



THE OPTIONS CLEARING  
CORPORATION

May 24, 2012

**VIA ELECTRONIC MAIL**

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

**Re: Rule Filing SR-OCC-2012-08 Rule Certification**

Dear Secretary Stawick:

Enclosed 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"). The date of implementation of the rule is the later of (i) 10 business days following receipt by the Commission or (ii) the SEC's approval of the filing under the Exchange Act. The text of the rule is set forth at Item 1 of the enclosed filing.

In conformity with the requirements of Regulation §40.6(a)(7), OCC states the following:

Explanation and Analysis

OCC hereby incorporates by reference Item 3 of the enclosed rule filing, which sets forth an explanation and analysis of the operation, purpose and effect of the proposed rule amendment. In pertinent part, the rule filing proposes to make two separate amendments to the OCC by-laws and rules applicable to stock futures in order to (i) clarify the applicability of such rules to security futures on index-linked securities and (ii) eliminate a *de minimis* exception to general rule that futures on exchange traded funds will be adjusted for capital gains distributions. In addition, OCC proposes to make technical changes to rules that permit the acceleration of stock futures and stock options following an adjustment for cash-out events.

JEAN M. CAWLEY

SENIOR VICE PRESIDENT - DEPUTY GENERAL COUNSEL - CHIEF COMPLIANCE OFFICER  
ONE N. WACKER DRIVE, SUITE 500 CHICAGO, ILLINOIS 60606 TEL 312.322.6269 FAX 312.322.6280  
JCAWLEY@THEOCC.COM WWW.OPTIONSCLEARING.COM

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Opposing Views

OCC hereby incorporates by reference Item 5 of the enclosed rule filing, which sets forth a description of any written comments on the rule filing, including any such comments expressing opposing views that were not incorporated into the proposed rule.

Notice of Pending Rule Certification

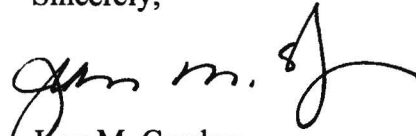
OCC hereby certifies that notice of this rule filing has been given to Clearing Members of OCC in compliance with Regulation §40.6(a)(2) by posting a copy of the submission on OCC's website concurrently with the filing of this submission.

Certification

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.

Should you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

  
Jean M. Cawley

Enclosure

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

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

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**Form 19b-4**

**Proposed Rule Change**

**by**

**THE OPTIONS CLEARING CORPORATION**

**Pursuant to Rule 19b-4 under the  
Securities Exchange Act of 1934**

**Item 1. Text of the Proposed Rule Change**

The Options Clearing Corporation (“OCC” or the “Corporation”) proposes to make two separate amendments to its By-Laws and Rules applicable to stock futures to clarify the applicability of such rules to security futures on index-linked securities such as exchange-traded notes and to eliminate a *de minimis* exception to the general rule that futures on exchange-traded funds will be adjusted for capital gains distributions. Additionally, OCC proposes to make technical changes to rules that permit the acceleration of the maturity date for stock futures and the expiration date for stock options that have been adjusted to require the delivery of a fixed amount of cash. 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**

\* \* \*

**Definitions**

SECTION 1. [no change]

A. – R. [no change]

S.

(1) – (20) [no change]

**Stock Future**

(21) The term "stock future" means a security future for which the underlying security is an equity security or an index-linked security.

\* \* \*

**ARTICLE XII****FUTURES, FUTURES OPTIONS AND COMMODITY OPTIONS**

\* \* \*

**Adjustments to Futures and Futures Options**

SECTION 3. [no change]

. . . **Interpretations and Policies:**

.01-.04 [no change]

.05 When an underlying security is converted into a right to receive a fixed amount of cash, such as in a merger or a call or redemption of an entire class of index-linked securities, outstanding stock futures will be adjusted to replace such underlying security with such fixed amount of cash as the underlying interest, and the unit of trading shall remain unchanged. No adjustment will ordinarily be made in the event of a call of less than an entire class of index-linked securities.

