



November 30, 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-2012-23 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 this proposed rule change is to accommodate the clearing of physically-settled options on certain U.S. Treasury notes and U.S. Treasury bonds ("Treasury Options") proposed to be traded by NASDAQ OMX PHLX, LLC ("PHLX"). OCC's current By-Laws and Rules (collectively, the "Rules") accommodate options on Treasury securities, but the options on Treasury securities contemplated by the Rules are no longer traded and are different from the Treasury Options that PHLX intends to trade in certain respects. Accordingly, OCC proposes to amend the Rules, as described below, to accommodate such Treasury Options as well as to streamline Chapter XIV of its rulebook by re-numbering certain rules and deleting unused and "reserved" rules.

The PHLX Treasury Options are limited to European-style options on Treasury notes and bonds with a unit of trading of \$10,000. OCC therefore proposes to remove provisions and references within Chapter XIV of the Rules to American-style options on Treasury securities, Treasury bills as an eligible underlying interest for options on Treasury securities, and “mini options” on Treasury securities. In addition, OCC proposes to remove from the Rules the defined term “adjusted exercise price,” which related only to options on Treasury bills and consequently is no longer needed, and update other definitions within the Rules to reflect the limiting of the underlying interests for Treasury Options to Treasury bonds and notes. Furthermore, OCC does not plan to permit escrow deposits to be made in connection with the clearing of Treasury Options and proposes to remove related provisions in Section 2 of Article XIII.

OCC generally will apply current expiration date exercise procedures to Treasury Options, and will require delivery settlement for exercised and assigned Treasury Options to be effected on a broker-to-broker basis through FICC. Clearing members interested in Treasury Options have advised that it would be operationally more efficient for them if delivery settlement were effected in this manner. As not all OCC clearing members are participants of the Government Securities Division of FICC, the proposed rules would permit clearing members to designate, with proper advance notice to OCC, a representative that is a GSD participant who would be responsible for inputting trade information into FICC’s systems for delivery settlement purposes. The proposed rules make it clear, however, OCC would have no obligation to such designated representative and contain the agreement of the designating clearing member to be bound by, and to hold OCC harmless against any claims based on, the designated representative’s actions or delays in acting or failures to act.

On the expiration date for a Treasury Option, OCC will produce an exercise and assignment report identifying the delivering and receiving clearing members and other relevant delivery information. Clearing members that are obligated to purchase or sell Treasury securities as a result of the exercise or assignment of positions in Treasury Options will be required to submit the terms of such trades to FICC’s real time trade matching system. If the trade information submitted by the delivering and receiving clearing member matches within FICC’s system, pursuant to FICC’s rules, FICC becomes obligated to guarantee settlement of the trade (i.e., delivery settlement of exercised and assigned Treasury Options) and OCC’s obligation to guarantee delivery settlement will be terminated. Delivery settlement through FICC includes delivery of the underlying securities against payment of the aggregate purchase price increased by the amount of accrued interest. If a trade does not match, the delivering and receiving OCC clearing members will be required to notify OCC of such failure by a deadline on the first business day after the expiration date. If no such notification is made by this deadline, pursuant to proposed Rule 1403(d), OCC’s obligation to guarantee settlement will be extinguished as of such deadline, regardless of whether or not settlement was actually completed.

In the event OCC is given timely notification of a failure to match, the clearing members would be required to attempt to resolve the failure such that settlement could still occur through FICC by a deadline specified by OCC on the second business day following the expiration date. If the failure is not resolved and the trade has still not matched by this deadline, the delivering and receiving OCC clearing members will be required to notify OCC of such failure. If no such notification is made by this deadline, pursuant to proposed Rule 1404(a), OCC’s obligation to

guarantee settlement will be extinguished as of this deadline, regardless of whether or not settlement was actually completed.

If OCC receives timely notification, pursuant to proposed Rule 1404(a), that the second submission attempt at FICC failed to result in a match, OCC will assess and pay damages, if any, incurred by the Delivering or Receiving Clearing Member, as applicable, in connection with the failure to match. OCC will also be authorized to debit the amount of such damages from the account of the Delivering or Receiving Clearing Members, as applicable.

