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SR-OCC-2005-14
Page 2 of 10

OFFICE OF THE SECRETARIAT

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”) hereby proposes to amend its by-laws and rules as set forth below. Underlining indicates material proposed to be added to, and brackets indicate material to be deleted from, OCC’s by-laws and rules as currently in effect.

THE OPTIONS CLEARING CORPORATION**BY-LAWS**

* * *

ARTICLE VI**Clearance of Exchange Transactions**

* * *

Maintenance of Accounts

Section 3. [unchanged]

...Interpretations and Policies:

.01 [unchanged]

.02 The fact that a Clearing Member may have accounts under more than one Clearing Member number shall have no significance for purposes of a liquidation of a Clearing Member’s accounts under Chapter XI of the Rules, and all such accounts—whether or not representing separate business segments or divisions—shall be treated as accounts of the same suspended Clearing Member. Although a Clearing Member may maintain more than one firm lien account with the Corporation, all of the Clearing Member’s firm lien accounts established under paragraphs (a), (b)(iv), (c)(v), and (k) of this Section 3 shall be treated as a single firm lien account in the event of such a liquidation. Similarly, in such an event, all of the Clearing Member’s firm non-lien accounts established under paragraph (a) of this Section 3 shall be treated as a single firm non-lien account, all of the Clearing Member’s combined Market-Makers’ accounts established under paragraph (c) of this Section 3 for associated Market-Makers will be treated as a single combined Market-Makers’ Account, all of the Clearing Member’s combined Market-Makers’

accounts established under paragraph (c) of this Section 3 for Market-Makers that are not proprietary or associated Market-Makers will be treated as a single combined Market-Makers' Account, all of the Clearing Member's customers' accounts established under paragraph (e) of this Section 3 shall be treated as a single customers' account, all of the Clearing Member's segregated futures accounts established under paragraphs (f) and (j) of this Section 3 shall be treated as a single segregated futures account, [and] all of the Clearing Member's JBO Participants' accounts established under paragraph (e) of this Section 3 shall be treated as a single JBO Participants' account, and all of the Clearing Member's customers' lien accounts established under paragraph (i) of this Section 3 shall be treated as a single customers' lien account. Each separate account maintained by a Clearing Member under paragraph (b) or (d) of this Section 3, with the exception of a proprietary Market-Maker account, shall be treated in a liquidation as a separate account.

.03 For position reporting purposes, the Corporation may permit a Clearing Member to maintain one or more sub-accounts in respect of an account established by the Clearing Member under a given Clearing Member number. However, the fact that a Clearing Member may carry such sub-accounts shall have no significance for purposes of a liquidation of a Clearing Member's accounts under Chapter XI of the Rules. Although a Clearing Member may maintain one or more sub-accounts in respect of one or more firm lien accounts established under a Clearing Member number, all such sub-accounts together with all such firm lien accounts under that same Clearing Member number will be treated as a single firm lien account in the event of a liquidation of the Clearing Member. Similarly, all sub-accounts maintained in respect of a firm non-lien account established under a Clearing Member number, together with such firm non-lien account itself, will be treated as a single firm non-lien account, all sub-accounts maintained in respect of a combined Market-Makers' account for associated Market-Makers established under a Clearing Member number will be treated as a single combined Market-Makers' account, all sub-accounts maintained in respect of a combined Market-Makers' account established for Market-Makers that are not proprietary or associated Market-Makers under a Clearing Member number will be treated as a single combined Market-Makers' account, all sub-accounts maintained in respect of a customers' account established under a Clearing Member number will be treated, together with such customers' account itself, as a single customers' account, all sub-accounts maintained in respect of a customers' lien account established under a Clearing Member number will be treated, together with the customers' lien account itself, as a single customers' lien account, all sub-accounts maintained in respect of one or more segregated futures accounts established under a Clearing Member number, together with such segregated futures accounts, will be treated as a single segregated futures account, and all sub-accounts maintained in respect of a JBO Participants' account under a Clearing Member number, together with the JBO Participants' account itself, will be treated as a single JBO Participants' account. For systemic or operational reasons, the Corporation may restrict the number of sub-accounts that a Clearing Member may maintain in respect of any firm lien account (other than a combined Market-Makers' account established for proprietary Market-Makers or a proprietary futures professional account), firm non-lien account, customers' account, customers' lien account, or

segregated futures account (other than a segregated futures professional account).

