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THE OPTIONS CLEARING  
CORPORATION

OFFICE OF THE SECRETARIAT

October 9, 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-2007-13 Rule Certification**

Dear Ms. Donovan:

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 (i) the proposed rule has been approved by the SEC and (ii) definitive copies of an appropriate 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.

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

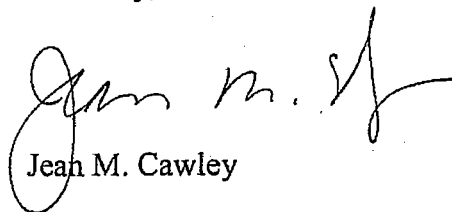
JCAWLEY@THEOCC.COM WWW.OPTIONSCLEARING.COM



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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

2007-13 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 as set forth below. Material proposed to be added to OCC’s By-Laws and Rules as currently in effect is underlined. Material proposed to be deleted is enclosed in bold brackets.

**THE OPTIONS CLEARING CORPORATION**

**BY-LAWS**

**ARTICLE I**

**Definitions**

**Definitions**

Section 1. Unless the context requires otherwise (or except as otherwise specified in the By-Laws), the terms defined herein shall, for all purposes of these By-Laws and the Rules of the Corporation, have the meanings herein specified.

**A.**

(1) - (6) [No change]

**American; American-style**

(7) The term “American” or “American-style,” used in respect of an option contract other than a delayed-start option contract, means that the option contract may be exercised, subject to the provisions of the By-Laws and Rules, at any time from its commencement time until its expiration. When used in respect of a delayed start option contract, the term means that the delayed start option contract may be exercised, subject to the provisions of the By-Laws and Rules, at any time after its exercise price has been set until its expiration.

(8) - (15) [No change]

**B. - C. [No change]**

D.

**Delayed Start Option**

(1) The term “delayed start option” means an option that at the commencement of trading does not have an exercise price but instead has an exercise price setting formula pursuant to which the exercise price will be fixed on the exercise price setting date for the series of delayed start option.

(1) - (3) [renumbered as (2) - (4), but otherwise unchanged]

E.

(1) - (15) [No change]

**Exercise Price Setting Date**

(16) The term “exercise price setting date” means the date, specified at or before the commencement of trading of a series of delayed start options by the Exchange on which such series is trading, on which the exercise price of that series will be fixed by the Exchange using the option’s exercise price setting formula.

**Exercise Price Setting Formula**

(17) The term “exercise price setting formula” means the formula, specified at or before the commencement of trading of a series of delayed start options by the Exchange on which such series is trading, that will be used by the Exchange to set the exercise price of that series on the exercise price setting date.

(16) - (20) [renumbered as (18) - (22) but otherwise unchanged]

F. - R. [No change]

S.

(1) - (8) [No change]

**Series**

(9) The term “series,” when used in respect of options, means all option contracts of the same class and having otherwise identical terms including exercise price (or, in the case of delayed start option contracts that do not yet have a set exercise price, the same exercise price setting formula and exercise price setting date), expiration date, unit of trading and, in the case of futures options, series marker if any; and when used in respect of futures, means all futures of the same class having identical terms, including the same maturity date and series marker, if any.

(10) - (25) [No change]

T. - U. [No change]

V.

**Variable Terms**

(1) The term “variable terms” in respect of a series of option contracts means the name of the underlying interest, the exercise price (or, in respect of a series of delayed start options that does not yet have a set exercise price, the exercise price setting formula and exercise price setting date), and the expiration month of such option contract and, in the case of an option contract that has an expiration date as defined in Section 1.E.(2)(iii) of Article XV or Article XX, the expiration date of such option contract. “Variable terms,” when used in respect of a series of futures means the name of the underlying interest, the maturity date, the method of determining the final settlement price, and the series marker, if any, and in the case of a flexibly structured index option or index future, the index value determinant and the index multiplier.

(2) – (3) [No change]

W. - Z. [No change]

\* \* \*

**ARTICLE VI**

**Clearance of Exchange Transactions**

\* \* \*

**Terms of Cleared Securities**

**Section 10. (a) [No change]**

(b) Except to the extent provided otherwise in the next sentence with respect to delayed start options and except to the extent provided otherwise in the By-Laws and Rules with respect to transactions in flexibly structured options, the expiration date and exercise price and, (i) in the case of capped option contracts, the cap interval (as defined, in the case of capped index option contracts, in Article XVII of the By-Laws), and (ii) in the case of packaged spread options, the base exercise price and spread interval (as defined in Article XXVI of the By-Laws), of option contracts of each series of options shall be determined by each Exchange or futures market at the time such series of options is first opened for trading on that Exchange or futures market. In the case of delayed start options, the exercise price setting date and the exercise price setting formula of option contracts of each series shall be determined by the Exchange at or before the time such series of options is first opened for trading on that Exchange. The unit of trading of option contracts of each series of options shall be designated by the Corporation prior to the time such series of options is first opened for trading, and in the absence of such designation for a series of options in which the underlying security is a common stock, the unit

of trading shall be 100 shares. The unit of trading and exercise price [initially] established for an option contract are subject to adjustment in accordance with [Section 11 A of] this Article VI or, in the case of a futures option, in accordance with [Section 4 of] Article XII of the By-Laws.

