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THE OPTIONS CLEARING  
CORPORATION

September 28, 2007

VIA E-MAIL

Mr. David A. Stawick  
Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, DC 20581

**Re: Rule Filing SR-OCC-2007-11 Rule Certification**

Dear Mr. Stawick:

Attached 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 when the proposed rule has been approved by the SEC. 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.

JEAN M. CAWLEY

SENIOR VICE PRESIDENT AND DEPUTY GENERAL COUNSEL

ONE N. WACKER DRIVE, SUITE 500 CHICAGO, ILLINOIS 60606 TEL 312.322.6269 FAX 312.322.6280

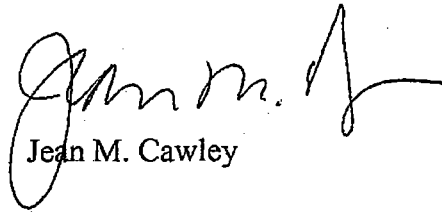
JCAWLEY@THEOCC.COM WWW.OPTIONSCLEARING.COM



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

Sincerely,



Jean M. Cawley

**Attachments**

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

2007-11 cftc.ltr

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

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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 its By-Laws and Rules to expand the use and functionality of sub-accounts available to Clearing Members. Material proposed to be added to OCC’s By-Laws and Rules as currently in effect is underlined and material proposed to be deleted is enclosed in bold brackets.

**THE OPTIONS CLEARING CORPORATION****BY-LAWS**

\* \* \*

**ARTICLE VI****Clearance of Exchange Transactions**

\* \* \*

**Maintenance of Accounts**

SECTION 3. [Body: No change]

***...Interpretations and Policies:***

.01 - .02 [No change]

.03 [For position reporting purposes, t]The Corporation may permit a Clearing Member to maintain one or more sub-accounts in respect of [an account established by the Clearing Member under a given Clearing Member number] the accounts and for the purposes described herein. Clearing Members may not maintain sub-accounts in respect of firm non-lien accounts, CCO cross-margining accounts or separate Market-Maker’s accounts. Within any account other than a firm non-lien account, CCO cross-margin account, or separate Market-Maker’s account, a Clearing Member may elect to maintain one or more separate sub-accounts for position reporting purposes. The account within which such sub-accounts are created shall be referred to as the “parent account.”

A Clearing Member may elect to have any sub-account, other than a sub-account in a combined Market-Makers’ account: (i) “margin enabled”, (ii) “margin and collateral enabled,” or (iii) “margin, collateral and settlement enabled.” A sub-account must be margin-enabled in order to be collateral enabled, and collateral enabled in order to be settlement enabled. If a sub-account is margin enabled, the Corporation will calculate and report to the Clearing Member a separate margin requirement considering only the positions in such sub-account. If a sub-account is margin and collateral enabled, the Clearing Member may direct that collateral

deposited by the Clearing Member to satisfy its margin requirement be identified as being in the particular sub-account. If a sub-account is settlement enabled, separate daily cash settlement amounts, including, without limitation, premium, futures variation, escrow and exercise settlement amounts, will be calculated by the Corporation for such sub-account. Positions in a sub-account that is margin enabled (whether or not the account is also collateral enabled and/or settlement enabled) will not be combined with positions in any other sub-account for purposes of calculating required margin for any such sub-account or the parent account, and margin excesses in a sub-account will not be applied toward a margin deficit in any other sub-account or the parent account.

Escrow deposits, specific deposits and segregation instructions in respect of, and pledges of, positions in an account divided into sub-accounts must specify the applicable sub-account regardless of the functions enabled for such sub-accounts pursuant to this Interpretation and Policy. Clearing Members should refer to OCC's operating procedures or ask OCC staff for more detailed information as to the operation and functionality of sub-accounts.

