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File No. SR-OCC-2005-10

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 XXI of its By-Laws and Chapter XXII of its Rules as set forth below. Material proposed to be added by this rule change to OCC’s By-Laws and Rules as currently in effect is underlined.

THE OPTIONS CLEARING CORPORATION

* * *

BY- LAWS

ARTICLE XXI – STOCK LOAN/HEDGE PROGRAM

* * *

Maintaining Stock Loan and Stock Borrow Positions in Accounts

Section 5. (a)-(b) [no change]

... Interpretations and Policies:

.01 Until such time as the Corporation determines that appropriate regulatory approvals have been obtained, a Hedge Clearing Member is not permitted to allocate stock loan or stock borrow positions to any proprietary X-M account, non-proprietary X-M account, internal non-proprietary cross-margining account or segregated futures account.

* * *

RULES

CHAPTER XXII – STOCK LOAN/HEDGE PROGRAM

* * *

Instructions to the Corporation

RULE 2201. (a)–(b) [no change]

... Interpretations and Policies:

.01 At any time on any business day prior to the deadline specified by the Corporation, an eligible Hedge Clearing Member may allocate all or any portion of its stock loan and stock borrow positions (including positions resulting from that day's activity) among its accounts. In order to be eligible to allocate stock loan and borrow positions, a Hedge Clearing Member must maintain at least one margin-eligible account with the Corporation. Each Hedge Clearing Member shall give standing instructions specifying the sequence in which stock loan and stock borrow positions are to be allocated among its accounts if it allocates more or fewer shares of a particular stock than its end-of-day loan or borrow position in that stock. If the total loan or borrow position in any stock allocated by the Clearing Member exceeds the total end of day loan or borrow position in that stock reported by the Depository to the Corporation, the Corporation will allocate the positions to each account up to the number of shares allocated to that account by the Clearing Member in accordance with the Clearing Member's preferred sequence of accounts. If the total loan or borrow position in any stock allocated by the Clearing Member is less than the total end of day loan or borrow position in that stock reported by the Depository to the Corporation, any excess shares will be allocated to the Clearing Member's default account.

.02 If a Hedge Clearing Member has identified a preferred account sequence for allocation of stock loan and stock borrow positions on any business day, then in processing a return of fewer than all of the loaned shares of a particular stock in a Clearing Member's accounts, the Corporation will first return shares from the least preferred account (as designated by the Clearing Member) up to the total amount of loaned shares in that account and so on in accordance with the preferred account sequence.

.03 Interpretations and Policies .01 and .02 will be effective when the requisite systems are available, which is expected to occur in July, 2005.

* * *

Item 2. Procedures of the Self-Regulatory Organization

The proposed rule changes were 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 principal purpose of the proposed rule change is to add Interpretations and Policies reflecting changes in OCC's administrative procedures intended to provide Hedge Clearing Members with the flexibility to allocate stock loan and stock borrow positions among their OCC accounts at any time during the business day. The proposed Interpretations also codify certain existing policies with respect to OCC's Stock Loan/Hedge Program.

Clearing Members participating in the stock loan program process loan and return transactions through The Depository Trust Company ("DTC") and designate them as eligible for clearance at OCC through use of special codes. DTC transmits a file containing stock loan transaction data to OCC each business day around 3:15 p.m. A Clearing Member's transactions are identified only by its depository account number which is translated by OCC's systems to an OCC clearing number. After processing this data, OCC permits Clearing Members to access its stock loan system between about 4:00 p.m. (CT) and about 7:00 p.m. (CT) (the "allocation window") in order to allocate both existing and new positions among the Clearing Member's accounts. Any unallocated positions are posted to the Clearing Member's designated default account for this purpose.¹ Currently, Clearing Members are permitted to perform such allocations only in respect of accounts maintained under the OCC clearing number in which the stock loan/borrow positions were cleared.

¹ OCC permits some Clearing Members to carry stock loan and stock borrow positions in a designated account on a "margin ineligible" basis, meaning that the positions are excluded from the calculation of the margin requirement for that account. Stock loan and stock borrow positions carried on a margin ineligible basis will neither generate or increase a margin requirement nor will they reduce a margin requirement.

