



THE OPTIONS CLEARING
CORPORATION

May 28, 2008

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-2008-11 Rule Certification

Dear Mr. Stawick:

Attached is a copy of the above-referenced rule filing, which The Options Clearing Corporation ("OCC") is submitting pursuant to the self-certification procedures of Commission Regulation 40.6. This rule filing has been, or is concurrently being, submitted to the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (the "Exchange Act").

In conformity with the requirements of Regulation 40.6(a)(3), OCC states the following: The text of the rule is set forth at Item 1 of the enclosed filing. The date of implementation of the rule is when the proposed rule has been approved by the SEC. No substantive opposing views were expressed to OCC by governing board or committee members, clearing members of OCC, or market participants, that were not incorporated into the rule.

OCC hereby certifies that the rule set forth at Item 1 of the enclosed filing complies with the Commodity Exchange Act and the Commission's regulations thereunder.

JEAN M. CAWLEY

SENIOR VICE PRESIDENT AND DEPUTY GENERAL COUNSEL

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

JCAWLEY@THEOCC.COM WWW.OPTIONSCLEARING.COM

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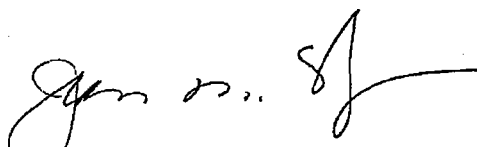
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Mr. David A. Stawick
Page Two
May 28, 2008

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-2008-11 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

In order to clear and settle range options proposed to be listed by the Chicago Board Options Exchange, Incorporated (“CBOE”), The Options Clearing Corporation (“OCC” or the “Corporation”) proposes to amend and supplement its By-Laws and Rules as set forth below. Material proposed to be added is underlined. 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. – N. [No change.]

O.

(1) – (3) [No change.]

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. 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. [For purposes of Article VIII of the By-Laws, and Chapters VI and X of the Rules, the term “non-equity securities option contract” shall also include such classes of fund options as the Corporation may from time to time designate as non-equity securities option contracts for such purposes.]

P. [No change.]

R.

Range Option

(1) The term “range option” shall have the meaning given to it in Article XIV of the By-Laws.

(1) – (9) [Renumbered as (2) – (10) but otherwise no change.]

S. [No change.]

T.

(1) – (3) [No change.]

Type of Option

(4) The term “type of option” means the classification of an option contract as a put, call, a binary option, a range option, a packaged butterfly spread option, a packaged vertical call spread option or a packaged vertical put spread option.

U. – Z. [No change.]

* * *

ARTICLE VI

Clearance of Exchange Transactions Terms of Cleared Contracts

SECTION 10. (a) - (e) [No change.]

(f) Except to the extent provided otherwise in the By-Laws and Rules with respect to transactions in range options, the variable terms of each series of range options shall be determined by the Exchange that first introduces such series of options for trading at the time such series is opened for trading. Certain variable terms established for a series of range options are subject to adjustment in accordance with applicable provisions of Article XIV of the By-Laws.

(f) [Relettered as (g) but otherwise no change.]

* * *

ARTICLE XIV

Binary Options; Range Options

Introduction

By-Laws in this Article are applicable only to binary options and/or range options. In addition, the 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. – B. [No change.]

C.

Class

(1) The term “class” when applied to credit default options means all credit default options having the same reference entity, reference obligation(s), credit event(s), and reporting authority. When applied to credit default basket options, the term means all credit default basket options having the same basket of reference entities, reference obligations, credit event(s) and reporting authority. When applied to range options and [all other] binary options other than credit default options or credit default basket options, the term means all range options or binary options, as applicable, covering the same underlying interest and having otherwise identical terms, except for exercise price (if any) and expiration date.

(2) – (6) [No change.]

D. [No change.]

E.

Exercise Price

(1) The term “exercise price” when used in respect of a binary option other than 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 credit default option or credit default basket option has no exercise price.

