



THE OPTIONS CLEARING
CORPORATION

July 30, 2008

OFFICE OF THE SECRETARIAT

2008 JUL 30 PM 5:14

RECEIVED
C.F.T.C.

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-2008-17 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

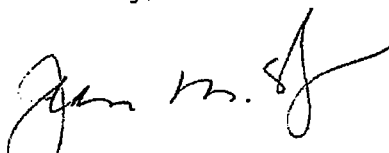
JCAWLEY@THEOCC.COM WWW.OPTIONSCLEARING.COM



Mr. David A. Stawick
Page Two
July 30, 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-2008-17 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 options on realized variance and volatility indexes, The Options Clearing Corporation (“OCC” or the “Corporation”) proposes to amend and supplement its By-Laws as set forth below. Material proposed to be added is underlined, and material proposed to be deleted is enclosed in bold brackets.

THE OPTIONS CLEARING CORPORATION**BY-LAWS**

* * *

ARTICLE XVII**Index Options****Introduction**

By-Laws in this Article are applicable only to options where the underlying [securities]interests are [index groups]indexes. In addition, the By-Laws in Articles I-XI are also applicable to such 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. – H. [No change]

I.

Index Security

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

(2) – (3) [No change]

J. – Q. [No change]

R.

Reference Index

(1) The term "reference index" means a "reference variable" (as defined in Article I of the By-Laws) that is an index.

Reporting Authority

[(1)] (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 index or reference index.

S. – Z. [No change]

* * *

Adjustments

SECTION 3. (a) [No change]

(b) No adjustments will ordinarily be made in the terms of index option contracts in the event that [underlying] index securities are added to or deleted from the [index group]underlying index or reference index or when the relative weight of one or more [underlying] such index securities [in the index group] 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 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) If an Exchange shall increase or decrease the index multiplier for any index option contract, or the reporting authority shall change the method of calculation of an underlying index or reference 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] index securities [in the index], or the

Corporation shall substitute one underlying index or reference index for another pursuant to paragraph (d) of this Section 3, the Corporation shall make such adjustments in the number of outstanding affected options or the exercise prices of such options or such other adjustments, if any, as the Corporation in its sole discretion deems fair to both the holders and the writers of such options.

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

(e) [No change]

Unavailability or Inaccuracy of Current Index Value

SECTION 4. (a) If the Corporation shall determine that the primary market(s) (as determined by the Corporation) for one or more [component] index securities [of an index] did not open or remain open for trading (or that any such security or securities 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) – (3) [No change]

(b) [No change]

...Interpretations and Policies: [No change]

Time for Determination of Current Index Value

SECTION 5. (a) An Exchange may provide by rule that the current index value for the index [group] underlying any class of index options traded on such Exchange,

either generally or on particular trading days, shall be determined by reference to the reported level of such index at a time or times other than the close of trading. Any such Exchange rule shall supersede any contrary provision in Section 1 C.(5) of this Article.

(b) [No change]

Item 2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors of OCC at a meeting held on May 20, 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 this rule change is to permit OCC to clear and settle options on the realized variance and realized volatility of an index. Such options are referred to respectively as "realized variance options" and "realized volatility options," and collectively as "realized variance/volatility options." The Chicago Board Options Exchange ("CBOE") has proposed to trade realized variance/volatility options on the S&P 500. *See* SR-CBOE-2008-031 and Release No. 34-58171 (July 16, 2008). This rule change will permit OCC to clear these options as well as any other realized variance/volatility options proposed to be traded by an exchange for which OCC provides clearing services.

OCC currently clears options traded by CBOE on the CBOE S&P 500 Volatility Index, the CBOE Nasdaq 100 Volatility Index, the CBOE Dow Jones Industrial Volatility Index and the CBOE Russell 2000 Volatility Index, each of which measures the implied volatility of

the applicable stock index by deriving implied volatilities using real-time bid/ask quotations for options on the reference index. These indexes measure the predicted future volatility of the reference index. The underlying index for a *realized* variance/volatility option, in contrast, measures the actual historical variability of an index for a specified period.

The realized volatility/variance options described herein would be cleared by OCC under the same basic rules that apply to other index options. For purposes of the clearing process, the nature of the underlying index is largely irrelevant because the same basic procedures are applicable to clearance and settlement of all index options. The rule changes proposed in this filing would add additional terms specifically applicable to realized volatility/variance options and clarify how certain provisions would be applied to such options. In addition, the proposed rule changes are intended to provide guidance as to which options products are subject to the provisions of Article XVII of the By-Laws and Chapter XVIII of the Rules and to create greater consistency in the use of defined terms.

By-Law Amendments Applicable to Realized Variance/Volatility Options

In order to alleviate any confusion regarding what types of products are covered by Article XVII of OCC's By-Laws and Chapter XVIII of OCC's Rules, OCC proposes to add language to the introductory paragraph of Article XVII explicitly stating that it (and Chapter XVIII of the Rules) is applicable to 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. To accommodate realized variance/volatility options, OCC proposes to add a defined term "reference index," which is used to refer to the index whose volatility or variance is measured by the underlying variance or volatility index.

The new term is defined by cross-reference to the more general term “reference variable” that is defined in Article I of the By-Laws. OCC proposes to amend the definition of “index security” in Article XVII, Section 1 of the By-Laws to include securities included in a reference index, as well as securities included in an underlying index. The term “reporting authority” would also be amended to encompass the official source for a reference index.

Article XVII, Section 3(b) would be amended to replace the term “underlying securities” with the defined term “index securities” in two places in order to improve the consistency of terminology within the By-Laws and Rules. For the same reason, the term “index group” would be deleted from the Introduction, Section 3(b), and Section 5(a), as it is not used elsewhere in Article XVII.

Similarly, OCC is proposing to amend Section 3(c) of Article XVII of the By-Laws to use the defined term “index securities” rather than the undefined term “constituent securities.”¹ The term “reference index” is also included in this paragraph to clarify that OCC has the ability to modify outstanding index options if the index securities of either the underlying index or the reference index are changed in a manner which creates a discontinuity in the underlying index. OCC is also proposing to modify Article XVII, Section 3(d) of the By-Laws to provide that OCC has the authority to substitute a successor index for a reference index under the same circumstances under which it may substitute a successor index for an underlying index.

* * *

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, as amended, because they

¹ A comparable change is being made to Section 4(a) of Article XVII. In this instance, however, “index securities” is used instead of “component securities” of an index.

are designed to promote the prompt and accurate clearance and settlement of transactions in, including exercises of, realized variance/volatility 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 index 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 for Commission action on the proposed rule change.

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 CBOE's rule filing for realized variance/volatility options has been approved by the Commission, but CBOE will not be able to commence trading realized variance/volatility 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 realized/variance volatility options.

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

Not applicable.

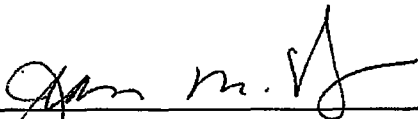
Item 9. Exhibits

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

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: 

Jean M. Cawley
Senior Vice President and
Deputy General Counsel