

THE OPTIONS CLEARING CORPORATION

ONE N. WACKER DRIVE, SUITE 500, CHICAGO, ILLINOIS 60606

WILLIAM H. NAVIN

EXECUTIVE VICE PRESIDENT, GENERAL COUNSEL, AND SECRETARY

TEL 312.322.1817 FAX 312.322.1836

WNAVIN@THEOCC.COM

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OFFICE OF THE SECRETARY

October 26, 2006

VIA E-MAIL

Ms. Eileen A. Donovan
Acting Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: Amendment No. 1 to Rule Filing SR-OCC-2006-10 - Rule Certification

Dear Acting Secretary Donovan:

The Options Clearing Corporation ("OCC") hereby submits Amendment No. 1 to the above-referenced rule filing pursuant to the self-certification procedures of Commission Regulation 40.6. This Amendment has been, or is concurrently being, submitted to the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (the "Exchange Act").

In conformity with the requirements of Regulation 40.6(a)(3), OCC states the following: The text of the rule is set forth in the attached Amendment No. 1 to File No. SR-OCC-2006-10. The date of implementation of the rule is the first date when (i) the proposed rule has been approved by the SEC and (ii) definitive copies of an appropriate revision of, or supplement to, the options disclosure document, *Characteristics and Risks of Standardized Options*, are available for distribution. No substantive opposing views were expressed to OCC by governing board or committee members, clearing members of OCC, or market participants, that were not incorporated into the rule.

Ms. Eileen A. Donovan
Page Two
October 26, 2006

OCC hereby certifies that this Amendment No. 1 to File No. SR-OCC-2006-10 complies with the Commodity Exchange Act and the Commission's regulations thereunder.

Should you have any questions regarding this matter, please do not hesitate to contact the undersigned at (312) 322-1817.

Sincerely,



William H. Navin

Attachments

cc: CFTC Central Region (w/ enclosure)
525 West Monroe Street, Suite 1100
Chicago, IL 60661
Attn: Frank Zimmerle

2006-10 Amendment No. 1 CFTC.ltr

PARTIAL AMENDMENT

The Options Clearing Corporation ("OCC") hereby submits this partial amendment, constituting Amendment No. 1, to its rule filing SR-OCC-2006-10, filed on June 8, 2006, in which OCC proposed to amend its by-laws and rules to accommodate a request from the Philadelphia Stock Exchange, Inc. ("PHLX") that OCC clear and settle cash-settled foreign currency options ("Cash-Settled FCOs"). This partial amendment amends Article XXII, Section 4 of OCC's By-Laws to conform the provisions relating to unavailability or inaccuracy of the spot price for Cash-Settled FCOs to the comparable provisions of Article XVII of OCC's By-Laws relating to the unavailability or inaccuracy of the current index value or other value or price used to determine the exercise settlement amount for index options. The primary conforming changes are the addition of procedures under which the exercise settlement amount would be established by an adjustment panel in the event of the unavailability or inaccuracy of the spot price, and a modification of normal expiration date exercise procedures in situations in which the adjustment panel delays the fixing of the exercise settlement amount beyond the last trading day for the affected series.

This partial amendment also amends Rule 2302 of OCC's rules in connection with a change in the expiration date exercise procedures for Cash-Settled FCOs. As originally filed, the rules for Cash-Settled FCOs provide for true automatic exercise without the opportunity for Clearing Members to give non-exercise instructions. PHLX has subsequently informed OCC that Cash-Settled FCOs should be subject to the same "exercise-by-exception" procedures that apply to many other OCC-issued options. Under these procedures, a Cash-Settled FCO would be deemed to be exercised at expiration if the exercise settlement value is at least \$1.00 per contract, unless the Clearing Member instructs OCC not to exercise it. OCC is also proposing to add an interpretation to Rule 2302 to note that the normal expiration date exercise procedures do not apply in circumstances in which the fixing of the exercise settlement amount is delayed beyond the last trading day before expiration of cash-settled foreign currency options.

To reflect the changes in the procedures relating to the unavailability or inaccuracy of the spot price and the change in expiration date exercise procedures, OCC proposes to make the following amendment to its rules in addition to the amendments described in the original filing:

THE OPTIONS CLEARING CORPORATION

By-Laws

* * *

ARTICLE XXII

* * *

Unavailability or Inaccuracy of Spot Price

SECTION 4. (a) If the Corporation shall determine that the spot price for the currency underlying any series of cash-settled foreign currency options (the "affected series") is unreported [or otherwise unavailable], inaccurate, unreliable, unavailable or inappropriate for purposes of calculating the exercise settlement amount for exercised contracts of the affected series, then, in addition to any other actions that the Corporation may be entitled to take under the By-Laws and Rules, the Corporation shall be empowered to do any or all of the following with respect to the affected series:

(1) The Corporation may suspend the settlement obligations of exercising and assigned Clearing Members with respect to cash-settled foreign currency option contracts of the affected series. At such time as the Corporation determines that the spot price is available or the Corporation has fixed the exercise settlement amount pursuant to subparagraph (2) of this Section, the Corporation shall fix a new date for settlement of the exercised option contracts.

