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Page 1 of 12

File No. SR-OCC-2004-19

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 its by-laws and rules as set forth below. Underlining indicates material proposed to be added and brackets indicate material proposed to be deleted.

THE OPTIONS CLEARING CORPORATION

BY-LAWS

ARTICLE I

DEFINITIONS

Definitions

Section 1.

A. – B. [unchanged]

C.

(1) – (16) [unchanged]

CMTA

(17) The term “CMTA” (Clearing Member Trade Assignment) means the process by which an Executing Clearing Member, acting on its own behalf or as the Clearing Member of an Introducing Broker, directs the transfer of an Exchange transaction to a designated account of a Carrying Clearing Member for clearance and settlement.

(18) [unchanged]

CMTA Customer; CMTA Customer Identifier; Customer CMTA Indicator

(19) The term “CMTA Customer” means a customer of a Carrying Clearing Member who has been assigned a CMTA Customer Identifier by such Carrying Clearing Member to designate that Exchange transactions executed and cleared on such customer’s behalf are

pursuant to a CMTA arrangement. The term “CMTA Customer Identifier” means a string of characters (as may be modified from time to time) assigned by a Carrying Clearing Member to identify a CMTA Customer. The term “Customer CMTA Indicator” means an indicator included with the matching trade information to designate that an Exchange transaction was effected on behalf of a CMTA Customer.

(19) - (32) [renumbered (20) – (33) but otherwise unchanged]

D. [unchanged]

E.

(1) – (12) [unchanged]

Executing Clearing Member

(13) The term “Executing Clearing Member” means a Clearing Member, on its own behalf or as the Clearing Member of an Introducing Broker, that has been authorized by a Carrying Clearing Member to direct Exchange transactions to be transferred to a designated account of the Carrying Clearing Member pursuant to such Clearing Members’ CMTA arrangement.

(14) – (20) [unchanged]

F. – H. [unchanged]

I.

(1) – (8) [unchanged]

Introducing Broker; IB Identifier

(9) The term “Introducing Broker” means a broker-dealer or futures commission merchant that takes an order for an Exchange transaction from a CMTA Customer, executes or arranges for an Exchange member to execute such transaction and, in the case of an Introducing Broker that is not a Clearing Member, arranges for its Clearing Member or the executing Exchange member’s Clearing Member to direct the Exchange transaction to be transferred to a designated account of a Carrying Clearing Member. The term “IB Identifier” means a string of characters (as may be modified from time to time) assigned by the Executing Clearing Member to (i) itself or (ii) an Introducing Broker that is not a Clearing Member to identify an Introducing Broker that has executed or arranged for the execution of any Exchange transaction on behalf of a CMTA Customer.

J. – Z. [unchanged]

RULES

CHAPTER IV

Trade Reporting and Matching

Reporting of Matched Trades

RULE 401. (a) Each business day each Exchange, security futures market, futures market, and international market shall report to the Corporation information with respect to each Exchange transaction made on such Exchange or market during said business day (or on a previous day and reconciled on said business day) and as to which matching trade information has been submitted by or on behalf of the Purchasing Clearing Member and the Writing or Selling Clearing Member. Such matching trade information shall also include a Customer CMTA Indicator, a CMTA Customer Identifier, and an IB Identifier to the extent required under applicable Exchange rules. If a give-up service provider reports to the Corporation the information required under this Rule 401 for Exchange transactions effected on an affiliated futures market, matched trade information from the give-up service provider shall be deemed to have been submitted to the Corporation by such affiliated futures market for all purposes of the By-Laws and Rules.