Exercise Settlement Amount

(2) The term “exercise settlement amount” when used in respect of a binary option other than a credit default basket option means the fixed amount of cash to be paid upon exercise to a holder of a[n] binary option that is automatically exercised. When used in respect of a credit default basket option, such term shall mean the fixed amount of cash to be paid to a holder of a[n] credit default basket option that is automatically exercised with respect to any reference entity in the basket because of a credit event occurring with respect to such reference entity prior to expiration of the option. Different exercise settlement amounts may be specified by the listing options exchange with respect to different reference entities. The exercise settlement amount(s) shall be specified by the listing Exchange at or before the time when a series of binary options is first opened for trading. When used in respect of a range option, exercise settlement amount means the variable amount of cash to be paid upon exercise to a holder of an in-the-money range option. For a series of range options, the exercise settlement amount shall be the function of a “maximum range exercise value” and a “contract multiplier” (as such terms are used in the Exchange Rules of the listing Exchange) and shall, in accordance with the manner described in the Exchange Rules, (i) increase from zero to a maximum amount as the underlying interest value increases within the “low range,” (ii) stay fixed at such maximum amount as the underlying interest value increases within the “middle range” and (iii) decrease from such maximum amount to zero as the underlying interest value increases within the “high range.” The terms “low range,” “middle range” and “high range” shall have the meanings given to them in this Section 1. The listing Exchange shall specify the “maximum range exercise value” and “contract multiplier” at or before the time a series of range options is first opened for trading. [The exercise]Exercise settlement amount is sometimes called [the] cash settlement amount in Exchange Rules.

Expiration Date

(3) The term “expiration date” when used in respect of a series of binary options means the last day on which the options may be automatically exercised. 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 a 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. – K. [No change.]

L.

Low Range; Middle Range; High Range

(1) When used in respect of a range option, the term “low range” means a segment of values equaling one range interval along the range length that begins at the low end of the range length, the term “high range” means a segment of values equaling one range interval along the range length that ends at the high end of the range length, and the “middle range” is the segment of values between the low range and the high range. The terms “range interval” and “range length” shall have the meanings given to them in this Section 1.

M. – O. [No change.]

P.

Premium

(1) The term “premium” when used in respect of an Exchange transaction in binary options or range options means the price, in dollars and cents, agreed upon by the purchaser and seller in the transaction times the multiplier (if applicable) and the number of contracts subject to the Exchange transaction.

Q. [No change.]

R.

Range Interval; Range Length

(1) The term “range length” when used in respect of a range option means the entire length of a specified range of values of the underlying index for which the option pays an exercise settlement amount if the underlying interest value falls within such range at expiration. Range length is analogous to the concept of “exercise price” or “strike price” for other types of options. The term “range interval” when used in respect of a range option means an interval of

values that is used to divide the range length into three segments, the low range, the middle range and the high range. The listing Exchange shall specify the range length and range interval at or before the time a series of range options is first opened for trading.

Range Option

(2) The term “range option” means a European-style, cash-settled option, overlying any index that is eligible for options trading on the listing Exchange, that pays an exercise settlement amount if the underlying interest value falls within the range length of such option at expiration and nothing otherwise. The exercise settlement amount of an in-the-money range option varies depending on where the underlying interest value falls within the range length.

(1) [Renumbered as (3) but otherwise no change.]

Reporting Authority

([2] 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 a class of credit default options or credit default basket options, the occurrence of 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 a credit default option or credit default basket option means the underlying security, index, basket or measure whose underlying interest value is compared to the option’s exercise price to determine whether the option will be automatically exercised. 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 [“underlying interest value”] is not applicable to credit default options and 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 [“unit of trading”] is not applicable to 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 name of the underlying interest, 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 name of 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 Range Options

(3) [No change.]

(c) – (d) [No change.]

Unavailability or Inaccuracy of Final Underlying Interest Value

SECTION 5. (a) If an underlying [equity] security, or one or more component securities 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), did not open or remain open for trading on the primary market(s) (as determined by the Corporation) for such security(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 or index of [equity] securities ("affected series").

(b) Determinations 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 [of binary options] 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. The 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 [expiring series of binary options on the underlying interest ("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 may fix the underlying interest value using: (i) the reported price or value for the relevant 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 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 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

SECTION 2C. (a) The holder of a range option 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 for such option from the Corporation, in accordance with Exchange Rules and the By-Laws and Rules.

(b) The writer of a range option is obligated, upon assignment to such writer of an exercise in respect of such option contract, to pay to the Corporation the exercise settlement amount for the option, in accordance with Exchange Rules and the By-Laws and Rules.

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

Adjustments of Range Options and Binary Options Other than Credit Default Options and Credit Default Basket Options

SECTION 3A. (a) *Binary Options for which the Underlying Interest is an Equity Security.* [No change.]

