



September 12, 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-2012-16 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 Commodity Futures Trading Commission (the “CFTC” or “Commission”) Regulation 40.6. The date of implementation of the rule is the later of 10 business days following receipt of the rule filing by the CFTC hereof or the date the proposed rule is approved by the Securities and Exchange Commission (the “SEC”) or otherwise becomes effective under the Securities Exchange Act of 1934 (the “Exchange Act”). This rule filing has been, or is concurrently being, submitted to the SEC under the Exchange Act. The text of the amended rule filing 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**

The purpose of the proposed rule change is to accommodate recently proposed equity options that have a unit of trading of 10 shares (“mini options”).<sup>1</sup> OCC proposes to amend its By-Law provision that sets forth the minimum amount of a cash dividend or distribution (“Distribution”) on an underlying equity security that will result in an adjustment of outstanding options on such equity security.

The International Securities Exchange and NYSE Arca recently filed proposed rule changes with the Securities and Exchange Commission (“Commission”) to list and trade mini options on a select number of liquid, high-priced and actively traded securities. Mini options are

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<sup>1</sup> No other changes to OCC’s rules are needed to clear mini options as the definition of “unit of trading” in Article I of OCC’s By-Laws is sufficiently flexible to permit OCC to designate a unit of trading other than the standard 100 shares for particular series or classes of options. Similarly, OCC’s risk management systems will take the number of underlying shares into consideration.

intended to expand choices available to participants in the options markets.<sup>2</sup> Other than for the difference in the unit of trading, mini options would have the same terms, use, and characteristics of standard equity options that cover 100 shares (“Standard Options”).

Under OCC’s By-Laws, equity options may be adjusted upon the occurrence of certain corporate actions, including Distributions. Currently, OCC’s By-Laws stipulate that a Distribution must be in excess of \$12.50 *per contract* in order for OCC to consider adjusting any type of option contract. However, some Distributions would exceed the adjustment threshold in the case of Standard Options but would not exceed the adjustment threshold in the case of a mini option because the per contract Distribution on the mini option would be only 1/10<sup>th</sup> of the Distribution on the Standard Option and the adjustment threshold is stated on a *per contract* basis rather than a *per share* basis. OCC does not believe that this result is appropriate given that mini options are intended to be identical to Standard Options, but for the unit of trading.

Instead, OCC believes that it is appropriate to design an adjustment policy such that a Distribution that would result in an adjustment on a Standard Option would also result in an adjustment on a mini option. Moreover, the exchanges proposing to list mini options, as well as OCC clearing members, have expressed a preference for OCC to design an adjustment policy under which OCC makes consistent and parallel adjustments to both mini options and Standard Options. Therefore, OCC is proposing to amend the adjustment threshold in Article VI, Section 11A of OCC’s By-Laws to \$.125 *per share* from \$12.50 *per contract*.

Furthermore, OCC does not intend for the rule change to affect options contracts that were originally listed with units of trading in excess of 100 shares. This determination was made by the Securities Committee<sup>3</sup> because using a threshold of \$.125 per share for all option contracts would mean that OCC might not adjust an option contract that has a unit of trading of 1,000 shares for certain Distributions even though such a Distribution may represent a significant dollar amount on a per contract basis.<sup>4</sup> For example, in the case of an option contract with a unit of trading of 1,000 shares, a Distribution of \$.12 per share would not trigger an adjustment even though the amount of the Distribution would be \$120 on a single 1,000 share contract—far in excess of the existing \$12.50 per contract *de minimis* threshold. To address this adjustment issue, OCC is proposing to retain the existing adjustment threshold of \$12.50 per contract in Article VI, Section 11A of its By-Laws for options contracts which were originally listed in share amounts greater than 100 shares.

Deletions are indicated by bold brackets.

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<sup>2</sup> Securities Exchange Act Release Nos. 67284 (June 27, 2012), 77 FR 39545 (July 3, 2012) (SR-ISE-2012-58); 67283 (June 27, 2012), 77 FR 39535 (July 3, 2012) (SR-NYSE Arca-2012-64). For example, mini options are proposed to be listed on SPY (SPDR S&P 500), GLD (SPDR Gold Trust) and AAPL (Apple, Inc.).

<sup>3</sup> The Securities Committee is authorized under OCC By-Law Article VI Section 11(a) to determine contract adjustments in particular cases and to formulate adjustment policy or interpretations having general applicability. The Securities Committee is comprised of representatives of OCC’s participant options exchanges and authorized representatives of OCC.

<sup>4</sup> OCC has rules to accommodate options with a unit of trading of 1,000 shares, although no such options currently trade.

Opposing Views

No opposing views were expressed related to the rule amendments.

Notice of Pending Rule Certification

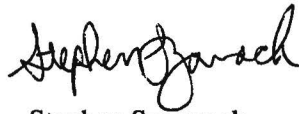
OCC hereby certifies that notice of this rule filing has been given to Clearing Members of OCC in compliance with Regulation 40.6(a)(2) by posting a copy of the submission on OCC's website concurrently with the filing of this submission.