.06-.07 [no change]

.08 Notwithstanding Interpretation and Policy .01 above, (i) distributions of short-term and long-term capital gains in respect of fund shares by the issuer thereof shall not, as a general rule, be deemed to be "ordinary dividends or distributions" within the meaning of paragraph (c) of this Section 3 and (ii) other distributions in respect of fund shares by the issuer thereof shall not, as a general rule, be deemed to be "ordinary dividends or distributions" within the meaning of paragraph (c) of Section 3 if (x) the fund tracks the performance of an index that underlies a class of index options or index futures, and the distribution on the fund shares includes or reflects a dividend or other distribution on a portfolio security that resulted in an adjustment of the index divisor; or (y) the distribution on the fund shares includes or reflects a dividend or other distribution on a portfolio security (I) that results in an adjustment of stock futures on other fund shares pursuant to clause (ii)(x) or (II) in an aggregate amount exceeding 10% of the market value (as of the close of trading on the declaration date) of the portfolio security outstanding. Adjustments of the terms of stock futures on such fund shares for distributions described in clause (i) or (ii) above shall be made in accordance with paragraph (f) of this Section 3 unless the Securities Committee determines, on a case-by-case basis, not to adjust for such a distribution[;

provided, however, that no adjustment shall be made for any such distribution where the amount of the adjustment would be less than \$.125 per fund share].

.09-.10 [no change]

.11 Interest payments on index-linked securities will, as a general rule, be deemed to be “ordinary cash dividends or distributions” within the meaning of paragraph (c) of this Section 3.

## RULES

\* \* \*

### CHAPTER VIII

#### EXERCISE AND ASSIGNMENT

\* \* \*

#### **[Acceleration of Expiration Date (Effective Before January 1, 2008)]**

**RULE 807.** When a European-style stock option contract is adjusted pursuant to Section 11 of Article VI of the By-Laws to require the delivery upon exercise of a fixed amount of cash, as would ordinarily occur in the event of a merger whereby the underlying security is converted into a right to receive a fixed amount of cash, the expiration date of the option contract will ordinarily be accelerated to fall on or shortly after the date on which the conversion of the underlying security to a right to receive cash occurs.]

#### **Acceleration of Expiration Date [(Effective After January 1, 2008)]**

**RULE 807.** When a stock option contract is adjusted pursuant to Section 11 of Article VI of the By-Laws to require the delivery upon exercise of a fixed amount of cash[, as would ordinarily occur in the event of a merger whereby the underlying security is converted into a right to receive a fixed amount of cash], the expiration date of the option contract will ordinarily be accelerated to fall on or shortly after the date on which the conversion of the underlying security to a right to receive cash occurs.

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

[No change]

\* \* \*

## CHAPTER XIII

### FUTURES, FUTURES OPTIONS AND COMMODITY OPTIONS

\* \* \*

#### Acceleration of Maturity Date

**RULE 1304.** When a stock future is adjusted pursuant to Section 3 of Article XII to require the delivery upon maturity of a fixed amount of cash[, as would ordinarily occur in the event of a merger whereby the underlying security is converted into a right to receive a fixed amount of cash], the maturity date of the future will ordinarily be accelerated to fall on or shortly after the date on which the conversion of the underlying security to a right to receive cash occurs. The final settlement price for the future will be equal to the amount of cash into which the underlying security has been converted.

\* \* \*

**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 March 2, 2012.

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**

The first purpose of this proposed rule change is to clarify the applicability of OCC's By-Laws and Rules to security futures on index-linked securities such as exchange-traded notes, which are currently traded on OneChicago, LLC. Index-linked securities are non-convertible debt of a major financial institution that typically have a term of at least one year but not greater than thirty years and that provide for payment at maturity based upon the