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

(1) No adjustments will ordinarily be made in the terms of binary options or range options in the event that one or more underlying securities are added to or deleted from the underlying index or when the relative weight of one or more securities in the underlying index is changed. However, if the Securities Committee shall determine in its sole discretion that any such addition, deletion, or change causes significant discontinuity in the level of the underlying index, the Securities Committee may adjust the terms of the affected binary options or range options by adjusting the exercise price (or in the case of range options, the range length) with respect to such contracts or by taking such other action as the Securities Committee in its sole discretion deems fair to both the holders and writers of such contracts.

(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 constituent [equity] securities in the underlying index, or the Securities Committee shall substitute one underlying index for another pursuant to Section 3A(b)(3) of this Article, the Securities Committee shall make such adjustments to the exercise prices of such options or such other adjustments, if any, as the Securities Committee in its sole discretion deems fair to both the holders and the writers of such options.

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 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) If a panel acting pursuant to subsection (a) above delays fixing the underlying interest value for an affected series of options past the last trading day before expiration of that series, the expiration date exercise procedures of (i) in the case of range options, Rules 805 and 1501A, or (ii) in the case of binary options, Rule 1501, shall not apply to expiring [binary] options of the affected series. The exercise settlement date for such options shall be postponed until the business day following the day on which the Corporation announces the underlying interest value. 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 range option contract of an affected series carried in a long position in each account of the Clearing Member if, and only if, the underlying interest value announced by the Corporation results in an exercise settlement amount of \$1.00 or more for such contract or such other amount as the Corporation may establish on not less than 30 days prior notice to all Clearing Members. Range option contracts of an affected series for which the underlying interest value announced by the Corporation results in an exercise settlement amount of less than \$1.00 per contract (or such other amount, if applicable) shall be deemed to have expired unexercised. Expiring series of binary options for which the underlying interest value announced by the Corporation meets the criteria for automatic exercise shall be deemed to have been exercised automatically immediately prior to the expiration time on the expiration date. All other expiring series of binary options on the underlying interest shall be deemed to have expired unexercised.

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 and credit default basket 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[s] for a range option or binary option, even if such value is subsequently revised or determined to have been inaccurate.

* * *

RULES

* * *

CHAPTER XV

Binary Options; Range Options

Introduction

Rules in this Chapter are applicable only to binary options and/or range options (as defined in the By-Laws). 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.

Expiration Date Exercise Procedures for Range Options

RULE 1501A. (a) The expiration date exercise procedures set forth in Rule 805 shall apply to range option contracts except as provided in paragraph (b) of this Rule.

(b) A 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 range option contract listed in the Clearing Member's Expiration Exercise Report, other than a flexibly structured range option contract, that has an exercise settlement value of \$1.00 or more per contract, or such other amount as the Corporation may establish on not less than 30 days prior notice to all 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) An exercise notice in respect of a range option that is deemed to have been properly and irrevocably tendered to the Corporation in accordance with the Rules shall be accepted by the Corporation on the date of tender.

[Rule 1501A supplements Rules 805.]

Assignment and Allocation of Range Option Exercises

RULE 1502A. Exercises accepted by the Corporation in respect of range option contracts shall be assigned and allocated in accordance with Rules 803 and 804, except that Delivery Advices shall not be made available by the Corporation for exercises of range option contracts. In lieu thereof, on the business day immediately following the expiration date, the Corporation shall make available to each Clearing Member a report reflecting all exercises of range options in the accounts of such Clearing Member effected on the expiration date, and all assignments of obligations relating to exercises of range options in the accounts of other Clearing Members to short positions in the accounts of such Clearing Member.

[Rule 1502A supplements Rules 803 and 804.]

Exercise Settlement Date for Binary Options and Range Options

RULE 1503. (a) [No change.]

(b) The exercise settlement date for a range option or a binary option other than a credit default option or a credit default basket shall be the business day following such option's expiration date.

(c) The Corporation may extend or postpone any exercise settlement date for range options or binary options whenever, in its opinion, such action is required in the public interest or to meet unusual conditions.

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

Settlement of Binary Option Exercises and Range Option Exercises

RULE 1504. (a) [No change.]

(b) On each exercise settlement date for binary options, at or before such time as the Corporation may specify, the Corporation shall:

(1) - (2) [No change.]

(3) Make available to each Clearing Member [a report showing] the results of [the netting described herein] all netting procedures specified in these Rules that are applicable to such account (including the netting described in this Rule 1504).

(c) - (e) [No change.]

(f) The foregoing provisions of this Rule shall also apply to the settlement of range option exercises and the margin requirement with respect to exercised and assigned range options.

[Rule 1504 replaces Chapter IX of the Rules and supplements Rules 502 and 607.]

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 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).]

