



THE OPTIONS CLEARING
CORPORATION

RECEIVED
3/20/09

MAR 20 PM 1:45

U.S. DEPARTMENT OF TREASURY

March 20, 2009

VIA E-MAIL

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

Re: Rule Filing SR-OCC-2009-04 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

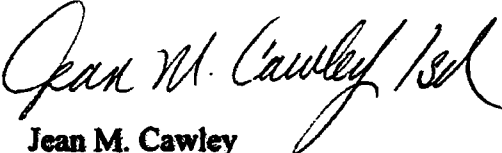
JCAWLEY@THEOCC.COM WWW.OPTIONSCLEARING.COM



Mr. David A. Stawick
Page Two
March 20, 2009

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

OCC-2009-04 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 its By-Laws and Rules as set forth below to accommodate the clearing and settlement of three types of option products: conventional cash-settled options on the spot price of physical commodities such as precious metals, oil, natural gas or other physical commodities (“conventional commodity options”), binary options on the spot price of physical commodities (“binary commodity options”), and binary event options on the occurrence of an event (“event options”). In addition, OCC proposes to simplify the By-Laws and Rules by using the term “Exchange” to refer to any exchange, futures market, security futures market or international market for which OCC clears transactions.

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 I

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) – (3) [No change]

Affiliated Futures Market

(4) The term “affiliated futures market” means a futures market or security futures market at least 50% of the equity of which (a) is owned, directly or indirectly, by [an] a Securities

Exchange or (b) is owned by any entity that owns, directly or indirectly, at least 50% of the equity in [an] a Securities Exchange.

(5) – (15) [No change]

B.

[No change]

C.

Call

(1) The term “call” means an option that provides the holder the right, in accordance with the terms and provisions of the By-Laws and Rules, to purchase from the Corporation the number of units of the underlying [security] interest covered by the option at a price per unit equal to the exercise price, or, in the case of a futures option, to enter into a long position in the underlying futures contract, upon the timely exercise of such option. [For purposes of determining the number of put and call option contracts for registration under the Securities Act of 1933 and the Securities Exchange Act of 1934, the term "call" shall include a packaged vertical call spread option and a packaged butterfly spread option (as defined in Article XXVI of the By-Laws).]

(2) [No change]

Capped; Capped-Style

(3) The term "capped" or "capped-style," used in respect of an option contract, means that the option contract (i) is in a series which has a cap price (as defined, in the case of capped [index] cash-settled options, in Article XVII of the By-Laws) at which all options in such series will be automatically exercised, subject to the provisions of the By-Laws and Rules, and (ii) may otherwise be exercised, subject to the provisions of the By-Laws and Rules, only on its expiration date.

(4) – (9)

Cleared Contract

(10) The term “cleared contract” means a cleared security or a commodity future, [or] futures options or commodity option that is cleared by the Corporation.

Cleared Security

(11) The term "cleared security" means an option contract (other than a futures option or commodity option), a security future or a BOUND.

(12) - (21) [No change]

Commencement Time

(22) The term “commencement time” in respect of a cleared contract other than a cross-rate foreign currency option contract or a FX Index Option contract, or a future issued in an exchange-for-physical transaction, a block trade, or other trade designated by a futures market or security futures market reporting the trade as a non-competitively executed trade, means the time when the Corporation makes available to the Purchasing Clearing Member and the Selling Clearing Member Daily Position Reports reflecting the Exchange transaction in which such cleared contract was purchased, provided that the “commencement time” for a cleared contract in respect of which the Corporation receives matching trade information on the expiration date or maturity date for such contract, or, if such date is not a business day, on the immediately preceding business day, means the close of trading on the Exchange[, security futures market, futures market or international market] on which such transaction was effected on such expiration or maturity date or immediately preceding business day, as the case may be. The term “commencement time” in respect of a cross-rate foreign currency option or a FX Index Option contract means the time that is three hours following the settlement time of the Exchange transaction in which such cross-rate foreign currency option or FX Index Option contract was purchased. The commencement time for a future issued in an exchange-for-physical transaction, a block trade, or other trade designated by a futures market or security futures market reporting the trade as a non-competitively executed trade is as specified in Article XII, section 7 of the By-Laws.

(23) [No change]

Commodity Option

(24) The term “commodity option” means an option contract within the exclusive jurisdiction of the Commodity Futures Trading Commission that gives the holder of the option the right to buy or sell a specified quantity of a commodity, or in the case where the underlying interest is an index of commodities, to buy or sell the aggregate current index value (as that term is defined in Article XVII) of the underlying index, and that is traded on, through the facilities of, or subject to the rules of a futures market.

(24) [Renumbered as (25); otherwise no change]

Contract

[(25)] (26) The term "contract" means a single contract in any series of cleared contracts held in a long or short position and a single commodity futures, futures option or commodity option contract cleared by a Participating CCO and held in a long or short position.

(26) – (34) [Renumbered as (27) – (35); otherwise no change]

D.

[No change]

E.

(1) – (8) [No change]

Exchange

(9) The term "Exchange" means [an Equity Exchange or a Non-Equity Exchange] a Securities Exchange, a futures market, a security futures market or an international market.

Exchange Member

(10) The term "Exchange member" means a "member" or "member organization" of an Exchange [or a member or member organization of an international market, futures market or security futures market], as those terms are defined in the Exchange Rules of such Exchange[, international market, futures market or security futures market], excluding individuals who are classified as members solely by virtue of their being associated with a member organization of such Exchange[, international market, futures market or security futures market].

Exchange Rules

(11) The term "Exchange Rules," when used in respect of any Exchange[, international market, futures market or security futures market], means the constitution, certificate of incorporation, by-laws, rules and stated policies, and all written interpretations thereof, or instruments corresponding to the foregoing, as the same may be in effect from time to time, of that Exchange[, international market, futures market or security futures market]. The term "Exchange Rules" in respect of an Exchange transaction means the constitution, certificate of incorporation, by-laws, rules and stated policies, and all written interpretations thereof, or instruments corresponding to the foregoing, as the same may be in effect from time to time, of the Exchange[, international market, futures market or security futures market] on which such transaction was effected. The term "Exchange Rules" in respect of a cleared contract means the constitution, certificate of incorporation, by-laws, rules and stated policies, and all written interpretations thereof, as the same may be in effect from time to time, of each Exchange[, international market, futures market and security futures market] on which such cleared contract is traded.

Exchange Transaction

(12) The term "Exchange transaction" as used in respect of an Exchange other than an international market means a transaction on or through the facilities of an Exchange[, futures market or security futures market] for the purchase, writing, or sale of a cleared contract or for the closing out of a long or short position in a cleared contract. As used in respect of an international market, such term means a transaction on or through the facilities of such market for the purchase, writing, or sale of a cleared contract, or for the closing out of a long or short position in a cleared contract, for which the Corporation acts as clearing agent pursuant to an international market agreement.

(13) – (14) [No change]

Exercise Price

(15) The term "exercise price" in respect of an option contract means the specified price per unit at which the underlying [security] interest may be purchased (in the case of a call) or sold (in the case of a put) upon exercise of the option contract.

(16) – (19) [No change]

Expiration Exercise Report

(20) The term "Expiration Exercise Report" shall mean a report made available online by the Corporation to a Clearing Member on an expiration date listing, by account, each expiring option contract in each of the Clearing Member's accounts with the Corporation. Such term shall also include updated versions of any such report made available to a Clearing Member prior to such time on the expiration date as the Corporation shall from time to time specify. An Expiration Exercise Report shall indicate the closing price (as defined in Rule 805) of the underlying [security] interest for each series of options listed therein and shall include such further information as the Corporation shall deem appropriate

(21) – (22) [No change]

F.

(1) – (3) [No change]

Flexibly Structured Future

[(5)](4) The term "flexibly structured future" means a future having a maturity date and (in the case of an index future) an index value determinant and an index multiplier that are selected by the buyer and seller of such future within a permissible range of values or alternatives for such terms that is set by the Exchange and that do not correspond to the terms of any regularly listed series of futures [reported to the Corporation by an Exchange, futures market or security futures market pursuant to Section 7 of Article VI of the By-Laws and Rule 401].

Flexibly Structured Option

[(4)](5) The term "flexibly structured option" means an option having an expiration date, an exercise price, an exercise style, an index value determinant (in the case of an index option), and a cap interval (in the case of a capped option) that are selected by the purchaser and writer of such option within a permissible range of values or alternatives for such terms that is set by the Exchange and that do not correspond to the terms of any regularly listed series of options [reported to the Corporation by an Exchange pursuant to Section 7 of Article VI of the By-Laws and Rule 401].

(6) – (10)

Futures Market

(11) The term “futures market” means an entity designated under the Commodity Exchange Act and the rules of the Commodity Futures Trading Commission as a contract market that has satisfied all legal and regulatory requirements necessary to serve as a market for commodity futures, [or] futures options or commodity options and acts as such a market.

(12) [No change]

G.

(1) – (2) [No change]

[Give-Up Service Provider

(3) The term “give-up service provider” means an entity that has agreed with the Corporation to provide post trade execution services to the Corporation in support of futures and futures options trading on one or more affiliated futures markets.]

Given-Up Clearing Member

(4) The term “Given-Up Clearing Member” means [(i) a Clearing Member classified as a Given-Up Clearing Member in Rule 404 or (ii)] a Clearing Member that has authorized a Giving-Up Clearing Member to allocate positions to its account in accordance with Rule 405.

Giving-Up Clearing Member

(5) The term “Giving-Up Clearing Member” means [(i) a Clearing Member classified as a Giving-Up Clearing Member in Rule 404 or (ii)] a Clearing Member that has been authorized by a Given-Up Clearing Member to allocate positions to the latter’s account in accordance with Rule 405.

(6) – (7) [Renumbered as (3) – (4); otherwise no change]

H.

[No change]

I.

(1) – (2) [No change]

Index Multiplier

(3) The term "index multiplier" (i) as used in reference to an index option contract means the dollar amount (as specified by the Exchange on which such contract is traded) by which the current index value is to be multiplied to obtain the aggregate current index value, and (ii) as

used in reference to index futures of any series, means the dollar amount (as specified by the Exchange[, security futures market or futures market] on which such series is traded) by which the final settlement price in respect of such futures is to be multiplied to obtain the final variation payment. Such term replaces the term "unit of trading," used in reference to other kinds of options.

Index Value Determinant

(4) The term "index value determinant," used in respect of settlement of flexibly structured index option contracts and futures, means the method for determining the current index value on the expiration date or maturity date as that method is reported to the Corporation by the Exchange[, futures market or security futures market] on which the option or future was purchased.

(5) [No change]

Interim Settlement Price

(5) The term "interim settlement price" in respect of a series of futures means the marking price of the futures of such series that is used to calculate variation payments in respect of such futures (including intra-day variation payments, if applicable) in the manner set forth in the Exchange Rules of the Exchange(s)[, futures market(s) or security futures market(s)] on which such series is traded.

(6) [No change]

(7) [No change]

International Market Agreement

(8) The term "international market agreement" means an agreement, as the same may be in effect from time to time, between the Corporation and an international market pursuant to which the Corporation (i) acts as a clearing agent in respect of specified transactions effected on the international market and (ii) may issue option contracts. One or more Securities Exchanges may, but need not be, parties to an international market agreement.

(9) – (10) [No change]

International Transaction

(11) The term "international transaction" means an Exchange transaction effected [either on an international market or on an Exchange] under the provisions of an international market agreement and shall include such other Exchange transactions as the Corporation may designate as international transactions in accordance with the definition of "international option."

(12) [No change]

J. - L.

[No change]

M.

(1) – (8) [No change]

Maturity Date

(12) The term “maturity date” means (i) in respect of a series of futures other than flexibly structured security futures, the date designated by the Exchange(s)[, futures markets and/or security futures market(s)] on which such series is traded as the date as of which the final settlement price for such series is determined, and (ii) in respect of a flexibly structured future, the date agreed upon by the Purchasing Clearing Member and Selling Clearing Member in an Exchange transaction as the date as of which the final settlement price for such future is determined, as such date is reported to the Corporation by the Exchange[, futures market or security futures market].

(13) [No change]

Multiplier

(14) The term “multiplier” as used in reference to [an index]a cash-settled option contract, [or index]cash-settled future[s] or other cash-settled cleared contract [of any series] means [an index multiplier and as used in reference to other cash-settled futures contracts means] the amount [(as specified by the futures market on which a futures contract is traded)] by which a premium price, exercise price, underlying interest value, contract price, settlement price, [or] final settlement price [in respect of such futures contract]or other value is to be multiplied, as provided in the By-Laws and Rules relating to particular cleared contracts, [in]for the purpose of determining an extended value such as in determining an aggregate exercise price, aggregate underlying interest value, premium payment, variation payment or final variation payment.

N.

[No change]

O.

OCC Proprietary X-M Account; OCC Non-Proprietary X-M Account; CCO Proprietary X-M Account; CCO Non-Proprietary X-M Account; Set of X-M Accounts

(1) The term "OCC cross-margin account" or "OCC X-M account" means an account carried by a Joint Clearing Member or the OCC Clearing Member of a Pair of Affiliated Clearing Members at the Corporation in which options positions subject to cross-margining treatment are maintained. The term "CCO cross-margin account" or "CCO X-M account" means an account carried by a Joint Clearing Member or the CCO Clearing Member of a Pair of Affiliated Clearing

Members at a Carrying CCO in which futures options, [and] commodity options and futures contracts subject to such cross-margining treatment are maintained. A "proprietary X-M account" means an X-M account that is confined to the Exchange transactions and positions of non-customers of the carrying Clearing Member and other proprietary Market Professionals. A "non-proprietary X-M account" means an X-M account that is confined to the Exchange transactions and positions of Market Professionals that are neither non-customers of the carrying Clearing Member nor other proprietary Market Professionals. The term "set of X-M accounts," which may consist of two X-M accounts ("paired accounts") or three or more X-M accounts, means the OCC X-M account (proprietary or non-proprietary) and each corresponding CCO X-M account of a Joint Clearing Member or a Pair of Affiliated Clearing Members carried at the Carrying CCO(s).

Opening Purchase Transaction

(2) The term "opening purchase transaction" means an Exchange transaction in which the purchaser's intention is to create or increase a long position in a series of cleared [securities] contracts.

Opening Sale (Writing) Transaction

(3) The term "opening sale transaction" or "opening writing transaction" means an Exchange transaction in which the seller's intention is to create or increase a short position in a series of cleared [securities] contracts.

Option Contract

(4) The term "option contract" or "option" means a put option, a call option, a binary option, a range option or a packaged spread option (as defined in Article XXVI of the By-Laws) issued by the Corporation pursuant to the By-Laws and Rules. The term "stock option contract" means a put or a call, as defined in this Article I for which the underlying security is an equity security, including fund shares. The term "Treasury securities option contract" means a put or a call, as defined in Article XIII of the By-Laws. The term "yield-based Treasury option contract" means a put or a call, as defined in Article XVI of the By-Laws. The term "debt securities option contract" means a Treasury securities option contract. The term "foreign currency option contract" means a put or a call, as defined in Article XV of the By-Laws. The term "cross-rate foreign currency option contract" means a put or a call, as defined in Article XX of the By-Laws. The term "cash-settled foreign currency option contract" means a put or a call, as defined in Article XXII of the By-Laws. The term "index option contract" means a put or a call, as defined in Article XVII of the By-Laws. The term "cash-settled option contract" means any option contract that is settled upon exercise by payment of cash rather than delivery of, and payment for, the underlying interest. The term "non-equity securities option contract" means a debt securities option contract, a foreign currency option contract, a cross-rate foreign currency option contract, a cash-settled option contract, or a futures option or commodity option. The term "futures option" means any option to buy or sell any commodity futures contract traded on, through the facilities of, or subject to the rules of a futures market.

P.

(1) – (12) [No change]

Put

(13) The term “put” means an option that provides the holder the right, in accordance with the terms and provisions of the By-Laws and Rules, to sell to the Corporation the number of units of the underlying [security] interest covered by the option, at a price per unit equal to the exercise price, or, in the case of a futures option, to enter into a short position in the underlying futures contract, upon the timely exercise of such option.

Q. – R.

[No change]

S.

(1) [No change]

Securities Exchange

(2) The term "Securities Exchange" means an Equity Exchange or a Non-Equity Exchange.

