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OFC. 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") proposes to amend Rule 801 of its Rules as set forth below. Material proposed to be added to Rule 801 as currently in effect is underlined. Material proposed to be deleted is enclosed in bold brackets.

THE OPTIONS CLEARING CORPORATION

* * *

RULES

* * *

CHAPTER VIII

Exercise and Assignment

Exercise of Options

RULE 801. Issued and unexpired option contracts may, subject to Exchange Rules and the By-Laws, be exercised as follows:

(a) A Clearing Member desiring to exercise an American option contract on a business day other than the business day prior to its expiration date shall submit exercise notices to the Corporation [between 9:00 A.M. and 7:00 P.M. Central Time (10:00 A.M. and 8:00 P.M. Eastern Time)] on such business day[,] through electronic means prescribed by the Corporation for that purpose within such timeframe as the Corporation shall prescribe, provided that a different timeframe may be prescribed for the submission of exercise notices on such business day with respect to an American option contracts cleared through ICS. The Corporation may change such timeframes upon not less than thirty days' prior written notice to affected Clearing Members. Every submission of an exercise notice in accordance herewith shall become irrevocable at [7:00 P.M. Central Time (8:00 P.M. Eastern Time)] the applicable deadline specified by the Corporation on the date of submission, unless previously revoked or modified in accordance with such procedures as the Corporation shall prescribe. [Notwithstanding the foregoing, the deadline for submitting an exercise notice with respect to an option contract cleared through ICS on a business day other than the business day prior to its expiration shall be 2:30 P.M. Central Time (3:30 P.M. Eastern Time) on such business day, and exercise notices so submitted shall become irrevocable at that time.] No Clearing Member shall revoke or modify

any exercise notice unless its filing was attributable to a bona fide error on the part of the Clearing Member or a customer. Each Clearing Member that revokes or modifies an exercise notice shall prepare and preserve, for not less than three years, a memorandum describing in reasonable detail the error that gave rise to the revocation or modification. Notwithstanding the foregoing, an XMI index option contract may not be exercised on any day prior to its expiration date that is not a trading day on the New York Stock Exchange.

(b) [Upon not less than seven days' prior written notice to all Non-Equity Securities Clearing Members, the Board of Directors may designate a time earlier than the time specified in paragraph (a) of this Rule as the deadline for submitting exercise notices with respect to American non-equity securities option contracts on business days other than the day immediately preceding the expiration date of the option being exercised. Any time so designated shall also be the time when exercise notices submitted with respect to such option contracts shall become irrevocable.

(c) [redesignated as (b); otherwise unchanged]

(c[d]) [redesignated as (c); otherwise unchanged]

(d[e]) Notwithstanding the foregoing provisions of this Rule, the Chairman, the Management Vice Chairman, or the President of the Corporation, or any delegate of such officer, may in the sole discretion of such person permit a Clearing Member to file, revoke, or modify any exercise notice other than any exercise notice with respect to an option contract cleared through ICS or any exercise notice that the Board of Directors has determined not to be eligible for late processing, after [the] an applicable deadline [set forth in] prescribed pursuant to paragraph (a) of this Rule, solely for the purpose of correcting a bona fide error on the part of the Clearing Member or a customer, subject to the following conditions:

(1) [unchanged]

(2) The Clearing Member shall be liable to the Corporation for a late filing fee in escalating increments and time segments, and shall be informed of the applicable filing fee at the time a request to file, revoke, or modify any exercise notice is submitted to the Corporation, as follows:

(i) [a filing fee of \$2,000 per Clearing Member for any request accepted between 7:00 P.M. and 8:00 P.M. Central Time (8:00 and 9:00 P.M. Eastern Time);

(ii) a filing fee of \$5,000 per Clearing Member for any request accepted between [8:01 P.M. Central Time (9:01 P.M. Eastern Time)] the applicable deadline prescribed by the Corporation pursuant to paragraph (a) of this Rule and

the start of critical processing, provided that such request does not materially affect the start of critical processing; and

(j)ii) a filing fee of \$20,000 per line item listed on any exercise notice accepted for filing after the start of critical processing, with 50 percent of such fee to be distributed to the assigned Clearing Member or pro-rata to the assigned Clearing Members.