As reflected in the proposed Interpretations and Policies to Rule 2201, OCC is changing its administrative procedures in two respects in order to address comments from Clearing Members. First, Clearing Members will now have the ability to make allocations of stock loan and stock borrow positions at any time during the day even though DTC has not yet reported the current day's transactions. Second, OCC will now permit a Clearing Member that is assigned more than one Clearing Member number to allocate stock loan and borrow positions to accounts across all of its clearing numbers.²

Clearing Members have advised that they are often aware of the specific stock loan/borrow activity taking place during the day and can predict with reasonable accuracy the final loan position that will be available for allocation at the end of the day. Providing the requested functionality will enable Clearing Members to: (i) perform all or a significant portion of their allocations earlier in the day, making it easier for OCC to begin stock loan/borrow processing at the scheduled time; and (ii) apply stock loan and borrow positions to accounts maintained under other clearing numbers in order to more effectively reduce their margin requirements.

While Clearing Members will have the ability to review, verify, and change their allocations until a specified deadline, it is possible that the total number of loaned or borrowed shares that a Clearing Member has allocated may not match the Clearing Member's total end of day loan/borrow position in the DTC file. To address that possibility, Clearing Members will be required to give standing instructions specifying the order in which they prefer loaned and

² Some Clearing Members have more than one Clearing Member number as a result of having acquired other Clearing Members or having requested separate numbers to identify particular divisions or sets of accounts for internal purposes. In other cases, OCC may assign additional Clearing Member numbers to a Clearing Member in order to permit the Clearing Member to maintain additional accounts that cannot be accommodated under the same

borrowed shares to be allocated to their accounts. In accordance with those instructions, OCC will allocate the inventory of loaned or borrowed shares to the account with the highest preference designated by the Clearing Member up to the number of shares that the Clearing Member allocated to that account. If there are remaining shares, OCC will allocate such shares to the next preferred account up to the amount allocated by the Clearing Member. OCC will continue this process until all shares have been allocated. Any shares in excess of the aggregate amount allocated by the Clearing Member will be applied to the Clearing Member's designated default account.

In order to process a return of fewer than all of the loaned/borrowed shares of a particular stock in the Clearing Member's inventory (*i.e.*, a partial return), OCC will first return shares from the least preferred account (as designated by the Clearing Member) up to the total amount of loaned/borrowed shares in that account. If additional shares are to be returned, OCC will return shares from the next priority account. OCC will continue this process until the entire amount of the return has been applied. Clearing Members that participate on the Stock Loan Roundtable have endorsed the adoption of these allocation preference guidelines.

The Interpretations and Policies proposed to be added to Article XXI, Section 5 merely clarify the existing policy. A Hedge Clearing Member is not permitted to allocate any stock loan or stock borrow position to any proprietary X-M account, non-proprietary X-M account, internal non-proprietary cross-margining account or segregated futures accounts. Although OCC anticipates that it will propose to change this policy in the future, the existing practice will apply until appropriate regulatory approvals are obtained.

number within OCC's system.

* * *

The proposed Interpretations and Policies are consistent with the purpose and requirements of Section 17A of the Securities Exchange Act of 1934, as amended, (the "Act") because they are purely administrative and are consistent with OCC's existing rules, which are designed to promote the prompt and accurate clearance and settlement of transactions and to assure safeguarding of securities and funds in the custody and control of OCC. The proposed rule change is not inconsistent with the by-laws and rules of OCC, including any 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

Other than as described in the filing, comments (including 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 is filing this proposed rule change for immediate effectiveness pursuant to Rule 19b-4(f)(1) in that the proposed rule change constitutes a stated policy with respect to the administration of an existing rule. The proposed interpretations and policies to Rule 2201 will be effective when the requisite systems are available, which is expected to occur in July, 2005.

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.

* * *

SIGNATURES

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-OCC-2005-10

SELF-REGULATORY ORGANIZATION

Proposed Rule Change By
The Options Clearing Corporation

Relating to Allocations of
Stock Loan/Borrow Positions

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 codifies certain administrative procedures with respect to the OCC's stock loan/borrow program.