(2) [Renumbered as (3); otherwise no change]

Security Futures Market

[(3)] (4) The term "security futures market" means any market, other than [an] a Securities Exchange, that (i) has been designated as a contract market under Section 5f or 6 of the Commodity Exchange Act; (ii) is registered as a national securities exchange under Section 6(a) or (g), or as a national securities association under Section 15A(a), of the Securities Exchange Act of 1934; and (iii) has satisfied all other legal and regulatory requirements necessary to trade security futures.

(4) – (8) [Renumbered as (5) – (9); otherwise no change]

Series

[(9)] (10) 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 or commodity 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.

Series Marker

[(10)] (11) The term "series marker" used in respect of futures or futures option or commodity options means a unique identifier assigned to an Exchange[, futures market or security futures market] (or by mutual agreement among them, a group of such [markets]Exchanges) on which such futures or futures options or commodity options are traded that may be used to cause such futures or futures options or commodity options to be non-fungible with otherwise identical futures traded on other Exchanges[, futures markets or security futures markets].

(11) – (25) [Renumbered as (12) – (26); otherwise no change]

T. [No change]

U.

(1) [No change]

Underlying Interest

(2) The term "underlying interest" means the underlying security, commodity, future, currency, asset, index or other variable that is the subject of a cleared contract.

(3) – (6) [No change]

V. – Z. [No change]

* * *

ARTICLE III

Board of Directors

* * *

Exchange Directors

SECTION 6. The number of Exchange Directors shall be equal to the number of Equity Exchanges which are holders of Class B Common Stock of the Corporation; provided, however, that the number of Exchange Directors shall not be increased above six by reason of any new Equity Exchange until the first annual meeting of stockholders following the date on which such Exchange shall have been a stockholder for sixty days. The nominee of each Equity Exchange shall be elected as an Exchange Director by the stockholder entitled to vote thereon at each annual meeting of stockholders. An individual may be nominated by, elected by, and serve as an Exchange Director for more than one Equity Exchange. Each such individual shall be counted, for all purposes under the By-Laws (including, without limitation, for the purpose of determining whether a quorum is present or whether a resolution has been passed by the requisite number of

directors), as a separate Exchange Director for each Equity Exchange that elected him or her. Each Exchange Director shall serve until the annual meeting of stockholders following the election or appointment of such Exchange Director and until a successor is elected or appointed and qualified, or until the earlier death, disqualification, resignation or removal of such Exchange Director. If any Equity Exchange shall cease to be qualified as an Equity Exchange pursuant to the provisions of Article VII hereof after having elected an Exchange Director, the term of such Exchange Director shall cease simultaneously with such disqualification, and the number of Exchange Directors shall decrease accordingly; provided, however, that if such Exchange Director is serving as an Exchange Director of any other Equity Exchange that continues to be qualified as an Equity Exchange pursuant to the provisions of Article VII hereof, then this sentence shall not affect such Exchange Director's term as an Exchange Director for any such other Equity Exchange. Exchange Directors need not be Clearing Members or be associated with a Clearing Member Organization.

* * *

Emergency Powers

SECTION 15.

(a) – (c) [No change]

(d) Notwithstanding the provisions of Article XI of these By-Laws, the By-Laws or the Rules of the Corporation may be amended by the Board of Directors at any meeting of the Board of Directors held during an Emergency upon the affirmative vote of a majority of the directors in attendance at any such meeting; provided, however, that any such amendment adopted by less than the vote required by Article XI shall not remain in force or effect for a period of longer than thirty days following the termination of such Emergency. The Corporation shall, if practicable, file with the Commodity Futures Trading Commission ("CFTC") any rule change relating to commodity futures, [or] futures options or commodity options adopted in response to an Emergency prior to implementation of the rule. If it is not practicable to file such rule change with the CFTC prior to its implementation, the Corporation shall file the rule change with the CFTC at the earliest possible time, and in no event more than 24 hours after implementation.

(e) – (f) [No change]

...Interpretations and Policies [No change]

* * *

ARTICLE V

Clearing Members

Qualifications

SECTION 1. (a) Any person registered as a broker-dealer under the Securities Exchange Act of 1934, as amended, or any Non-U.S. Securities Firm, shall be eligible to become a Clearing Member; and in addition, a futures commission merchant registered under Section 4f(a)(1) of the Commodity Exchange Act shall be eligible to become a Clearing Member for the purpose of clearing transactions in commodity futures, [and] futures options and commodity options. Each applicant to become a Clearing Member must meet the initial Clearing Member financial requirements then in effect and maintain facilities and personnel adequate for the expeditious and orderly transaction of business with the Corporation and other Clearing Members. Every applicant must meet such additional non-discriminatory standards of financial responsibility, operational capability, experience and competence as may from time to time be prescribed in the statutory rules of the Corporation. The Corporation may, and in cases in which the Securities and Exchange Commission, by order, directs as appropriate in the public interest, shall disapprove the application for clearing membership of any person subject to a statutory disqualification.

(b) [No change]

...Interpretations and Policies:

.01 [No change]

.02 Operational Capability

The Membership/Risk Committee will not recommend the approval of any application for clearing membership unless:

a. [No change]

b. the applicant, if an Exchange member or otherwise authorized to compare trades executed on an Exchange[, futures market or security futures market], has demonstrated the ability to reconcile unmatched and advisory trades on a timely and efficient basis, in accordance with applicable Exchange rules and procedures;

c. – d. [No change]

.03 Experience and Competence

The Membership/Risk Committee will not recommend the approval of any application for clearing membership if:

a. – b. [No change]

c. the applicant lacks substantial experience in clearing the kind(s) of cleared contracts that the applicant proposes to clear or related kinds of transactions (e.g., stock transactions where the applicant proposes to clear physically-settled options or futures on individual stocks or futures transactions where the applicant proposes to clear futures options), and has failed, in the opinion of the Membership/Risk Committee, to employ back-office personnel with sufficient experience to compensate for the applicant's lack of such experience.

An applicant or associated person convicted of a felony or misdemeanor within ten years prior to the filing of an application for clearing membership shall be deemed subject to a statutory disqualification, within the meaning of clause (a) above, if the Membership/Risk Committee finds that the felony or misdemeanor was of a type specified in clause (i), (ii), or (iv) of Section 15(b)(4)(B) of the Securities Exchange Act of 1934, as amended.

The terms "associated person" and "person associated with an applicant" as used in these Interpretations and Policies means any partner, officer, director, or branch manager of such applicant (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with such applicant, or any employee of such applicant. Adopted May 19, 1981, amended January 8, 1992.

In respect of clause (c) above, an applicant for clearing membership or at least one associated person of applicant:

a. – b. [No change]

d. in the case of a futures commission merchant or other registrant registered under Section 4f of the Commodity Exchange Act that is not a broker-dealer registered under Section 15(b)(1) or (2) of the Securities Exchange Act of 1934, must meet such other non-discriminatory standards of experience and competence as the Corporation may prescribe.

If an applicant elects to use an associated person to satisfy the requirements of the foregoing clauses applicable to such applicant, that associated person shall be a full-time employee of the applicant. The Membership/Risk Committee may exempt from the applicable requirements of the foregoing clauses any applicant for clearing membership which entered into a facilities management agreement in accordance with Interpretation and Policy .04 below. Upon the written request of an applicant, the Membership/Risk Committee may, in exceptional cases and where good cause is shown, waive the foregoing requirements and accept other standards as evidence of an applicant's experience in clearing securities, futures options, commodity options or futures transactions.

In addition, the Membership/Risk Committee will not recommend the approval of any application for clearing membership unless:

d. [No change]

e. if the applicant has not applied for authorization to clear all types of transactions (i.e., customer transactions, firm transactions, market-maker and JBO Participant transactions), or all kinds of transactions (e.g., transactions in stock options, Treasury securities options, foreign currency options, cross-rate foreign currency options, cash-settled options, futures options,

commodity options and futures), or has not applied to carry positions in its accounts on a routine basis, or has not applied to be a Market Loan Clearing Member or a Hedge Clearing Member, the applicant shall have undertaken to apply to the Membership/Risk Committee for further approval before commencing to clear any type or kind of transaction for which approval is not currently being sought, before carrying positions in its accounts on a routine basis, or before participating in the Market Loan Program or the Stock Loan/Hedge Program, as applicable.

In the event that expedited treatment is requested for an application submitted pursuant to clause (e) above, the Chairman, the Management Vice Chairman, or the President shall have the authority to approve or disapprove such application on a temporary basis. Thereafter, at the next scheduled meeting of the Membership/Risk Committee, the Membership/Risk Committee shall independently review the submitted application and shall determine de novo whether to approve or disapprove such application. Should the Membership/Risk Committee's determination result in the modification or reversal of the action taken by the Chairman, the Management Vice Chairman, or the President, any acts taken by the Corporation prior to such modification or reversal shall not be invalidated nor shall any rights of any person arising out of such acts be affected.

.04 - .08 [No change]

.09 Regulatory Authorization

A Clearing Member must be: (i) registered as a broker-dealer under Section 15(b)(1) or (2) of the Securities Exchange Act of 1934 (the "Exchange Act") (a "fully registered broker-dealer"); (ii) registered as a futures commission merchant ("FCM") under Section 4f(a)(1) of the Commodity Exchange Act (the "CEA") (a "fully registered FCM"); or (iii) a Non-U.S. Securities Firm. In addition, in order to clear transactions in particular types of products, a Clearing Member must be in compliance with all registration and other regulatory requirements applicable to that activity. In that regard, the following specific requirements will ordinarily apply:

(a) In order to clear transactions in options other than futures options or commodity options, a Clearing Member must be a fully-registered broker-dealer or a Non-U.S. Securities Firm.

(b) In order to clear transactions in commodity futures, [and] futures options and commodity options, a Clearing Member must be (i) a fully registered FCM or (ii) not required by the CEA or the regulations of the Commodity Futures Trading Commission (the "CFTC") to be registered as an FCM. (An exclusion from the FCM registration requirement under the CEA would ordinarily be available to a firm that clears only transactions that are for a "proprietary account" as defined in the regulations of the CFTC.)

(c) [No change]

* * *

ARTICLE VI

Clearance of Exchange Transactions

General Clearance Rule

SECTION 1. [Body: No change]

...Interpretations and Policies:

.01 (a) Subject to paragraph (c) below, it is the policy of the Corporation to permit a Clearing Member to submit adjustments to its positions with the Corporation to (1) effect a transfer of accounts between Clearing Members; (2) effect a Return, (3) effect a CMTA Retransfer; and (4) correct a bona fide error or omission regarding an Exchange transaction previously submitted to the Corporation by the Exchange[, security futures market, futures market, futures market or international market] on which such Exchange transaction occurred. Such data shall be submitted in such form and within such times as the Corporation shall prescribe. Such adjustments shall be treated as Exchange transactions for the purposes of Sections 15 and 16 of Article VI of the By-Laws and for the purposes of other sections of Article VI except where the context otherwise requires.

(b) – (c) [No change]

.02 [No change]

* * *

Maintenance of Accounts

SECTION 3. Every Clearing Member may establish and maintain with the Corporation one or more of the following accounts:

(a) A firm account, which shall be confined to (i) the Exchange transactions in cleared securities other than security futures of such Clearing Member's non-customers, (ii) the Exchange transactions in (x) futures other than security futures and (y) futures options and commodity options of persons whose transactions are not required to be treated as the transactions of futures customers, and (iii) the Exchange transactions in security futures of persons whose transactions are not required to be treated as the transactions either of securities customers or of futures customers. The Clearing Member, on behalf of itself and each other non-customer on whose behalf positions may be maintained in the firm account, agrees that the Corporation shall have a general lien on all positions and on all other securities, margin and other funds and property in such account, the Corporation shall have the right to net all writing transactions against all purchase transactions effected in such account in accordance with the Rules, and the Corporation may close out the positions in the account and apply the proceeds thereof at any time without prior notice to the Clearing Member or any other non-customer. Such firm account shall be a "firm lien account." The Corporation may also permit each Clearing

Member to establish a “firm non-lien account,” which shall be confined to those Exchange transactions of non-customers of the Clearing Member in respect of which the Clearing Member does not intend to give the Corporation a lien on the segregated long positions in the account (although the Corporation shall have a restricted lien on the unsegregated long positions in securities options and on other securities (including security futures) therein and the proceeds thereof and a general lien on all other property (other than segregated long positions) in such account. The firm non-lien account shall be subject to the same margin requirements as the Clearing Member’s customers’ account.

(b) A separate Market-Maker’s account, which shall be confined to the Exchange transactions of the Market-Maker for which it is established. In addition, a Clearing Member who is registered with a[n] Securities Exchange or security futures market as a Market-Maker may maintain a separate Market-Maker’s account, which shall be confined to such Clearing Member’s Exchange transactions as such Market-Maker (including the Exchange transactions of a specialist unit in which such Clearing Member is a participant). The Clearing Member agrees, and represents to the Corporation that it has obtained the agreement of each Market-Maker on whose behalf positions may be maintained in a Market-Maker’s account, that (i) the Corporation shall have a restricted lien on long positions in securities options and on other securities (including security futures) in such Market-Maker’s account and the proceeds thereof and a general lien on all other funds and property in such Market-Maker’s account, (ii) the Corporation shall have the right to net all writing transactions against all purchase transactions effected in such account in accordance with the Rules, and (iii) the Corporation may close out the positions in the account, and apply the proceeds thereof, at any time without prior notice to the Clearing Member or Market-Maker, and (iv) notwithstanding the provisions of clause (i) hereof, if the Market-Maker is the Clearing Member or a proprietary Market-Maker, the Corporation shall have a general lien on all positions and on all other securities, margin, and other funds and property in such account, and the account shall be a “firm lien account.”

(c) – (e) [No change]

(f) Every Clearing Member conducting a public business in which it effects Exchange transactions for futures customers shall also establish and maintain a segregated futures account, which shall be confined to the Exchange transactions in futures, [and] futures options and commodity options of such Clearing Member’s futures customers. Notwithstanding the preceding sentence, in the case of those futures customers for which a Clearing Member effects transactions that are futures professionals, the Clearing Member is not required to maintain a segregated futures account under this paragraph (f), but instead may maintain a segregated futures professional account, as provided in paragraph (j) below. The Clearing Member, on behalf of itself and each futures customer on whose behalf positions may be maintained in the segregated futures account, agrees that the Corporation shall have a restricted lien on all positions, margin and other funds and property in such account as security for the Clearing Member’s obligations to the Corporation for the positions in that account and in any segregated futures professional account maintained by the Clearing Member pursuant to paragraph (j) below. The Corporation shall comply with applicable regulations of the Commodity Futures

Trading Commission pertaining to the holding of segregated funds by clearing organizations of contract markets.

(g) – (i) [No change]

(j) A segregated futures professional account, which shall be confined to the Exchange transactions in futures, [and] futures options and commodity options of the Clearing Member's futures customers who are futures professionals. The Clearing Member, on behalf of itself and each futures professional on whose behalf positions may be maintained in the segregated futures professional account, agrees that the Corporation shall have a restricted lien on all positions, margin and other funds in such account as security for the Clearing Member's obligations to the Corporation arising from that account and any segregated futures account maintained by the Clearing Member pursuant to paragraph (f) above and that the Corporation may close out the positions in the account and apply the proceeds thereof at any time without prior notice to the Clearing Member or any futures professional. The Corporation shall comply with applicable regulations of the Commodity Futures Trading Commission pertaining to the holding of segregated funds by clearing organizations of contract markets

(k) [No change]

...Interpretations and Policies:

.01 [No change]

.02 In any "proprietary account" a Clearing Member is permitted to carry both cleared contracts that are "securities" as defined in Section 3(a)(10) of the Securities Exchange Act of 1934 and cleared contracts that are commodity futures, [or] futures options or commodity options subject to regulation under the Commodity Exchange Act, and the margin requirements applicable to any such proprietary account shall be determined under Rule 601 based upon the net liquidating value of all positions carried in the account. Accordingly, all such proprietary accounts are deemed to be held subject to a "cross-margining agreement or similar arrangement" for purposes of Section 561(b)(3)(A) of the United States Bankruptcy Code (11 U.S.C. § 561(b)(3)(A)) and any netting performed between cleared contracts that are securities, on the one hand, and cleared contracts that are commodity futures, [or] futures options or commodity options, on the other, including any close-out netting that is performed in accordance with Section 27 of Article VI of the By-Laws or Chapter XI of the Rules, shall be deemed to occur pursuant to such cross-margining agreement or similar arrangement. For purposes of this interpretation, a "proprietary account" includes (i) a firm account, (ii) a separate Market-Maker's account for which the Market-Maker is a Clearing Member or a proprietary Market-Maker trading for his own account, (iii) a combined Market-Maker's account confined to the Exchange transactions of Market-Makers who are Clearing Members or proprietary Market-Makers trading for their own accounts, (iv) an OCC proprietary X-M account (together with the corresponding proprietary X-M account at a participating futures clearing organization), or (v) a proprietary futures professional account and any other account that does not contain positions or other property of any person who is a "customer" within the meaning of the Commodity Exchange Act and regulations thereunder.

