OCC

November 13, 2012

VIA ELECTRONIC MAIL

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

Re: Rule Filing SR-OCC-2012-21 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 adopt certain interpretations under existing OCC Rules 608 and 609 in order to place clearing members on notice of situations in which OCC may exercise existing authority to reject a margin withdrawal request, or to make an intra-day margin call, including where a clearing member's projected settlement obligations could exceed OCC's available liquidity resources. For this purpose OCC would consider as liquidity resources only margin assets in the form of cash. In its sole discretion, OCC might also consider margin assets in the form of U.S. Government securities, which could be quickly converted to cash, and/or amounts that OCC would be able to borrow on short notice under its credit facility or otherwise.

Rule 609 provides that "[OCC] may require the deposit of such additional margin by any Clearing Member in any account at any time during any business day, as such officer deems advisable to . . . protect [OCC], other Clearing Members or the general public." Rule 609 further provides that such intra-day margin calls must be satisfied in immediately available funds within one hour (or other prescribed time frame) after the issuance of the call. Ordinarily, clearing members are permitted to substitute other acceptable forms of margin assets to replace cash collected via an intra-day margin call. If a sufficient amount of such assets has been deposited to meet the clearing member's then current margin requirement, the clearing member may make a request to withdraw any excess margin pursuant to Rule 608. The return of specific excess margin assets, including cash, also may be requested, subject to the Rule's limitation that no clearing member may withdraw margin in any form or currency in excess of the amount of margin of that form or currency deposited in the clearing member's account from which the withdrawal is to be made. However, Rule 608 also provides that "[OCC] may, if it deems advisable for any of the reasons described in Rule 609, reject any such withdrawal request." Accordingly, in the event OCC determines that such actions are necessary for the protection of OCC, other clearing members or the general public, OCC may require a clearing member to deposit additional margin in the form of cash through an intra-day margin call and preclude the withdrawal of some or all of such assets from OCC's system.

OCC wishes to put clearing members on notice of certain specific circumstances in which OCC may take such actions under Rule 608 and 609 by adopting a similar interpretation under each Rule. Specifically, OCC wishes to state expressly that it may refuse a margin withdrawal request or request additional intra-day margin where a clearing member's future settlement obligations could result in a need for liquidity in excess of available liquidity resources. Such action might be taken even though OCC has made no adverse determination as to the financial condition of the clearing member, the market risk of the clearing member's positions, or the adequacy of the clearing member's total overall margin deposited in the accounts in question.

A circumstance in which OCC might desire to reject a margin withdrawal request or make an intra-day margin call to ensure that it had sufficient liquidity in connection with a pending settlement obligation involves the "unwinding" of a "box spread" position. A box spread position involves a combination of two long and two short options on the same underlying interest with the same expiration date that result in an amount to be paid or received upon settlement that is fixed regardless of fluctuations in the price of the underlying interest. Box spreads can be used as financing transactions, and they may require very large fixed payments upon expiration. In this situation, if much of the margin deposited by the relevant clearing member is in the form of common stock and if the clearing member failed to make the settlement payment, the available liquidity resources might be insufficient to cover the settlement obligation.

In anticipation of this settlement, OCC might therefore require the clearing member to deposit intra-day margin in the form of cash, or reject a requested withdrawal of cash or U.S. Government securities, so that liquidity resources would be sufficient to cover the clearing member's settlement obligations. Under the proposed interpretations, OCC would always include margin assets of the relevant clearing member in the form of cash in determining available liquidity resources and could, in its discretion, consider the amount of margin assets in the form of highly liquid U.S. Government securities and/or the amount that OCC would be able to borrow on short notice. The proposed interpretations make it clear that OCC might exercise its authority under these Rules to address liquidity needs.

The proposed rule change is designed to explicitly state that OCC may reject a request for withdrawal of margin or may make an intra-day margin call in situations where a clearing member's projected settlement obligations could exceed OCC's available liquidity resources. This change is consistent with DCO Core Principle D (Risk Management), which, in relevant part, requires a DCO to ensure that it possesses the ability to manage the risks associated with discharging the responsibilities of the DCO through the use of appropriate tools and procedures. The proposed rule change is also consistent with DCO Core Principle E (Settlement Procedures), which, in relevant part, requires a DCO to effect a settlement with each clearing member at least once each business day and shall have the operational capacity to effect a settlement with each clearing member on an intraday basis.