The Corporation will not accept any late exercise request received after 6:30 A.M. Central Time (7:30 A.M. Eastern Time). Clearing Members that have been assigned a late exercise notice shall be notified of the assignment by 8:00 A.M. Central Time (9:00 A.M. Eastern Time). Notwithstanding any other provision of the Rules or By-Laws, the Corporation will not accept any request to revoke or modify a previously submitted exercise notice received by it after the start of critical processing.

(3) The Clearing Member shall deliver to the Corporation and to each Exchange or futures market on which the affected option is traded, within two business days after submitting a filing, revocation, or modification pursuant to this paragraph ([e]d), a memorandum describing in reasonable detail the error that gave rise to such action (which, in the case of a revocation or modification, may be the memorandum prepared by the Clearing Member in connection therewith pursuant to paragraph (a) of this Rule). Every memorandum shall be reviewed by the Chairman of the Board or his delegate, and in his sole discretion he may make a submission for remission of any late filing fee pursuant to subparagraph (5).

(4) The filing, revocation, or modification of an exercise notice pursuant to this paragraph ([e]d) may be deemed a violation of the procedures of the Corporation, and may be subject to disciplinary action pursuant to Chapter XII of the Rules.

(5) The Board of Directors may remit, in whole or in part, any late filing fee imposed pursuant to subparagraph ([e]d)(2), if it finds that the filing, revocation or modification giving rise to the fee was necessitated by circumstances beyond the reasonable control of the Clearing Member and its customer, or that remission is otherwise equitable in the circumstances.

(6) An exercise notice accepted by the Corporation pursuant to this paragraph ([e]d) after Midnight shall be deemed for all purposes to have been properly submitted to the Corporation on the preceding day.

...Interpretations and Policies:

.01 [unchanged]

.02 The Corporation may designate earlier cut-off times than those specified pursuant to Rule 801 when the Exchanges announce an early close. The Corporation shall give Clearing Members such notice of the designation of any such earlier cut-off time, including any change in the cut-off times specified in Rule 801([e]d)(2), as the Corporation deems practical under the circumstances.

.03 [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 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 purpose of the proposed rule change is to modify OCC Rule 801, which applies to the submission of exercise notices for American-style option contracts otherwise than at expiration, to delete specific references to the times when such exercise notices may be submitted, and instead provide OCC with the authority to prescribe the timeframes for their submission. Implementing this change requires additional conforming changes to Rule 801 as described herein.

Rule 801

Rule 801(a) permits a clearing member desiring to exercise an American-style equity or non-equity option on a business day to submit an exercise notice to OCC between 9:00 a.m. and 7:00 p.m., provided that an exercise notice for an American-style currency option must be submitted by 2:30 p.m.¹ (All times are at Central Time.) Exercise instructions submitted in respect of equity and non-equity options become irrevocable at 7:00 p.m. (2:30 p.m. in the case of currency options) unless modified or revoked by a clearing member in accordance with procedures prescribed by OCC because of a bona fide error by the clearing member or its customer.

Rule 801(b) allows the OCC Board of Directors (“Board”) to designate, on not less than seven days’ prior written notice to non-equity securities clearing members, a cut-off time earlier than that specified in Rule 801(a) as the deadline for submitting exercise notices with respect to American-style non-equity option contracts and the time when such exercise notices become irrevocable.

Subject to specified exceptions and conditions, Rule 801(e) grants certain OCC employees² the discretion to permit a clearing member to file, revoke or modify any exercise notice submitted in accordance with Rule 801(a) after the 7:00 p.m. deadline for the purpose of correcting a bona fide error. One condition is that the requesting clearing member is liable to OCC for a late filing fee in escalating increments and time segments. They are:

¹ Except for short dated options, an American-style option may not be exercised on the business day prior to its expiration date.

² Those employees are OCC’s Chairman, Management Vice Chairman, President, or a designee of such officer.