.03 - .07 [No change]

* * *

Obligations of the Corporation

SECTION 5. [Introduction: No change]

(a) – (c) [No change]

...Interpretations and Policies:

.01 The Corporation will accept for clearing matched trades in flexibly structured options and flexibly structured security futures, provided that the variable terms of the contract comply with any limitations on such variable terms published by the Corporation from time to time by notice to the Exchanges [and security futures markets] that have clearing agreements with the Corporation.

Issuance of Cleared Contracts

SECTION 6. The Corporation shall be the issuer of all cleared contracts purchased in Exchange transactions. Subject to the provisions of Sections 7 and 8 of this Article VI, a cleared contract shall be issued by the Corporation in every opening purchase transaction at the commencement time for such transaction. Any such cleared contract shall carry the rights and obligations set forth in the By-Laws and Rules applicable to the particular cleared contract and shall contain the variable terms as agreed upon by the Purchasing Clearing Member and Selling Clearing Member (or by Exchange Members authorized to give up the names of such Clearing Members) as shown on the trade information filed by them with the Exchange[, futures market, security futures market or international market] on which such opening purchase transaction occurred and which is transmitted to the Corporation in a report of matched trades submitted by such Exchange [or market]. (In the event of a discrepancy between the trade information filed with the Exchange[, futures market, security futures market or international market] and the information reported to the Corporation, the latter shall govern as between the Clearing Member and the Corporation.) Unless and until a cleared contract is issued as provided by the By-Laws, the Corporation shall have no obligation in respect thereof.

...Interpretations and Policies: [No change]

Reporting of Matched Trades

SECTION 7. (a) The acceptance of every Exchange transaction and the issuance of every cleared contract by the Corporation as provided in Sections 5 and 6 of this Article VI shall be subject to the condition that the Exchange[, security futures market, futures market or international market] on which such Exchange transaction occurs shall have reported to the Corporation, during such times as the Corporation shall prescribe, matching trade information

with respect to such transaction showing that the trade information submitted by the Purchasing Clearing Member and the Selling Clearing Member agree:

(i) – (ii) [No change]

(b) [No change]

(c) An Exchange [or market] may instruct the Corporation to disregard a transaction previously reported by such Exchange [or market] as a matched trade because of a subsequent determination that (i) the trade information submitted by the Purchasing Clearing Member and Selling Clearing Member did not agree, (ii) the trade information did not contain all the information required by the Corporation as set forth in the By-Laws and Rules, or (iii) new or revised trade information was required to properly clear the transaction. In accordance with such instruction, the Corporation shall disregard the previously reported transaction and such transaction shall be deemed null and void and given no effect for purposes of the By-Laws and Rules. The Corporation shall have no obligation to any purchaser, writer, buyer, or seller in acting pursuant to an Exchange's [or market's] instruction to disregard a previously reported transaction.

* * *

General Rights and Obligations of Holders and Writers

SECTION 9. (a) – (b) [No change]

(c) Governing Law; Ownership and Security Interests.

(1) Choice of law rules governing, among other things, the rights and obligations of the Corporation and Clearing Members with respect to ownership and transfer of, and the creation, attachment, perfection and priority of security interests in, cleared securities, commodity futures contracts, [and] futures options and commodity options contracts are set forth in Article IX, Section 10 of the By-Laws.

(2) Persons desiring to perfect security interests in cleared securities should obtain the advice of counsel as to applicable legal requirements.

...Interpretations and Policies:

.01 Subsections (a) and (b) above apply only to stock option contracts (including fund options). Similar provisions for [futures and futures options, Treasury securities option contracts, foreign currency option contracts, cross-rate foreign currency option contracts, cash-settled foreign currency option contracts, index option contracts, yield-based Treasury option contracts, FX Index Options, BOUNDS, and packaged spread options] other cleared contracts appear in the Articles of the By-Laws pertaining to such products.

Terms of Cleared Contracts

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] cash-settled 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 established for an option contract are subject to adjustment in accordance with [this Article VI or, in the case of a futures option, in accordance with Article XII of] the By-Laws.

(c) [No change]

(d) Except to the extent provided otherwise in the By-Laws and Rules with respect to transactions in flexibly structured futures, the variable terms of each series of futures shall be determined by each Exchange[, futures market or security futures market] at the time such series is first opened for trading on that Exchange[, futures market or security futures market]. The unit of trading of each series of stock futures shall be designated by the Corporation prior to the time such series of stock futures is first opened for trading. In the absence of such designation for a series of stock futures, the unit of trading shall be 100 shares. The multiplier for each series of index futures and variance futures shall be determined by each Exchange[, futures market or security futures market] at the time such series is first opened for trading on such Exchange[, futures market or security futures market]. The unit of trading and settlement price established for a series of futures are subject to adjustment in accordance with Article XII of the By-Laws.

(e) – (f) [No change]

(g) New series of cleared contracts may generally be opened on a same day or next day basis; provided, however, that no series of cleared contracts shall be opened for trading without the consent of the Corporation unless the Corporation shall have received prior notice thereof from the Exchange[, futures market or security futures market] not later than the applicable deadline for new series established from time to time by the Corporation. The Corporation may require a longer notice period for new series of cleared contracts having as a contract month, maturity date or expiration month a calendar month that is not then, or was not during the prior calendar year, in use for any other series of cleared contract. Series of flexibly structured cleared

contracts may be subject to different notice periods than those applicable to other cleared contracts.

...Interpretations and Policies: [No change]

Adjustment Panel Policies and Procedures

SECTION 11. (a) – (b) [No change]

(c) The Securities Committee shall consist of one designated representative of each Securities Exchange and the Chairman of the Corporation. In making a determination regarding the adjustment of outstanding cleared contracts on a particular underlying interest, the action of an adjustment panel, consisting of two designated representatives of each Securities Exchange on which such cleared contracts are open for trading (one of whom shall be such Exchange's representative on the Securities Committee) and the Chairman of the Corporation shall constitute the action of the Securities Committee. The vote of a majority of the voting members of the Securities Committee, or of any adjustment panel, shall constitute the determination of the Securities Committee or such panel. The Chairman of the Corporation shall not be a voting member of the Committee or of any adjustment panel except in the case of a tie vote, in which case the Chairman shall have the right to cast a vote to break the tie and shall, for such purpose, be deemed to be a voting member. The Securities Committee or any adjustment panel may transact its business by telephone. Notwithstanding the foregoing provisions of this paragraph, the Chairman of the Corporation may designate any other officer of the Corporation, and any representative of an Exchange may designate any other representative of such Exchange, to serve in his place at any meeting of the Securities Committee or of any adjustment panel. In the event of such designation, the designee shall, for the purposes of such meeting, have all of the powers and duties under this Section 11 of the person designating him. Neither the Corporation nor any Exchange shall designate to serve on any adjustment panel (i) any Exchange member or Clearing Member, or any director, officer, partner, or employee of any Exchange member or Clearing Member, or (ii) any person who, to the knowledge of the self-regulatory organization designating such person, is the beneficial holder of a long or short position in the cleared contracts as to which such adjustment panel is to make a determination.

Long Positions

SECTION 12. The long position of a Clearing Member in a series of cleared [securities] contracts in a particular account will be created upon the Corporation's issuance of one or more contracts of such series in such account. The amount of such long position shall be the number of contracts so issued, and such long position shall remain in force from day to day thereafter unless and until changed in accordance with the following:

(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 (iv) any capped [index] cash-settled option contract held in a long position shall be automatically exercised on any day on which the current [index] underlying interest 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.

* * *

Exercise Restrictions

SECTION 17. (a) Anything in the By-Laws or Rules to the contrary notwithstanding, whenever an Exchange [or futures market] acting pursuant to Exchange Rules imposes a restriction on the exercise of one or more series of American options and advises the Corporation thereof, option contracts of such series shall not be exercisable except in accordance with the terms of such restriction, whether or not the Clearing Member in whose accounts the option contracts are maintained is a member of such Exchange [or futures market]. Notwithstanding the foregoing, no restriction on exercise shall remain in effect with respect to any series of options on the expiration date or during the business day (in the case of [an index] a cash-settled option or futures option), or the ten business days (in the case of any other option), immediately prior to the expiration date of such series.

(b) Anything in the By-Laws or Rules to the contrary notwithstanding, the Corporation shall be empowered to impose such restrictions on exercises in one or more series of American options as the Board of Directors in its judgment deems advisable in the interests of maintaining a fair and orderly market in option contracts or in underlying securities or otherwise deems advisable in the public interest or for the protection of investors. During the effectiveness of any such restriction, no Clearing Member shall, for any account in which it has an interest or for the account of any customer, effect an exercise in contravention of such restriction. Notwithstanding the foregoing, except for restrictions imposed pursuant to Section 19 of this Article VI on the exercise of put option contracts by Clearing Members who would be unable to deliver the underlying securities on the exercise settlement date, no restriction on exercise shall remain in effect with respect to any series of options on the expiration date or during the business day (in the case of [an index] a cash-settled option) or the ten business days (in the case of any other option) immediately prior to the expiration date of such series.

...Interpretations and Policies: [No change]

* * *

Classes of Options Cleared Through ICS

SECTION 22. [Body: No change]

...Interpretations and Policies:

.01 The Corporation has established a clearing system referred to as ICS for the purposes of clearing transactions in certain classes of options that are traded on Exchanges[, or in international markets,] outside the usual business hours in the United States. However, to meet the operational needs of Exchanges and Clearing Members, certain classes of options that are traded only during usual business hours in the United States may also be cleared through ICS, and only those classes of options specifically designated by the Corporation pursuant to this Section 22 shall be cleared through ICS regardless of the hours during which such options are traded.

.02 [No change]

* * *

Internal Cross-Margining for Non-Proprietary Market Professionals

SECTION 25. (a) – (b) [No change]

(c) Eligible security options positions and eligible positions in security futures, commodity futures, [and] futures options and commodity options [on commodity futures] carried in an internal non-proprietary cross-margining account shall be margined together as a single portfolio. The Corporation shall calculate the margin required in respect of all other accounts of the Clearing Member without regard for any contracts carried in any internal non-proprietary cross-margining account.

(d) [No change]

(e) On behalf of itself and each Market Professional on whose behalf positions may be maintained in the internal non-proprietary cross-margining account, the Clearing Member agrees that (i) the Corporation shall have a lien on, security interest in, and right of setoff against such account, including all security option contracts, futures contracts, [options on futures] futures option and commodity option contracts and security futures products purchased or carried in such account from time to time, all cash, securities and other property deposited with or held by the Corporation as margin in respect thereof, and all proceeds of any of the foregoing, as security for the obligations of the Clearing Member to the Corporation in respect of such account, (ii) the Corporation shall have the right to net all writing transactions against all purchase transactions effected in such account in accordance with the Rules, and (iii) the Corporation may close out the positions in the account and apply the proceeds thereof at any time without prior notice to the Clearing Member or Market Professional.

...Interpretations and Policies: [No change]

* * *

ARTICLE VIII

Clearing Fund

Maintenance and Purpose of the Clearing Fund

Contributions of Clearing Members

SECTION 1. [No change]

SECTION 2. The initial contribution of each Clearing Member to the Clearing Fund shall be \$150,000 or such greater amount as may be fixed by the Board of Directors in its discretion at the time such Clearing Member's application is approved. Notwithstanding anything else to the contrary herein, the initial Clearing Fund contribution of a Clearing Member that has been admitted to membership solely for the purpose of clearing transactions in security futures, commodity futures, futures options, and/or commodity options, may be fixed by the Board of Directors to be the amount calculated pursuant to clause (y) of Rule 1001(a) if such Clearing Member is an affiliate of an earlier-admitted Clearing Member which is in compliance with the minimum requirement calculated pursuant to clause (x) of Rule 1001(a). The amount of such initial contribution shall remain in force until such time as determined by the Board of Directors (but in any event not later than the end of the first three calendar months commencing after the Clearing Member's admission to membership), after which time the amount of the Clearing Member's required contribution to the Clearing Fund shall be determined in accordance with the Rules. The formula for determining required Clearing Fund contributions may be altered from time to time by amendment of the Rules, but in no event shall the minimum required contribution to the Clearing Fund be less than \$150,000. If the contribution to the Clearing Fund to be made by a Clearing Member is increased as a result of an amendment of the Rules, the increase shall not become effective until the Clearing Member is given five business days prior written notice of the amendment. Unless a Clearing Member notifies the Corporation in writing that it wishes to terminate its clearing membership and closes out or transfers all of its open long and short positions before the effective date of such amendment, such Clearing Member shall be liable to make the increased contribution.

* * *

ARTICLE IX

General Provisions

* * *

Choice of Law and Forum Selection

SECTION 10.

(a) – (c) [No change]

(d) The rights and obligations of the Corporation and Clearing Members with respect to the creation, attachment, perfection and priority of security interests in commodity futures contracts and futures options and commodity options contracts shall be governed by Article 9 of the Uniform Commercial Code of Illinois, without regard to the conflict of laws rules provided therein. For purposes of Article 9 of the Uniform Commercial Code, all such contracts are “commodity contracts” and the Corporation is the “commodity intermediary.”

(e) [No change]

* * *

ARTICLE XII

Futures, Futures Options and Commodity Options

Introduction

By-Laws in this Article are applicable only to futures, [and] futures options and commodity options except that Sections 2 through 7 do not apply to commodity options. In addition, the By-Laws in Articles I-XI are also applicable to futures, [and] futures options and commodity options, in some cases supplemented by one or more By-Laws in this Article, except for By-Laws that have been replaced in respect of futures, [or] futures options or commodity options by one or more By-Laws in this Article and except where the context otherwise requires. Whenever a By-Law in this Article supplements or, for purposes of this Article, replaces one or more By-Laws in Articles I-XI, that fact is indicated in this Article.

Section 1 of this Article is applicable to all futures, futures options and commodity options, including both physically-settled and cash-settled commodity options. In addition, the By-Laws in Article XIV are applicable to commodity options that are binary options or range options and the By-Laws in Article XVII are applicable to other commodity options that are cash-settled options.

Conditions for the Corporation to Clear Futures, [or] Futures Options or Commodity Options for an Exchange[, Futures Market or Security Futures Market]

SECTION 1. The Corporation will clear transactions in futures, [or] futures options or commodity options effected on an Exchange[, futures market or security futures market] subject to the following conditions.

(1) In the case of [an] a Securities Exchange or an affiliated futures market, the execution of a clearing agreement between the Securities Exchange or affiliated futures market and the Corporation, which agreement shall, among other things: (i) govern the business relationship

between such Securities Exchange or affiliated futures market and the Corporation in respect of the listing of, and clearance of transactions in, futures, [or] futures options or commodity options, (ii) provide for appropriate indemnification by the Securities Exchange or affiliated futures market of the Corporation, its officers, and directors, and (iii) provide that the Corporation shall cease clearing futures, [or] futures options or commodity options for the Securities Exchange or affiliated futures market and the clearing agreement shall terminate if: (A) the Securities Exchange or affiliated futures market no longer meets all legal and regulatory requirements necessary to list and trade futures, [or] futures options or commodity options; (B) the Securities Exchange or affiliated futures market terminates the trading of all futures, [or] futures options or commodity options; or (C) the Securities Exchange or affiliated futures market is in violation, in any material respect, of the clearing agreement.

(2) In the case of a security futures market or futures market that is not a Securities Exchange or an affiliated futures market, (i) the execution of a clearing agreement between the security futures market or futures market and the Corporation having the terms specified in paragraph (1) above and such additional terms as the Corporation may deem necessary or appropriate; (ii) the payment by the security futures market or futures market to the Corporation of a fee in the amount of \$250,000, which fee shall be refundable in whole or in part to the security futures market or futures market in the event that the security futures market or futures market ceases to clear futures, [or] futures options or commodity options through the Corporation; and (iii) the Corporation does not determine that clearing transactions in futures, [or] futures options or commodity options for such security futures market or futures market would adversely affect the Corporation's capacity to perform its other contractual and statutory responsibilities. In the event the security futures market or futures market ceases to clear transactions through the Corporation, the Corporation shall refund to the security futures market or futures market the lesser of (x) the \$250,000 originally paid to the Corporation or (y) 50% of the aggregate clearing fees received by the Corporation as the result of transactions on the security futures market or futures market.