Deposits in Lieu of Margin Prohibited

RULE 1506. Rules 610 and 1801 shall not apply to binary options or range options.

Item 2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors of OCC at a meeting held on December 4, 2007.

Questions regarding the proposed rule change should be addressed to Jean M. Cawley, Senior Vice President and Deputy General Counsel, at (312) 322-6269.

Item 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The purpose of this rule change is to permit OCC to clear and settle range options

proposed to be listed by CBOE.¹ General characteristics of range options are described below, followed by an explanation of the specific rule changes being proposed to clear them.

Description of Range Options. Range options are European-style, cash-settled options that have a payout if the underlying interest value falls within a specific range of values (i.e., the “range length”) at expiration. Range options may be listed on any index eligible for options trading on the listing Exchange.

At the time a series of range options is opened for trading, the listing Exchange will specify the range length. The Exchange will also specify the “range interval,” which is a value (e.g., 10 index points) used to divide the range length into three segments, the “low range,” “middle range” and “high range.” The low range starts from the lower value end of the range length and ends at the position on the range length where the value is one range interval higher. The high range is a segment of equal length located at the higher value end of the range length. The middle range is the segment of values between the low Range and the high Range.

Expiration months for range options would be equivalent to those for options on the same underlying index. The expiration date for a series of range options would be the same as for conventional index options. At expiration, range options would be in the money if the underlying interest value fell anywhere within the range length; otherwise the options would be out of the money.

¹ See SR-CBOE-2007-104 and Amendment No. 1 thereto.

Range options are similar in some respects to binary options. Unlike binary options, however, range options would be of a single type rather than consisting of a put class and a call class. Moreover, the payout structure of range options would not be “all or nothing” throughout the range length. Rather, the payout amount (i.e., the “exercise settlement amount”) would vary depending on where the underlying interest value falls within the range length. At the time a series of range options is opened for trading, the listing Exchange will set a “maximum range exercise value” and a “contract multiplier,” the product of which would be the maximum exercise settlement amount for that series. This maximum exercise settlement amount would be payable if the underlying interest value fell anywhere within the middle range. If the underlying interest value fell within the low range, the exercise settlement amount would, in accordance with applicable Exchange rules, increase from zero to the maximum exercise settlement amount as the underlying interest value increased within the low range. Finally, if the underlying interest value fell within the high range, the exercise settlement amount would, in accordance with applicable Exchange rules, decrease from the maximum exercise settlement amount to zero as the value of the underlying index decreased within the high range. Range options are subject to the “exercise-by-exception” expiration date exercise procedures set forth in applicable OCC Rules.

By-Law and Rule Amendments Applicable to Range Options

1. *Terminology—Article I, Section 1 and Article XIV, Section 1*

OCC proposes to define “range option” in Article XIV, Section 1 of the By-Laws and to cross-reference the definition in Article I of the By-Laws. OCC also proposes to add “range length,” “range interval,” “high range,” “middle range,” and “low range” as new defined terms in Article XIV, Section 1.

OCC proposes to amend the definitions of “option contract” and “type of option” in Article I of the By-Laws to include range options.²

OCC proposes to redefine the term “class” in Article XIV, Section 1 so that it will apply to range options. To be within the same class, range options must cover the same underlying interest.

In respect of range options, OCC proposes to replace the definition of “exercise price” in Article I with a revised definition in Article XIV, Section 1 which clarifies that the exercise price for a series of range options is the range length. The exercise price (i.e., range length) of a range option is not, as defined in Article I, an amount that is paid in exchange for an underlying interest; rather, it is used to determine whether such option is in the money and the exercise settlement amount upon exercise.

OCC proposes to redefine the term “exercise settlement amount” in Article XIV,

² OCC further proposes to remove a provision from the definition of “option contract” which provided that classes of fund shares as designated by OCC would be treated as non-equity securities for purposes of Article VIII and Chapters VI and X of the Rules. Such provision is no longer necessary because STANS, OCC’s margin system, covers options on both equity and non-equity securities. See Release No. 34-53322 (February 15, 2006)

Section 1 so that it will apply to range options. When used in respect of range options, exercise settlement amount means the amount of cash to be paid to the holder of an in-the-money option upon exercise. As described above, the exercise settlement amount will be the function of a maximum range exercise value and a contract multiplier, and will vary depending on where the underlying interest value falls within the range length at expiration. The manner in which the exercise settlement amount varies along the range length is set forth in applicable listing Exchange rules.

Other defined terms in Article XIV that were created for binary options are proposed to be modified accordingly so that they will apply to range options.