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 principal purpose of the proposed rule change is to add Interpretations and Policies reflecting changes in OCC's administrative procedures intended to provide Hedge Clearing Members with the flexibility to allocate stock loan and stock borrow positions among their OCC accounts at any time during the business day. The proposed Interpretations also codify certain existing policies with respect to OCC's Stock Loan/Hedge Program.

Clearing Members participating in the stock loan program process loan and return transactions through The Depository Trust Company ("DTC") and designate them as eligible for clearance at OCC through use of special codes. DTC transmits a file containing stock loan transaction data to OCC each business day around 3:15 p.m. A Clearing Member's transactions are identified only by its depository account number which is translated by OCC's systems to an OCC clearing number. After processing this data, OCC permits Clearing Members to access its stock loan system between about 4:00 p.m. (CT) and about 7:00 p.m. (CT) (the "allocation window") in order to allocate both existing and new positions among the Clearing Member's accounts. Any unallocated positions are posted to the Clearing Member's designated default

account for this purpose.¹ Currently, Clearing Members are permitted to perform such allocations only in respect of accounts maintained under the OCC clearing number in which the stock loan/borrow positions were cleared.

As reflected in the proposed Interpretations and Policies to Rule 2201, OCC is changing its administrative procedures in two respects in order to address comments from Clearing Members. First, Clearing Members will now have the ability to make allocations of stock loan and stock borrow positions at any time during the day even though DTC has not yet reported the current day's transactions. Second, OCC will now permit a Clearing Member that is assigned more than one Clearing Member number to allocate stock loan and borrow positions to accounts across all of its clearing numbers.²

Clearing Members have advised that they are often aware of the specific stock loan/borrow activity taking place during the day and can predict with reasonable accuracy the final loan position that will be available for allocation at the end of the day. Providing the requested functionality will enable Clearing Members to: (i) perform all or a significant portion of their allocations earlier in the day, making it easier for OCC to begin stock loan/borrow processing at the scheduled time; and (ii) apply stock loan and borrow positions to accounts maintained under other clearing numbers in order to more effectively reduce their margin requirements.

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² Some Clearing Members have more than one Clearing Member number as a result of having acquired other Clearing Members or having requested separate numbers to identify particular divisions or sets of accounts for internal purposes. In other cases, OCC may assign additional Clearing Member numbers to a Clearing Member in order to permit the Clearing Member to maintain additional accounts that cannot be accommodated under the same number within OCC's system.

While Clearing Members will have the ability to review, verify, and change their allocations until a specified deadline, it is possible that the total number of loaned or borrowed shares that a Clearing Member has allocated may not match the Clearing Member's total end of day loan/borrow position in the DTC file. To address that possibility, Clearing Members will be required to give standing instructions specifying the order in which they prefer loaned and borrowed shares to be allocated to their accounts. In accordance with those instructions, OCC will allocate the inventory of loaned or borrowed shares to the account with the highest preference designated by the Clearing Member up to the number of shares that the Clearing Member allocated to that account. If there are remaining shares, OCC will allocate such shares to the next preferred account up to the amount allocated by the Clearing Member. OCC will continue this process until all shares have been allocated. Any shares in excess of the aggregate amount allocated by the Clearing Member will be applied to the Clearing Member's designated default account.

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The Interpretations and Policies proposed to be added to Article XXI, Section 5 merely clarify the existing policy. A Hedge Clearing Member is not permitted to allocate any stock loan or stock borrow position to any proprietary X-M account, non-proprietary X-M

account, internal non-proprietary cross-margining account or segregated futures accounts.

Although OCC anticipates that it will propose to change this policy in the future, the existing practice will apply until appropriate regulatory approvals are obtained.

* * *

The proposed Interpretations and Policies are consistent with the purpose and requirements of Section 17A of the Securities Exchange Act of 1934, as amended, (the "Act") because they are purely administrative and are consistent with OCC's existing rules, which are designed to promote the prompt and accurate clearance and settlement of transactions and to assure safeguarding of securities and funds in the custody and control of OCC. The proposed rule change is not inconsistent with the by-laws and rules of OCC, including any 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

Other than as described in the filing, comments (including 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. Please include File Number SR-OCC-2005-10 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-2005-10. 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-2005-10 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: _____