... Interpretations and Policies:

.01 The Corporation will clear transactions effected on an Exchange[, security futures market or futures market] only if such Exchange[, security futures market or futures market] has received all necessary regulatory authorization to trade the particular types of contracts subject to such transactions.

* * *

Adjustments to Index Futures and Variance Futures and Options on Such Futures

SECTION 4. (a) [No change]

(b) If (i) an Exchange[, futures market or security futures market] shall increase or decrease the multiplier for any index futures contract or variance futures contract, (ii) the reporting authority shall change the method of calculation of an index that is an underlying

interest or reference variable so as to create a discontinuity or change in the level of the index that does not reflect a change in the prices or values of the constituents in the index, or (iii) the Corporation shall substitute one index for another pursuant to paragraph (c) of this Section, the Corporation shall make such adjustments in the number of outstanding affected futures or the contract prices of such futures or such other adjustments, if any, as the Corporation in its sole discretion deems fair to both the buyers and the sellers of such contracts.

(c) – (e) [No change]

[Section 4 of this Article replaces Article VI, Section 11 of the By-Laws.]

* * *

Acceptance of Non-Competitively Executed Trades

SECTION 7. The acceptance by the Corporation of any futures transaction that is identified as an “exchange-for-physical” or “EFP,” a “block trade,” or any other non-competitively executed trade in matching trade information reported by an Exchange[, futures market or security futures market] shall be subject to the condition that the Corporation shall have received any variation payments due in the accounts of the purchasing and selling Clearing Members in which the transaction was effected at the first variation settlement after the transaction was reported to the Corporation. Unless such a transaction is rejected as hereinafter provided, the time of such variation settlement shall be the Commencement Time of the transaction. In the event that the Corporation fails to receive any such variation payment when due, the Corporation may (either by a general rule or resolution adopted by the Board of Directors or by action of the officers of the Corporation with respect to specific transactions) reject the transaction. In the event that the transaction is rejected as herein provided, the Corporation shall promptly notify, either orally or in writing, the Clearing Members party to the transaction, and such Clearing Members shall have the remedies (if any) provided in the rules of the Exchange[, futures market or security futures market] on which the transaction was effected.

* * *

Article XIV

Binary Options; Range Options

Introduction

By-Laws in this Article are applicable only to binary options and/or range options, including binary options or range options that are commodity options. In addition, Section 1 of Article XII is applicable to commodity options. T[t]he By-Laws in Articles I-XI are also applicable to binary options and/or range options, in some cases supplemented by one or more By-Laws in this Article, except for By-Laws that have been replaced in respect of binary options and/or range options by one or more By-Laws in this Article and except where the context

otherwise requires. Whenever a By-Law in this Article supplements or, for purposes of this Article, replaces one or more By-Laws in Articles I-XI, that fact is indicated in brackets following the By-Law in this Article.

Definitions

SECTION 1.

A.

Adjustment Event

(1) The term “adjustment event” when used in respect of [a credit default option or a credit default basket] an event option[s] means an event as defined in the applicable Exchange Rules of the listing Exchange (such as, in the case of a credit default option or a credit default basket option, either a redemption event or a succession event [as defined in the applicable Exchange Rules of the listing Exchange]), the occurrence of which may cause the listing Exchange to make adjustments to the event option.

B.

[No change]

C.

(1) [No change]

Credit Default Option

(2) The term “credit default option” means [a binary] an event option that is automatically exercised upon receipt by the Corporation of an [credit] event confirmation with respect to the reference obligation(s) of a reference entity.

Credit Default Basket Option

(3) The term “credit default basket option” means [a binary] an event option that is based on a basket comprised of at least two reference entities and that is either a “multiple payout credit default basket option” or a “single payout credit default basket option.” A “multiple payout credit default basket option” means a credit default basket option that automatically pays an exercise settlement amount each time a credit event is confirmed with respect to any one of the reference entities prior to expiration of the option. A “single payout credit default basket option” is automatically exercised and pays a single exercise settlement amount only when the first credit event is confirmed with respect to a reference entity prior to expiration of the option.

(4) [No change]

[Credit Event Confirmation

(5) The term “credit event confirmation” when used in respect of a credit default option or a credit default basket option means a notice received by the Corporation from the reporting authority that the reporting authority has confirmed that a credit event occurred within the “credit event confirmation period” specified in the Exchange Rules of the listing Exchange.]

[Credit Event Confirmation Deadline

(6) The term “credit event confirmation deadline” when used in respect of a credit default option or a credit default basket option means the deadline specified by the Corporation by which a credit event confirmation must be received by the Corporation on any business day other than the expiration date in order to be treated as having been received on the business day on which it was submitted. Credit event confirmations received after the credit event confirmation deadline shall be treated as having been received on the following business day. Credit event confirmations received by the Corporation after the credit event confirmation deadline on the expiration date shall be treated as provided in the By-Laws and Rules.]

D.

[No change]

E.

Event Option

(1) The term “event option” means a binary option having an exercise settlement amount that is payable upon the occurrence of a specified event.

Event Confirmation

(2) The term “event confirmation” when used in respect of an event option means a notice received by the Corporation from the reporting authority that the reporting authority has confirmed that the specified event underlying such event option has occurred and, in the case of a credit default option or a credit default basket option, occurred within the “credit event confirmation period” specified in the Exchange Rules of the listing Exchange.

Event Confirmation Deadline

(3) The term “event confirmation deadline” when used in respect of an event option means the deadline specified by the Corporation by which an event confirmation must be received by the Corporation on any business day in order to be treated as having been received on the business day on which it was submitted. Event confirmations received by the Corporation after the event confirmation deadline on any business day other than the expiration date shall be treated as having been received on the following business day. Event confirmations received by the Corporation after the event confirmation deadline on the expiration date shall be treated as provided in the By-Laws and Rules.

Exercise Price

[(1)] (4) The term “exercise price” when used in respect of a binary option (other than an event option, such as a credit default option or credit default basket option) means the specified value or range of values that is compared to the underlying interest value to determine whether such option will be automatically exercised. When used in respect of a range option, the term means the specified range of index values (i.e., range length) that is compared to the underlying interest value to determine whether such option is in the money at expiration, and, if so, the amount by which such option is in the money. [A]An event [credit default option or credit default basket] option has no exercise price.

(2) [Renumbered as (5); otherwise no change]

Expiration Date

[(3)] (6) The term “expiration date” when used in respect of a series of binary options other than event options means the last day on which the options may be automatically exercised. In the case of a series of event options (other than credit default options or credit default basket options) that are to be automatically exercised prior to their expiration date upon receipt by the Corporation of an event confirmation, the expiration date is the date specified by the listing Exchange; provided, however, that when an event confirmation is deemed to have been received by the Corporation with respect to such series of options, the expiration date will be accelerated to the date on which such event confirmation is deemed to have been received by the Corporation or such later date as the Corporation may specify. In the case of a series of credit default options or credit default basket options, the expiration date is the fourth business day after the last trading day for such series as such trading day is specified by the Exchange on which the series of options is listed; provided, however, that when an [credit] event confirmation is deemed to have been received by the Corporation with respect to a series of credit default options or single payout credit default basket options prior to the last trading day for such series, the expiration date for options of that series will be accelerated to the second business day following the day on which such [credit] event confirmation is deemed to have been received by the Corporation. When used in respect of a series of range options, expiration date means the Saturday immediately following the third Friday of the expiration month of such series.

F. – Q.

[No change]

R.

(1) – (3) [No change]

Reporting Authority

(4) The term “reporting authority” when used in respect of a class of binary options or range options means the person or entity responsible for confirming the underlying interest value or, in the case of an event option [a class of credit default options or credit default basket options], the occurrence of the specified event [a credit event]. Unless another reporting

authority is identified by the listing Exchange for a class of binary options or range options, the listing Exchange will be the reporting authority.

S. – T.

[No change]

U.

Underlying Interest

(1) The term “underlying interest” when used in respect of a binary option other than an event option [a credit default option or credit default basket option] means the underlying security, commodity, index, basket or measure whose [underlying interest] value or level is compared to the option’s exercise price to determine whether the option will be automatically exercised. When used in respect of an event option other than a credit default option or credit default basket option, such term means the underlying event on whose occurrence or non-occurrence the option is based (any such event being sometimes referred to as an “underlying event”). When used in respect of a credit default option or a credit default basket option, such term means the reference obligation(s). When used in respect of a range option, underlying interest means the underlying index whose underlying interest value is compared to the range length to determine whether such option is in the money at expiration, and, if so, the amount by which such option is in the money.

Underlying Interest Value

(2) The term “underlying interest value” when used in respect of a binary option or a range option means the value or level of the unit of trading of the underlying interest at any point in time as reported by the reporting authority. The term is not applicable to event options, such as credit default options [and] or credit default basket options.

Unit of Trading

(3) The term “unit of trading” when used in respect of a binary option or a range option means the quantity of the underlying interest on which the underlying interest value is based. The unit of trading for a binary option on an equity security will ordinarily be a single share unless otherwise specified. The unit of trading for a binary option or a range option on an index will ordinarily be one (1) unless otherwise specified. The term is not applicable to event options, such as credit default options and credit default basket options.

V.

Variable Terms

(1) The term “variable terms” when used in respect of a series of credit default options or credit default basket options means the event(s) the occurrence of which will trigger automatic exercise, reference entity or basket of reference entities, the reference obligation(s), the expiration date and the exercise settlement amount(s) of such option contract. When used in respect of a series of binary options other than credit default options or credit default basket

options, the term means the underlying interest or event, the multiplier (if applicable), the exercise price, the expiration date and the exercise settlement amount of such option contract. When used in respect of a series of range options, the term means the underlying interest, the range length, the range interval, the expiration date, the maximum range exercise value and the contract multiplier of such option contract.

W. – Z.

[No change]

[Section 1 of this Article adds certain new definitions relevant to binary options and/or range options and replaces, for purposes of binary options and/or range options, the definitions of the same terms in Article I, Section 1 of the By-Laws.]

General Rights and Obligations of Holders and Writers of [Credit Default Options] Event Options other than Credit Default Basket Options

SECTION 2. (a) Subject to the provisions of the By-Laws and Rules, the holder of an event option, other than a credit default basket option, has the right to receive from the Corporation the exercise settlement amount for such option if the relevant [credit] event is determined to have occurred within the time specified therefor in the Exchange Rules of the listing Exchange, in each case in accordance with Exchange Rules and the By-Laws and Rules.

(b) The writer of an event option, other than a credit default basket option, [a credit default option] is obligated, upon assignment to such writer of an exercise in respect of such option, to pay to the Corporation the exercise settlement amount for such option, in accordance with Exchange Rules and the By-Laws and Rules.

[Section 2 of this Article replaces paragraphs (a) and (b) of Section 9 of Article VI of the By-Laws.]

* * *

General Rights and Obligations of Holders and Writers of other Binary Options

SECTION 2B. (a) The holder of a binary option, other than an event option [a credit default option or a credit default basket option], has the right to receive from the Corporation the exercise settlement amount for such option if the underlying interest value as of the time specified in Exchange Rules of the listing Exchange is determined to meet the criteria for automatic exercise of the option, in accordance with Exchange Rules and the By-Laws and Rules.

(b) The writer of a binary option, other than an event option [a credit default option or a credit default basket option], is obligated, upon assignment to such writer of an exercise in respect of such option, to pay to the Corporation the exercise settlement amount for the option, in accordance with Exchange Rules and the By-Laws and Rules.

...Interpretations and Policies: [No change]

[Section 2B of this Article replaces paragraphs (a) and (b) of Section 9 of Article VI of the By-Laws.]

Adjustments of [Credit Default Options and Credit Default Basket Options] Event Options

SECTION 3. The listing Exchange is vested with complete discretionary authority to confirm adjustment events and make adjustments to event options [credit default options and credit default basket options] in accordance with Exchange Rules, as they are interpreted by the Exchange. Adjustment determinations shall be reported to the Corporation by the Exchange. Every adjustment determination by the Exchange will be within its sole discretion and shall be conclusive and binding on all holders and writers and not subject to review. The Corporation shall not be responsible for any adjustment determination by the Exchange.

[Section 3 of this Article replaces Section 11 and 11A of Article VI of the By-Laws.]

Adjustments of [Range Options and] Binary Options (other than [Credit Default Options and Credit Default Basket Options] Event Options) and Range Options for which the Underlying Interest is a Security or an Index of Securities

SECTION 3A. (a) – (d) [No change]

...Interpretations and Policies: [No change]

[Section 3A of this Article replaces Section 11A of Article VI of the By-Laws.]

Adjustments of Binary Options (other than Event Options) and Range Options for which the Underlying Interest is a Commodity or an Index of Commodities

SECTION 3B. (a) Binary Options for which the Underlying Interest is a Commodity. In the case of binary options that have a single commodity as their underlying interest, determinations as to whether and how to adjust the terms of such options to reflect events affecting the underlying interest shall be made by the Corporation based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to the buyers and sellers of such options, the maintenance of a fair and orderly market in such binary commodity options, consistency of interpretation and practice and efficiency of exercise settlement procedures.

(b) Binary Options and Range Options for which the Underlying Interest is an Index of Commodities.

(1) No adjustments will ordinarily be made in the terms of binary options and range options in the event that one or more commodities are added to or deleted from the underlying

index or when the relative weight of one or more such constituents in the index is changed. However, if the Corporation shall determine in its sole discretion that any such addition, deletion or change causes significant discontinuity in the level of the underlying index, the Corporation may adjust the terms of the affected binary options or range options by adjusting the exercise price with respect to such options or by taking such other action as the Corporation in its sole discretion deems fair to both the holders and writers of such options.

(2) If a reporting authority shall change the method of calculation of an underlying index so as to create a discontinuity or change in the level of the index that does not reflect a change in the prices or values of the constituents in the index, or the Corporation shall substitute one index for another pursuant to Section 3B(b)(3) of this Article, the Corporation shall make such adjustments to the exercise price of the affected binary options or range options or make such other adjustments, if any, as the Corporation in its sole discretion deems fair to both the holders and writers of such options.

(3) In the event the Corporation determines that: (A) publication of an underlying index has been discontinued; (B) an underlying index has been replaced by another index; or (C) the composition or method of calculation of an underlying index is so materially changed since its selection as the underlying index that it is deemed to be a different index, the Corporation may substitute another index (a "successor index") as the underlying index. A successor index shall be reasonably comparable, as determined by the Corporation in its discretion, to the original underlying index for which it is substituted. An index may be created specifically for the purpose of becoming a successor index.

(c) In the case of any event for which adjustment is not provided in any of the foregoing paragraphs of this Section 3B, the Corporation may make such adjustments, if any, with respect to the option contracts affected by such event as the Corporation determines.

(d) Notwithstanding the general rules set forth in paragraphs (a) through (c) of this Section 3B, the Corporation shall have the power to make exceptions to such rules in determining the appropriate adjustments to binary options or range options upon the occurrence of the events specified therein. Section 11 of Article VI of the By-Laws shall not apply to binary options or range options that are not traded on a Securities Exchange.

[Section 3 of this Article replaces Section 11 and 11A of Article VI of the By-Laws.]

Determination of Occurrence of an Underlying Event [Credit Event]

SECTION 4. [A class of credit default options will be exercised automatically, without any action on the part of the holders, if a credit event confirmation is received by the Corporation at any time prior to the expiration time on the expiration date for the class. A class of credit default basket options will be exercised automatically, without any action on the part of the holders, if a credit event confirmation is received by the Corporation with respect to any reference entity for such class of options at any time prior to the expiration time on the expiration date for the class of options.] The reporting authority will confirm the occurrence of the specified

event upon which an event option is based [credit events] in accordance with Exchange Rules, as they are interpreted by the reporting authority and reported to the Corporation by the reporting authority. Every [credit] event confirmation will be within the sole discretion of the reporting authority and shall be conclusive and binding on all holders and writers and not subject to review. The Corporation will not be responsible for any [credit] event determination made by the reporting authority.