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 be 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

<u>Form 19b-4</u>

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") proposes to adopt certain interpretations within the meaning, administration or enforcement of existing Rules 608 and 609. The interpretations would explicitly state that OCC may reject a request for withdrawal of margin (Rule 608), or may make an intra-day margin call (Rule 609), in situations where a Clearing Member's projected settlement obligations could exceed OCC's available liquidity resources. Material proposed to be added to OCC's rules is marked by underlining.

THE OPTIONS CLEARING CORPORATION

RULES

* * *

CHAPTER VI

Margins

* * *

Withdrawals of Margin

RULE 608.

. . . Interpretations and Policies

.01 [No change]

<u>.02 Situations in which the Corporation may reject a Clearing Member's request to withdraw margin from any of the Clearing Member's accounts pursuant to Rule 608</u>

include, but are not limited to, those in which the Corporation determines in its discretion that the Clearing Member's reasonably anticipated settlement obligations to the Corporation would exceed the liquidity resources available to satisfy such settlement obligations. For purposes of such determination, the Corporation shall consider as liquidity resources the margin assets remaining on deposit with respect to such account that are in the form of U.S. dollars and may, in its discretion, consider the amount remaining on deposit with respect to such Clearing Member's account that are in the form of U.S. Government securities and/or the Corporation's other available liquidity resources. In situations in which the anticipated settlement obligations exceed the liquidity resources available, the Corporation may reject a withdrawal of margin assets in the form of U.S. dollars and, if it has considered such assets in calculating the Corporation's liquidity resources, in the form of U.S. Government securities.

* * *

Intra-Day Margin

RULE 609. [No change to body of rule]

. . . Interpretations and Policies

.01 Situations in which the Corporation may require the deposit of intra-day margin by a Clearing Member in any of its accounts pursuant to Rule 609 include, but are not limited to, those in which the Corporation determines in its discretion that the Clearing Member's reasonably anticipated settlement obligations to the Corporation would exceed the liquidity resources available to satisfy such settlement obligations. For purposes of such determination, the Corporation shall consider as liquidity resources the margin assets remaining on deposit with respect to such account that are in the form of U.S. dollars and may, in its discretion, consider the amount remaining on deposit with respect to such Clearing Member's account that are in the form of U.S. Government securities and/or the Corporation's other available liquidity resources.

* * *

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 adopt certain interpretations under existing OCC Rules 608 and 609 in order to place clearing members on notice of situations in which OCC may exercise existing authority to reject a margin withdrawal request, or to make an intra-day margin call, including where a Clearing Member's projected settlement obligations could exceed OCC's available liquidity resources. For this purpose OCC would consider as liquidity resources only margin assets in the form of cash. In its sole discretion, OCC might also consider margin assets in the form of U.S. Government securities, which could be quickly converted to cash, and/or amounts that OCC would be able to borrow on short notice under its credit facility or otherwise.

Rule 609 provides that "[OCC] may require the deposit of such additional margin by any Clearing Member in any account at any time during any business day, as such officer deems advisable to . . . protect [OCC], other Clearing Members or the general public." Rule 609 further provides that such intra-day margin calls must be satisfied in immediately available funds within one hour (or other prescribed time frame) after the issuance of the call. Ordinarily, clearing members are permitted to substitute other acceptable forms of margin assets to replace cash collected via an intra-day margin call. If a sufficient amount of such assets has been deposited to meet the clearing member's then current margin requirement, the clearing member may make a request to withdraw any excess margin pursuant to Rule 608. The return of specific excess margin assets, including cash, also may be requested, subject to the Rule's limitation that no clearing member may withdraw margin in any form or currency in excess of the amount of margin of that form or currency deposited in the clearing member's account from which the withdrawal is to be made. However, Rule 608 also provides that "[OCC] may, if it deems advisable for any of the reasons described in Rule 609, reject any such withdrawal request." Accordingly, in the event OCC determines that such actions are necessary for the protection of OCC, other clearing members or the general public, OCC may require a clearing member to deposit additional margin in the form of cash through an intra-day margin call and preclude the withdrawal of some or all of such assets from OCC's system.

OCC wishes to put Clearing Members on notice of certain specific circumstances in which OCC may take such actions under Rule 608 and 609 by adopting a similar interpretation under each Rule. Specifically, OCC wishes to state expressly that it may refuse a margin withdrawal request or request additional intra-day margin where a Clearing Member's future settlement obligations could result in a need for liquidity in excess of available liquidity resources. Such action might be taken even though OCC has made no adverse determination as to the financial condition of the Clearing Member, the market risk of the Clearing Member's positions, or the adequacy of the Clearing Member's total overall margin deposited in the accounts in question.