(1) – (3) [unchanged]

(b) – (d) [unchanged]

* * *

Clearing Member Trade Assignment (“CMTA”)

RULE 403. (a) Clearing Members that are parties to a CMTA arrangement shall register their arrangement with the Corporation and provide such information regarding the arrangement as the Corporation shall require. The registration of a CMTA arrangement shall be effective when the Clearing Members have supplied to the Corporation matching information regarding the arrangement. Such registration shall: (i) constitute notice to the Corporation that the Executing Clearing Member has been authorized by the Carrying Clearing Member to direct the transfer of Exchange transactions to a designated account or accounts of the Carrying Clearing Member; (ii) constitute the continuing representation and warranty of each Clearing Member to

the Corporation that they have executed and retained in their files a CMTA Agreement that is in substantially the form approved by the Corporation; and (iii) remain in effect until terminated as specified herein. A Clearing Member that is a party to a CMTA arrangement involving CMTA Customers shall also register with the Corporation each CMTA Customer Identifier and each IB Identifier that has been assigned for purposes of such CMTA arrangement, and shall promptly update such registrations to the extent a CMTA Customer Identifier or an IB Identifier is modified or deleted; provided that the identifiers have been approved by the other Clearing Member to the CMTA arrangement before the identifiers are submitted to the Corporation for registration. Registration of such identifiers, including any modifications or deletions thereto, shall be effective when the Corporation's systems have accepted such registration or updated identifier information. The Corporation may reject the registration a particular CMTA Customer Identifier or IB Identifier in the event an assigned identifier is already registered with the Corporation.

(b) Before transferring an Exchange transaction to a Carrying Clearing Member as specified in the matching trade information reported to the Corporation, the Corporation shall first determine whether a CMTA registration is in effect between the Executing Clearing Member and the Carrying Clearing Member. If such a registration is in effect, the Corporation shall transfer the Exchange transaction to the designated account of the Carrying Clearing Member unless such matching trade information additionally includes a Customer CMTA Indicator. In that event, the Corporation shall further determine whether such matching trade information also includes a CMTA Customer Identifier and IB Identifier. If the matching trade information includes a CMTA Customer Identifier and an IB Identifier and each such identifier matches a CMTA Customer Identifier and an IB Identifier registered for purposes of the CMTA arrangement between the Carrying Clearing Member and the Executing Clearing Member, the Corporation shall transfer the Exchange transaction to the Carrying Clearing Member. If, however, (i) a CMTA registration is not in effect or (ii) the matching trade information reported in respect of an Exchange transaction includes a Customer CMTA Indicator, but incorrect, incomplete, or missing information as to either identifier, the transaction shall be deemed to be a failed CMTA transaction and shall not be transferred to an account of the Carrying Clearing Member. A failed CMTA transaction will instead be transferred to a designated account of the Executing Clearing Member, which shall be responsible for the clearance and settlement of such transaction. In the absence of such designation, the Corporation shall transfer the failed CMTA transaction to the customers' or segregated futures account, as applicable, of the Executing Clearing Member.

(c) - (k) [unchanged]

...Interpretation and Policies:

.01 [unchanged]

.02 For systemic reasons, the Corporation may establish criteria applicable to the characters used to form a CMTA Customer Identifier and an IB Identifier, including number of required characters, acceptable type of character and other similar criteria.

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 27, 2004.

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 modify Rule 403, which describes OCC's Clearing Member Trade Assignment ("CMTA") facility, to reflect new processing requirements that would be applied to certain CMTA arrangements.

Background

Rule 403, OCC's CMTA processing rule, was proposed in File No. SR-OCC-2003-11 and approved by the Commission in Release No. 34-49841. CMTA processing permits one clearing member (a "carrying clearing member") to authorize another clearing member (an "executing clearing member") to direct that exchange transactions be transferred to an account of the carrying clearing member for clearance and settlement. Filing SR-OCC-2003-11 contains a more extensive overview of OCC's CMTA facility and its use by clearing members.

As also described in Filing SR-OCC-2003-11, a group of clearing members, the

options exchanges, and OCC have been collaborating to better define the rights and obligations of the clearing members that are parties to a CMTA arrangement in order to increase the regulatory and legal certainties with respect thereto. Rule 403 was the initial result of this working group's efforts. The working group has continued meeting in order to define new requirements that would be applied to CMTA transfers of exchange transactions that have been executed for institutional and other customers ("CMTA customers") with prime brokerage arrangements to the carrying clearing member that serves as a CMTA customer's prime broker.