(2) The Corporation may fix the exercise settlement amount for exercised contracts of an affected series [in accordance with the best information available as to the correct spot price]. The exercise settlement amount shall be fixed by a panel consisting of two designated representatives of each Exchange on which the affected series is open for trading (one of whom shall be such Exchange's representative on the Securities Committee provided for in Article VI, Section 11 of the By-Laws) and the Chairman of the Corporation. The panel shall fix the exercise settlement amount based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to holders and writers of options of the affected series, the maintenance of a fair and orderly market in such affected series, consistency of interpretation and practice, and consistency with actions taken in related futures or other markets. Without limiting the generality of the foregoing, the panel may fix the exercise settlement amount using: (i) the reported price of the underlying currency at the close of regular trading hours for options on the affected series (as determined by the Corporation) on the last preceding trading day for which such a price was reported by the reporting authority; (ii) the reported price of the underlying currency at the opening of regular trading hours for options on the affected series (as determined by the Corporation) on the next trading day for which such a price is reported by the reporting authority; or (iii) the price of the underlying currency at such other time, or representing a combination or average of prices or quotations at such time or times, and reported in such manner, as the Corporation deems appropriate. The provisions of Article VI, Section 11(c) of the By-Laws with respect to the vote

required to constitute the determination of an adjustment panel, the voting rights of members of adjustment panels, the ability of such panels to conduct their business by telephone, and the ability of the Chairman of the Corporation and Exchange representatives to designate others to serve in their place on such panels shall apply equally to panels convened pursuant to this Section. Every determination of a panel convened pursuant to this Section shall be within the sole discretion of such panel and shall be conclusive and binding on all investors and not subject to review.

(3) If an adjustment panel acting pursuant to subsection (2) above delays fixing an exercise settlement amount for a series of options past the last trading day before expiration of that series, the expiration date exercise procedures of Rules 805 and 2302 shall not apply to expiring cash-settled foreign currency options of the affected series, and each Clearing Member shall be deemed to have properly and irrevocably tendered to the Corporation prior to the Expiration Time an exercise notice with respect to each expiring cash-settled foreign currency option contract of the affected series carried in a long position in each account of the Clearing Member if, and only if, the exercise settlement amount fixed by the panel for options of that series is \$1.00 or more. The exercise settlement date for such options shall be postponed until the business day next following the day on which the exercise settlement amount is fixed. Options for which the exercise settlement amount fixed by the panel is less than \$1.00 shall be deemed to have expired unexercised.

(b) [No change].

... Interpretations and Policies: [No change.]

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Rules

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Chapter XXIII

Cash-Settled Foreign Currency Options

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Exercise Procedure

RULE 2302. (a) The expiration date exercise procedures set forth in Rule 805 shall apply to cash-settled foreign currency option contracts[, except that each Cash-Settled Foreign Currency Clearing Member shall be automatically deemed to have properly and irrevocably tendered to the Corporation, immediately prior to the Expiration Time on the expiration date, an exercise notice with respect to each cash-settled foreign currency option contract listed in the report made available to the Clearing Member pursuant to Rule 805 that has an exercise price below (in the case of a call) or above (in the case of a put) the spot price] except as provided in paragraph (b) of this Rule.

(b) A Cash-Settled Foreign Currency Clearing Member shall be deemed to have properly and irrevocably tendered to the Corporation, immediately prior to the expiration time on each expiration date, an exercise notice with respect to every expiring cash-settled foreign currency option contract listed in the report made available to the Clearing Member pursuant to Rule 805 that has an exercise settlement amount of \$1.00 or more, or such other amount as the Corporation may from time to time establish on not less than 30 days prior notice to all Cash-Settled Foreign Currency Clearing Members, unless the Clearing Member shall have duly instructed the Corporation, in accordance with Rule 805(b), to exercise none, or fewer than all, of such contracts. If a Clearing Member desires that any such option contract not be exercised, it shall be the responsibility of the Clearing Member to give appropriate instructions to the Corporation in accordance with Rule 805(b).

[(b))(c) An exercise notice in respect of a cash-settled foreign currency option that is deemed to have been properly and irrevocably tendered to the Corporation in accordance with Rule 805 shall be accepted by the Corporation on the date of tender.

[Rule 2302 replaces Rule[s] 802 and supplements Rule 805.¹

...Interpretations and Policies

.01 Except in the case of options that are subject to automatic exercise, the exercise thresholds provided for in this Rule 2302 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 The foregoing expiration date exercise procedures are modified by the provisions of Article XXII, Section 4 of the By-Laws under the special circumstances referred to therein relating to the unavailability or inaccuracy of the spot price for the currency underlying any cash-settled foreign currency options.

¹ The brackets at the beginning and end of this sentence are included in the text of Rule 2302 and do not indicate deletions.