Certification

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

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

Sincerely,



Stephen Szarmack

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 amend its by-laws and rules as set forth below. The purpose of the proposed rule change is to accommodate recently proposed equity options that have a unit of trading of 10 shares. Material proposed to be added is marked by underlining. Material proposed to be deleted is enclosed in brackets.

**THE OPTIONS CLEARING CORPORATION****BY-LAWS**

\* \* \*

**ARTICLE VI****Clearance of Exchange Transactions**

\* \* \*

SECTION 11A. [no change]

(a) – (c) [no change]

(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]0.125 per share[contract] provided that, in the case of a contract that is originally listed with a unit of trading larger than 100 shares, the applicable threshold shall be \$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]

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**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 July 24, 2012.

Questions regarding the proposed rule change should be addressed to Stephen Szarmack, Vice President and Associate General Counsel, at (312) 322-4802.

**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 accommodate recently proposed equity options that have a unit of trading of 10 shares (“mini options”).<sup>1</sup> OCC proposes to amend its By-Law provision that sets forth the minimum amount of a cash dividend or distribution (“Distribution”) on an underlying equity security that will result in an adjustment of outstanding options on such equity security.

The International Securities Exchange and NYSE Arca recently filed proposed rule changes with the Securities and Exchange Commission (“Commission”) to list and trade

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<sup>1</sup> No other changes to OCC’s rules are needed to clear mini options as the definition of “unit of trading” in Article I of OCC’s By-Laws is sufficiently flexible to permit OCC to designate a unit of trading other than the standard 100 shares for particular series or classes of options. Similarly, OCC’s risk management systems will take the number of underlying shares into consideration.

mini options on a select number of liquid, high-priced and actively traded securities. Mini options are intended to expand choices available to participants in the options markets.<sup>2</sup> Other than for the difference in the unit of trading, mini options would have the same terms, use, and characteristics of standard equity options that cover 100 shares (“Standard Options”).

Under OCC’s By-Laws, equity options may be adjusted upon the occurrence of certain corporate actions, including Distributions. Currently, OCC’s By-Laws stipulate that a Distribution must be in excess of \$12.50 *per contract* in order for OCC to consider adjusting any type of option contract. However, some Distributions would exceed the adjustment threshold in the case of Standard Options but would not exceed the adjustment threshold in the case of a mini option because the per contract Distribution on the mini option would be only 1/10<sup>th</sup> of the Distribution on the Standard Option and the adjustment threshold is stated on a *per contract* basis rather than a *per share* basis. OCC does not believe that this result is appropriate given that mini options are intended to be identical to Standard Options, but for the unit of trading.

Instead, OCC believes that it is appropriate to design an adjustment policy such that a Distribution that would result in an adjustment on a Standard Option would also result in an adjustment on a mini option. Moreover, the exchanges proposing to list mini options, as well as OCC clearing members, have expressed a preference for OCC to design an adjustment policy under which OCC makes consistent and parallel adjustments to both mini options and Standard Options. Therefore, OCC is proposing to amend the adjustment threshold in Article VI, Section 11A of OCC’s By-Laws to \$.125 *per share* from \$12.50 *per contract*.

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Furthermore, OCC does not intend for the rule change to affect options contracts that were originally listed with units of trading in excess of 100 shares. This determination was made by the Securities Committee<sup>3</sup> because using a threshold of \$.125 per share for all option contracts would mean that OCC might not adjust an option contract that has a unit of trading of 1,000 shares for certain Distributions even though such a Distribution may represent a significant dollar amount on a per contract basis.<sup>4</sup> For example, in the case of an option contract with a unit of trading of 1,000 shares, a Distribution of \$.12 per share would not trigger an adjustment even though the amount of the Distribution would be \$120 on a single 1,000 share contract—far in excess of the existing \$12.50 per contract *de minimis* threshold. To address this adjustment issue, OCC is proposing to retain the existing adjustment threshold of \$12.50 per contract in Article VI, Section 11A of its By-Laws for options contracts which were originally listed in share amounts greater than 100 shares.

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OCC believes the proposed rule change is consistent with Section 17A of the Securities Exchange Act of 1934 (“Act”)<sup>5</sup> and the rules and regulations thereunder because the proposed modifications would help assure that the By-Laws and Rules of OCC are designed to perfect the mechanism of a national system for the prompt and accurate clearance and settlement

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<sup>3</sup> The Securities Committee is authorized under OCC By-Law Article VI Section 11(a) to determine contract adjustments in particular cases and to formulate adjustment policy or interpretations having general applicability. The Securities Committee is comprised of representatives of OCC’s participant options exchanges and authorized representatives of OCC.

<sup>4</sup> OCC has rules to accommodate options with a unit of trading of 1,000 shares, although no such options currently trade.

<sup>5</sup> 15 U.S.C. 78q-1.



of securities transactions<sup>6</sup> by allowing options with a unit of trading that is less than 100 shares to be adjusted in response to any Distribution that would result in an adjustment of Standard Options while maintaining an appropriate *de minimis* threshold for options with units of trading that are larger than Standard Options.