Unavailability or Inaccuracy of Final Underlying Interest Value

SECTION 5. (a) If an underlying security or commodity, or one or more component securities or commodities of an index that is the underlying interest for a range option or a binary option (other than [a credit default option or a credit default basket option] an event option), did not open or remain open for trading on the primary market(s) (as determined by the Corporation) for such security(ies) or commodity(ies) on the last trading day before expiration at or before the time when the final underlying interest value would ordinarily be determined, or a value or price to be used as, or to determine, the final underlying interest value is otherwise unreported, inaccurate, unavailable or inappropriate for such use, then, in addition to any other action that the Corporation may be entitled to take under the By-Laws and Rules, the Corporation shall be empowered to fix a final underlying interest value for any expiring series of range options or binary options on such [equity] security, commodity or index of securities or commodities (“affected series”).

(b) In the case of a binary option or range option that is traded on a Securities Exchange, [D]eterminations by the Corporation under this Section 5 shall be made by a panel consisting of two designated representatives of each Exchange on which the affected series is open for trading, [(one of whom shall be such Exchange’s representative on the Securities Committee provided for in Article VI, Section 11 of the By-Laws)] and the Chairman of the Corporation. In the case of a binary option or range option that is not traded on a Securities Exchange, determinations under this Section 5 shall be made by the Corporation alone. The panel (or the Corporation, if there is no panel) shall fix the underlying interest value based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to holders and writers of the affected series, the maintenance of a fair and orderly market in the affected series, consistency of interpretation and practice, and consistency with actions taken in related futures or other markets. Without limiting the generality of the foregoing, the panel or the Corporation may fix the underlying interest value using: (i) the reported price or value for the relevant underlying interest or index component [security or securities or index] at the close of regular trading hours (as determined by the Corporation) on the last preceding trading day for which such a price or value was reported by the reporting authority; (ii) the reported price or value for the relevant underlying interest or index component [security or securities or index] at the opening of regular trading hours (as determined by the Corporation) on the next trading day for which such an opening price or value is reported by the reporting authority; or (iii) a price or value for the relevant underlying interest or index component [security or securities or index] at such other time, or representing a combination or average of prices or values at such time or times, as the panel or the Corporation deems

appropriate. The provisions of Article VI, Section 11(c) of the By-Laws with respect to the vote required to constitute the determination of an adjustment panel, the voting rights of members of adjustment panels, the ability of such panels to conduct their business by telephone, and the ability of the Chairman of the Corporation and Exchange representatives to designate others to serve in their place on such panels shall apply equally to panels convened pursuant to this Section. Every determination of a panel or the Corporation convened pursuant to this Section 5 shall be within the sole discretion of such panel and shall be conclusive and binding on all investors and not subject to review.

(c) [No change]

...Interpretations and Policies: [No change]

[Section 5 of this Article replaces Article VI, Section 19 of the By-Laws and supplements Rule 801.]

Determination of Final Underlying Interest Value

SECTION 6. The method for determining the underlying interest value at expiration of a series of range options or binary options, (other than [credit default options or credit default basket option] event options), shall be as specified in the Exchange Rules of the Exchange on which the series of options is traded; provided, however, that in the event of any conflict between such Exchange rules and the By-Laws and Rules of the Corporation, the By-Laws and Rules of the Corporation shall control. The underlying interest value may be based upon the price or level of the underlying interest at the open or close of trading on the expiration date for the series or, if the expiration date is not a trading day, on the last trading day prior to the expiration date, or it may be based upon an average, including a volume weighted average, of prices or levels during a specified period of time on such expiration date or last trading day. Subject to the authority of the Corporation to adjust or fix such values as provided under the By-Laws and Rules, the underlying interest value for a series of range options or binary options shall be the value reported to the Corporation by the reporting authority. If a series of range options or binary options is listed on more than one Exchange, the Corporation, in its sole discretion, may (i) designate one of them as the principal market for the series and obtain the underlying interest value for the series solely from such principal market or (ii) calculate the underlying interest value from values obtained from some or all of such Exchanges in accordance with procedures specified by the Corporation from time to time. Unless the Corporation directs otherwise, the underlying interest value as initially reported by the listing Exchange(s) shall be conclusively presumed to be accurate and shall be deemed final for the purpose of determining whether a binary option will be automatically exercised and in calculating the exercise settlement amount for a range option or binary option, even if such value is subsequently revised or determined to have been inaccurate.

...Interpretations and Policies: [No change]

* * *

Article XVII

Index Options and Certain Other Cash-Settled Options

Introduction

By-Laws in this Article are applicable only to cash-settled options that are not specifically addressed elsewhere in these By-Laws, including options where the underlying interests are indexes and cash-settled commodity options other than binary options or range options (which are governed by the provisions of Article XIV). [In addition, the] Section 1 of Article XII is also applicable to cash-settled commodity options. By-Laws in Articles I-XI are also applicable to [such] cash-settled options, in some cases supplemented by one or more By-Laws in this Article, except for By-Laws that have been replaced in respect of such options by one or more By-Laws in this Article and except where the context otherwise requires. Whenever a By-Law in this Article supplements or, for purposes of this Article, replaces one or more By-Laws in Articles I-XI, that fact is indicated in brackets following the By-Law in this Article. [Options covered by this Article and Chapter XVIII of the Rules include options on stock indexes; indexes measuring the realized or predicted volatility or variance of a reference index; and indexes measuring the return of an investment strategy such as a buy-write index.]

Definitions

SECTION 1.

A.

Aggregate Current [Index] Underlying Interest Value

(1) The term “aggregate current [index]underlying interest value” in respect of [an index]a cash-settled option on any day means the result of multiplying the current [index]underlying interest value [of the underlying index] for that day by the [index] multiplier or unit of trading, as applicable.

Aggregate Exercise Price

(2) The term “aggregate exercise price” in respect of [an index]a cash-settled option means the result of multiplying the exercise price of such option by the [index] multiplier or unit of trading, as applicable.

B.

[No change]

C.

Call

(1) The term "call" in respect of an index option means an option contract under which the holder has the right, in accordance with the terms of the By-Laws and Rules, to purchase from the Corporation the aggregate current index value of the underlying index. In respect of a cash-settled option other than an index option, the term means an option contract under which the holder has the right, in accordance with the terms of the By-Laws and Rules, to purchase from the Corporation the aggregate value of the underlying interest covered by the option.

Cap Interval

(2) The term "cap interval" used in respect of a series of capped [index] cash-settled options means a value specified to the Corporation by the Exchange on which such series is to be traded which, when added to the exercise price for such series (in the case of a series of calls) or subtracted from the exercise price for such series (in the case of a series of puts), results in the cap price for such series.

Cap Price

(3) The term "cap price" in respect of a series of capped [index] cash-settled options means the exercise price plus the cap interval (in the case of a series of calls) or the exercise price minus the cap interval (in the case of a series of puts).

Class of Options

(4) The term "class of options" used in respect of [index] cash-settled options means all such options of the same type and style (and, in addition, in the case of flexibly structured index options, having the same index value determinant) and having the same underlying [index] interest.

Current Underlying Interest Value; Current Index Value

(5) The term "current underlying interest value" when used in respect of cash-settled options means the current value or level of the underlying interest at a point in time as reported by the reporting authority. The current underlying interest value in respect of an index option is sometimes also referred to as the "current index value." Subject to the provisions of Section 5 of this Article, the term "current index value," in respect of any underlying index on a given day, means the level of such index at the close of trading on such day, or if such day is not a trading day, on the immediately preceding trading day, or any multiple or fraction thereof specified by the Exchange, as such value is reported by the reporting authority. Notwithstanding the foregoing, but subject to the provisions of Section 4 of this Article, the current index value for an index underlying a flexibly structured index option on the expiration date shall be determined in accordance with the index value determinant.

[No change]

D.

[No change]

E.

Exercise Price

(1) The term "exercise price" in respect of an index option means the specified index value which, when multiplied by the index multiplier, will yield the aggregate exercise price. In respect of cash-settled options other than index options, the term means the specified value per unit of underlying interest that is used in determining the exercise settlement amount.

Exercise Settlement Amount

(2) The term "exercise settlement amount," other than in respect of a capped cash-settled option that is automatically exercised, means: (i) in the case of any exercised index option [other than a capped index option that is automatically exercised, means], the difference between the aggregate exercise price and the aggregate current index value on the day of the exercise, and (ii) in respect of other cash-settled options, the difference between the exercise price and the current interest value, multiplied by the number of units of underlying interest covered by the option contract or by the multiplier, as applicable. [, in] In the case of a capped [index] cash-settled option that is automatically exercised, the term "exercise settlement amount" means the cap interval for such option times the [index] multiplier.

Expiration Date

(3) The term "expiration date" in respect of [index] cash-settled options other than flexibly structured options means the Saturday following the third Friday of the expiration month, except that in respect of an [index] option contract that is identified by an Exchange as having an expiration date different from the Saturday following the third Friday of the expiration month, the term "expiration date" shall mean such date as identified by the Exchange at or prior to the time of inception of trading of the class or series, as applicable.

F. – H.

[No change]

I.

Index [Security] Component

(1) The term "index [security] component" means, in respect of an index option, any security or commodity included in the underlying index.

[Index Multiplier]

(2) The term "index multiplier" as used in reference to an index option contract means the dollar amount (as specified by an Exchange) by which the current index value is to be multiplied to obtain the aggregate current index value. Such term replaces the term "unit of trading," used in reference to other kinds of options.]

(3) [No change]

J. – O.

[No change]

P.

Premium

(1) The term "premium" in respect of an Exchange transaction in [index] cash-settled options means the price of each such option (expressed in points), as agreed upon by the purchaser and seller in such transaction, times the [index] multiplier or unit of trading, as applicable, and the number of options subject to the transaction.

Put

(2) The term "put" in respect of [an index] a cash-settled option means an option contract under which the holder has the right, in accordance with the terms and provisions of the By-Laws and Rules, to sell to the Corporation the aggregate current [index] underlying interest value of the underlying index.

R.

Reporting Authority

(1) [No change]

(2) The term "reporting authority" means the institution or reporting service designated by an Exchange as the official source for the current [index] value of a particular underlying interest or reference [index] variable. Unless another reporting authority is identified by the listing Exchange for a class of cash-settled options, the listing Exchange will be the reporting authority.

S.

Series of Options

(1) The term "series of options" used in respect of [index] cash-settled 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), unit of trading (if any), expiration date, and [index] multiplier; provided that if an Exchange shall adopt a rule superseding Section 1 C.(5) of this Article, index options to which such Exchange rule applies shall be deemed to be of a different series than otherwise identical index options to which such rule does not apply.

T. – Z.

[No change]

General Rights and Obligations of Holders and Writers of [Index] Cash-Settled Options

SECTION 2. (a) Subject to the provisions of the By-Laws and Rules, the holder of a single American-style [index] cash-settled 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) Subject to the provisions of the By-Laws and Rules, the holder of a single European-style [index] cash-settled option contract has the right on (and only on) the expiration date, expiring at the expiration time therefor on such date, to receive the exercise settlement amount from the Corporation in accordance with Exchange Rules and the By-Laws and Rules.

(c) Subject to the provisions of the By-Laws and Rules, the holder of a single capped [index] cash-settled option contract has the right:

(1) – (2) [No change]

(d) The writer of a single [index] cash-settled option contract is obligated, upon the assignment to such writer of an exercise in respect of such option contract, to pay to the Corporation the exercise settlement amount in accordance with Exchange Rules and the By-Laws and Rules.

[Section 2 of this Article replaces paragraphs (a) and (b) of Section 9 of Article VI of the By-Laws.]

Adjustments

SECTION 3. (a) Section 11A of Article VI of the By-Laws shall not apply to [index] cash-settled option contracts.

(b) In the case of cash-settled options that have a single commodity as their underlying interest, except as expressly provided otherwise in the By-Laws or Rules relating to a particular cleared contract, determinations as to whether and how to adjust the terms of such options to reflect events affecting the underlying interest shall be made by the Corporation based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to the buyers and sellers of such options, the maintenance of a fair and orderly market in such options and consistency of interpretation and practice.

[(b)] (c) No adjustments will ordinarily be made in the terms of index option contracts in the event that index [securities] components are added to or deleted from the underlying index or reference index or when the relative weight of one or more such index [securities] components has changed. However, if the Corporation shall determine in its sole discretion that any such addition, deletion, or change causes significant discontinuity in the level of the underlying index, the Corporation may adjust the terms of the affected index option contracts by adjusting the index multiplier and/or exercise price with respect to such contracts or by taking such other action as the Corporation in its sole discretion deems fair to both the holders and writers of such contracts.

(c) – (e) [Renumbered as (d) – (f); otherwise no change]

[Section 3A of this Article replaces Section 11A of Article VI of the By-Laws.]

Unavailability or Inaccuracy of Current [Index] Underlying Interest Value

SECTION 4. (a) If the Corporation shall determine that the primary market(s) (as determined by the Corporation) for one or more index [securities] components did not open or remain open for trading (or that any such [security or securities] components did not open or remain open for trading on such market(s)) on a trading day at or before the time when the current index value for that trading day would ordinarily be determined, or that a current index value or other value or price to be used as, or to determine, the exercise settlement amount (a “required value”) for a trading day is otherwise unreported, inaccurate, unreliable, unavailable or inappropriate for purposes of calculating the exercise settlement amount, then, in addition to any other actions that the Corporation may be entitled to take under the By-Laws and Rules, the Corporation shall be empowered to do any or all of the following with respect to any series of options on such index (“affected series”):

(1) The Corporation may suspend the settlement obligations of exercising and assigned Clearing Members with respect to [index] cash-settled option contracts of the affected series. At such time as the Corporation determines that the required value is available or the Corporation has fixed the exercise settlement amount pursuant to subparagraph (2) of this Section, the Corporation shall fix a new date for settlement of exercised option contracts.

(2) The Corporation may fix the exercise settlement amount for exercised contracts of an affected series. In the case of options that are securities, [T]the exercise settlement amount shall be fixed by a panel consisting of two designated representatives of each Exchange on which the

affected series is open for trading, one of whom shall be such Exchange's representative on the Securities Committee provided for in Article VI, Section 11 of the By-Laws) and the Chairman of the Corporation. In the case of cash-settled commodity options, the exercise settlement amount shall be fixed by the Corporation unless the By-Laws or Rules specifically provide otherwise in respect of a particular class of commodity options. The panel (or the Corporation, as the case may be) shall fix the exercise settlement amount based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to holders and writers of options of the affected series, the maintenance of a fair and orderly market in such affected series of options, consistency of interpretation and practice, and consistency with actions taken in related futures or other markets. Without limiting the generality of the foregoing, the panel (or the Corporation) may fix the exercise settlement amount using: (i) the reported price or value for the relevant security(ies), commodity(ies) or underlying interest [security or securities or index] at the close of regular trading hours (as determined by the Corporation) on the last preceding trading day for which such a price or value was reported by the reporting authority; (ii) the reported price or value for the relevant security(ies), commodity(ies) or underlying interest [security or securities or index] at the opening of regular trading hours (as determined by the Corporation) on the next trading day for which such an opening price or value is reported by the reporting authority; or (iii) a price or value for the relevant security(ies), commodity(ies) or underlying interest [security or securities or index] at such other time, or representing a combination or average of prices or values at such time or times, as the Corporation deems appropriate. The provisions of Article VI, Section 11(c) of the By-Laws with respect to the vote required to constitute the determination of an adjustment panel, the voting rights of members of adjustment panels, the ability of such panels to conduct their business by telephone, and the ability of the Chairman of the Corporation and Exchange representatives to designate others to serve in their place on such panels shall apply equally to panels convened pursuant to this Section. Every determination [of a panel convened] pursuant to this Section shall be within the sole discretion of [such panel] the Corporation or the panel making such determination, as the case may be, and shall be conclusive and binding on all investors and not subject to review.

(3) If the Corporation or an adjustment panel acting pursuant to subsection (2) above delays fixing an exercise settlement amount for a series of options past the last trading day before expiration of that series, the expiration date exercise procedures of Rules 805 and 1804 shall not apply to expiring [index] cash-settled options of the affected series, and each Clearing Member shall be deemed to have properly and irrevocably tendered to the Corporation prior to the Expiration Time an exercise notice with respect to each expiring [index] cash-settled option contract of the affected series carried in a long position in each account of the Clearing Member if, and only if, the exercise settlement amount fixed [by the panel] for options of that series is \$1.00 or more. The exercise settlement date for such options shall be postponed until the business day next following the day on which the exercise settlement amount is fixed. Options for which the exercise settlement amount is fixed [by the panel is] at less than \$1.00 shall be deemed to have expired unexercised.