Under proposed Rule 1404, in the event the non-defaulting clearing member buys or sells the underlying Treasury security, the non-defaulting clearing member will be required to promptly notify OCC of the price paid or received, as applicable, and OCC will take this information into account in assessing damages. However, OCC will not be bound to accept these prices in assessing damages, and will be able to make an independent determination of damages. Proposed Rule 1404 provides that OCC's determination of damages would be at OCC's sole discretion, final and binding on all parties. Such "failure to match" procedures will limit OCC's liability in the event of a default by one of its clearing members. Proposed Rules 1401, 1402, 1403 and 1404 reflect the settlement process described above.

OCC will collect and hold margin from clearing members with Treasury Option delivery or receipt obligations until the exercise settlement date, unless OCC receives notification of a failure to match, in which case OCC will continue to hold margin until either the trade is deemed settled or damages have been assessed and paid to the non-defaulting clearing member.

Proposed Rule 1405 would clarify that OCC may pursue disciplinary action against clearing members who fail to discharge the delivery, payment, and notification obligations as set forth in proposed Rules 1403 and 1404.

In addition to the above changes relating to the terms of and settlement process for Treasury Options, OCC proposes revisions to Section 5 of Article XIII of the By-Laws regarding the handling of shortages of Treasury Securities. These revisions would provide OCC with broader discretion in determining whether a shortage exists and simplify the procedures to be used in this situation.

The proposed rule change is to accommodate the clearing of physically-settled options on certain Treasury Options and is consistent with DCO Core Principle C (Participant and Product Eligibility) which, in relevant part, requires each DCO to "establish appropriate requirements for determining the eligibility of agreements, contracts, or transactions submitted to the derivatives clearing organization for clearing, taking into account the derivatives clearing organization's ability to manage the risks associated with such agreements, contracts, or transactions...."

Additions are indicated by underlining and deletions are indicated by bold brackets.

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

cc: CFTC Central Region
525 West Monroe Street, Suite 1100
Chicago, IL 60661

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

The Options Clearing Corporation (“OCC” or the “Corporation”) proposes to amend its By-Laws and Rules for the purpose of accommodating certain physically-settled options on U.S. Treasury securities.

The text of the proposed amendments to OCC’s By-Laws and Rules is set forth below. Material proposed to be added to OCC’s By-Laws and Rules as currently in effect is underlined and material proposed to be deleted is enclosed in bold brackets.

THE OPTIONS CLEARING CORPORATION**BY-LAWS**

* * *

ARTICLE XIII**Treasury Securities Options**

* * *

Definitions**SECTION 1.¹****Aggregate Exercise Price**

[(j)] (a) The term “aggregate exercise price” in respect of a Treasury [bond option or a Treasury note] securities option means the exercise price multiplied by the unit of trading. [In respect of a Treasury bill option, the aggregate exercise price means the adjusted exercise price multiplied by the unit of trading.]

Call

[(g)] (b) The term “Call” in respect of Treasury securities options means an option under which the holder has the right, in accordance with the terms of the By-Laws and Rules, to purchase from the Corporation the principal amount of the underlying

¹ The provisions of this Section 1 have been reordered so that definitions are presented in alphabetical order.

Treasury [security] note or Treasury bond covered by the option at a price equal to the aggregate exercise price upon the exercise of such option.

Class of Options

[(m)] (c) The term “class of options” in respect of Treasury [bond options or Treasury note] securities options means all option contracts of the same type, style and unit of trading covering the same issue of Treasury securities. [In respect of Treasury bill options, the term “class of options” means all option contracts of the same type, style and unit of trading covering Treasury bills maturing within the same number of weeks from the exercise settlement date.]