[However, t]The fact that a Clearing Member may carry [such] sub-accounts shall have no significance for purposes of a liquidation of a Clearing Member's accounts under Chapter XI of the Rules or for purposes of close-out netting under Article VI, Section 27 of the By-Laws. Although a Clearing Member may maintain one or more sub-accounts in respect of [one or more firm lien accounts established under a Clearing Member number]a particular parent account, the parent account (including all such sub-accounts)[, all such sub-accounts together with all such firm lien accounts under that same Clearing Member number] will be treated as a single [firm lien] account in the event of a liquidation of the Clearing Member. [Similarly, all sub-accounts maintained in respect of a firm non-lien account established under a Clearing Member number, together with such firm non-lien account itself, will be treated as a single firm non-lien account, all sub-accounts maintained in respect of a combined Market-Makers' account for associated Market-Makers established under a Clearing Member number will be treated as a single combined Market-Makers' account, all sub-accounts maintained in respect of a combined Market-Makers' account established for Market-Makers that are not proprietary or associated Market-Makers under a Clearing Member number will be treated as a single combined Market-Makers' account, all sub-accounts maintained in respect of a customers' account established under a Clearing Member number will be treated, together with such customers' account itself, as a single customers' account, all sub-accounts maintained in respect of a customers' lien account established under a Clearing Member number will be treated, together with the customers' lien account itself, as a single customers' lien account, all sub-accounts maintained in respect of one or more segregated futures accounts established under a Clearing Member number, together with such segregated futures accounts, will be treated as a single segregated futures account, and all sub-accounts maintained in respect of a JBO Participants' account under a Clearing Member number, together with the JBO Participants' account itself, will be treated as a single JBO Participants' account.] For systemic or operational reasons, the Corporation may restrict the number of sub-accounts that a Clearing Member may maintain in respect of any [firm lien] account [(other than a combined Market-Makers' account established for proprietary Market-Makers or a proprietary futures professional account), firm non-lien account, customers'

account, customers' lien account, or segregated futures account (other than a segregated futures professional account)).

.04 Paragraph I of this Section 3 provides, in effect, for three separate types of combined Market-Maker accounts: (i) a combined account limited to Market-Makers that are neither proprietary Market-Makers nor associated Market-Makers (as defined in Article I of the By-Laws); (ii) a combined account limited to proprietary Market-Makers; and (iii) a combined account limited to associated Market-Makers. Each of these is a separate account for purposes of holding positions and collateral and determining margin requirements, and each such account type would be liquidated separately under the provisions of Chapter XI of the Rules. The Corporation may use its system sub-accounting function, with each account margin, collateral and settlement enabled, in order to maintain these three separate account types under the same Clearing Member number, and each account would nevertheless be treated as a separate account for all purposes under the By-Laws and Rules. If these separate account types are maintained under the same Clearing Member number, in addition to depositing collateral in respect of a specific account type, the Clearing Member may deposit collateral in respect of all three combined Market-Maker account types, provided that collateral deposited in respect of all three account types must be limited to proprietary collateral, and shall be so treated for all purposes under the By-Laws and Rules, including, without limitation, for purposes of a liquidation of a Clearing Member's accounts under Chapter XI of the Rules and for purposes of close-out netting under Article VI, Section 27 of the By-Laws.

.04 - .05 [Renumbered as .05 - .06; otherwise no change]

\* \* \*

## RULES

\* \* \*

### Chapter V Daily Cash Settlement

#### Daily Position Report

Rule 501. [Body: No change]

#### *...Interpretations and Policies:*

.01 [No change]

.02 In the case of any account that is divided into sub-accounts, separate daily cash premium, futures variation, escrow and exercise settlement amounts will be calculated by the Corporation pursuant to this Rule 501 and Rules 502 and 503, respectively, for each such sub-account that is settlement-enabled in accordance with Interpretation and Policy .03 under Article VI, Section 3 of the By-Laws.

\* \* \*

**Chapter VI  
Margins**

\* \* \*

**Margin Requirements**

Rule 601. [Body: No change]

***...Interpretations and Policies:***

.01 - .03 [No change]

.04 In the case of any account that is divided into sub-accounts, the Corporation will calculate and report to the Clearing Member pursuant to this Chapter VI a separate margin requirement in any such sub-account that is margin enabled considering only the positions in such sub-account, and in determining whether such margin requirement is satisfied will consider only collateral identified as being in such sub-account, in accordance with Interpretation and Policy .03 under Article VI, Section 3 of the By-Laws.

