

RECEIVED
JUN 21 PM 2:05
U.S. DEPARTMENT OF COMMERCE

June 21, 2007

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-2006-19, Amendment No. 2, Rule Certification

Dear Acting Secretary Donovan:

Enclosed is a copy of Amendment No. 2 to 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 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 amendment to the rule filing is set forth in the enclosed partial amendment. The date of implementation of the rule is the date the proposed rule is approved by the SEC or otherwise becomes effective under the Exchange Act. Item 5 of the original filing sets forth a description of any written comments on the rule filing, including any such comments expressing opposing views that were not incorporated into the proposed rule.

OCC hereby certifies that this rule filing, as proposed to be amended, complies with the Commodity Exchange Act and the Commission’s regulations thereunder.

Ms. Eileen A. Donovan
Page Two
June 21, 2007

Should you have any questions regarding this matter, please do not hesitate to contact the undersigned at (312) 322-6269.

Sincerely,

Jean M. Cawley

Enclosure

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

2006-19 A-2 cftc.ltr

PARTIAL AMENDMENT

The Options Clearing Corporation (“OCC”) hereby submits this partial amendment, constituting Amendment No. 2, to its rule filing SR-OCC-2006-19, in which OCC proposes to amend its By-Laws and Rules to provide for close-out netting procedures to be followed in the event that OCC becomes insolvent or otherwise defaults on clearing obligations. This partial amendment is being submitted to further describe the anticipated effect of OCC’s proposed netting rule with respect to the application of Financial Accounting Standards Board Interpretation 39 (“FIN 39”).

* * *

Under Item 3 of the filing, OCC is proposing to delete the last sentence in the carry-over paragraph ending on page 20 and relating to condition (c) of paragraph 5 of FIN 39. OCC proposes to replace that sentence with the following new paragraph:

We believe that it will ordinarily not be necessary for a Clearing Member to comply with condition (c) of paragraph 5 (“The reporting party intends to set off”) because of the applicability of paragraph 10 of FIN 39 (as amended), which states as follows:

Without regard to the condition in paragraph 5(c), a reporting entity may offset *fair value amounts* recognized for derivative instruments and fair value amounts [footnote omitted] recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from derivative instrument(s) recognized at fair value executed with the same counterparty under a master netting arrangement. The fair value recognized for some contracts may include an accrual component for the periodic unconditional receivables and payables that result from the contract; the accrual component included therein may also be offset for contracts executed with the same counterparty under a master netting arrangement. A master netting arrangement exists if the reporting entity has multiple contracts, whether for the same type of derivative instrument or for different types of derivative instruments, with a single counterparty that are subject to a contractual agreement that provides for the net settlement of all contracts through a single payment in a single currency in the event of default on or termination of any one contract.¹

¹ Paragraph 10 of FASB Interpretation No. 39, as amended by FASB Staff Position FIN 39-1, April 30, 2007.

The Clearing Members' contractual arrangements with OCC, as embodied in OCC's By-Laws and Rules (including the proposed new Section 27), constitute a master netting arrangement as defined in paragraph 10 of FIN 39 quoted above.

In addition, to correct a typographical error, OCC proposes to amend the first bullet point on page 17 under Item 3 of the filing as follows:

- provide that upon the occurrence of an event of default or insolvency, any Clearing Member that is neither suspended nor in default with regard to an obligation [of] to OCC.