Exercise Price

[(h)] (d) The term “exercise price” in respect of Treasury securities options means [(in the case of a Treasury bond or Treasury note option)] the specified percentage of the unit of trading [or (in the case of a Treasury bill option) the specified complement of the annualized discount (i.e., 100% minus the annualized discount)] at which the underlying Treasury securities may be purchased or sold upon the exercise of an option contract.

Expiration Date

[(o)] (e) The expiration date for Treasury [note] securities options[, Treasury bond options, and Treasury bill options other than European-style Treasury bill options] shall be the Saturday following the third Friday of the expiration month. [The expiration date for European-style Treasury bill options shall be the second business day preceding the earliest day of the expiration month on which a one-year Treasury bill has thirteen weeks remaining to maturity.]

Premium

[(n)] (f) The “premium” in the case of an Exchange transaction in Treasury [bond or Treasury note] securities options means the premium per unit of trading (expressed as a percentage) multiplied by the unit of trading and by the number of contracts subject to the transaction. [In the case of an Exchange transaction in Treasury bill options, the premium equals: (i) the premium per unit of trading (expressed as a percentage), (ii) multiplied by a fraction the numerator of which is the number of weeks to maturity (13 or 26) of the Treasury bills covered by the option and the denominator of which is 52, (iii) multiplied by the unit of trading, (iv) multiplied by the number of contracts subject to the transaction.]

Put

[(f)] (g) The term “Put” in respect of Treasury securities options means an option under which the holder has the right, in accordance with the terms and provisions of the By-Laws and Rules, to sell to the Corporation the principal amount of the underlying Treasury [security] note or Treasury bond covered by the option at a price equal to the aggregate exercise price upon the exercise of such option.

Unit of Trading for Treasury Securities Options

[(k)] (h) The term “unit of trading” in respect of a Treasury securities option[s] means the principal amount of the underlying Treasury security covered by the option contract. Unless otherwise specified by the Corporation pursuant to the By-Laws and Rules, [(i)] the [regular] unit of trading in respect of Treasury security options shall be [\$100,000] the principal amount specified by the Exchange on which the option is traded [in the case of Treasury bond options or Treasury note options, \$1,000,000 in the case of 13-week Treasury bill options, and \$500,000 in the case of 26-week Treasury bill options; and (ii) the unit of trading for any mini series shall be \$20,000 in the case of Treasury bond options or Treasury note options, \$200,000 in the case of 13-week Treasury bill options, and \$100,000 in the case of 26-week Treasury bill options].

[Adjusted Exercise Price]

[(i)] The term “adjusted exercise price” in respect of a Treasury bill option means the exercise price adjusted to reflect the exact number of days to maturity of the underlying bill. The adjusted exercise price is calculated by (i) obtaining the annualized discount by subtracting the exercise price from 100%; (ii) calculating an adjusted discount by multiplying the annualized discount by a fraction equal to the exact number of days to maturity of Treasury bills maturing 13 weeks or 26 weeks (as the case may be) after the exercise settlement date (the numerator) over 360 (the denominator); and (iii) subtracting the adjusted discount from 100%.]

[Mini Series]

[(l)] The term “mini series” means a series of Treasury securities options designated as a mini series by an Exchange in accordance with the provisions of this Article XIII and having a unit of trading which is one-fifth of the unit of trading for Treasury securities options not so designated.]

* * *

General Rights and Obligations of Holders and Writers of Treasury Securities Options

SECTION 3. [(a)] Subject to the provisions of the By-Laws and Rules, the holder of a single American-style Treasury securities option contract has the right, beginning at the time such option is issued pursuant to Article VI of the By-Laws and expiring at the expiration time therefor on the expiration date:

(1) In the case of a call, to purchase from the Corporation at the aggregate exercise price a principal amount of the underlying Treasury security equal to the unit of trading for such option contract in accordance with Exchange Rules and the By-Laws and Rules; or

(2) In the case of a put, to sell to the Corporation at the aggregate exercise price a principal amount of the underlying Treasury security equal to the unit of trading for such option contract in accordance with Exchange Rules and the By-Laws and Rules.]