(b) Unless the Corporation directs otherwise, the current [index] underlying interest value for each trading day as initially reported by the reporting authority shall be conclusively presumed to be accurate and shall be deemed final for the purpose of calculating exercise settlement amounts, even if such value is subsequently revised or determined to have been inaccurate.

...Interpretations and Policies:

.01 The Corporation will not adjust officially reported current [index] underlying interest values for exercise settlement purposes, even if those values are subsequently found to have been erroneous, except in extraordinary circumstances. Such circumstances might be found to exist where, for example, the closing [index] current underlying interest value as initially reported is clearly erroneous and inconsistent with values reported earlier in the same trading day, and a corrected closing [index] current underlying interest value is promptly announced by the reporting authority. In no event will a completed settlement be adjusted due to errors in officially reported current [index] underlying interest values.

.02 In the event that the Corporation determines to fix an exercise settlement amount in accordance with paragraph (a)(2) of this Section for options exercised other than at expiration, the Corporation will ordinarily fix the exercise settlement amount based on the reported value of the underlying [index] interest at the close of regular trading hours on the last preceding trading day for which a closing [index] current underlying interest value was reported by the reporting authority. In the case of an index option, [T]the Corporation ordinarily will not adjust such a closing value for the purpose of fixing an exercise settlement amount merely because securities or commodities representing less than a substantial portion of the index did not trade on a given trading day.

.03 [No change]

[Section 4 of this Article replaces Section 19 of Article VI of the By-Laws and supplements Rule 801.]

* * *

RULES

* * *

Chapter II

Miscellaneous Requirements

* * *

Records

Rule 207. Every Clearing Member shall keep records showing (a) with respect to each Exchange transaction in option contracts, the names of the Clearing Members who are parties to the transaction, the underlying security or future (or, in the case of index options or packaged spread options, the underlying index), the ticker symbol, the type of option, the premium, the trade date, the exercise price (or, in the case of packaged spread options, the base exercise price and spread interval), the expiration month, the name of the customer, whether the transaction was a purchase or writing transaction and whether it was an opening or closing transaction; (b) with respect to each Exchange transaction in BOUNDS, the series, the trade price, the trade date, the name of the customer, whether the transaction was a purchase or writing transaction and whether it was an opening or closing transaction; (c) with respect to each Exchange transaction in futures, the series, the trade price, the trade date, the name of the customer, whether the transaction was a purchase or sale transaction and whether it was an opening or closing transaction; and (d) with respect to each Exchange transaction in options contracts, futures or BOUNDS, such other information as may from time to time be required by law, regulation, the Exchange[, futures market or security futures market] on which the transaction was effected or the Corporation. Such records, and all other records required by the By-Laws and Rules, shall be retained readily accessible for at least five years in such form as the Corporation may authorize and shall be deemed the joint property of the Corporation and the Clearing Member maintaining them. The Corporation shall be entitled to inspect or take temporary possession of any such records at any time upon demand.

* * *

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) [No change]

(2) Futures. If the relevant transaction is in futures, the matching trade information for such transaction shall include (A) the identity of the Purchasing Clearing Member and the Selling Clearing Member and of the accounts in which the transaction was effected, (B) the underlying interest, (C) the currency in which the future is denominated (if other than US dollars), (D) the maturity date, (E) the number of contracts, (F) the contract price, (G) except for a transaction in a Market Maker's account or as otherwise agreed between the Corporation and an Exchange [or security futures market or futures market], whether an opening or closing transaction, (H) if a stock future, whether it is physically-settled or cash-settled, (I) the series marker, if any, (J) if an exchange-for-physical or block trade or any other trade designated by the futures market or security futures market reporting the trade as a non-competitively executed trade, a notation to that effect, and (K) such other information as may be required by the Corporation.

(3) [No change]

(b) Subject to Rule 403, each Clearing Member shall be responsible to the Corporation in respect of each Exchange transaction in which such Clearing Member is identified as a Purchasing Clearing Member or Writing or Selling Clearing Member in matching trade information reported to the Corporation by an Exchange[, futures market, security futures market or an international market], whether or not such matching trade information was correct.

(c) As used in this Rule in respect of a particular Exchange[, futures market, security futures market or international market], the term "business day" shall ordinarily mean any day on which such Exchange[, futures market, security futures market or international market] is open for trading in cleared contracts. Notwithstanding the foregoing, when an international market is open for trading on a day when Exchanges[, futures markets, or security futures markets] in the United States are closed, the Corporation may agree with such international market that matching trade information regarding Exchange transactions effected on such international market on such day shall be reported to the Corporation on the following business day.

(d) [No change]

...Interpretations and Policies:

.01 In the case of futures, trade information submitted by an Exchange[, futures market or security futures market] need not identify a transaction as opening or closing if the Exchange[, futures market or security futures market] elects not to include such information in reporting its matching trade information. In that case, the Corporation will initially treat all purchase and sale transactions in futures in accounts other than Market Maker accounts as opening transactions. Each Clearing Member having such transactions in such accounts shall submit gross position adjustment information to the Corporation as necessary to identify the actual open interest in each such account at the end of each trading day based upon the day's trading activity and any applicable rules of an Exchange[, futures market or security futures market]. In the event an account contains an insufficient number of futures contracts in a particular series to effect a gross

position adjustment in accordance with such information, the adjustment shall be applied up to the number of available contracts in such series and the remainder of the adjustment shall be given no effect.

.02 In the case of an Exchange transaction involving futures, a Clearing Member may, through the systems of the Corporation, update certain non-critical trade information with respect to such transaction, provided that such updates are not in contravention of any rule of the [futures] Exchange[, futures market or security futures market] on which such transaction was executed.

Supplementary Report of Matched Trades

Rule 402. (a) In extraordinary circumstances, the Corporation may in its discretion accept from an Exchange[, futures market, security futures market, or international market] after the Corporation's cut-off time for receiving matching trade information for a particular business day (the "trade date") in accordance with Rule 401, supplementary matching trade information reflecting the comparison of additional trades executed on or before the trade date that remained unmatched at the Corporation's cut-off time.

(b) – (c) [No change]

(d) After accepting supplementary matching trade information from an Exchange [or an international market], the Corporation shall make available to Clearing Members updated daily reports and Daily Margin Reports reflecting the trades reported therein. If the Corporation shall have permitted exercise notices to be tendered in accordance with subsection (b) of this Rule, such daily reports and Daily Margin Reports shall also reflect such exercises, and the Corporation shall make available to Clearing Members (as the case may be) delivery advices or exercise and assignment reports, reflecting such exercises and the assignments thereof made pursuant to subsection (c) of this Rule.

(e) If, after accepting supplementary matching trade information from an Exchange [or an international market], the Corporation permits exercise notices to be tendered in accordance with subsection (b) of this Rule, the trades reported therein shall be accepted by the Corporation, subject to Article VI, Section 8 of the By-Laws, on the business day following the trade date. If the Corporation elects not to permit the tendering of exercise notices, the trades reported in the supplementary matching trade information shall not be accepted until the second business day following the trade date. Regardless of the date of acceptance, premium settlement for trades reported in an updated daily report made available pursuant to subsection (d) of this Rule, and margin settlement for positions reported therein, shall be effected on the business day following the trade date. Where the Corporation makes available one or more updated reports pursuant to subsection (d) of this Rule, (i) the net premium payable by or to a Clearing Member on the business day following the trade date shall be the algebraic sum of the net premiums shown as payable or collectible in the original daily reports made available to such Clearing Member since the close of trading on the trade date; and (ii) such Clearing Member's daily margin requirement on the business day following the trade date shall be the amount shown in the most recent updated Daily Margin Report made available to such Clearing Member since the close of trading on the trade date.

(f) [No change]

...Interpretations and Policies:

.01 The procedure provided for in Rule 402 is intended for use only in extraordinary circumstances involving large numbers of unmatched trades. It is generally expected that this procedure will be employed only on a weekend or a holiday, when sufficient time exists to permit an Exchange [or an international market] to conduct additional trade-matching after the Corporation's cut-off time on a particular trade date. However, continued improvements in trade processing and clearing systems may permit this procedure to be employed on weeknights as well.

* * *

Chapter VI

Margins

* * *

Daily Margin Report

RULE 605. Prior to 9:00 A.M. Central Time (10:00 A.M. Eastern Time) of each business day, the Corporation shall make available to each Clearing Member a Daily Margin Report for each account maintained by the Clearing Member with the Corporation. The Daily Margin Report shall show the amount of margin required by the Corporation on the Clearing Member's short positions in options (including futures options and commodity options that are subject to the Corporation's margin requirements pursuant to any Participating CCO Agreement), the Clearing Member's positions in futures (including commodity futures that are subject to the Corporation's margin requirements pursuant to any Participating CCO Agreement), and the Clearing Member's exercised contracts, stock loan and borrow positions and stock loan baskets and stock borrow baskets. Margins previously deposited by the Clearing Member and any surplus over the amount required or deficit to be satisfied, as the case may be, will also be shown. A deficit in any account of a Clearing Member as shown in the Daily Margin Report of a particular day shall be satisfied by 9:00 A.M. Central Time (10:00 A.M. Eastern Time) on such day, notwithstanding any error in such Report and notwithstanding any margin excess that may exist in another account of the Clearing Member. Subject to the provisions of Rule 606, the Corporation shall be authorized to withdraw from the Clearing Member's bank account established in respect of any account an amount equal to such deficit as shown on the Daily Margin Report. All errors in the Daily Margin Report shall be reported to the Corporation promptly, and any correction or adjustment in the amount of required margin shall be shown on the next day's Daily Margin Report.

... Interpretations and Policies: [No change]

* * *

Chapter VII

Cross-Margining with Participant CCOs

* * *

Cross Margining Settlement Procedures

Rule 706. [Lead-in language: No change]

(a) At or prior to such time as the Corporation may specify on each business day on which each Participating CCO is open for business, the Corporation shall make available to each such Joint Clearing Member, and to the OCC Clearing Member of each such Pair of Affiliated Clearing Members, a report (the "X-M Margin and Settlement Report") showing: (i) the margin requirement in respect of each set of X-M accounts of such Joint Clearing Member or Pair of Affiliated Clearing Members; (ii) the amount of margin previously deposited in respect of each such set of X-M accounts; and (iii) any margin in excess of the amount required ("Margin Excess") or margin deficit ("Margin Deficit") to be satisfied in respect of each such set of X-M accounts. Such report shall also show for each such set of X-M Accounts (x) the net amount of premiums and exercise settlement amounts due to or from the Joint Clearing Member or Pair of Affiliated Clearing Members in respect of Contracts in the OCC X-M account and in respect of [commodity] futures option and commodity option contracts in each CCO X-M account in such set of X-M Accounts and (y) the net amount of variation margin due to or from the Joint Clearing Member or Pair of Affiliated Clearing Members in respect of futures contracts in each CCO X-M account. The amounts described in clauses (x) and (y) of this subsection shall be netted together with any Margin Excess in the form of cash and any Margin Deficit to obtain a single net settlement amount (the "Cash Settlement Amount") due to or from the Joint Clearing Member or Pair of Affiliated Clearing Members in respect of each set of X-M accounts on that day.

(b) – (c) [No change]

* * *

Chapter VIII

Exercise and Assignment

Exercise of Options

Rule 801. Issued and unexpired option contracts may, subject to Exchange Rules and the By-Laws, be exercised as follows:

(a) – (c) [No change]

(d) [Lead-in language: No change]

(1) – (2) [No change]

(3) The Clearing Member shall deliver to the Corporation and to each Exchange [or futures market] on which the affected option is traded, within two business days after submitting a filing, revocation, or modification pursuant to this paragraph (d), a memorandum describing in reasonable detail the error that gave rise to such action (which, in the case of a revocation or modification, may be the memorandum prepared by the Clearing Member in connection therewith pursuant to paragraph (a) of this Rule). Every memorandum shall be reviewed by the Chairman of the Board or his delegate, and, in his sole discretion he shall make a submission for remission of any late filing fee pursuant to subparagraph (5).

(4) – (6) [No change]

...Interpretations and Policies: [No change]

* * *

CHAPTER X

Clearing Fund Contributions

Amount of Contribution

RULE 1001. (a) The contribution to the Clearing Fund of each Clearing Member (except recently admitted Clearing Members whose contributions are fixed pursuant to Article VIII of the By-Laws) for each calendar month shall be the greater of (x) the minimum clearing fund contribution specified in paragraph (b) of this Rule or (y) such Clearing Member's proportionate share of an amount equal to 5%, or such greater percentage as the Board of Directors shall from time to time prescribe by resolution, of the average aggregate margin requirement in respect of positions outstanding during the preceding calendar month. For purposes of the calculations described in this Rule 1001, all stock loan positions and stock borrow positions shall be deemed to be margin-eligible. Notwithstanding clause (x) of this paragraph (a), an entity that is an affiliate of a Clearing Member and that also becomes a Clearing Member solely for the purpose of clearing transactions in security futures, commodity futures, [and/or] futures options[on commodity futures], and/or commodity options shall be deemed to be in compliance with the minimum clearing fund contribution if its contribution is equal to the amount specified in clause (y) of this paragraph and the earlier-admitted Clearing Member is in compliance with the minimum requirement under clause (x).

(b) - (d) [No change]

...Interpretations and Policies: [No change]

* * *

Chapter XI

Suspension of a Clearing Member

* * *

Creation of Liquidating Settlement Account

RULE 1104 (a) Upon the suspension of a Clearing Member, the Corporation shall promptly convert to cash, in the most orderly manner practicable, all margins deposited with the Corporation by such Clearing Member in all accounts (excluding securities held in a specific deposit or escrow deposit) and all of such Clearing Member's contributions to the Clearing Fund; provided, however, that (i) cash derived from margin deposited in respect of segregated futures accounts (including any segregated futures professional account) shall not be commingled with any other cash, and may be applied only to the obligations of such segregated futures accounts, and (ii) if the issuer of a letter of credit deposited by such Clearing Member pursuant to Rule 604(c) shall agree in writing to extend the irrevocability of its commitment thereunder in a manner satisfactory to the Corporation, the Corporation may, in lieu of demanding immediate payment of the face amount of such letter of credit, but reserving its right thereto, demand only such amounts as it may from time to time deem necessary to meet anticipated disbursements from the Liquidating Settlement Accounts provided for below. These and all other funds of the suspended Clearing Member subject to the control of the Corporation, except proceeds of segregated long positions, funds disposed of pursuant to Rules 1105 through 1107, and funds held in or payable to a segregated futures account, shall be placed by the Corporation in a special account, to be known as the Liquidating Settlement Account, in the name of the suspended Clearing Member, for the purposes hereinafter specified. Funds held in or payable to segregated futures accounts, and only such funds, shall be placed by the Corporation in a separate special account, to be known as the Segregated Liquidating Settlement Account, in the name of the suspended Clearing Member, for the purposes herein specified. Funds obtained from the issuer of a letter of credit shall be disbursed only after all other funds contained in the Liquidating Settlement Account, with the exception of funds derived from the suspended Clearing Member's contributions to the Clearing Fund, have been exhausted, or in the case of a letter of credit indicating on its face that it is being deposited to serve as margin for a segregated futures account, only after all other funds contained in the Segregated Futures Liquidating Settlement Account, have been exhausted. In the event the sum of (i) the proceeds from any restricted letter of credit held in a restricted lien account, (ii) the proceeds from the closing out of positions and securities in a restricted lien account over which the Corporation has a restricted lien as provided in Article VI, Section 3 of the By-Laws, (iii) the proceeds from the closing out of exercised option contracts, matured futures and expired BOUNDS in such restricted lien account, and (iv) the proceeds from the liquidation of securities held as margin in such restricted lien account should exceed the amount withdrawn by the Corporation from the Liquidating Settlement Account pursuant to Rules 1105 through 1107 in respect of transactions or positions in such restricted lien account, the excess shall be remitted by the Corporation to the suspended Clearing

Member or its representative for distribution to the persons entitled thereto in accordance with applicable law. In the event the sum of (i) the proceeds from any restricted letter of credit held in segregated futures accounts, (ii) any variation payments received from closing out long or short positions in futures in segregated futures accounts, and (iii) the proceeds from the closing out of matured futures and long futures options and commodity options positions in segregated futures accounts should exceed the amount withdrawn by the Corporation from the Segregated Liquidating Settlement Account pursuant to Rules 1105 through 1107 in respect of transactions or positions in all segregated futures accounts, the excess shall be remitted by the Corporation to the suspended Clearing Member or its representative for distribution to the persons entitled thereto in accordance with applicable law. Notwithstanding the foregoing provisions of this rule, margin and all other funds of a suspended Clearing Member in respect of sets of X-M accounts (other than such Clearing Member's contributions to the Clearing Fund) shall be subject to Rule 707 and the applicable Participating CCO Agreement and not to this Rule.