performance of an index or indexes of equity securities or futures contracts, one or more physical commodities, currencies or debt securities, or a combination of any of the foregoing. Index-linked securities are traded on national securities exchanges and, although they are technically debt securities, meet the definition of “NMS stock” under Regulation NMS.<sup>1</sup> Furthermore, index-linked securities traded on designated contract markets meet the requirements of Commodity Futures Trading Commission Regulation 41.21 for the underlying securities of security futures products that are eligible to be treated as a single security. OneChicago therefore treats security futures on index-linked securities as security futures on single securities, or “single stock futures,” for listing and trading purposes, and trading in them will generally be governed by the same rules that are applicable to other single stock futures. OCC similarly treats futures on index-linked securities as single stock futures, and accordingly is proposing to amend the definition of “stock future” in Article I of its By-Laws to explicitly include index-linked securities.<sup>2</sup>

In addition to amending the definition of “stock future” to reference index-linked securities, OCC is proposing to amend Interpretation and Policy .05 to Article XII, Section 3 of its By-Laws to clarify that a call of an entire class of index-linked securities will result in an adjustment of security futures on index-linked securities similar to the adjustment that would be made to other stock futures in the event of a cash merger, but that a partial call will not result in an adjustment. OCC is also proposing to add Interpretation and Policy .11 to Article XII,

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<sup>1</sup> “NMS stock” is defined in Rule 600(b)(47) of Regulation NMS to mean “any NMS security other than an option.” “NMS security” is defined in Rule 600(b)(46) to mean any security for which transaction reports are collected and disseminated under an effective national market system plan, and because index-linked securities are exchange traded they fall within this definition.

<sup>2</sup> Article I of OCC’s By-Laws defines “index-linked security” to mean “a debt security listed on a national securities exchange, the payment upon maturity of which is based in whole or in part upon the performance of an index or



Section 3 of its By-Laws to establish that interest payments on index-linked securities will generally be considered “ordinary cash dividends or distributions” within the meaning of paragraph (c) of Section 3. The proposed amendments parallel amendments previously made to Article VI, Section 11A of the By-Laws to accommodate options on index-linked securities.<sup>3</sup>

The second purpose of this proposed rule change is to amend Interpretation and Policy .08 to Article XII, Section 3, which provides that OCC will ordinarily adjust for capital gains distributions on underlying “fund shares,” *i.e.*, shares of exchange-traded funds (“ETFs”) but with a *de minimis* exception under which no adjustment will be made in respect of distributions of less than \$.125 per fund share. (An equivalent *de minimis* provision is contained in the Interpretations and Policies to Article VI, Section 11A, governing stock options.) However, in the case of stock futures, OneChicago, the only futures exchange clearing through OCC that currently trades such futures, has requested that adjustments be made for capital gains distributions in respect of fund shares without exception in order to permit the stock futures on ETFs to more closely reflect the economic characteristics of the ETFs’ underlying stocks. This revision to the provision for fund shares futures will establish consistency with Interpretation and Policy .01(b) to Article XII, Section 3 which also does not contain a *de minimis* threshold for stock futures adjusted for cash distributions. Accordingly, OCC is proposing to amend Interpretation and Policy .08 to eliminate the *de minimis* exception.

Additionally, OCC proposes to make a technical correction to Rule 1304, which permits the acceleration of the maturity date for stock futures adjusted to require the delivery of cash, and Rule 807, which permits the acceleration of the expiration date of stock options

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indexes of equity securities or futures contracts, one or more physical commodities, currencies or debt securities, or a combination of any of the foregoing.”

adjusted to require the delivery of cash. Rules 1304 and 807 contain language that could be read to suggest that such acceleration would occur only in the event of a cash-out merger. However, cash-outs also may occur as a result of bankruptcies, ADS liquidations and other events, and there is no reason to limit such accelerations to cash-out merger events. Accordingly, OCC proposes to amend Rules 1304 and 807 to delete language that may be perceived to limit OCC's ability to accelerate a maturity or expiration date to such events. OCC is also proposing to delete as obsolete a version of Rule 807 that was effective before January 1, 2008, and related language regarding the effective date in what would now be the only version of Rule 807.