(b) – (c) [Relettered as (a) – (b); Otherwise, no change]

[(d)] (c) [In the case of a Treasury bond option or a Treasury note option, t]The aggregate exercise price to be paid and received upon any exercise of [such] a Treasury securities option shall be increased by an amount equal to the interest accrued from[, but not including,] the date identified by the Department of the Treasury as the “dated date” for the [day as of which the] securities underlying such option[were issued] or on which the last preceding interest payment became due (whichever is later) [through and] up to but not including the exercise settlement date (regardless of the date on which settlement is made).

(e) [Relettered as (d); Otherwise, no change]

...Interpretations and Policies:

.01 Accrued interest with respect to Treasury securities [bonds and Treasury notes] shall be calculated according to the method prescribed by the most recent revision of Department of the Treasury Circular No. [300] 1-93 or such other applicable regulation as the Department of the Treasury may from time to time promulgate.

[.02 This Section permits a Clearing Member to deliver the 13-week or 26-week Treasury bill (as the case may be) that is issued by the Treasury on the exercise settlement date or any previously issued Treasury bill with no more than the specified number of days remaining to maturity. Nevertheless, the adjusted exercise price (as defined in Section 1 of this Article) is calculated using the exact number of days to maturity of the newly issued 13-week or 26-week Treasury bill with no further adjustment for delivery of shorter maturity Treasury bills.]

[Designation of Mini Options] Reserved

SECTION 4. RESERVED [An Exchange may designate any series of Treasury securities options as a mini series at the time notice of the opening of trading in such series is given to the Corporation. An Exchange may open trading in both a regular series and a mini series of Treasury securities options with the same exercise price and the expiration date (each of which shall constitute a separate class of options for the purposes of the By-Laws and the Rules).]

Shortage of Underlying Securities

SECTION 5. (a) Article VI, Section 19 of the By-Laws and the Interpretations and Policies thereunder shall be inapplicable to Treasury securities options.

(b) If the Corporation shall in its discretion determine that there is a shortage in the available supply of underlying securities for a particular class of Treasury securities options [appears to be insufficient to permit performance of the obligations of all writers of outstanding call option contracts of that class if all such option contracts were to be exercised], then, in addition to any other actions that the Corporation may be entitled to

take under the By-Laws and the Rules, the Corporation shall be empowered to do any or all of the following:

(1) The Corporation may, with the mutual consent of the Delivering Clearing Member and the Receiving Clearing Member, permit the delivery, in settlement of any exercise[s] of options of the affected class, of Treasury securities which differ from the underlying securities as to coupon rate and/or maturity date [(in the case of underlying Treasury bonds or Treasury notes), or the number of days to maturity (in the case of underlying Treasury bills)]. The Corporation shall adjust the settlement amount to reflect the value of such alternative delivery, determined in such manner as the Corporation may, in its discretion, select. Except with respect to the delivery of Treasury Securities which differ from the underlying securities, such settlement shall be effected in accordance with the procedures set forth in Chapter XIV of the Rules.

(2) In the event the requisite consent for substituted delivery pursuant to Section 5(b)(1) of this Article XIII is not obtained, [T]he Corporation may fix cash settlement prices payable by [assigned writers of Treasury securities call option contracts] Delivering Clearing Members who would otherwise be unable to meet their settlement obligations, which [such assigned writers shall be obligated to pay, and exercising holders of Treasury securities call option contracts] Receiving Clearing Members shall be obligated to accept, in lieu of delivery of the underlying securities.

(3) The Corporation may prohibit the exercise of Treasury securities put option contracts by Clearing Members who will be unable to meet the settlement obligations resulting from the exercise. If a Clearing Member files an exercise notice for a Treasury securities put option contract at a time when any such prohibition is in effect and then fails to meet its delivery obligations before the close of business on the business day following the exercise settlement date, the purported exercise and any assignment resulting therefrom shall be null and void, and the exercising Clearing Member and the assigned Clearing Member shall be restored, as nearly as may be, to the respective positions that they would have occupied had such exercise notice not been filed. In addition, the exercising Clearing Member shall be subject to disciplinary action by the Corporation and shall be obligated to compensate the assigned Clearing Member for any loss, damage, or expense sustained by the latter as a result of the purported assignment.]

