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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” or “the Corporation”) proposes to amend Article I and Article VI of its By-Laws and Chapters VIII and XVIII of its Rules as set forth below. Material to be added is underlined. Material to be deleted is enclosed in bold brackets. Material proposed to be added in a pending rule change is double underlined and material proposed to be deleted in that pending rule change is enclosed in double bold brackets.

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)-(16) [unchanged]

Expiration Date

(17) The term "expiration date" in respect of a stock option contract, other than a flexibly structured option, a short term option, or a BOUND, means the Saturday immediately following the third Friday of the expiration month of such option contract, unless expiration is accelerated pursuant to Rule 807.

(18)-(21) [unchanged]

F. – R. [unchanged]

S.

(1)-(13) [unchanged]

Short Term Option

(14) The term "short term option" means an option of a series of options that expires one week after it is opened for trading. Short term option series may be opened in any option class. Series of short term options may be opened on a Friday that is a business day and shall expire, at the expiration time, on the next Friday that is a business day; provided, however, that if a Friday is not a business day, the series shall be opened (or shall expire) on the first business day immediately prior to that Friday.

(14)-(24) renumbered as (15)-(25)

T. – Z. [unchanged]

ARTICLE VI

Clearance of Exchange Transactions

General Rights and Obligations of Holders and Writers

Section 9. (a) – (c) [unchanged]

...Interpretations and Policies:

.01 Subsections (a) and (b) above apply only to stock option contracts (including fund options). Similar provisions for futures and futures options, Treasury securities option contracts, foreign currency option contracts, cross-rate foreign currency option contracts, cash-settled foreign currency option contracts, index option contracts, yield-based Treasury option contracts, FX Index Options, BOUNDS, and packaged spread options appear in [Articles XII through XII, XV through XVII, XX, and XXII through XXVI of the By-Laws] the Articles of the By-Laws pertaining to such products.

Certain Delays

Section 18.

(a) Anything in these By-Laws or the Rules notwithstanding, in the event that the Corporation is unable for any reason (i) to make available, pursuant to Chapter VIII of the Rules, any Expiration Exercise Report, or (ii) to receive properly submitted exercise instructions from Clearing Members, prior to 5:00 P.M. Central Time (6:00 P.M. Eastern Time) on any expiration date that is immediately followed by a day that is not a business day, the Corporation shall make available the delayed report or accept such exercise instructions as soon as practicable thereafter, provided that the Corporation may, in its discretion, defer making the delayed report available or accepting such instructions until 7:00 A.M. Central Time (8:00 A.M. Eastern Time) or as soon as practicable thereafter on the non-business day immediately following such expiration date, or, if such expiration date is followed by more than one consecutive non-business day, on such of those days as the Corporation shall specify. In any such event, Clearing Members shall submit exercise instructions to the Corporation on such non-business [following calendar] day within such times and in such manner as the Corporation shall prescribe. Exercise instructions submitted by a Clearing Member to the Corporation within time limits fixed pursuant to this subsection shall be deemed to have been duly given prior to the expiration of the option contracts to which they relate. Notwithstanding the foregoing, no Expiration Exercise Report shall under any circumstances be made available by the Corporation, nor shall any exercise instructions be accepted by the Corporation, after 11:00 P.M. Central time (12:00 midnight Eastern Time) on the last consecutive non-business [calendar] day immediately following the expiration date.

(b) In the event that the Corporation (i) fails to make Expiration Exercise Reports available to Clearing Members, or is unable to receive properly submitted exercise instructions from Clearing Members in response to such reports, prior to 11:00 P.M. Central Time (12:00 midnight Eastern Time) on the last consecutive non-business [calendar] day immediately following the expiration date (in cases to which subsection (a) applies) or on the expiration date (in all other cases), and (ii) has failed to prescribe alternative procedures for exercising expiring options pursuant to Rule 805, or determines in its discretion, and so advises Clearing Members, that procedures so prescribed were inadequate, then each Clearing Member shall be deemed to have properly and irrevocably tendered to the Corporation, on a timely basis, an exercise notice with respect to:

(1) every expiring option contract in each of the Clearing Member's accounts which is deemed to have been exercised pursuant to Rule 805(d)(2) as supplemented, in the case of options contracts other than stock options, by the Rules in the Chapter applicable to such other option contracts, except to the extent that the Clearing Member has given the Corporation written instructions, prior to 11:00 P.M. Central Time (12:00 midnight Eastern Time) on the [calendar] last consecutive non-business day immediately following the expiration date (in cases to which subsection (a) applies) or on the expiration date (in all other cases) to exercise none, or fewer than all, of the option contracts in such series carried in such account; and

(2) every other expiring option contract in any of the Clearing Member's accounts which the Clearing Member has given the Corporation written instructions to exercise prior to 11:00 P.M. Central Time (12:00 midnight Eastern Time) on the [calendar] last consecutive non-business day immediately following the expiration date (in cases to which subsection (a) applies) or on the expiration date (in all other cases).

(c)-(d) [unchanged]

* * *

RULES

CHAPTER VIII – EXERCISE AND ASSIGNMENT

Exercise of Options

Rule 801. (a)-(b) [unchanged]

(c) Any expiring American option contract may be exercised on its expiration date in accordance with Rule 805. Any capped or European option contract may be exercised (other than automatically exercised in the case of a capped option) only on its expiration date in accordance with Rule 805. Notwithstanding the foregoing, any expiring fixed return option contract that meets the exercise parameters set forth in Rule 1501 and any¹ expiring flexibly structured index option contract that meets the exercise parameters set forth in Rule 1804(c) will be automatically exercised on its expiration date in accordance with ~~[[that]]~~ the applicable² rule. No expiring option contract other than an American style flexibly structured option contract, a foreign currency option contract, a short term option contract, or a cross-rate foreign currency option contract may be exercised on the business day immediately preceding its expiration date.

(d)-(e) [unchanged]

* * *

Expiration Date Exercise Procedure

Rule 805. (a)-(i) [unchanged]

¹ See File No. SR-OCC-2004-21

² See File No. SR-OCC-2004-21

(j) The term "closing price", as used with respect to an underlying security in this Rule 805, means the last reported sale price for the underlying security during regular trading hours (as determined by the Corporation) on the trading day immediately preceding the expiration date, or on the expiration date if the expiration date is a trading day, on such national securities exchange or other domestic securities market as the Corporation shall determine. Notwithstanding the foregoing, if an underlying security was not traded on such market during regular trading hours on the trading day immediately preceding the expiration date, or if the underlying security was traded during regular trading hours on such trading day but the Corporation is unable to obtain a last sale price, the Corporation may, in its discretion, (i) fix a closing price on such basis as it deems appropriate in the circumstances (including, without limitation, using the last sale price during regular trading hours on the most recent trading day for which a last sale price is available) or (ii) suspend the application of subparagraph (d)(2) to option contracts for which that security is an underlying security. During the term of any such suspension, Clearing Members may exercise such option contracts only by giving affirmative exercise instructions in accordance with subparagraph (b) or (c).

... Interpretations and Policies:

.01-.02 [unchanged]

.03 The exercise procedures set forth in Rule 805 shall apply to the exercise of flexibly structured equity options and short term options, except that the time when the Corporation makes an Expiration Exercise Report available pursuant to paragraph (a) of Rule 805, and the time specified by the Corporation as the deadline for the submission of exercise instructions pursuant to paragraph (b) of Rule 805, may be different from the corresponding times that apply to flexibly structured options or short term options.

CHAPTER XVIII

Index Options

Expiration Date Exercise Procedure for Index Options.

Rule 1804. (a) - (b) [unchanged]

(c) An index Clearing Member shall be automatically deemed to have exercised,

immediately prior to the Expiration Time on each expiration date, every expiring flexibly structured index option contract and short term index option contract listed in the Index Clearing Member's Expiration Exercise Report that has an exercise settlement amount of \$1.00 or more per contract, or such other amount as the Corporation may from time to time establish on not less than 30 days prior notice to all Index Clearing Members.

(d) [unchanged]

... Interpretations and Policies:

.01 Except in the case of options that are subject to automatic exercise, the exercise thresholds provided for in Rule 1804 and elsewhere in the Rules are part of the administrative procedures established by the Corporation to expedite its processing of exercises of expiring options by Clearing Members, and are not intended to dictate to Clearing Members which positions in the customers' account should or must be exercised.

.02 [unchanged]

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 March 3, 2005.

