

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

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Item 1. Text of the Proposed Rule Change

The Options Clearing Corporation ("OCC") proposes to amend its By-Laws and Rules by adding the material that is underlined below and deleting the material enclosed in bold brackets.

THE OPTIONS CLEARING CORPORATION

BY LAWS

* * *

ARTICLE VI

Classes of Options Cleared through ICS

SECTION 22. [Unchanged]

Interpretations and Policies . . .

.01 [Unchanged]

.02 All classes of foreign currency options and cross-rate foreign currency options that are settled by physical delivery are cleared through ICS. Cash-settled foreign currency options are not cleared through ICS.

* * *

ARTICLE XXII

Cash-Settled Foreign Currency Options

* * *

Definitions

SECTION 1.

* * *

Expiration Date

(3) The term "expiration date" in respect of any series of cash-settled foreign currency options means the [Monday specified by the Exchange on which such options are traded at or prior to the

time trading in such series of options is initiated, unless such day is not a business day or unless such day is an Exchange designated bank holiday, in which case the expiration date shall be the following business day] Saturday following the third Friday of the expiration month, or such other date as may be identified by the Exchange at or prior to the time trading is initiated in the series, provided that if such other date is not a business day or is an Exchange designated bank holiday, the expiration day shall be the following business day.

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 23, 2006.

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 rule change is to accommodate a request from the Philadelphia Stock Exchange, Inc. ("PHLX") that OCC clear and settle cash-settled foreign currency options ("Cash-Settled FCOs").¹ OCC's By-Laws and Rules currently provide for the clearance and settlement of Cash-Settled FCOs, though no such options are currently traded, and only two minor changes to OCC's By-Laws are needed in connection with the Cash-Settled FCOs proposed to be traded by PHLX. The first change is to reflect the different expiration date of the Cash-Settled FCOs as compared with the date provided for in OCC's By-Laws. The definition of "expiration date" in Article XXII, section 1 of OCC's By-Laws provides that Cash-Settled FCOs generally expire on the Monday specified by the relevant exchange at or before

¹ For a description of the PHLX Proposal, see File No. SR-PHLX-2006-34 (notice of filing of proposed rule change).

trading begins. To accommodate the Cash-Settled FCOs proposed to be traded by PHLX, the definition will need to be amended to provide for an expiration date of the Saturday following the third Friday of the expiration month, which is the same as the expiration date for equity and index options. OCC is also proposing to provide for expirations on such other dates as an exchange may determine, which is consistent with the definition of “expiration date” applicable to index options. The second change, to Article VI, Section 22 of OCC’s By-Laws, is intended to make it clear that Cash-Settled FCOs will not clear through OCC’s International Clearing System.²

* * *

The proposed rule change is consistent with Section 17A of the Securities Exchange Act of 1934, as amended (“Exchange Act”) because it is designed to promote the prompt and accurate clearance and settlement of derivative transactions in Cash-Settled FCOs, to foster cooperation and coordination with persons engaged in the clearance and settlement of such transactions, to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of such transactions, and, in general, protect investors and the public interest.

² Interpretation .02 under Article VI, Section 22 of OCC’s By-Laws provides that “[a]ll classes of foreign currency options and cross-rate foreign currency options are cleared through ICS.” The existing language is technically accurate because Cash-Settled FCOs are not included within the definition of “foreign currency option.” However, to eliminate the possibility of confusion, OCC proposes to state explicitly in this interpretation that Cash-Settled FCOs are not cleared through ICS.

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. However, OCC will not clear cash-settled FCOs, as proposed for trading by PHLX, until a supplement to the options disclosure document, *Characteristics and Risks of Standardized Options*, is available for distribution.

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

The proposed rule change is not based on a rule of another self-regulatory organization or of the Commission.

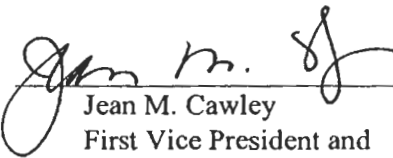
Item 9. Exhibits

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:  _____
Jean M. Cawley
First Vice President and
Deputy General Counsel