- a fee of \$2,000 for any request accepted between 7:00 p.m. and 8:00 p.m.;
- a fee of \$5,000 for any request accepted between 8:01 p.m. and the start of critical processing (provided that the request does not materially affect such start time); and
- a filing fee of \$20,000 per line item listed on any exercise notice accepted for filing after the start of critical processing, with 50% of the fee to be distributed to the assigned clearing member or on a pro rata basis if more than one clearing member is assigned.

Changes to Rule 801

The operational and processing efficiencies gained from real-time trade submission have prompted the OCC Roundtable³ to propose that OCC advance the 7:00 p.m. cut-off time for submission of post-trade instructions, including exercise notices, by clearing members on regular business days. The Roundtable believes that an earlier deadline for filing such instructions furthers straight-through processing goals by permitting OCC to move forward the times when it initiates nightly processing and distributes data to members.

Although current discussions have centered on a post-trade submission cut-off time of 6:30 p.m., the Roundtable has not yet reached a consensus on a recommended time.⁴ Notwithstanding that additional discussions are required to determine a new deadline, the Roundtable has asked OCC to amend Rule 801 to eliminate the requirement that exercise notices in respect of most American-style options be submitted between 9:00 a.m. and 7:00 p.m. on a business day. In response to the Roundtable's request and consistent with other OCC rules,

³ The OCC Roundtable is an OCC-sponsored advisory group comprised of representatives from OCC, a cross-section of clearing members, participant exchanges, and industry service bureaus. The Roundtable considers operational improvements that may be made to increase efficiencies and to lower costs in the options industry.

⁴ A preliminary analysis by OCC staff suggests that fewer than five clearing members submit exercise notices after 6:30 p.m.

OCC proposes that Rule 801 be amended to permit OCC to specify the times when such exercise notices may be submitted.⁵ (Such times would be specified in OCC's operations manual.) Such an amendment would allow OCC to implement the new deadline for post-trade instructions promptly, once it is determined, and would give OCC greater flexibility in responding to future operational and technology developments. OCC also proposes to make the following conforming changes to Rule 801.

- Amend Rule 801(a) to eliminate the mandated 2:30 p.m. deadline for filing exercise notices with respect to currency options. The deadline would instead be a time specified by OCC (in its operations manual). While there are no current plans to advance this deadline, the language of the rule is being changed for consistency and future flexibility.
- Amend Rule 801(a) to provide that the prescribed deadlines for submitting exercise notices may be changed on not less than 30 days' prior written notice to affected clearing members. This is to ensure that clearing members will have sufficient time to adjust their procedures for submitting exercise notices.
- Delete Rule 801(b) which authorizes the Board to advance the deadline for submitting exercise notices for American-style non-equity options. The subject matter of Rule 801(b) would be covered by the changes to Rule 801(a) described above.
- Amend Rule 801(e) to restructure portions of the fee schedule for submitting late requests to file, revoke, or modify exercise notices. The \$2,000 filing fee would be eliminated. The \$5,000 filing fee would be applied to all requests accepted after the deadline specified pursuant to Rule 801(a) but before the start of critical processing. No change would be made to the filing fee for requests accepted after the start of critical processing. These proposed changes would align the filing fee schedule under Rule 801 with the filing fee schedule for supplementary exercise notices filed under Rule 805 (which applies to expiration date processing).

⁵ Under Rule 805, OCC already has the authority to prescribe deadlines for the submission of exercise instructions for purposes of expiration date processing.

* * *

The proposed change is consistent with Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), because it enhances the efficiency and effectiveness of OCC's procedures for accepting submissions of exercise notices otherwise than at expiration by giving OCC the flexibility to designate the applicable timeframes and revise them in response to future operational and technological developments. 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.

Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

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)

Not applicable.

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

Not applicable.

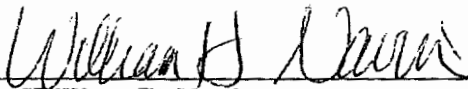
Item 9. Exhibits

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