\* \* \*

The proposed changes to OCC's By-Laws are consistent with the purposes and requirements of Section 17A of the Securities Exchange Act of 1934, because they will promote the prompt and accurate clearance and settlement of securities transactions by clarifying that security futures on index-linked securities will be cleared and settled subject to the same rules and procedures that are used successfully by OCC to clear and settle stock futures, eliminating an unnecessary *de minimis* threshold for adjusting stock futures on ETFs, clarifying OCC's ability to accelerate maturity dates of stock futures or expiration dates of stock options in events other than cash-out merger events and eliminating obsolete rules or references. The proposed rule change is not inconsistent with any rules of OCC, including any that are proposed to be amended.

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<sup>3</sup> See Release No. 34-60872; SR-OCC-2009-14 (Order Approving Proposed Rule Change to Clear Options on Index-Linked Securities).

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

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

**Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others.**

Written comments were not and are not intended to be solicited with respect to the proposed rule change, and none have been received.

**Item 6. Extension of Time Period for Commission Action**

OCC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act.

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

Not applicable.

**Item 8. Proposed Rule Change Based on 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.

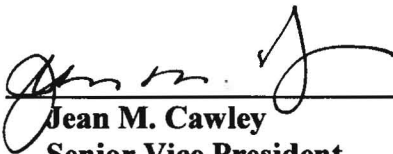
**Item 9. Exhibits**

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**  
**Deputy General Counsel**

**EXHIBIT 1**

**SECURITIES AND EXCHANGE COMMISSION**

(Release No. 34-\_\_\_\_\_ ; File No. SR-OCC-2012-08

**SELF-REGULATORY ORGANIZATION**

Proposed Rule Change By  
The Options Clearing Corporation

Relating to Amendments to Certain  
Rules Applicable to Stock Futures

Comments requested within \_\_\_\_\_ days  
after the date of this publication.

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Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1), notice is hereby given that on \_\_\_\_\_, 2012, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Several separate purposes underlying the proposed rule change. First, the rule change clarifies the applicability of OCC's rules to stock futures overlying index-linked securities. Second, it eliminates a de minimis exception relating to adjustments to stock futures overlying

ETFs. Third, it makes a technical change to the rules that permit the acceleration of the maturity (expiration) date of stock futures (stock options) following an adjustment in response to cash-out events.

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

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

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

The first purpose of this proposed rule change is to clarify the applicability of OCC's By-Laws and Rules to security futures on index-linked securities such as exchange-traded notes, which are currently traded on OneChicago, LLC. Index-linked securities are non-convertible debt of a major financial institution that typically have a term of at least one year but not greater than thirty years and that provide for payment at maturity based upon the performance of an index or indexes of equity securities or futures contracts, one or more physical commodities, currencies or debt securities, or a combination of any of the foregoing. Index-linked securities are traded on national securities exchanges and, although they are technically debt securities, meet the definition of "NMS stock" under Regulation NMS.<sup>1</sup> Furthermore,

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<sup>1</sup> "NMS stock" is defined in Rule 600(b)(47) of Regulation NMS to mean "any NMS security other than an option." "NMS security" is defined in Rule 600(b)(46) to mean any security for which transaction reports are collected and

index-linked securities traded on designated contract markets meet the requirements of Commodity Futures Trading Commission Regulation 41.21 for the underlying securities of security futures products that are eligible to be treated as a single security. OneChicago therefore treats security futures on index-linked securities as security futures on single securities, or “single stock futures,” for listing and trading purposes, and trading in them will generally be governed by the same rules that are applicable to other single stock futures. OCC similarly treats futures on index-linked securities as single stock futures, and accordingly is proposing to amend the definition of “stock future” in Article I of its By-Laws to explicitly include index-linked securities.<sup>2</sup>

In addition to amending the definition of “stock future” to reference index-linked securities, OCC is proposing to amend Interpretation and Policy .05 to Article XII, Section 3 of its By-Laws to clarify that a call of an entire class of index-linked securities will result in an adjustment of security futures on index-linked securities similar to the adjustment that would be made to other stock futures in the event of a cash merger, but that a partial call will not result in an adjustment. OCC is also proposing to add Interpretation and Policy .11 to Article XII, Section 3 of its By-Laws to establish that interest payments on index-linked securities will generally be considered “ordinary cash dividends or distributions” within the meaning of

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disseminated under an effective national market system plan, and because index-linked securities are exchange traded they fall within this definition.