Pending Transactions and Variation Payments

Rule 1105. Notwithstanding any other provision of the By-Laws and Rules, the Corporation shall have no obligation to accept any matched Exchange transaction of a suspended Clearing Member that was effected after the time at which the Clearing Member was suspended. In the event an Exchange transaction of a suspended Clearing Member is rejected by the Corporation, such transaction shall be closed by the other party thereto in accordance with the Exchange Rules of the Exchange[, security futures market, futures market or international market] on which the transaction was effected. Exchange transactions of a suspended Clearing Member that are accepted by the Corporation shall be treated in the following manner:

(a) – (h) [No change]

...Interpretations and Policies: [No change]

* * *

Open Positions

Rule 1106. (a) – (c) [No change]

(d) *Closing of Positions by Offset*

If the Corporation elects or is required pursuant to this Rule to close both long positions and short positions in the same series of cleared contract carried by a suspended Clearing Member, the Corporation may, in lieu of closing such positions through closing transactions on an Exchange[, futures market or security futures market], offset such positions against each other, reducing each position by the same number of contracts; provided, that (i) futures or futures options or commodity options in the segregated futures account may be offset only against other futures, [or] futures options or commodity options in that account, and (ii) positions in the internal non-proprietary cross-margining account may be offset only against other positions in that account. If the Corporation closes positions in any series of cleared contracts by

offset pursuant to the foregoing sentence, the Corporation shall notify the suspended Clearing Member or its representative thereof, and such positions shall be deemed to have been closed at a price equal to (i) in the case of options or BOUNDS, the marking price (determined in accordance with Rule 601 or Rule 602, as applicable) for such series on the date when the positions were offset, and (ii) in the case of futures, the settlement price for such series on the date when the positions were offset.

(e) – (g) [No change]

...Interpretations and Policies: [No change]

* * *

Chapter XIII

Futures, Futures Options and Commodity Options

* * *

Introduction

The Rules in this Chapter are applicable only to futures, [and] futures options and commodity options other than commodity options that are cash-settled options, binary options or range options. In addition, the Rules in Chapters I through XII are also applicable to futures, [and] futures options and commodity options, in some cases supplemented by one or more Rules in this Chapter, except for Rules that have been replaced in respect of futures, [or] futures options or commodity options by one or more Rules in this Chapter and except where the context otherwise requires. Whenever a Rule in this Article supplements or, for purposes of this Chapter, replaces one or more of the By-Laws or Rules in Chapters I through XII, that fact is indicated in this Chapter. Rules applicable to commodity option contracts that are binary options or range options are set forth in Chapter XV, and Rules applicable to commodity options that are cash-settled options (other than binary options or range options) are set forth in Chapter XVIII.

* * *

Associate Clearinghouses

Rule 1303. (a) The Corporation may agree with an associate clearinghouse to open one or more omnibus accounts for such associate clearinghouse for the purpose of enabling its clearing members to clear trades in futures, [and] futures options and commodity options through the facilities of the Corporation. The terms of such an arrangement shall be set forth in a separate written agreement, which shall provide, inter alia, that the associate clearinghouse shall be a Clearing Member in respect of the omnibus account(s) for purposes of the By-Laws and Rules, except to the extent otherwise provided in such agreement, and shall be primarily liable for the obligations of its clearing members in respect of trades cleared through the omnibus account(s).

(b) [No change]

...Interpretation & Policies: [No change]

* * *

Chapter XV

Binary Options; Range Options

Introduction

The Rules in this Chapter are applicable only to binary options and/or range options (as defined in the By-Laws), including commodity options that are binary options or range options. In addition, the Rules in Chapters I through XII are also applicable to binary options and/or range options, in some cases supplemented by one or more Rules in this Chapter, except for Rules that have been replaced in respect of binary options and/or range options by one or more Rules in this Chapter and except where the context otherwise requires. Whenever a Rule in this Chapter supplements or, for purposes of this Chapter, replaces one or more of the By-Laws or Rules in Chapters I through XII, that fact is indicated in brackets following the Rule in this Chapter.

Automatic Exercise of Binary Options

Rule 1501. (a) In the case of a credit default option, a Clearing Member shall automatically be deemed to have exercised such option on any business day on which confirmation of a credit event [confirmation] is received by the Corporation before the [credit] event confirmation deadline. An [credit] event confirmation in respect of a credit default option received after such deadline shall be deemed to have been received by the Corporation on the following business day; provided, however, that an [credit] event confirmation received after the [credit] event confirmation deadline on the business day before the last scheduled trading day and before the expiration time on the expiration date will be deemed to have been received on the expiration date. If an [credit] event confirmation in respect of a credit default option is received after the [credit] event confirmation deadline on the expiration date and before the expiration time, the Corporation may extend the exercise settlement date pursuant to Rule 1503([b]d).

(b) In the case of a credit default basket option, a Clearing Member shall automatically be deemed to have exercised such option on any business day on which confirmation of a credit event [confirmation] is received by the Corporation with respect to a particular reference entity before the [credit] event confirmation deadline. An [credit] event confirmation in respect of a credit default basket option received after such deadline shall be deemed to have been received by the Corporation on the following business day; provided, however, that an [credit] event confirmation received after the [credit] event confirmation deadline on the business day before the last scheduled trading day and before the expiration time on the expiration date will be deemed to have been received on the expiration date. If an [credit] event confirmation in respect

of a credit default basket option is received after the [credit] event confirmation deadline on the expiration date and before the expiration time, the Corporation may extend the exercise settlement date pursuant to Rule 1503([b]d). A multiple-payout credit default basket option shall be deemed to be exercised each time a credit event is confirmed in accordance with this paragraph (b) with respect to a different reference entity; provided, however, that a credit event may be confirmed only once with respect to any single reference entity. A single-payout credit default basket option will be deemed to be exercised only the first time that a credit event is confirmed in accordance with this paragraph (b) with respect to a reference entity and cannot be exercised with respect to any other reference entity thereafter.

(c) A Clearing Member shall automatically be deemed to have exercised an event option other than a credit default option or credit default basket option on any business day on which an event confirmation is received by the Corporation before the event confirmation deadline. An event confirmation in respect of an event option other than a credit default option or credit default basket option received after such deadline shall be deemed to have been received by the Corporation on the following business day; provided, however, that an event confirmation received after the event confirmation deadline on the expiration date and before the expiration time will be deemed to have been received on the expiration date. If an event confirmation in respect of an event option other than a credit default option or credit default basket option is received after the event confirmation deadline on the expiration date and before the expiration time, the Corporation may extend the exercise settlement date pursuant to Rule 1503(d).

[(c)] (d) In the case of a binary option other than an event option [a credit default option or a credit default basket option], a Clearing Member shall automatically be deemed to have exercised, immediately prior to the expiration time on each expiration date, every expiring option whose underlying interest value, when measured against its exercise price, has satisfied the criteria for exercise as specified in the Exchange Rules of the listing Exchange.

[Rule 1501 supplements Rule 805 and replaces Rule 802.]

Exercise Settlement Date for [Binary]Event Options and Range Options

Rule 1503. (a) [No change]

(b) The exercise settlement date for an event option other than a credit default option or credit default basket option shall be the business day immediately following the date on which the option is deemed to have been exercised.

[(b)] (c) The exercise settlement date for a range option or a binary option other than any binary option described in paragraphs (a) and (b) above [a credit default option or a credit default basket option] shall be the business day following such option's expiration date.

(c) [Renumbered as (d); otherwise no change]

[Rule 1503, together with Rule 1504, replaces Rule 902.]

Suspension of Clearing Members – Exercised Contracts

Rule 1505. Exercised binary options or range options to which a suspended Clearing Member is a party (either as the Exercising Clearing Member or as the Assigned Clearing Member) shall be settled in accordance with Rule 1504 provided that the net settlement amount in respect of such contracts shall be paid from or, subject to the rights of any Pledges under Rule 614, credited to the Liquidating Settlement Account or, in the case of binary options or range options that are commodity options, the Segregated Liquidating Settlement Account of such Clearing Member [established] pursuant to Rule 1104. The Corporation shall effect settlement pursuant to Rule 1504 with all Clearing Members that have been assigned an exercise of a suspended Exercising Clearing Member or that have exercised binary options or range options that were assigned to a suspended Assigned Clearing Member without regard to such suspension.

[Rule 1505 supplements Rule 1104 and Rule 1107(b) and replaces Rule 1107(a) and (c).]

Acceleration of Expiration Date

Rule 1507. (a) If an event option other than a credit default basket option [a credit default option] is deemed to have been exercised on any day prior to the expiration date, the expiration date will be accelerated to fall on the date of exercise.

(b) – (c) [No change]

(d) In the case of a binary option other than an event option [a credit default option or a credit default basket option], if the Corporation determines in its discretion that the underlying interest value of such option has become fixed prior to the expiration of the option, such value will be treated as the final underlying interest value and the expiration date of the option will ordinarily be accelerated to fall on or shortly after the date determined by the Corporation to be the date on which such value became fixed.

* * *

Chapter XVIII

Index Options and Certain Other Cash-Settled Options

Introduction

The Rules in this Chapter are applicable only to cash-settled options that are not specifically addressed elsewhere in the By-Laws and Rules, including index options (as defined in the By-Laws) and cash-settled commodity options other than those that are binary options or range options (which are governed by the provisions of Article XIV of the By-Laws and Chapter XV of the Rules). The provisions of Chapter XIII of the Rules, other than Rule 1303, are not applicable to cash-settled commodity options. [In addition, t]The Rules in Chapters I through XII are also applicable to [index] cash-settled options, in some cases supplemented by one or more

Rules in this Chapter, except for Rules that have been replaced in respect of [index] such options by one or more Rules in this Chapter and except where the context otherwise requires. Whenever a Rule in this Chapter supplements or, for purposes of this Chapter, replaces one or more of the By-Laws or Rules in Chapters I through XII, that fact is indicated in brackets following the Rule in this Chapter.

Exercise of [Index] Cash-Settled Options other than on Expiration Date

Rule 1802. (a) American-style cash-settled [index] option contracts may be exercised in accordance with Rule 801, except that American-style delayed start option contracts may only be exercised after such option contracts have a set exercise price. An exercise notice in respect of a cash-settled [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) In the event that the current [index] underlying interest value of the index or other interest underlying any series of capped [index] cash-settled options equals or exceeds the cap price (in the case of a series of calls) or equals or is less than the cap price (in the case of a series of puts) on any day prior to the expiration date of such series (such day being referred to hereinafter as the "cap price day"), the Exchange on which such series of capped options was traded shall cause all trading in such series to cease after the close of trading on the cap price day and shall notify the Corporation, prior to such time on the following business day (or, if the cap price day is the business day prior to the expiration date, on the expiration date) as the Corporation may from time to time specify, that the current [index] underlying interest value in respect of such series equaled, exceeded or became less than the cap price of such series, as applicable, on the cap price day and that trading in the series has ceased. All contracts (including contracts created in opening purchase transactions on the cap price day, but excluding contracts that were subject to closing writing transactions on the cap price day) in the series referred to in the notice shall automatically be exercised on the business day following the cap price day (or, if the cap price day is the business day prior to the expiration date, on the expiration date). The Corporation shall accept such exercises on the day on which the exercises are effected.

[Rule 1802 supplements Rule 801 and, together with Rule 1804, replaces Rule 802.]

Assignment and Allocation of [Index] Cash-Settled Option Exercises

Rule 1803. (a) Exercises accepted by the Corporation in respect of [index] cash-settled option contracts shall be assigned and allocated in accordance with Rules 803 and 804[,] except as provided in paragraph (b) of this Rule[,] and except that Delivery Advices shall not be made available by the Corporation for exercises of [index] such option contracts. In lieu thereof, the Corporation shall make available Exercise and Assignment Activity Reports as provided in paragraph (c) of this Rule.

(b) Following the automatic exercise of the capped [index] cash-settled option contracts in any series of capped [index] cash-settled options, the exercises shall be assigned and allocated to all open short positions (including all short positions established in an opening writing

transaction on the trading day preceding the day of the automatic exercise, but excluding short positions that were subject to closing purchase transactions on such day) in such series of options. Subject to the provisions of the By-Laws, the Corporation shall assign such obligations at or before 7:00 A.M. Chicago Time (8:00 A.M. Eastern Time) on the business day following the date of the automatic exercise. Rule 804 shall apply to allocations of automatic exercises of capped options.

(c) On each business day, the Corporation shall make available to each Index Clearing Member an Exercise and Assignment Activity report reflecting:

(1) all exercises effected by such Clearing Member with respect to cash-settled [index] option contracts and accepted by the Corporation on the preceding business day (or, in the case of the business day following an expiration date, on such expiration date), and all exercises effected by other Index Clearing Members and accepted by the Corporation on such day with respect to cash-settled [index] option contracts that were assigned by the Corporation to an account of such Clearing Member;

(2) all automatic exercises of capped options in the accounts of such Clearing Member effected on the preceding business day, and all assignments of obligations relating to exercises on such day of capped options in the accounts of other Index Clearing Members to short positions in the accounts of such Clearing Member.

[Rule 1803 supplements Rules 803 and 804.]

Expiration Date Exercise Procedure for [Index] Cash-Settled Options

Rule 1804. (a) The expiration date exercise procedures set forth in Rule 805 shall apply to cash-settled [index] option contracts except as provided in paragraphs (b) and (c) of this Rule.

(b) A [n Index] Clearing Member shall be deemed to have properly and irrevocably tendered to the Corporation, immediately prior to the expiration time on each expiration date, an exercise notice with respect to every expiring cash-settled [index] option contract listed in the [Index] Clearing Member's Expiration Exercise Report, other than a flexibly structured index option contract, that has an exercise settlement value of \$1.00 or more per contract, or such other amount as the Corporation may from time to time establish on not less than 30 days prior notice to all Index Clearing Members, unless the Clearing Member shall have duly instructed the Corporation, in accordance with Rule 805(b), to exercise none, or fewer than all, of such contracts. If a Clearing Member desires that any such option contract not be exercised, it shall be the responsibility of the Clearing Member to give appropriate instructions to the Corporation in accordance with Rule 805(b).

(c) A [n Index] Clearing Member shall be automatically deemed to have exercised, immediately prior to the Expiration Time on each expiration date, every expiring flexibly

structured index option contract, quarterly index option contract, and short term index option contract listed in the [Index] Clearing Member's Expiration Exercise Report that has an exercise settlement amount of \$1.00 or more per contract, or such other amount as the Corporation may from time to time establish on not less than 30 days prior notice to all Index Clearing Members.

(d) An exercise notice in respect of a[n] cash-settled [index] option that is deemed to have been properly and irrevocably tendered to the Corporation in accordance with Rules 805, as applicable, shall be accepted by the Corporation on the date of tender.

[Rule 1804 supplements Rules 805 and, together with Rule 1802, replaces Rule 802.]

...Interpretations and Policies:

.01 [No change]

.02 The foregoing expiration date exercise procedures are modified by the provisions of Article XVII, Section 4 of the By-Laws under the special circumstances referred to therein relating to the unavailability or inaccuracy of [a] the current [index] value for [the] an underlying interest [index].

Exercise Settlement Date for [Index] Cash-Settled Options

RULE 1805. The exercise settlement date for an exercised cash-settled [index] option shall be the business day following the day on which an exercise with respect to such option is accepted by the Corporation. The Board of Directors may extend or postpone any exercise settlement date for such [index] options whenever, in its opinion, such action is required in the public interest or to meet unusual conditions.

[Rule 1805, together with Rule 1806, replaces Rule 902.]

Settlement of [Index] Cash-Settled Option Exercises

RULE 1806. (a) Exercised cash-settled [index] options and short positions in such [index] options to which exercises have been assigned shall be settled through the payment by the Corporation to the Clearing Member or to the Corporation by the Clearing Member (as the case may be) of the exercise settlement amount in respect of each such option as hereinafter provided.

(1) In the case of an exercised cash-settled [index] call option contract: (i) if the aggregate current [index] underlying interest value is greater than the aggregate exercise price, the exercise settlement amount shall be paid by the Corporation to the Exercising Clearing Member and shall be paid by the Assigned Clearing Member to the Corporation; and (ii) if the aggregate current index value is less than the aggregate exercise price, the exercise settlement amount shall be paid by the Corporation to the Assigned Clearing Member, and shall be paid by the Exercising Clearing Member to the Corporation.