\* \* \*

**Forms of Margin**

Rule 604. [Body: No change]

***...Interpretations and Policies:***

.01 - .12 [No change]

.13 In the case of any account that is divided into sub-accounts, the Corporation will calculate the 10% limitation on the value of equity and debt issues of any one issuer described in subparagraph (b)(4) of this Rule 604 separately for the parent account and any sub-account that is margin and collateral enabled. Neither the margin requirement nor margin excess of any sub-account that is margin enabled, nor the collateral in any sub-account that is collateral enabled, will be considered in connection with such calculation for any other sub-account or for the parent account.

\* \* \*

**Chapter VIII  
Exercise and Assignment**

\* \* \*

**Assignment of Exercise Notices to Clearing Members**

Rule 803. [Body: No change]

**...Interpretations and Policies:**

.01 Under the Corporation's assignment procedures the Corporation will assign exercise notices to Clearing Members in respect of positions in a particular account of such Clearing Member or, in the case of an account divided into sub-accounts, a particular sub-account.

**Allocation of Exercises**

Rule 804. [Body: No change]

**...Interpretations and Policies:**

.01 The procedures established by a Clearing Member pursuant to this Rule must provide, in the case of an account divided into sub-accounts, for the allocation of exercises to specific option contracts included in short positions maintained in the sub-account to which the exercise notice was assigned pursuant to Rule 803.

\* \* \*

**Item 2. Procedures of the Self-Regulatory Organization**

The proposed rule change was approved by OCC's Board of Directors at a meeting held on July 13, 2007.

Questions regarding the proposed rule change should be addressed to Jean M. Cawley, Senior 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**

**Purpose of Rule Change**

The primary purpose of the rule change is to enhance OCC's services to Clearing Members by expanding the functions associated with sub-accounts. OCC is proposing to allow Clearing Members to maintain sub-accounts for certain types of accounts for position reporting, margin, collateral and settlement purposes.<sup>1</sup> These sub-accounts would be gradually rolled out to interested Clearing Members, and would be available for firm lien accounts, customers' accounts, customers' lien accounts, and customer segregated funds accounts. Clearing Members would continue to be allowed to maintain sub-accounts for combined market-makers' accounts only for position reporting purposes although, as described below, OCC's system sub-accounting function would also be used to enable Clearing Members to maintain three separate combined market-maker account types under the same Clearing Member number and to have each account treated as a separate account for all purposes under OCC's By-Laws and Rules. Sub-accounting would not be available for separate market-maker's accounts, firm non-lien accounts or cross-margin accounts other than the OCC internal cross-margin accounts, which are segregated funds accounts in which OCC-cleared securities options may be cross-margined with OCC-cleared futures products.

All sub-accounts for eligible accounts would be enabled to carry positions in OCC-cleared contracts. However, as described in more detail below, margin, collateral, and settlement functions could be turned on or off at the Clearing Member's election except in

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<sup>1</sup> In File No. SR-OCC-2005-14, which became effective on September 29, 2005, OCC established an interpretation to Article VI, Section 3 of its By-Laws under which Clearing Members may maintain sub-accounts in respect of any account for position reporting purposes. However, this functionality is currently available only with respect to combined market makers' accounts.

combined market-makers' accounts. A sub-account would have to be margin-enabled in order to be collateral enabled, and collateral enabled in order to be settlement enabled.

If a sub-account is not "margin enabled," the positions in the sub-account will simply be included in the parent account for purposes of calculating the margin requirement, except that if a short option position in the sub-account is covered by an escrow deposit or specific deposit, or if the short position has been properly identified in a spread instruction, the short position will not be included in the margin calculation for the parent account. If a sub-account is margin enabled, OCC will calculate and report to the Clearing Member a separate margin requirement considering only the positions in the sub-account. However, if the account is not collateral enabled or settlement enabled, any margin deficiency will be added to the margin requirement in the parent account. Any excess long option or other asset value in a margin enabled sub-account will not be applied against a margin deficit in the parent account. The provision of OCC Rule 604(b)(4), under which equity and debt issues of a single issuer may not be valued in excess of 10% of the margin requirement of the account in which the securities are deposited, will be separately applied to sub-accounts that are margin enabled.