2. *Terms of Cleared Contracts—Article VI, Section 10(f)*

OCC proposes to add a new paragraph (f) in Article VI Section 10 to clarify that the listing Exchange will specify the variable terms for each series of range options at or before the time such series is first opened for trading.

3. *General Rights and Obligations—Article XIV, Section 2C*

OCC proposes to add a new section 2C to Article XIV to define the general rights and obligations of holders and writers of range options. As noted above, range options are subject to the exercise-by-exception procedures set forth in applicable OCC Rules. The holder of an exercised range option has the right to receive the exercise settlement amount from OCC, and the assigned writer has the obligation to pay that amount to OCC.

4. *Adjustments of Range Options—Article XIV, Section 3A(b); Unavailability or Inaccuracy of Final Underlying Interest Value—Article XIV, Section 5; Determination of Final Underlying Interest Value—Article XIV, Section 6;*

Article XIV, Section 3A(b) governs adjustments of binary options (other than credit default options and credit default basket options) for which the underlying interest is an index of securities. OCC believes that such procedures are sufficient to support adjustments of range options. Therefore, OCC proposes to amend Section 3A(b) so that it will apply to range options as well. OCC also proposes to amend Article XIV, Section 5 to give OCC the authority to fix the underlying interest value for an expiring series of range options, and to rely on that value for determining whether such options are in the money. Additional changes are proposed to be made to Section 5 to reflect the fact that range options are subject to the exercise-by-exception procedures set forth in Rule 805 and applicable Rules in Chapter XV. Finally, Article XIV, Section 6 is proposed to be amended to provide that, as with binary options, the underlying interest value of a series of range options will be determined by the Exchange or Exchanges on which such options are traded, subject to any overriding provision of OCC's By-Laws and Rules. If a series of range options is traded on more than one Exchange, OCC may use the underlying interest value received from the Exchange deemed by OCC to be the principal Exchange, or OCC may employ a procedure to derive a single value based on some or all of the values received.

For purposes of deleting surplus words, OCC proposes to delete the word

“equity” from Sections 3(A)(b)(2) and 5(a).

5. *Exercise and Settlement—Rule 1501A, 1502A and 1503-1505*

Range options will be subject to the exercise-by-exception procedures applicable to most other options under OCC Rules. Proposed procedures for exercise of in-the-money range options, as well as assignment and settlement of exercises (including provisions applicable to suspended Clearing Members), are set forth in amended Rules and new Rules in Chapter XV.

6. *Deposits in Lieu of Margin Prohibited—Rule 1506*

Escrow deposits will be prohibited for range options as well as binary 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 are designed to promote the prompt and accurate clearance and settlement of transactions in, including exercises of, range options, and to foster cooperation and coordination with persons engaged in the clearance and settlement of such transactions, to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of such transactions, and, in general, to protect investors and the public interest. They accomplish this purpose by applying substantially the same rules and procedures to these transactions as OCC applies to similar transactions in other cash-settled options except to the extent that special rules and procedures are required in order to accommodate unique

features of range options. The proposed rule change is not inconsistent with the existing rules of OCC, including any rules proposed to be amended.

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

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

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

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

Item 6. Extension of Time Period for Commission Action

OCC does not consent to an extension of the time period specified in Section 19(b)(2) of the Securities Exchange Act of 1934.

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

OCC requests that the Commission accelerate the effectiveness of this filing.

OCC believes there is good cause for such accelerated effectiveness because the Commission has

already approved CBOE's rule filing permitting the listing of range options,³ but CBOE will not be able to commence trading range options until OCC's rule change is approved. However, OCC will delay implementation of this rule change until distribution of a supplement to the options disclosure document, Characteristics and Risks of Standardized Options, addressing range options.

Item 8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission

Not applicable.

Item 9. Exhibits

Exhibit 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.

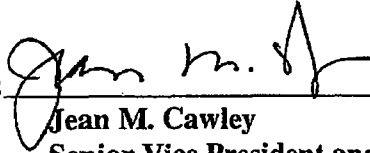
³ See Release No. 34-57376 (February 25, 2008).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, The Options Clearing Corporation has caused this filing to be signed on its behalf by the undersigned hereunto duly authorized.

THE OPTIONS CLEARING CORPORATION

By:

A handwritten signature in black ink, appearing to read "Jean M. Cawley", is written over a horizontal line. The signature is stylized and cursive.

**Jean M. Cawley
Senior Vice President and
Deputy General Counsel**