(c) – (e) [No change]

**...Interpretations and Policies:**

.01 [No change]

.02 The Corporation will not adjust the exercise price of delayed start options fixed by the Exchange, even if that price is subsequently found to have been erroneous, except in extraordinary circumstances. Such circumstances might be found to exist where, for example, the closing price or current index value used in the calculation of the exercise price is clearly erroneous and inconsistent with prices or values reported earlier in the same trading day. In no event will the exercise price of a series of delayed start options be adjusted after the opening of regular trading hours (as determined by the Corporation) on the trading day following the exercise price setting date.

\* \* \*

**Terms of Cleared Securities**

**Section 12.** [Lead-in language: No change]

(a) – (h) [No change]

Subject to the By-Laws and the Rules, (i) any American option contract held in a long position, other than a delayed-start option, may be exercised at any time between its commencement time and its expiration, (ii) an American delayed-start option contract may be exercised at any time after its exercise price has been set until its expiration, (iii) any European option contract held in a long position may be exercised on its expiration date, and ((iii)iv) any capped index option contract held in a long position shall be automatically exercised on any day on which the current index value (as defined in Article XVII of the By-Laws) equals or exceeds the cap price (as defined in Article XVII of the By-Laws), in the case of a call, or equals or is less than the cap price, in the case of a put, and may be exercised on its expiration date.

\* \* \*

**ARTICLE XVII**

**Index Options**

\* \* \*

**Definitions**

**Section 1.**

A. - R. [No change]

S.

**Series of Options**

(1) The term "series of options" used in respect of index options means all such options of the same class with the same exercise price (or, in the case of delayed start options that do not yet have a set exercise price, the same exercise price setting formula and exercise price setting date), cap price (if any), expiration date, and index multiplier; provided that if an Exchange shall adopt a rule superseding Section 1 C.(5) of this Article, options to which such Exchange rule applies shall be deemed to be of a different series than otherwise identical options to which such rule does not apply.

T. - Z. [No change]

\* \* \*

**General Rights and Obligations of Holders and Writers of Index Options**

**Section 2.** (a) Subject to the provisions of the By-Laws and Rules, the holder of a single American index option contract other than a delayed start option contract has the right, beginning at the time such option is issued pursuant to Article VI of the By-Laws and expiring at the expiration time therefor on the expiration date, to receive the exercise settlement amount from the Corporation in accordance with Exchange Rules and the By-Laws and Rules. Subject to the provisions of the By-Laws and Rules, the holder of a single American delayed start option contract has the right, beginning after the option's exercise price is set and expiring at the expiration time for such option on the expiration date, to receive the exercise settlement amount from the Corporation in accordance with Exchange Rules and the By-Laws and Rules.

(b) - (c) [no change]



**RULES**

\* \* \*

**CHAPTER IV**

**Trade Reporting and Matching**

**Report 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) Options. If the relevant transaction is in options, the matching trade information for such transaction shall include: (A) the identity of the Purchasing Clearing Member and the Writing Clearing Member and of the accounts in which the transaction was effected, (B) the underlying interest, (C) the exercise price (or, (x) in the case of packaged spread options, the base exercise price and the spread interval or (y) in the case of delayed start options that do not yet have a set exercise price, the exercise price setting formula and exercise price setting date), (D) the currency in which the option is denominated, (E) the cap price, if any, (F) the expiration date, (G) the number of option contracts, (H) the premium per unit, (I) except for a transaction in a Market-Maker's account, whether an opening or closing transaction, (J) the type of option, (K) the ticker symbol, and (L) such other information as may be required by the Corporation. In the case of futures options, such matching trade information shall also include a notation identifying any transaction that is a block trade, exchange-for-physical, or any other trade designated by the futures market or security futures market reporting the trade as a non-competitively executed trade.

(2) – (3) [No change]

(c) – (d) [No change]

**...Interpretations and Policies:**

.01 - .02 [No change]

\* \* \*

## CHAPTER XVIII

### Index Options

\* \* \*

#### Exercise of Index Options Other than on Expiration Date

**Rule 1802.** (a) American index option contracts may be exercised in accordance with Rule 801, except that American delayed start option contracts may only be exercised after such option contracts have a set exercise price. An exercise notice in respect of such an index option that is properly tendered to the Corporation in accordance with Rule 801 shall be accepted by the Corporation on the date of tender.

(b) [No change]

#### **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 November 6, 2002. Questions regarding the proposed rule change should be addressed to Jean 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 purpose of the proposed rule change is to accommodate the introduction of delayed start options ("DSOs") by the Chicago Board Options Exchange ("CBOE"). CBOE proposes, initially at least, to list DSOs only on indexes.<sup>1</sup>

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<sup>1</sup> For a description of the CBOE Proposal, see Securities Exchange Act Release No. 56378 (September 10, 2007), 72 FR 52944, File No. SR-OCC-2006-90 (September 17, 2007).