If a sub-account is "margin and collateral enabled," collateral deposited by a Clearing Member to satisfy its margin requirements can be identified as being in the particular sub-account at the direction of the Clearing Member, and if the account lacks sufficient excess collateral or has no excess, the margin deficiency will be added to the margin requirement in the parent account. Accordingly, a Clearing Member may withdraw collateral from the sub-account even if it has a margin deficiency or a margin deficiency would be created provided that the parent account has sufficient excess.

If a sub-account is "margin, collateral and settlement enabled," OCC will make separate daily cash settlement in respect of the sub-account and the Clearing Member may, but need not, designate a bank account for such settlements that is different from the bank accounts used for other settlements. If there is a margin deficiency in the sub-account, OCC will draft the Clearing Member's bank account for the deficit without regard to any margin excess in the parent account. Escrow deposits and specific deposits in respect of positions in a sub-account must specify the sub-account regardless of whether the sub-account is margin enabled.

Similarly, spread instructions with respect to any position carried in a sub-account must identify the sub-account and will be given no effect unless both legs of the spread are in the same sub-account, regardless of whether the sub-account is margin enabled.

The new sub-accounts are not intended as a mechanism for identifying positions or other property as belonging to individual customers of a Clearing Member or as a substitute for a Clearing Member's own books and records. Rather they are intended primarily to allow Clearing Members more flexibility in structuring the interface between the data they receive from OCC and their own systems. The new sub-accounts are not intended to have any effect on the way in which Clearing Member accounts would be liquidated in the event of the Clearing Member's insolvency, nor will they impose any limits on OCC's use of proceeds of collateral or positions that are credited to a particular sub-account. For these purposes, each sub-account is simply a part of the parent account to which it is attached and proceeds will be pooled and netted as and to the extent that they would be if the sub-accounts did not exist and all positions and collateral were commingled and carried in the parent account. Interpretation and Policy .02 to Article VI, Section 3 of OCC's By-Laws, which is not being amended, together with Interpretation and Policy .03 to Article VI, Section 3, which is not being amended in relevant

part, make this clear. Accordingly, the sub-accounts are not intended to provide any segregation or separation of property to satisfy legal requirements such as the customer protection rules of the SEC or CFTC although, as noted, sub-accounts may be used within a segregated account for purposes of convenience.

The ability of Clearing Members to use sub-accounts for margin, collateral and settlement purposes is operational, and will not result in lessened margin requirements. In fact, the use of the margin enabling function could result in a higher margin requirement for Clearing Members because positions in sub-accounts may not be offset against positions in other sub-accounts for purposes of calculating a Clearing Member's margin requirement, and a margin excess in one sub-account may not be applied against a margin requirement in another sub-account or in the parent account.

In addition to the expansion of functions of sub-accounts, OCC is proposing to use the sub-account capability to facilitate Clearing Members' ability to maintain separate types of combined market makers' accounts. Under the existing account structure for market-maker accounts, collateral can only be deposited in respect of an entire range of market-maker accounts, including individual market-maker accounts, all combined market-makers' accounts, and any sub-accounts. If a Clearing Member wishes to clear market-maker business and carry accounts for proprietary market-makers, associated market-makers and independent market-makers, OCC generally requires that the Clearing Member open separate Clearing Member numbers so that proprietary, associated and independent market-maker collateral can be separated under different clearing numbers. OCC is proposing to allow proprietary, associated and independent collateral in respect of combined market-makers' accounts to be separated within the same Clearing Member number, thus eliminating the need for this expedient. In addition, margin requirements

would be calculated separately with regard to the three account types. The account types for proprietary, associated and independent market-makers would be treated as separate accounts in the event of a liquidation. Other than with respect to this separation of proprietary, associated and independent market-maker accounts, use of the sub-account capability in respect of market maker accounts would be permitted only for position reporting purposes.