[.03 and .04 are renumbered to .04 and .05, respectively, but are otherwise unchanged]

* * *

RULES

* * *

CHAPTER XI

Suspension of a Clearing Member

* * *

RULE 1104. [unchanged]

...Interpretations and Policies:

.01 For purposes of this Chapter XI of the Rules, multiple accounts (including sub-accounts established in respect thereof) of the same type that are maintained by the Clearing Member shall be treated in accordance with Interpretation and Policy .02 and .03 under Article VI, Section 3 of the By-Laws.

* * *

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 September 27, 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 proposed rule change sets forth certain interpretations as to the treatment of position sub-accounts maintained in respect of one or more account types established by a clearing member under a particular clearing member number¹ in the event of the clearing member's liquidation.²

OCC's clearing systems have historically contained functionality that identifies the positions of each market maker participating in a combined market makers' account.³ Position sub-accounting in a combined market makers' account is accomplished by using each participating market maker's unique acronym to identify the market maker's trades for clearance and settlement, including position reporting. Because of the large number of transactions effected by market makers, reporting their positions on a sub-account basis facilitates clearing member reconciliation and balancing processes. Position sub-accounting also avoids the need for firms carrying a combined market makers' account to allocate assignments to particular market makers, because OCC assigns exercise notices directly to market maker sub-accounts.⁴

OCC's new clearing system, ENCORE, was designed to extend position sub-accounting to other account types that a clearing member may maintain with OCC, although this functionality has not yet been offered to clearing members. Once OCC completes a system and

¹ Clearing member numbers are used to identify clearing members within OCC's system. For a variety of reasons, a clearing member may use more than one clearing member number. See File No. SR-OCC-2002-26.

² The proposed change to Article VI, Section 3, Interpretation and Policy .02 is conforming in nature and reflects the Commission's recent approval of File No. SR-OCC-2003-04.

³ A combined market makers' account is confined to the Exchange transactions of the market makers for which it was established. OCC also permits sub-accounting within a clearing member's segregated futures professional account. All positions carried within each of these account types are maintained on sub-account basis.

clearing member readiness assessment, OCC intends to gradually roll out position sub-accounting for these other account types to interested clearing members. OCC expects the roll-out to commence in or about the second quarter of 2006. OCC anticipates that interested clearing members will initially limit their use of the new sub-accounts to large-volume customers such as institutions and foreign affiliates in order to further improve the efficiency of their reconciliation processes.

Like the process used to provide position sub-accounting for market makers, unique identifying acronyms will be assigned for use by clearing members in creating position sub-accounts in respect of other accounts maintained under a given clearing member number. Exchange transactions may be directly cleared into a sub-account by submitting the applicable assigned acronym in the matching trade information. Alternatively, a clearing member would be permitted to effect a post-trade instruction in OCC's systems to transfer the position to a sub-account. As in the case of market maker sub-accounts, OCC will assign exercise notices directly to applicable position sub-accounts.⁵

The potential increase in the number of sub-accounts that may be carried on OCC's books, coupled with the fact that sub-accounts would now be permitted to be maintained in accounts in which positions also are carried on an omnibus basis, has led OCC to conclude that it would be advisable to formalize existing interpretations regarding the treatment of position sub-accounts in the event of a clearing member liquidation. For such purposes, market-

⁴ See File No. SR-OCC-2002-19.

⁵ Exchange rules require member firms to establish fixed procedures for allocating assignments to customers and to inform their customers of the method used and how it works. See, e.g., CBOE Rule 11.2. OCC will require clearing

maker sub-accounts always have been treated as a single account. The proposed rule change codifies this existing interpretation and extends it to the sub-accounts that will now be permitted to be carried in other account types. In order to provide for a controlled implementation of position sub-accounting with respect to other account types, a further interpretation has been added which permits OCC to limit, for systemic or operational reasons, the overall number of sub-accounts that a clearing member may maintain in respect of particular account types. As is the case today, OCC would not limit the number of market professional sub-accounts a clearing member could carry in recognition of their role in providing market liquidity.

* * *

The proposed change is consistent with Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act") because it promotes the prompt and accurate clearance and settlement of transactions in cleared contracts by clarifying the application of OCC's liquidation rules to position sub-accounts carried 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.

members that establish customer sub-accounts to give each customer for which a sub-account is opened a notice disclosing that OCC will assign exercises directly to the sub-account.