(2) In the case of an exercised cash-settled [index] put option contract: (i) if the aggregate current index value is less than the aggregate exercise price, the exercise settlement amount shall be paid by the Corporation to the Exercising Clearing Member and shall be paid by the Assigned Clearing Member to the Corporation; and (ii) if the aggregate current index value is greater than the aggregate exercise price, the exercise settlement amount shall be paid by the Corporation to the Assigned Clearing Member and shall be paid by the Exercising Clearing Member to the Corporation.

(b) [Prior to 7:00 A.M. Central Time (8:00 A.M. Eastern Time) on] On each exercise settlement date for [index] cash-settled options, at or before such time as the Corporation may specify, the Corporation shall:

(1) Determine, as to each account of each Index Clearing Member, the number of exercised and assigned option contracts of each series of cash-settled [index] options for which the current business day is the exercise settlement date.

(2) Net the exercise settlement amounts to be paid by the Clearing Member against the exercise settlement amounts to be paid to the Clearing Member to obtain a single net settlement amount for [index] cash-settled option exercises with respect to each account of each Index Clearing Member.

(3) Make available to each Index Clearing Member a report showing the results of the netting described herein.

(c) At or before 9:00 A.M. Central Time (10:00 A.M. Eastern Time) on each exercise settlement date for cash-settled [index] options, each Index Clearing Member shall be obligated to pay to the Corporation any net settlement amount in any account of such Clearing Member shown to be due to the Corporation on the report referred to in paragraph (b) of this Rule for such day, and the Corporation shall be authorized to withdraw from the Clearing Member's bank account established in respect of such account an amount equal to such net settlement amount, provided that the Corporation may, but is not required to, offset against any such net settlement amount any credit balance which may be due from the Corporation to the Clearing Member in the same or any other account.

(d) At or before 10:00 A.M. Central Time (11:00 A.M. Eastern Time) on each exercise settlement date for cash-settled [index] options, the Corporation shall be obligated to pay to the Clearing Member (provided the Clearing Member has deposited all margin required to be deposited pursuant to Chapter VI of the Rules and has deposited the full amount of any net daily premium due to the Corporation under Rule 502) the net settlement amount in any account shown to be due from the Corporation to such Clearing Member on the report referred to in paragraph (b) of this Rule for such day. The Corporation may make such payment by the issuance to the Clearing Member of the Corporation's uncertified check for such amount.

(e) Solely for purposes of Rules 601 and 602, exercised and assigned cash-settled [index] option contracts shall be deemed settled as of the opening of business on the exercise settlement

date. No margin shall be required and no margin credit shall be given in respect of such contracts on such date.

[Rule 1806 replaces Chapter IX of the Rules and supplements Rules 502 and 607.]

Suspension of Clearing Members - Exercised Contracts

Rule 1807. (a) Exercised cash-settled [index] option contracts to which a suspended Clearing Member is a party (either as the Exercising Clearing Member or as the Assigned Clearing Member) shall be settled in accordance with Rule 1806 provided that the net settlement amount in respect of such contracts shall be paid from or, subject to the rights of any Pledgees under Rule 614, credited to the Liquidating Settlement Account or, in the case of cash-settled commodity options, the Segregated Liquidating Settlement Account, of such Clearing Member established pursuant to Rule 1104. The Corporation shall effect settlement pursuant to Rule 1806 with all Clearing Members that have been assigned an exercise of a suspended Exercising Clearing Member or that have exercised cash-settled [index] option contracts that were assigned to a suspended Assigned Clearing Member without regard to such suspension.

(b) [No change]

[Rule 1807 supplements Rule 1104 and Rule 1107(b) and replaces Rule 1107(a) and (c).]

* * *

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 22, 2008. In compliance with Section 1 of Article XI, which provides that Article III and Article VI, Section 11, may not be amended by action of the Board of Directors without the approval of the holders of all of the outstanding common stock of OCC, OCC has obtained the consent of all stockholders.

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 this proposed rule change is to revise OCC's By-Laws and Rules to accommodate conventional cash-settled commodity options, binary commodity options, and event options. A general description of each option product follows below. Additionally, OCC is proposing to simplify the By-Laws and Rules by amending the definition of the term "Exchange" to refer to any exchange, futures market, security futures market or international market for which OCC clears transactions, and by revising the language of numerous provisions of its By-Laws and Rules to reflect this amended definition.

Descriptions of Products

Conventional Cash-Settled Commodity Options

Conventional cash-settled commodity options are cash-settled options on the spot price of physical commodities such as precious metals, energy-related commodities such as oil or natural gas or other physical commodities. Conventional cash-settled commodity options will settle upon exercise based on some specified benchmark price for the underlying commodity. The exercise settlement amount for an in-the-money option will be the product of the multiplier and the difference between the final underlying interest value and the strike price. The listing Exchange or other reporting authority will report the final underlying interest value of the underlying commodity to OCC for the purpose of determining the exercise settlement amount.

Binary Commodity Options

Binary commodity options are binary cash-settled options on the spot price of physical commodities. Binary commodity options will be automatically exercised and pay a fixed

exercise settlement amount if the spot price of the underlying commodity on the expiration date is greater than or equal to the specified strike price, and will otherwise expire unexercised. Other kinds of binary commodity options may be structured such that call options pay only if the price of the underlying commodity is above (and not merely equal to) the underlying benchmark price and that put options pay if the price of the underlying commodity is less than or equal to the underlying benchmark price.

Event Options

Event options are a type of binary options that pay a fixed cash settlement amount upon the occurrence of a specified event such as a positive change in U.S. gross domestic product for a particular time period. Event options are automatically exercised immediately upon confirmation of the occurrence of a defined event. The listing exchange or other reporting authority will monitor data reported by the official sources and notify OCC when the underlying event is determined to have occurred. Event options may be referred to in Exchange rules as “capped-style” event options. Options referred to in Exchange rules as “capped-style” event options are referred to in OCC’s rules simply as “event options.”

Exchange rules may also provide for “European-style” event options. An example would be a trade deficit option for which settlement is based upon U.S. trade deficit data. A trade deficit call option would pay a fixed exercise settlement amount if the trade deficit for a specified month is greater than, or greater than or equal to, the specified strike price, and a trade deficit put option would pay a fixed exercise settlement amount if the trade deficit for a specified month is less than, or less than or equal to, the specified strike price. In-the-money trade deficit options would be automatically exercised on the expiration date. “European-style event options” are referred to

in OCC's rules simply as "binary options" because they are based on the level of an underlying measure or metric at a specified point in time rather than an event that can occur at any time during the life of the option.

Proposed Changes

Changes in General Terminology

To accommodate conventional commodity options and binary commodity options, OCC proposes to introduce the term "commodity option," and to add references to commodity options where the By-Laws and Rules now refer to "futures options," where appropriate. The definitions of "Call" and "Put" in Article I of the By-Laws would be amended to clarify their meanings with regard to futures options. In connection with the introduction of commodity options, the term "underlying interest" would be amended to include commodities as possible underlying interests. Commodity options are not "securities." Therefore, OCC proposes to replace "underlying security" and "cleared securities" with "underlying interest" and "cleared contracts," respectively, in the definitions of certain terms related to options, such as "call" and "opening purchase transaction."

OCC also proposes to simplify its By-Laws and Rules by revising the term "Exchange." Currently, the term includes only national securities exchanges. Accordingly, in numerous places in the By-Laws and Rules, where the intended reference is to any market for which OCC clears transactions, the term "Exchange" is accompanied by "international market, futures market or security futures market," or a similar phrase. OCC proposes to revise the definition of Exchange to include all such markets and eliminate the numerous references to each type of market for which OCC clears transactions. The revised definition of Exchange will be more

consistent with the definitions of “Exchange transaction” and “Exchange rules,” because the scope of each of these latter terms includes non-securities exchanges or markets for which OCC clears transactions. In addition, OCC proposes to introduce the term “Securities Exchange” to refer to national security exchanges. In instances in which the reference to “Exchange” in the By-Laws and Rules is necessarily limited to a specific type of market, such as a Securities Exchange or “Equity Exchange” (as defined in the By-Laws), OCC proposes to replace the term “Exchange” with the appropriate term.

Finally, OCC proposes to amend the definition of “multiplier” to address the use of this term in connection with cash-settled options other than index options.

Changes in respect of Cash-Settled Commodity Options Generally

Section 1 of Article XII sets forth conditions for OCC to clear futures and futures options for an Exchange. Because the same conditions would apply for OCC to clear commodity options for an Exchange, OCC proposes to make Section 1 applicable to commodity options. Rule 1303 pertains to OCC’s arrangement with an associate clearinghouse to enable members of the associate clearinghouse to clear futures and futures options through the facilities of OCC. OCC proposes that Rule 1303 would potentially apply to all commodity options, although the contracts to be included in any particular such arrangement are agreed upon by OCC and the other clearing organization on a case-by-case basis.

Existing provisions in By-Law Article XII and Rule Chapter XIII already provide for clearance of futures options. As discussed below, OCC proposes to address cash-settled commodity options separately in other Articles of its By-Law Articles and Chapters of its Rules.

The introductions to By-Laws Articles XII, XIV and XVII and Rules Chapters XIII, XV and XVIII would be amended to reflect their proposed scope.

OCC is proposing to amend the definitions of “call” and “put” in Article I of the By-Laws to clarify their meanings in respect of futures options. In addition, for purposes of clarification, OCC proposes to update Interpretation and Policy .01 to Article VI, Section 9 to state that general rights and obligations of holders and writers of cleared contracts other than stock options are governed by the provisions of those Articles of the By-Laws pertaining to such products, and not by Subsections (a) and (b) of Article VI, Section 9.

Changes in respect of Event Options and Binary Commodity Options

To accommodate event options and binary commodity options, OCC proposes to broaden By-Law Article XIV and Rule Chapter XV, which currently apply only to binary options and range options for which the underlying interest is a security or securities index. Credit default options (“CDOs”) and credit default basket options (“CDBOs”) are the only types of event options currently addressed by these provisions of the By-Laws and Rules. OCC proposes to modify the existing framework of rules governing CDOs and CDBOs to support clearance of event options in general, while retaining certain definitions and provisions that are applicable only to CDOs and/or CDBOs.

Article XIV of the By-Laws, which presently applies to CDOs and CDBOs as well as other binary options and range options, is proposed to be amended to apply to the event options and other binary options proposed by CFE. Section 1 would be amended to add a definition of “event option” which, in OCC’s lexicon, would be confined to binary options that are automatically exercised upon the occurrence of a specified event. CDOs and CDBOs would be

defined as specific kinds of event options. Event options, in turn, are a subcategory of binary options. Certain terms applicable to CDOs and CDBOs would be made more generic so as to apply to all event options. Other definitions would be amended to accommodate event options, and to provide that underlying interests for binary options and range options may include commodities. Other sections of Article XIV are amended to, among other things, specify which provisions are unique to CDOs and CDBOs and which apply to event options generally. Although no market has yet proposed to trade range options on underlying commodities, the proposed rule amendments are broad enough to accommodate such trading.

Existing adjustment provisions in Section 3 of Article XIV, which defer entirely to the listing market to determine adjustments for CDOs and CDBOs, will be made to apply to all event options. This is appropriate because OCC anticipates that the definitions of underlying events and other terms of these products will be unique to the listing market. Existing Section 3A will apply to binary options (other than event options) and range options where the underlying interest is a security or an index of securities, and OCC is proposing a new Section 3B to provide for adjustments to binary options (other than event options) and range options where the underlying interest is a commodity rather than a security or index of securities. Adjustments under Section 3B will be made by OCC rather than through an adjustment panel as is the case for securities products under Section 3A.

Rules in Chapter V are being amended to provide for event options, other binary options and range options on underlying commodities. The changes intended to accommodate the new contracts govern, among other things, the automatic exercise of event options and binary options and exercise settlement. They also provide that binary options and event options on

commodities, when carried for the accounts of customers, must be carried in the customers' segregated funds account in accordance with CFTC regulations.

Changes in respect of Cash-Settled Conventional Commodity Options

OCC proposes to provide for clearance of cash-settled conventional commodity options by expanding the scope of By-Law Article XVII and Rule Chapter XVIII, which currently cover only index options.

Article XVII. OCC proposes to amend the definitions of numerous terms to apply to cash-settled options generally. Other provisions of Article VII are also amended to make them more generic to cash-settled options generally. Provisions limited to index options are retained where appropriate and, in many cases, are made applicable to options on commodity indexes as well as securities indexes. OCC proposes to substitute the term "cash-settled option" for the term "index option" in Article XVII, Section 2 so that it will apply to cash-settled options generally. Section 3 of Article XVII will govern adjustments to cash-settled options generally. A new proposed paragraph (b) would address adjustments to cash-settled options overlying a single commodity. Under the proposed amendments, OCC, rather than an adjustment panel, will decide when and what adjustments may be necessary in light of various policy considerations. Existing paragraph (b), which governs adjustments of index options, would be renumbered as paragraph (c) and amended to reflect the inclusion of commodities as possible components of an underlying index.

Similarly, existing Section 4 of Article XVII defines OCC's rights and obligations in situations in which the current index value of an index option is unavailable or otherwise

determined to be inaccurate. OCC proposes to amend Section 4 to expand its application to cover unavailability or inaccuracy of values for any underlying interest.

Chapter XVIII, Rules 1802 – 1806. OCC proposes to amend Rules 1802 – 1806 so that they will apply to cash-settled options generally. The term “cash-settled option” would be substituted for the term “index option” and the term “current interest value” would be substituted for the term “current index value” in Rules 1802 – 1806. In addition, OCC proposes to amend paragraphs 1801(a)(1) and (a)(2) to specify the conditions under which Clearing Member will pay to the exercise settlement to or receive the exercise settlement from OCC in respect of an exercised cash-settled option other than an index option. OCC also proposes to substitute the term “cash-settled option” for the term “index option” and make a small number of other corrections to certain defined terms in Rules 1802, 1803, 1804 and 1805 so that they will apply to cash-settled options generally.

Chapter XVIII, Rule 1807. Cash-settled commodity options will be carried in a Clearing Member’s segregated futures account(s). Therefore, to maintain consistency with Rule 1104, OCC proposes to amend Rule 1807 so that the net settlement amount in respect of exercised cash-settled commodity options is paid from or credited to a suspended Clearing Member’s Segregated Liquidating Settlement Account.

In several other places in the By-Laws and Rules where references are made to index options, OCC proposes to substitute the term “cash-settled option” for the term “index option” and the term “current underlying interest value” for the term “current index value.”

Finally, OCC proposes to amend the terms of Article VI, Section 2 of the By-Laws, which concerns the initial clearing fund contribution of clearing members, to be consistent with

the terms of Rule 1001. Rule 1001 provides that affiliates of existing Clearing Members that become Clearing Members of OCC solely for the purpose of clearing transactions in security futures, commodity futures, and/or futures options need not put up an additional \$150,000 minimum Clearing Fund contribution. OCC would expand this exemption to also apply to commodity options.

* * *

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, because they provide for the clearance of various commodity futures and options products without adversely affecting the prompt and accurate clearance and settlement of transactions in securities options, the prompt and accurate clearance and settlement of securities transactions, or the protection of securities investors and the public interest. They accomplish this purpose by applying substantially the same rules and procedures to transactions in futures products that OCC applies to transactions in securities options. The proposed rule change is not inconsistent with any 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 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 Act.

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

OCC is filing the proposed rule change for immediate effectiveness pursuant to Section 19(b)(3) of the Exchange Act and Rule 19b-4(f)(4) thereunder. Pursuant to Rule 19b-4(f)(4), a rule change may take effect upon filing with the Commission if it effects a change in an existing service of OCC that does not (i) adversely affect the safeguarding of securities or funds in OCC's custody or control or for which OCC is responsible or (ii) significantly affect the respective rights or obligations of OCC or persons using the service. The products covered by this filing are commodity-based options within the exclusive jurisdiction of the CFTC, and OCC will therefore clear such options in its capacity as a registered derivatives clearing organization under the CFTC's regulatory jurisdiction. This rule change will not affect the safeguarding of funds or securities in OCC's possession because OCC will apply the same procedures and safeguards to the clearing of these contracts that it does to the clearing of securities options and security futures over which the Commission has direct regulatory authority. The respective rights and obligations of OCC and Clearing Members with respect to matters within the Commission's jurisdiction will be unaffected.

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