### **Proposed Changes to By-Laws and Rules**

OCC proposes to expand Interpretation and Policy .03 under Article VI, Section 3, which already addresses the sub-accounts available to Clearing Members in respect of combined market-makers' accounts, to describe the expanded uses of sub-accounts and the accounts for which they are available. This interpretation and policy would also be expanded to require Clearing Members to specify the sub-accounts in respect of which escrow and specific deposits, segregation instructions and pledges of securities are made. In addition, the portion of the interpretation and policy clarifying that sub-accounts will be disregarded in connection with the liquidation of a Clearing Member would be simplified. OCC is proposing to add Interpretation and Policy .04 under Article VI, Section 3 to explain the manner in which the sub-account capability can be used to separate proprietary, associated and independent market-maker accounts under the same Clearing Member number, and to clarify that these three account types would be treated as separate for all purposes under OCC's By-Laws and Rules. Interpretation and Policy .04 would also clarify that, while Clearing Members may deposit collateral in respect of all combined market-maker account types under the same Clearing Member number, collateral deposited for this purpose would be proprietary collateral and treated as such for all purposes under the By-Laws and Rules.

OCC is proposing to add an interpretation and policy under Rule 501, which would also be applicable to Rules 502 and 503, to make it clear that daily cash settlement amounts will be calculated separately for sub-accounts that are settlement enabled. A similar interpretation and policy would be added under Rule 601, and be applicable to all of Chapter VI, to clarify the manner in which margin is calculated in respect of sub-accounts and their parent accounts. OCC also proposes to add an interpretation and policy to Rule 604 stating that the 10% concentration limit of Rule 604(b)(4) would separately applied to sub-accounts that are margin enabled.

An interpretation and policy would be added under Rule 803, relating to assignment of exercise notices to Clearing Members, stating that where an account is divided into sub-accounts, assignment of exercise notices will be made to specific sub-accounts. OCC is also proposing to add an Interpretation and Policy under Rule 804, relating to allocation of exercises by Clearing Members to specific short positions, under which Clearing Members would be required to allocate exercises by sub-account, in accordance with OCC's assignment procedures described in the interpretation and policy to Rule 803.

\* \* \*

The proposed changes to OCC's By-Laws and Rules are consistent with the purposes and requirements of Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), because they are designed to promote the prompt and accurate clearance and settlement of transactions in options and futures, and 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, to protect investors and the public

interest. They accomplish this purpose by permitting Clearing Members to establish sub-accounts within certain of the OCC account types to enable Clearing Members to identify positions or property belonging to individual customers for the Clearing Members' internal purposes while having no adverse impact on OCC's maintain adequate security for Clearing Members' obligations under OCC's By-Laws and Rules.

**Item 4. Self-Regulatory Organization's Statement on Burden on Competition**

OCC does not believe that the proposed rule change would impose any material impact 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 has 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.

**Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

Pursuant to Section 19(b)(3) of the Exchange Act and Rule 19b-4(f) thereunder, the proposed rule change is filed for immediate effectiveness because it effects a change in a service of OCC, by allowing Clearing Members to designate sub-accounts within accounts

maintained by OCC, that does not adversely affect the safeguarding of securities or funds in the custody or control of OCC or for which it is responsible and does not significantly affect the respective rights or obligations of OCC or persons using the service. The use of sub-accounts does not significantly affect the rights of OCC because it will not reduce the margin requirements applicable to Clearing Members or OCC's interest in or use of funds or securities in Clearing Members' accounts. The change does not affect the rights of Clearing Members because the use of the sub-account feature is voluntary.

**Item 8. Proposed Rule Change Based on Rules of Another Regulatory Organization or of the Commission**

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

**Item 9. Exhibits**

Exhibit 1 Completed notice of the 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 duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

**THE OPTIONS CLEARING CORPORATION**

By: 

Jean M. Cawley  
Senior Vice President  
and Deputy General Counsel