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), the proposed rule change is filed for immediate effectiveness inasmuch as it constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of existing rules.

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

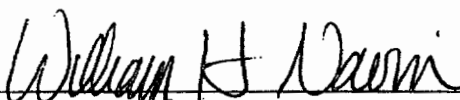
By: 
William H. Navin
Executive Vice President and
General Counsel

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-OCC-2005-14

SELF-REGULATORY ORGANIZATION

Proposed Rule Change By
The Options Clearing Corporation

Relating to Position Sub-Accounts

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 October , 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 sets forth certain interpretations with respect to the treatment of position sub-accounts maintained in respect of one or more account types under a given clearing member number in the event of the clearing member's liquidation.

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 proposed rule change sets forth certain interpretations as to the treatment of position sub-accounts maintained in respect of one or more account types established by a clearing member under a particular clearing member number¹ in the event of the clearing member's liquidation.²

OCC's clearing systems have historically contained functionality that identifies the positions of each market maker participating in a combined market makers' account.³ Position sub-accounting in a combined market makers' account is accomplished by using each participating market maker's unique acronym to identify the market maker's trades for clearance and settlement, including position reporting. Because of the large number of transactions effected by market makers, reporting their

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³ A combined market makers' account is confined to the Exchange transactions of the market makers for which it was established. OCC also permits sub-accounting within a clearing member's segregated futures professional account. All positions carried within each of these account types are maintained on sub-account basis.

positions on a sub-account basis facilitates clearing member reconciliation and balancing processes. Position sub-accounting also avoids the need for firms carrying a combined market makers' account to allocate assignments to particular market makers, because OCC assigns exercise notices directly to market maker sub-accounts.⁴

OCC's new clearing system, ENCORE, was designed to extend position sub-accounting to other account types that a clearing member may maintain with OCC, although this functionality has not yet been offered to clearing members. Once OCC completes a system and clearing member readiness assessment, OCC intends to gradually roll out position sub-accounting for these other account types to interested clearing members. OCC expects the roll-out to commence in or about the second quarter of 2006. OCC anticipates that interested clearing members will initially limit their use of the new sub-accounts to large-volume customers such as institutions and foreign affiliates in order to further improve the efficiency of their reconciliation processes.

Like the process used to provide position sub-accounting for market makers, unique identifying acronyms will be assigned for use by clearing members in creating position sub-accounts in respect of other accounts maintained under a given clearing member number. Exchange transactions may be directly cleared into a sub-account by submitting the applicable assigned acronym in the matching trade information. Alternatively, a clearing member would be permitted to effect a post-trade instruction in OCC's systems to transfer the position to a sub-account. As in the case of market maker sub-accounts, OCC will assign exercise notices directly to applicable

⁴ See File No. SR-OCC-2002-19.

position sub-accounts.⁵

The potential increase in the number of sub-accounts that may be carried on OCC's books, coupled with the fact that sub-accounts would now be permitted to be maintained in accounts in which positions also are carried on an omnibus basis, has led OCC to conclude that it would be advisable to formalize existing interpretations regarding the treatment of position sub-accounts in the event of a clearing member liquidation. For such purposes, market-maker sub-accounts always have been treated as a single account. The proposed rule change codifies this existing interpretation and extends it to the sub-accounts that will now be permitted to be carried in other account types. In order to provide for a controlled implementation of position sub-accounting with respect to other account types, a further interpretation has been added which permits OCC to limit, for systemic or operational reasons, the overall number of sub-accounts that a clearing member may maintain in respect of particular account types. As is the case today, OCC would not limit the number of market professional sub-accounts a clearing member could carry in recognition of their role in providing market liquidity.

* * *

The proposed change is consistent with Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act") because it promotes the prompt and accurate clearance and settlement of transactions in cleared contracts by clarifying the application of OCC's liquidation rules to position sub-accounts carried by clearing members. The proposed rule change is not inconsistent with the existing rules of OCC,

⁵ Exchange rules require member firms to establish fixed procedures for allocating assignments to customers and to inform their customers of the method used and how it works. *See, e.g.*, CBOE Rule 11.2. OCC will require clearing members that establish customer sub-accounts to give each customer for which a sub-account is opened a notice disclosing that OCC will assign exercises directly to the sub-account.

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. Please include File Number 2005-14 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-2005-14. 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-2005-14 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: _____