A circumstance in which OCC might desire to reject a margin withdrawal request or make an intra-day margin call to ensure that it had sufficient liquidity in connection with a pending settlement obligation involves the "unwinding" of a "box spread" position. A box spread position involves a combination of two long and two short options on the same underlying interest with the same expiration date that result in an amount to be paid or received upon settlement that is fixed regardless of fluctuations in the price of the underlying interest. Box spreads can be used as financing transactions, and they may require very large fixed payments upon expiration. In this situation, if much of the margin deposited by the relevant Clearing Member is in the form of common stock and if the Clearing Member failed to make the settlement payment, the available liquidity resources might be insufficient to cover the settlement obligation. In anticipation of this settlement, OCC might therefore require the Clearing Member to deposit intra-day margin in the form of cash, or reject a requested withdrawal of cash or U.S. Government securities, so that liquidity resources would be sufficient to cover the Clearing Member's settlement obligations. Under the proposed interpretations, OCC would always include margin assets of the relevant Clearing Member in the form of cash in determining available liquidity resources and could, in its discretion, consider the amount of margin assets in the form of highly liquid U.S. Government securities and/or the amount that OCC would be able to borrow on short notice. The proposed interpretations make it clear that OCC might exercise its authority under these Rules to address liquidity needs.

* * *

The proposed rule change is consistent with Section 17A of the Securities Exchange Act of 1934, as amended[1] (the "Exchange Act"), because it designed to promote the prompt and accurate clearance and settlement of securities transactions,[2] including the safeguarding of securities and funds related thereto, and to protect investors and persons facilitating transactions by and acting on behalf of investors. It does so by interpreting OCC's existing authority to require deposits of additional margin or to reject requests to withdraw margin, minimize OCC's liquidity risk, and preserve its liquidity resources. The proposed rule change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

Item 4. **<u>Self-Regulatory Organization's Statement on Burden on Competition</u>**

OCC does not believe that the proposed rule change would impose a burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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1 15 U.S.C. 78q-1.

2 15 U.S.C. 78q-1(b)(3)(F).

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) or Section 19(b)(7)(D)**

Pursuant to Section 19(b)(3)(A) and Rule 19b-4(f)(2) of the Exchange Act, the proposed rule change is filed for immediate effectiveness inasmuch as it constitutes a stated policy, practice or interpretation with respect to the meaning, administration, or enforcement of an existing rule. Specifically, the proposed rule change adds interpretations to OCC Rules governing margin withdrawals and intra-day margin calls to put Clearing Members on notice of certain specific circumstances in which OCC may take action under its existing authority.

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

Not applicable.

Item 9. **Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

Item 10. **Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

Item 11. **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: Stephen Szarmack

Stephen Szarmack
Vice President and
Associate General Counsel

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-____________; File No. SR-OCC-2012-21

November 13, 2012

Self-Regulatory Organization; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Changes to Explicitly State That OCC May Reject a Request for Withdrawal of Margin or Make an Intra-Day Margin Call in Situations Where a Clearing Member's Projected Settlement Obligations Could Exceed OCC's Available Liquidity Resources

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Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, as amended[1] (the "Act"), and Rule 19b-4[2], notice is hereby given that on November 13, 2012, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. OCC filed the proposed rule change pursuant to Section 19(b)(3)(A)[3] of the Act and Rule 19b-4(f)(2)[4] thereunder.

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

OCC proposes to explicitly state that OCC may reject a request for withdrawal of margin or make an intra-day margin call in situations where a clearing member's projected settlement obligations could exceed OCC's available liquidity resources.

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1 15 U.S.C. 78s(b)(1)
2 17 CFR 240.19b-4
3 15 U.S.C. 78s(b)(3)(A)
4 17 CFR 240.19b-4(f)(2)

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

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

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

The purpose of the proposed rule change is to adopt certain interpretations under existing OCC Rules 608 and 609 in order to place clearing members on notice of situations in which OCC may exercise existing authority to reject a margin withdrawal request, or to make an intra-day margin call, including where a Clearing Member's projected settlement obligations could exceed OCC's available liquidity resources. For this purpose OCC would consider as liquidity resources only margin assets in the form of cash. In its sole discretion, OCC might also consider margin assets in the form of U.S. Government securities, which could be quickly converted to cash, and/or amounts that OCC would be able to borrow on short notice under its credit facility or otherwise.