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 amend OCC's By-Laws and Rules to accommodate short term options proposed for trading by the Chicago Board Options Exchange ("CBOE"), the International Securities Exchange ("ISE") and the Pacific Stock Exchange ("PCX"). The Securities and Exchange Commission (the "Commission") on February

9, 2005 published notice of a proposal by CBOE to amend its rules to permit the listing of options series that expire one week after being opened for trading.³ The CBOE has since that time submitted two amendments to clarify certain provisions related to the listing of short term options. In addition, the ISE and the PCX have also submitted proposals to amend their rules to permit the listing of short term options. Under OCC's current proposal, a series of short term options could be opened in any class of options that otherwise satisfies the applicable listing criteria of any participant exchange having rules for the trading of short term options. Short term option series could be either European style or American style. Short term options would ordinarily be opened on Friday and expire the following Friday. If a Friday is not a business day, the series may be opened (or would expire) on the first business day immediately prior to that Friday.

Under the CBOE, ISE, and PCX proposals, short term options series listed on currently approved index option classes shall settle, specifically A.M.-settled or P.M.-settled, in the same manner as do the monthly expiration series in the same option class. No short term option series on an option class may expire in the same week in which monthly option series of the same class expire.

Under the CBOE, ISE and PCX proposals, short term options will be traded initially under a one-year pilot program. This is intended to ensure that the addition of new series under the pilot will have a negligible impact on systems capacities of the exchanges and the Options Price Reporting Authority. Under the terms of the pilot, CBOE, ISE and PCX could

3 See SR-CBOE-2004-63, published for comment in Exchange Act Release No. 51172 (February 9, 2005).

each select up to five option classes on which short term option series may be opened on any short term option opening date. Each exchange also would be allowed to list those short term option series on any option class that is selected by other securities exchanges that participate in the pilot program.

Description of the Specific Rule Changes

The proposed changes to Article I, Section 1 incorporate a definition of “short term option.” As stated in the proposed definition, a series of short term options may be opened on a Friday that is a business day and will generally expire on the next Friday that is a business day.

The change in the interpretation following Article VI Section 9 of the By-Laws is non-substantive. It is intended to eliminate detailed cross references that require frequent amendment.

The proposed changes to Article VI, Section 18 provide an extra day for the resolution of any processing problems that may be related to expiring short term options (and other options expiring on a day followed by more than one consecutive non-business day). These changes are intended to allow increased flexibility for resolving any such potential problems.

The proposed change to Rule 801 provides an exception for short term options to the general rule that options may not be exercised on the business day before their expiration date. The prohibition is not appropriate for options that expire on a business day rather than on a Saturday.

The proposed changes to Rule 805 clarify that, with respect to short term equity options, and any other equity options expiring on a trading day, the term “closing price” shall mean the last reported sale price for the underlying security on the expiration date as opposed to the last reported sale price on the trading day immediately preceding the expiration date. In addition, the proposed change makes clear that, as in the case of flexibly structured equity options, the time when the Corporation makes an Expiration Exercise Report available pursuant to paragraph (a) of Rule 805 and the time specified by the Corporation as the deadline for the submission of exercise instructions pursuant to paragraph (b) of Rule 805 may be different for short term options from the corresponding times that apply to other options.

The proposed change to Rule 1804 provides that, as in the case of flexibly-structured index option contracts, short term index option contracts will be automatically exercised using the same automatic exercise threshold (*i.e.*, one dollar or more per contract) that is applicable to other expiring index options. The interpretation following the rule is modified to eliminate an apparent inconsistency.

* * *

The proposed changes to OCC’s By-Laws and Rules are consistent with the purposes and requirements of Section 17A of the Securities Exchange Act of 1934, as amended, because they are designed to promote the prompt and accurate clearance and settlement of securities transactions, to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions, to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, and, in general, to

protect investors and the public interest. The proposed changes promote these objectives by applying to short term options the same By-Laws and Rules that are applicable to other classes of options. Further, the proposed rule change is not inconsistent with the existing By-Laws and Rules of OCC, including 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 specified in Section 19(b)(2) of the Securities Exchange Act of 1934.

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

OCC respectfully requests that the Commission accelerate approval of this rule filing to a date that will allow the exchanges to commence trading short term options in accordance with

their respective schedules. OCC believes that there is good cause for such acceleration because the exchanges will not be able to commence trading until OCC's rule filing is approved.

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: _____
William H. Navin
Executive Vice President and
General Counsel