
Electronic Pledge System

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 _____, 2005, 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 establish an electronic pledge system through which Clearing Members of OCC may deposit securities with banks acting as agents for OCC to meet margin and clearing fund requirements.

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

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* * *

The proposed rule change is consistent with Section 17A of the Securities Exchange Act of 1934, as amended (“Exchange Act”). The primary purpose of the change is to establish a web-based application that would provide a more efficient means for Clearing Members and banks to process deposits and releases of securities used as margin deposits or clearing fund contributions. The remaining proposed changes are designed to clarify provisions of OCC’s rules, conform the rules to its current practices, or provide OCC with greater flexibility to establish time windows with regard to withdrawals of margin and delivery and withdrawal of depository receipts. The proposed rule change is not inconsistent with the existing rules of OCC, including those 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. However, this rule change will be effective with the availability of the related system changes to ENCORE, OCC's clearing system, which are currently scheduled for implementation on April 4, 2005. 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. Please include File Number 2005-03 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.

All submissions should refer to File Number SR-OCC-2005-03. 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, 450 Fifth Street, N.W., Washington, D.C. 20549. 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-2005-03 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: _____