New Requirements

The new requirements provide that an exchange transaction executed on behalf of a CMTA Customer which is to be transferred via CMTA processing for clearance and settlement will be identified by a special indicator ("Customer CMTA Indicator") in the matching trade information submitted in respect of that transaction.¹ For each transaction marked with the Customer CMTA Indicator, the matching trade information also must contain identification information about the CMTA customer on whose behalf a transaction was executed (a "CMTA Customer Identifier"), and the introducing broker who executed or arranged for the execution of such transaction (an "IB Identifier").²

If a transaction is marked with the CMTA Indicator, OCC's systems will verify against a database of registered identifiers that the CMTA Customer Identifier and the IB Identifier supplied as a part of the trade information match registered identifiers for purposes of

¹ The same indicator would be used by all options exchanges. System changes were effected by OCC to process this indicator and other information to be supplied in respect of CMTA Customers' transactions (see discussion infra). Matching trade information submitted by the options exchanges will need to include this information which requires changes to the exchanges' systems.

² If the introducing broker is also the executing clearing member, a separate IB Identifier will still be required.

the CMTA arrangement between the carrying and executing clearing members to the trade. (This verification step is in addition to the other verifications performed by OCC's systems for CMTA processing which were described in Filing SR-OCC-2003-11.) If a transaction is marked with a Customer CMTA Indicator but either the CMTA Customer Identifier or the IB Identifier is incomplete, inaccurate or missing, OCC's systems will treat the transaction as a failed CMTA and will cause the transaction to be cleared in the executing clearing member's designated or default account in accordance with Rule 403.

Under the terms of a model agreement developed by the working group to reflect the rights and obligations of the carrying and executing clearing members with respect to their customer CMTA arrangement, the firms will identify each CMTA customer covered thereby. Separately, the clearing members must assign identifiers to their CMTA customers and introducing brokers. One clearing member then must register the assigned identifiers with OCC. OCC's systems will require the other clearing member to approve the identifiers before they are submitted to OCC for registration. Identifiers will be effectively registered when they are accepted by OCC's systems, subject to OCC's right to reject an already registered identifier.³ OCC further has retained the right to specify criteria applicable to the characters used to form identifiers for systemic reasons.

The prime broker clearing members involved in developing these requirements believe that including identification information about the CMTA customer and introducing broker to a transaction will make CMTA processing more transparent. Since carrying clearing

³ Carrying and executing clearing members will be responsible to update their respective registrations of CMTA Customer Identifiers and IB Identifiers, including registering any changes or deletions with respect thereto.

members do not have the ability to approve or reject a transaction before it is entered into the exchanges' systems for reporting to OCC, they believe having OCC verify customer and introducing broker information will assist in limiting the chances that a transaction erroneously will be transferred into one of their clearing accounts. They also believe having such information available on the trade record will improve the effectiveness of their back office efforts to confirm that transactions cleared in their accounts conform to the information supplied by their customer or its introducing broker, and thereby, facilitate decision making on whether the position resulting from the transaction is eligible for return under their CMTA agreement and Rule 403.

* * *

The proposed rule change is consistent with Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act") because it fosters the prompt and accurate clearance and settlement of securities transactions, the safeguarding of funds and securities, and the protection of investors and the persons facilitating transactions by and acting on behalf of investors.

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

Except for comments by the working group, 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

Not applicable.

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, 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**

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____; File No. SR-OCC-2004-19)

SELF-REGULATORY ORGANIZATION

Proposed Rule Change By
The Options Clearing Corporation

Relating to Clearing Member
Trade Assignment Processing

Comments requested within ____ days
after the date of this publication.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1), notice is hereby given that on _____, 2004, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change would incorporate new processing requirements that would be applied to certain CMTA arrangements.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

A. 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 modify Rule 403, which describes OCC's Clearing Member Trade Assignment ("CMTA") facility, to reflect new processing requirements that would be applied to certain CMTA arrangements.

Background

Rule 403, OCC's CMTA processing rule, was proposed in File No. SR-OCC-2003-11 and approved by the Commission in Release No. 34-49841. CMTA processing permits one clearing member (a "carrying clearing member") to authorize another clearing member (an "executing clearing member") to direct that exchange transactions be transferred to an account of the carrying clearing member for clearance and settlement. Filing SR-OCC-2003-11 contains a more extensive overview of OCC's CMTA facility and its use by clearing members.