Rule 609 provides that "[OCC] may require the deposit of such additional margin by any Clearing Member in any account at any time during any business day, as such officer deems advisable to . . . protect [OCC], other Clearing Members or the general public." Rule 609 further provides that such intra-day margin calls must be satisfied in immediately available funds within one hour (or other prescribed time frame) after the issuance of the call. Ordinarily, clearing members are permitted to substitute other acceptable forms of margin assets to replace cash collected via an intra-day margin call. If a sufficient amount of such assets has been deposited to meet the clearing member's then current margin requirement, the clearing member may make a request to withdraw any excess margin pursuant to Rule 608. The return of specific excess margin assets, including cash, also may be requested, subject to the Rule's limitation that no clearing member may withdraw margin in any form or currency in excess of the amount of margin of that form or currency deposited in the clearing member's account from which the withdrawal is to be made. However, Rule 608 also provides that "[OCC] may, if it deems advisable for any of the reasons described in Rule 609, reject any such withdrawal request." Accordingly, in the event OCC determines that such actions are necessary for the protection of OCC, other clearing members or the general public, OCC may require a clearing member to deposit additional margin in the form of cash through an intra-day margin call and preclude the withdrawal of some or all of such assets from OCC's system.

OCC wishes to put Clearing Members on notice of certain specific circumstances in which OCC may take such actions under Rule 608 and 609 by adopting a similar interpretation under each Rule. Specifically, OCC wishes to state expressly that it may refuse a margin withdrawal request or request additional intra-day margin where a Clearing Member's future settlement obligations could result in a need for liquidity in excess of available liquidity resources. Such action might be taken even though OCC has made no adverse determination as to the financial condition of the Clearing Member, the market risk of the Clearing Member's positions, or the adequacy of the Clearing Member's total overall margin deposited in the accounts in question.

A circumstance in which OCC might desire to reject a margin withdrawal request or make an intra-day margin call to ensure that it had sufficient liquidity in connection with a pending settlement obligation involves the "unwinding" of a "box spread" position. A box spread position involves a combination of two long and two short options on the same underlying interest with the same expiration date that result in an amount to be paid or received upon settlement that is fixed regardless of fluctuations in the price of the underlying interest. Box spreads can be used as financing transactions, and they may require very large fixed payments upon expiration. In this situation, if much of the margin deposited by the relevant Clearing Member is in the form of common stock and if the Clearing Member failed to make the settlement payment, the available liquidity resources might be insufficient to cover the settlement obligation. In anticipation of this settlement, OCC might therefore require the Clearing Member to deposit intra-day margin in the form of cash, or reject a requested withdrawal of cash or U.S. Government securities, so that liquidity resources would be sufficient to cover the Clearing Member's settlement obligations. Under the proposed interpretations, OCC would always include margin assets of the relevant Clearing Member in the form of cash in determining available liquidity resources and could, in its discretion, consider the amount of margin assets in the form of highly liquid U.S. Government securities and/or the amount that OCC would be able to borrow on short notice. The proposed interpretations make it clear that OCC might exercise its authority under these Rules to address liquidity needs.

OCC believes the proposed rule change is consistent with Section 17A of the Act because it is designed to promote the prompt and accurate clearance and settlement of securities transactions[5], including the safeguarding of securities and funds related thereto, and to protect investors and persons facilitating transactions by and acting on behalf of investors. It does so by interpreting OCC's existing authority to require deposits of additional margin or to reject requests to withdraw margin, minimize OCC's liquidity risk, and preserve its liquidity resources. The proposed rule change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

B. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

OCC does not believe that the proposed rule change would impose a burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

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

5 15 U.S.C. 78q-1(b)(3)(F)

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act and paragraph (f)(2) of Rule 19b-4 thereunder because it constitutes a stated policy, practice or interpretation with respect to the meaning, administration, or enforcement of an existing rule. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-OCC-2012-21 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-2012-21. 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 Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the OCC 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-2012-21 and should be submitted on or before [insert 21 days from publication in the Federal Register].

For the Commission by the Division of Trading and Markets, pursuant to delegated Authority.[6]

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:____________________________

[6] 17 CFR 200.30-3(a)(12)