### **Description of Product**

As described by CBOE, a DSO is identical to existing standardized options with one exception: at the commencement of trading in a series, DSOs of that series will not have a set exercise price. Instead, a DSO will commence trading with a preestablished formula that the listing Exchange will use to fix the exercise price for the DSO on a specified date prior to the DSO's expiration date (the "exercise price setting date"). The CBOE is currently proposing that an "at-the-money" DSO on an index will be assigned an exercise price equal to the closing value of the underlying index on the exercise price setting date, rounded to the increment established by CBOE at the time the DSO commences trading, CBOE has also indicated that it may introduce in- or out-of-the-money DSOs. Those DSOs would, according to CBOE, have the same terms as at-the-money DSOs, except that the exercise price would be set at a specified percentage either in- or out-of-the money on the exercise price setting date, e.g., 5% in-the-money or 5% out-of-the-money.

The listing Exchange will specify the exercise price setting date prior to the opening of each series of DSOs. According to CBOE, the exercise price setting dates for each series of DSOs traded on CBOE will, initially, be three months prior to the DSO's expiration date. In other words, each series of DSOs will trade without an exercise price until three months prior to expiration. From the exercise price setting date forward, all options terms will be fixed, and DSOs will be fungible with any other options on the same underlying interest having the same exercise price, expiration date, and other terms. An Exchange may determine to issue series of DSOs with more or less than three months between the exercise price setting date and the expiration date.

A DSO will not have an exercise price until the exercise price setting date, and it may not be exercised until after that date. An "American-style" DSO thus may be exercised only after the exercise price setting date, and at any time between the exercise price setting date and the expiration date. A "European-style" DSO, like any other European-style option, may be exercised only on or near the expiration date.

#### **Proposed Changes to OCC's By-Laws and Rules**

In order to issue and clear DSOs, OCC needs to make several definitional changes in its By-Laws. A definition of DSO would be added to Article I of the By-Laws. OCC is also proposing to amend the existing definition of "American-style" in Article I of its By-Laws to make clear that unlike other American-style options, DSOs may not be exercised beginning at the commencement time for the options. Instead, American-style DSOs may only be exercised after their exercise price is set. Additionally, OCC proposes to amend the existing definition of "series" to provide that DSOs with the same expiration date, unit of trading, exercise price setting date and exercise price setting formula will comprise the same series until their exercise price is set, at which point DSOs with the same expiration date, unit of trading and exercise price will (like other options) comprise the same series. Similarly, OCC is amending the existing definition of "variable terms" in Article I because DSOs will not have an exercise price as one of their variable terms until their exercise price setting date, but instead will have both an exercise price setting date and an exercise price setting formula as variable terms until that time. OCC is adding two definitions to Article I as well. Both "exercise price setting date" and "exercise price setting formula" are needed to reflect the fact that DSOs will not have an exercise price when they begin trading, and to describe when and how that exercise price will be fixed by the listing Exchange.

OCC proposes amending Article VI of its By-Laws to clarify that an Exchange listing DSOs need not set the exercise price for such options at the time each series is opened for trading, but instead must set the exercise price setting date and the exercise price setting formula, and that an American-style DSO may not be exercised until after its exercise price has been set. The amendment to the definition of "series of options" in Article XVII is similar to the amendment to the definition of "series" in Article I, and, like that amendment, is to clarify that DSOs with the same expiration date, unit of trading, and exercise price setting date and exercise price setting formula will comprise the same series until their exercise price is set. The amendments to Article XVII, Section 2(a) and Rule 1802(a), like the change to the definition of "American-style" in Article I and the change to Article VI, Section 12, prohibit holders of American-style DSOs from exercising until the exercise price is set.

Amendments to Rule 401(a)(1) are to permit matched trade reports for DSOs to contain the exercise price setting date and exercise price setting formula, rather than an exercise price, until the exercise price is set.

\* \* \* \*

The proposed rule change is consistent with the requirements of Section 17A of the Securities Exchange Act of 1934, as amended, (the "Act") because it will permit the prompt and accurate clearance and settlement of transactions in DSOs, which are a new product designed to allow customers to manage risk associated with the volatility of a particular underlying interest. DSOs are very similar to existing options currently cleared by OCC, and would be governed by substantially the same rules and procedures to which existing options are subject. The proposed rule change is not inconsistent with the rules of OCC, including any 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. However, OCC will not clear DSOs until a supplement to the options disclosure document, *Characteristics and Risks of Standardized Options*, that includes disclosures regarding DSOs is available for distribution.

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

OCC requests that the Commission accelerate the effectiveness of this filing to the extent necessary to make it effective not later than the effectiveness of CBOE's proposed rule filing relating to DSOs. OCC believes there is good cause for such accelerated effectiveness because CBOE will not be able to commence trading in DSOs, even if CBOE's filing is approved, until OCC's rule change is approved. This proposed filing implements CBOE's filing, which was initially submitted to the Commission on November 7, 2006.

**Item 8. Proposed Rule Change Based on Rules 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 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: William H. Navin  
**William H. Navin**  
**Executive Vice President and**  
**General Counsel**