[...Interpretations and Policies:]

[.01 In making its determination as to the sufficiency of the available supply of underlying Treasury bills, the Corporation may, at its discretion, consider only the supply of Treasury bills that will mature in 13 or 26 weeks (as the case may be) from the exercise settlement date, notwithstanding the fact that Treasury bills with earlier maturities would be deliverable under Section 3 of this Article.]

* * *

RULES

* * *

Chapter XIV

Treasury Securities Options

* * *

[Deposit of Treasury Securities]

[RULE 1401.]

[(a) Escrow deposits of Treasury securities may be made in respect of short positions in Treasury securities call option contracts in accordance with the provisions of Rule 610 only in the manner provided for in Rule 610(g)(1) or Rule 610(g)(2). Deposits and withdrawals of underlying Treasury securities pursuant to Rule 610 must be in units equal to the unit of trading for the series of Treasury securities options with respect to which the deposit is made.

(b) If deposited Treasury bills shall mature, the Corporation may thenceforth treat the deposit as null and void in computing the daily margin requirements of the Clearing Member for whose account the deposit was made.

(c) If deposited Treasury bills shall mature, and the Corporation shall thereafter take possession of the proceeds in accordance with the Rules and the applicable escrow deposit agreement, the Corporation shall be entitled to apply such proceeds to the purchase of deliverable Treasury bills, which shall be disposed of by the Corporation in accordance with the Rules as if they were the deposited Treasury bills. The Corporation shall be obligated to account to the Clearing Member for any excess of such proceeds over the cost incurred by the Corporation in purchasing deliverable Treasury bills, and the Clearing Member shall be obligated to pay to the Corporation an amount equal to any deficiency.]

[Reserved]

[RULE 1402. Reserved]

**[Assignment and Allocation of Treasury Securities Option Exercise Notices to
Treasury Securities Clearing Members]**

[RULE 1403.]

[(a) Exercise notices accepted by the Corporation 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 Treasury securities option contracts. In lieu

thereof, the Corporation shall issue Exercise and Assignment Activity Reports as provided in paragraph (b) of this Rule.

(b) On each business day, the Corporation shall make available to each Treasury securities Clearing Member an Exercise and Assignment Activity Report reflecting all exercise notices filed by such Clearing Member with respect to Treasury securities option contracts and accepted by the Corporation on the preceding business day, and all exercise notices filed by other Treasury securities Clearing Members with respect to Treasury securities option contracts on the preceding business day that were assigned by the Corporation to an account of such Clearing Member.]

Expiration Date Exercise Procedure for Treasury Securities Options

RULE [1404]1401.

[(a) The expiration date exercise procedures set forth in Rule 805 shall be applicable to American-style Treasury securities option contracts, except that:

(1) the provisions of subparagraph (d)(2) of Rule 805 shall not apply to Treasury securities option contracts unless and until the Board of Directors on not less than 30 days' prior written notice to all Treasury securities Clearing Members: (i) designates an expiration date from and after which such provisions shall apply to Treasury securities option contracts, and (ii) specifies price intervals applicable to Treasury securities option contracts for the purposes of clauses (i) and (ii) of said subparagraph;

(2) the term "closing price," as used in subparagraph (d)(2) of Rule 805 with respect to any Treasury security, shall mean the daily underlying security marking price for such Treasury security as defined in the By-Laws.

(b)] The expiration date exercise procedures set forth in Rule 805 shall be applicable to European-style Treasury [bill] securities options [expiring on a business day], except paragraph (j) thereof. For purposes of this Rule 1401, the term "closing price" as used with respect to an underlying security in Rule 805 means the price provided by the Exchange to the Corporation. Notwithstanding the foregoing, if the Exchange does not furnish a closing price or if two or more Exchanges trade Treasury securities options on the same underlying security and provide different prices for such security, the Corporation may, in its discretion, (i) fix a closing price on such basis as it deems appropriate in the circumstances or (ii) suspend the application of Rule 805(d)(2) to options contracts for which that security is the underlying security. During the term of any such suspension, Clearing Members may exercise such contracts only by giving affirmative exercise instructions in accordance with Rules 805(b) or (c).