As also described in Filing SR-OCC-2003-11, a group of clearing members, the options exchanges, and OCC have been collaborating to better define the rights and obligations of the clearing members that are parties to a CMTA arrangement in order to increase the regulatory and legal certainties with respect thereto. Rule 403 was the initial result of this working group's efforts. The working group has continued meeting in order to define new requirements that would be applied to CMTA transfers of exchange transactions that have been

executed for institutional and other customers (“CMTA customers”) with prime brokerage arrangements to the carrying clearing member that serves as a CMTA customer’s prime broker.

New Requirements

The new requirements provide that an exchange transaction executed on behalf of a CMTA Customer which is to be transferred via CMTA processing for clearance and settlement will be identified by a special indicator (“Customer CMTA Indicator”) in the matching trade information submitted in respect of that transaction.¹ For each transaction marked with the Customer CMTA Indicator, the matching trade information also must contain identification information about the CMTA customer on whose behalf a transaction was executed (a “CMTA Customer Identifier”), and the introducing broker who executed or arranged for the execution of such transaction (an “IB Identifier”).²

If a transaction is marked with the CMTA Indicator, OCC’s systems will verify against a database of registered identifiers that the CMTA Customer Identifier and the IB Identifier supplied as a part of the trade information match registered identifiers for purposes of the CMTA arrangement between the carrying and executing clearing members to the trade. (This verification step is in addition to the other verifications performed by OCC’s systems for CMTA processing which were described in Filing SR-OCC-2003-11.) If a transaction is marked with a Customer CMTA Indicator but either the CMTA Customer Identifier or the IB Identifier is incomplete, inaccurate or missing, OCC’s systems will treat the transaction as a failed CMTA and will cause the transaction to be cleared in the executing clearing member’s designated or

¹ The same indicator would be used by all options exchanges. System changes were effected by OCC to process this indicator and other information to be supplied in respect of CMTA Customers’ transactions (see discussion *infra*). Matching trade information submitted by the options exchanges will need to include this information which requires changes to the exchanges’ systems.

² If the introducing broker is also the executing clearing member, a separate IB Identifier will still be required.

default account in accordance with Rule 403.

Under the terms of a model agreement developed by the working group to reflect the rights and obligations of the carrying and executing clearing members with respect to their customer CMTA arrangement, the firms will identify each CMTA customer covered thereby. Separately, the clearing members must assign identifiers to their CMTA customers and introducing brokers. One clearing member then must register the assigned identifiers with OCC. OCC's systems will require the other clearing member to approve the identifiers before they are submitted to OCC for registration. Identifiers will be effectively registered when they are accepted by OCC's systems, subject to OCC's right to reject an already registered identifier.³ OCC further has retained the right to specify criteria applicable to the characters used to form identifiers for systemic reasons.

The prime broker clearing members involved in developing these requirements believe that including identification information about the CMTA customer and introducing broker to a transaction will make CMTA processing more transparent. Since carrying clearing members do not have the ability to approve or reject a transaction before it is entered into the exchanges' systems for reporting to OCC, they believe having OCC verify customer and introducing broker information will assist in limiting the chances that a transaction erroneously will be transferred into one of their clearing accounts. They also believe having such information available on the trade record will improve the effectiveness of their back office efforts to confirm that transactions cleared in their accounts conform to the information supplied by their customer or its introducing broker, and thereby, facilitate decision making on whether

³ Carrying and executing clearing members will be responsible to update their respective registrations of CMTA Customer Identifiers and IB Identifiers, including registering any changes or deletions with respect thereto.

the position resulting from the transaction is eligible for return under their CMTA agreement and Rule 403.

* * *

The proposed rule change is consistent with Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act") because it fosters the prompt and accurate clearance and settlement of securities transactions, the safeguarding of funds and securities, and the protection of investors and the persons facilitating transactions by and acting on behalf of investors.

B. Self-Regulatory Organization's Statement on Burden on Competition

OCC does not believe that the proposed rule change would impose any burden on competition.

C. 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.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding, or (ii) as to which the self-regulatory organization consents, the Commission will:

- (a) by order approve the proposed rule change; or,

(b) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted by _____.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.

Secretary

Dated: _____