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THE OPTIONS CLEARING CORPORATION OF THE SECRETARIAT  
CORPORATION

July 24, 2008

**VIA E-MAIL**

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

**Re: Rule Filing SR-OCC-2008-16 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 or may otherwise be implemented under the Exchange Act. No substantive opposing views were expressed to OCC by governing board or committee members, clearing members of OCC, or market participants, that were not incorporated into the rule.

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

JEAN M. CAWLEY

SENIOR VICE PRESIDENT AND DEPUTY GENERAL COUNSEL

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

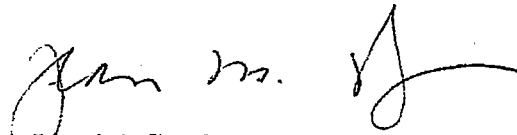
JCAWLEY@THEOCC.COM WWW.OPTIONSCLEARING.COM



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

Sincerely,

  
Jean M. Cawley

Attachments

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

OCC-2008-16 cftc.ltr

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

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Form 19b-4

Proposed Rule Change  
by

THE OPTIONS CLEARING CORPORATION

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

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

The Options Clearing Corporation (“OCC” or the “Corporation”) proposes to amend Section 11A(c) of Article VI of its By-Laws to modify provisions that determine whether outstanding stock options will be adjusted to reflect special cash dividends. Material proposed to be added to OCC’s By-Laws as currently in effect is underlined.

**THE OPTIONS CLEARING CORPORATION**

**BY-LAWS**

\* \* \*

**ARTICLE VI**

**CLEARANCE OF EXCHANGE TRANSACTIONS**

\* \* \*

SECTION 11A.

(a) – (c)(i). [No change]

(ii) with respect to events announced on or after February 1, 2009, there will be no adjustment to reflect (x) ordinary distributions by the issuer of the underlying security or (y) any cash dividend or distribution by the issuer of the underlying security if such dividend or distribution is less than \$12.50 per contract; provided, however, that (I) if an option contract has been previously adjusted to cover a different number of shares than a standard-size option contract and if a corresponding standard-size option contract also exists, such previously adjusted option contract will be adjusted only if the corresponding standard-size option contract is also adjusted, and (II) for purposes of this Section 11A, a “corresponding standard-size option contract” means a contract covering 100 shares or such other number of shares as may have been designated by an Exchange as underlying the previously adjusted option contract prior to any adjustments pursuant to this Section 11A; and

(iii) [No change]

(d) – (j) [No change]

\* \* \*

**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 May 9, 2008.

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 the proposed rule change is to mitigate inconsistencies that may result under the current policy for adjusting stock option contracts. In February 2007, the Commission approved rule change SR-OCC-2006-01, which amended Section 11A of Article VI of the OCC By-Laws governing adjustments to options in response to cash dividends or distributions. Under the new adjustment policy, cash dividends paid by a company otherwise than pursuant to a policy or practice of paying dividends on a quarterly or other regular basis would be deemed "special" and would normally trigger a contract adjustment provided the value of the adjustment is at least \$12.50 per option contract. This new adjustment policy will become effective for cash dividends announced on or after February 1, 2009.

However, certain inconsistencies may result when the threshold of "\$12.50 per option contract" is applied to all options on the affected underlying security. For example, if a

\$.10 special cash dividend is declared, the standard-size 100 share option would not be adjusted (because the value is less than \$12.50). However, a previously adjusted 150 share option (reflecting a 3 for 2 split) would be adjusted (because the value is \$15 per contract). Adjusting some but not all options of the same class in response to the same dividend event, especially if the 100 share option is not adjusted, could be confusing to investors, and OCC's Securities Committee (consisting of representatives of each of the options exchanges, as well as OCC) determined that this potential confusion should be avoided.

OCC considered modifying the threshold to specify \$.125 per share instead of \$12.50 per contract. This approach would address all standard-size (100 share) contracts that currently exist, plus adjusted contracts that come into existence in response to splits, etc. However, exchanges have proposed to introduce "maxi" size contracts. Applying the same per share threshold to a 1,000 and 100 share option could sometimes result in significant value being left on the table in the case of the 1,000 share option. Taking the same example of a \$.10 per share special dividend, neither option would be adjusted if the threshold were \$.125 per share. This would result in a loss of only \$10 per contract for the 100 share option, but the loss would be \$100 per contract for the 1,000 share option. For this reason, a per share threshold is not being proposed.

