

THE OPTIONS CLEARING CORPORATION

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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: Rule Filing SR-OCC-2006-20 Rule Certification

Dear Acting Secretary Donovan:

Enclosed is a copy of the above-referenced rule filing, which The Options Clearing Corporation ("OCC") is submitting pursuant to the self-certification procedures of Commission Regulation 40.6. This rule filing 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").

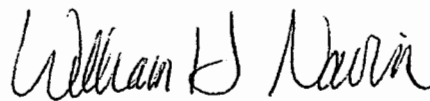
In conformity with the requirements of Regulation 40.6(a)(3), OCC states the following: The text of the rule is set forth at Item 1 of the enclosed filing. The date of implementation of the rule is the first date when (i) the proposed rule has been approved by the SEC and (ii) definitive copies of an 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.

OCC hereby certifies that the rule set forth at Item 1 of the enclosed filing complies with the Commodity Exchange Act and the Commission's regulations thereunder.

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

Sincerely,

A handwritten signature in cursive script that reads "William H. Navin".

William H. Navin

Enclosure

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

2006-20 cftc.ltr

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 Rules 807 and 1106 as set forth below. Material to be added is underlined. Material to be deleted is enclosed in bold brackets.

THE OPTIONS CLEARING CORPORATION

* * *

RULES

* * *

CHAPTER VIII

Exercise and Assignment

* * *

Acceleration of Expiration Date

Rule 807. When a [European-style] stock option contract is adjusted pursuant to Section 11 of Article VI of the By-Laws to require the delivery upon exercise of a fixed amount of cash, as would ordinarily occur in the event of a merger whereby the underlying security is converted into a right to receive a fixed amount of cash, the expiration date of the option contract will ordinarily be accelerated to fall on or shortly after the date on which the conversion of the underlying security to a right to receive cash occurs.

... Interpretations and Policies:

.01 When option contracts are adjusted to require delivery of a fixed amount of cash and the expiration date is accelerated, the “exercise by exception” threshold for such contracts for purposes of Rule 805(d)(2) shall be \$.01 per share.

* * *

Chapter XI

Suspension of a Clearing Member

* * *

Open Positions

RULE 1106. (unchanged)

...Interpretations and Policies:

.01 When a stock option contract is adjusted to require delivery of a fixed amount of cash and the expiration date is accelerated pursuant to Rule 807, the "exercise by exception" threshold for such contract for purposes of paragraph (a)(iii) shall be \$.01 per share.

* * *

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 July 25, 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

A. Background

In a cash-out merger, the common equity of the acquired company ("Security") is converted into a right to receive a fixed amount of cash. On the day after the announced

consummation date for the merger, the stock exchanges on which the Security is traded will suspend all trading in the Security. Concurrently, the option exchanges will discontinue trading in options overlying the Security. When customers do not liquidate out-of-the-money option positions before the exchanges halt trading, their brokers must carry these positions until they expire, which may take as long as several years in the case of LEAPS and flex contracts. With increasing volume and the proliferation of options with long expiration dates, the cost and operational overhead of carrying these positions have become significant for clearing members. In order to reduce these costs, OCC adopted Rule 807 in 1998 to provide for acceleration of the expiration date of European-style equity options that have been converted to a cash deliverable. Now OCC proposes to extend Rule 807 to cover American-style equity options as well.

B. Description of Proposed Rule Changes

Under the proposed rule change, OCC would normally accelerate the expiration date of both American-style and European-style equity options that have been adjusted to call for a cash deliverable to the earliest practicable regular expiration date. Exercise by exception thresholds for the adjusted contracts would be set at \$.01.¹ Among other things, the proposed change would help to align the U.S. options market with the European options market and the security futures market.

OCC proposes an implementation date of January 1, 2008 to allow clearing members and customers sufficient time to prepare for the change in methodology. OCC will not implement this rule change until definitive copies of an appropriate revision of, or supplement to,

¹ A conforming change has been made to Rule 1106 as well.

the options disclosure document, *Characteristics and Risks of Standardized Options*, are available for distribution.

* * *

The proposed rule change is consistent with the purposes and requirements of Section 17A of the Securities Exchange Act of 1934, as amended, (the "Act") because it is designed to promote the prompt and accurate clearance and settlement of securities transactions, and to eliminate inefficient procedures for clearance and settlement that impose unnecessary costs on investors and persons facilitating transactions by and acting on behalf of investors. The proposed change promotes these objectives by applying to American-style options the same rule that is applicable to European-style options. 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

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 Act.

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.

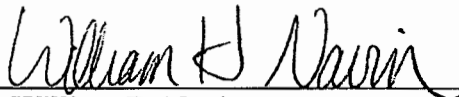
Item 9. Exhibits

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