<sup>2</sup> Article I of OCC’s By-Laws defines “index-linked security” to mean “a debt security listed on a national securities exchange, the payment upon maturity of which is based in whole or in part upon the performance of an index or indexes of equity securities or futures contracts, one or more physical commodities, currencies or debt securities, or a combination of any of the foregoing.”



paragraph (c) of Section 3. The proposed amendments parallel amendments previously made to Article VI, Section 11A of the By-Laws to accommodate options on index-linked securities.<sup>3</sup>

The second purpose of this proposed rule change is to amend Interpretation and Policy .08 to Article XII, Section 3, which provides that OCC will ordinarily adjust for capital gains distributions on underlying “fund shares,” *i.e.*, shares of exchange-traded funds (“ETFs”) but with a *de minimis* exception under which no adjustment will be made in respect of distributions of less than \$.125 per fund share. (An equivalent *de minimis* provision is contained in the Interpretations and Policies to Article VI, Section 11A, governing stock options.) However, in the case of stock futures, OneChicago, the only futures exchange clearing through OCC that currently trades such futures, has requested that adjustments be made for capital gains distributions in respect of fund shares without exception in order to permit the stock futures on ETFs to more closely reflect the economic characteristics of the ETFs’ underlying stocks. This revision to the provision for fund shares futures will establish consistency with Interpretation and Policy .01(b) to Article XII, Section 3 which also does not contain a *de minimis* threshold for stock futures adjusted for cash distributions. Accordingly, OCC is proposing to amend Interpretation and Policy .08 to eliminate the *de minimis* exception.

Additionally, OCC proposes to make a technical correction to Rule 1304, which permits the acceleration of the maturity date for stock futures adjusted to require the delivery of cash, and Rule 807, which permits the acceleration of the expiration date of stock options adjusted to require the delivery of cash. Rules 1304 and 807 contain language that could be read

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<sup>3</sup> See Release No. 34-60872; SR-OCC-2009-14 (Order Approving Proposed Rule Change to Clear Options on Index-Linked Securities).

to suggest that such acceleration would occur only in the event of a cash-out merger. However, cash-outs also may occur as a result of bankruptcies, ADS liquidations and other events, and there is no reason to limit such accelerations to cash-out merger events. Accordingly, OCC proposes to amend Rules 1304 and 807 to delete language that may be perceived to limit OCC's ability to accelerate a maturity or expiration date to such events. OCC is also proposing to delete as obsolete a version of Rule 807 that was effective before January 1, 2008, and related language regarding the effective date in what would now be the only version of Rule 807.

\* \* \*

The proposed changes to OCC's By-Laws are consistent with the purposes and requirements of Section 17A of the Securities Exchange Act of 1934, because they will promote the prompt and accurate clearance and settlement of securities transactions by clarifying that security futures on index-linked securities will be cleared and settled subject to the same rules and procedures that are used successfully by OCC to clear and settle stock futures, eliminating an unnecessary *de minimis* threshold for adjusting stock futures on ETFs, clarifying OCC's ability to accelerate maturity dates of stock futures or expiration dates of stock options in events other than cash-out merger events and eliminating obsolete rules or references. The proposed rule change is not inconsistent with any rules of OCC, including any that are proposed to be amended.

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

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

C. **Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others**

Written comments were not and are not intended to be solicited with respect to the proposed rule change and none have been received.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding, or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. **Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

*Electronic Comments:*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-OCC-2012-08 on the subject line.

*Paper Comments:*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-OCC-2012-08. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549-1090. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-OCC-2012-08 and should be submitted on or before [insert date 21 days from publication in the Federal Register]

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

Secretary

Dated: \_\_\_\_\_