Greater consistency across contracts of varying sizes can be achieved by retaining the \$12.50 per contract threshold in all cases, but also adding a qualification specifying that if a corresponding standard-size contract exists on the underlying security, previously adjusted contracts will be adjusted only if the corresponding standard-size contract is also adjusted. For example, if a 100 share option and a 150 share option (previously adjusted for a 3 for 2 split)

exist, the 150 share option would be adjusted for a special cash dividend *only* if the 100 share standard option would also be adjusted for that dividend. Stated differently, OCC proposes to refer back to the *pre-adjustment* standard-size option (if any exist) in deciding whether or not to adjust a previously adjusted option. Thus a 150 share option that was derived from a 100 share option as a result of a 3 for 2 split would be referred back to the 100 share option. A 1,500 share option (previously adjusted for a 3 for 2 split) would be referred back to the 1,000 share option (the "standard" size option for a "maxi" contract). Thus, the qualification specifies "only if the *corresponding* standard-size option contract is also adjusted." [Emphasis added.]

This qualification achieves greater consistency because in most cases all contracts on the same underlying security would be adjusted if the 100 share contract is adjusted. But the qualification does also allow a 1,000 share "standard" contract to be adjusted independently of a 100 share contract. Also, it could happen that an adjusted contract exists but *not* the corresponding standard contract. Or a contract calling for delivery of fewer than 100 shares may exist (e.g., as a result of a spinoff adjustment). In these cases, the qualification would be inapplicable and a straightforward application of the \$12.50 threshold would determine whether an adjustment would be made. The following are examples of the qualification to the \$12.50 per contract threshold.

**(A) If a corresponding standard size contract exists:**

Shares	Contract	Dividend		Dividend	
		\$09		\$13	
		\$Value	Adjust?	\$Value	Adjust?
100	Standard	9.00	NO	13.00	YES
133	4/3 split	11.97	NO	17.29	YES
150	3/2 split	13.50	NO	19.50	YES
10	Spinoff	0.90	NO	1.30	NO
177	Merger	15.93	NO	23.01	YES
1000	Standard	90.00	YES	130.00	YES
1500	3/2 split	135.00	YES	195	YES

Shares	Contract	Dividend		Dividend	
		\$02		\$01	
		\$Value	Adjust?	\$Value	Adjust?
100	Standard	2.00	NO	1.00	NO
133	4/3 split	2.66	NO	1.33	NO
150	3/2 split	3.00	NO	1.50	NO
10	Spinoff	0.20	NO	0.10	NO
177	Merger	3.54	NO	1.77	NO
1000	Standard	20.00	YES	10.00	NO
1500	3/2 split	30.00	YES	15.00	NO

**(B) If the 100 share standard size contract does *not* exist:**

Shares	Option	Dividend		Dividend	
		\$09		\$13	
		\$Value	Adjust?	\$Value	Adjust?
133	4/3 split	11.97	NO	17.29	YES
150	3/2 split	13.50	YES	19.50	YES
10	Spinoff	0.90	NO	1.30	NO
177	Merger	15.93	YES	23.01	YES
1000	Standard	90.00	YES	130.00	YES
1500	3/2 split	135.00	YES	195	YES



The new adjustment policy approved in rule change SR-OCC-2006-01 will take effect beginning with dividends announced on and after February 1, 2009 and this proposed rule change is intended to be take effect therewith. These changes will not be implemented until the exchanges have conducted appropriate educational efforts and definitive copies of an appropriate supplement to the options disclosure document, *Characteristics and Risks of Standardized Options*, are available for distribution.

\* \* \*

The proposed rule change is consistent with the purposes and requirements of Section 17A of the Exchange Act because it is designed to promote the prompt and accurate clearance and settlement of transactions in securities options, 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. It accomplishes this purpose by reducing inconsistencies in the adjustment of stock option contracts. The proposed rule change is not inconsistent with the existing By-Laws and 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 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 has been received.

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

OCC does not consent to an extension of the time period for Commission action on the proposed rule change. OCC will not implement this rule change until definitive copies of an appropriate supplement to the options disclosure document, *Characteristics and Risks of Standardized Options*, are available for distribution.

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

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.

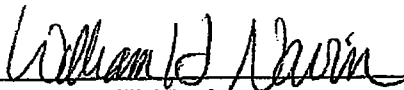
**Item 9. Exhibits**

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:  \_\_\_\_\_  
**William H. Navin**  
**Executive Vice President**  
**and General Counsel**