**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 not necessary or appropriate in furtherance of the purposes of the Act.

**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.

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<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).

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

Not applicable. The rule change will not be implemented until distribution of an amendment to the Options Disclosure Document designed to accommodate mini options has been commenced.

**Item 8. Proposed Rule Change Based on Rules for 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:   
\_\_\_\_\_  
**Stephen M. Szarmack**  
**Vice President and**  
**Associate General Counsel**

**SECURITIES AND EXCHANGE COMMISSION**  
(Release No. 34-\_\_\_\_\_); File No. SR-OCC-2012-16)

**September 12, 2012**

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change to accommodate recently proposed equity options that have a unit of trading of 10 shares (“mini options”).

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder<sup>2</sup> notice is hereby given that on September 12, 2012, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared primarily by OCC. 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**

OCC proposes to accommodate recently proposed equity options that have a unit of trading of 10 shares (“mini options”).

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

In its filing with the Commission, OCC 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. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

the most significant aspects of these statements.

(A) **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 accommodate recently proposed equity options that have a unit of trading of 10 shares ("mini options").<sup>3</sup> OCC proposes to amend its By-Law provision that sets forth the minimum amount of a cash dividend or distribution ("Distribution") on an underlying equity security that will result in an adjustment of outstanding options on such equity security.

The International Securities Exchange and NYSE Arca recently filed proposed rule changes with the Securities and Exchange Commission ("Commission") to list and trade mini options on a select number of liquid, high-priced and actively traded securities. Mini options are intended to expand choices available to participants in the options markets.<sup>4</sup> Other than for the difference in the unit of trading, mini options would have the same terms, use, and characteristics of standard equity options that cover 100 shares ("Standard Options").

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<sup>4</sup> Securities Exchange Act Release Nos. 67284 (June 27, 2012), 77 FR 39545 (July 3, 2012) (SR-ISE-2012-58); 67283 (June 27, 2012), 77 FR 39535 (July 3, 2012) (SR-NYSE Arca-2012-64). For example, mini options are proposed to be listed on SPY (SPDR S&P 500), GLD (SPDR Gold Trust) and AAPL (Apple, Inc.).

option because the per contract Distribution on the mini option would be only 1/10<sup>th</sup> of the Distribution on the Standard Option and the adjustment threshold is stated on a *per contract* basis rather than a *per share* basis. OCC does not believe that this result is appropriate given that mini options are intended to be identical to Standard Options, but for the unit of trading.

Instead, OCC believes that it is appropriate to design an adjustment policy such that a Distribution that would result in an adjustment on a Standard Option would also result in an adjustment on a mini option. Moreover, the exchanges proposing to list mini options, as well as OCC clearing members, have expressed a preference for OCC to design an adjustment policy under which OCC makes consistent and parallel adjustments to both mini options and Standard Options. Therefore, OCC is proposing to amend the adjustment threshold in Article VI, Section 11A of OCC's By-Laws to \$.125 *per share* from \$12.50 *per contract*.

Furthermore, OCC does not intend for the rule change to affect options contracts that were originally listed with units of trading in excess of 100 shares. This determination was made by the Securities Committee<sup>5</sup> because using a threshold of \$.125 per share for all option contracts would mean that OCC might not adjust an option contract that has a unit of trading of 1,000 shares for certain Distributions even though such a Distribution may represent a significant dollar amount on a per contract basis.<sup>6</sup> For example, in the case of an option contract with a unit of trading of 1,000 shares, a Distribution of \$.12 per share would not trigger an adjustment even though the amount of the Distribution would be \$120 on a single 1,000 share contract—far in

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excess of the existing \$12.50 per contract *de minimis* threshold. To address this adjustment issue, OCC is proposing to retain the existing adjustment threshold of \$12.50 per contract in Article VI, Section 11A of its By-Laws for options contracts which were originally listed in share amounts greater than 100 shares.

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

OCC does not believe the proposed rule change would impose any burden on Competition not necessary or appropriate in furtherance of the Act.

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

No written comments were solicited or received with respect to the proposed rule change.

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 up to 90 days (i) as the Commission may designate 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 or disapprove the proposed rule change or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

**Electronic Comments:**

- Use the Commissions 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-2012-16 on the subject line.

**Paper Comments:**

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

All submissions should refer to File Number SR-OCC-2012-16. 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 website (<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 website viewing and printing in the Commission's Public Reference Section, 100 F Street, N.E., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of OCC and on OCC's website at <http://www.theocc.com/about/publications/bylaws.jsp>.



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-2012-16 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Trading and Markets, pursuant to delegated Authority.<sup>7</sup>

**Kevin M. O'Neill**  
**Deputy Secretary**

Action as set forth recommended herein

APPROVED pursuant to authority delegated by  
the Commission under Public Law 87-592.

For: Division of Trading and Markets

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

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<sup>7</sup> CFR 200.30-3(a)(12).