Exercise Settlement Date for Treasury Securities Options

RULE [1405] 1402.

(a) [Except as provided in paragraph (b) of this Rule 1405 the exercise settlement date for Treasury securities options shall be as follows:]

[(1) In the case of a Treasury bond option or a Treasury note option, t]The exercise settlement date for Treasury securities options shall be the second business day following the expiration date [day on which an exercise notice with respect to such option was, or is deemed to have been, properly tendered to the Corporation pursuant to Chapter VIII of the Rules].

[(2) In the case of an American-style Treasury bill option, the exercise settlement date shall be Thursday of the week following the week in which an exercise notice with respect to such option was, or is deemed to have been, properly tendered to the Corporation. In the case of a European-style Treasury bill option, the exercise settlement date shall be Thursday following the expiration date. If Thursday is not a business day, the exercise settlement date shall be the next succeeding business day.]

(b) The [Board of Directors] Chairman, Management Vice Chairman, or the President of the Corporation, or the delegate of any such officer, may extend or postpone any exercise settlement date for Treasury securities options whenever, in its opinion, such action is required in the public interest or to meet unusual conditions. [If the Board of Directors determines that a day other than Thursday has been established as the issuing day for Treasury bills (either with respect to a particular week or weeks or permanently), then the Board of Directors may in its discretion designate exercise settlement dates for Treasury bill options to correspond to the new issuing days.]

**[Allocation of] Exercise Settlement of [Obligations With
Respect to] Treasury Securities Options**

RULE [1406] 1403.

(a) Every Treasury Securities Clearing Member either (i) shall be and shall remain a participant in the Government Securities Division (“GSD”) of the Fixed Income Clearing Corporation (“FICC”) or (ii) shall designate a GSD participant as its representative to submit trade information into FICC’s real-time trade matching system as specified in this Rule. In the event a Treasury Securities Clearing Member has designated such a representative, such Clearing Member shall notify the Corporation of the designation or any changes thereto in advance of the effective date thereof with such notice being provided in accordance with the procedures specified by the Corporation from time to time. Under no circumstances will the Corporation be liable or have any obligation to such representative, and by making such designation the Clearing Member agrees to be bound by, and to indemnify, defend, hold and save harmless the Corporation from any claims, demands, actions or lawsuits of any kind whatsoever arising in any way from, any action taken or any delay or failure to take action by its designated representative in submitting trade information as provided for in this Rule.

(b) Prior to the time specified by the Corporation on each expiration date for Treasury securities options, the Corporation shall determine, as to each account of each

Treasury Securities Clearing Member, the number of exercised and assigned option contracts of each series of Treasury securities options expiring on such date and make available to each such Treasury Securities Clearing Member an Exercise Settlement Report reflecting the quantity of each issue of Treasury securities to be delivered by, or received from, such Clearing Member, the Clearing Member to which the Clearing Member must deliver such issue or make payment, as applicable, and the amount payable against delivery of the underlying Treasury security, which shall be the aggregate exercise price increased by the amount of accrued interest (if any) up to but not including the exercise settlement date (regardless of the date on which settlement is made) and multiplied by the number of contracts to be settled. Such Exercise Settlement Reports shall include the name of the representative designated by the Treasury Securities Clearing Member pursuant to Rule 1403(a), if applicable, and shall serve in lieu of the Delivery Advices otherwise required to be made available under the Rules.

[(a)] (c) Prior to [7:00 A.M. Central Time (8:00 A.M. Eastern Time)] the time specified by the Corporation on the first business day [preceding each exercise settlement] following the expiration date for Treasury securities options, [the Corporation] each Treasury Securities Clearing Member, or its representative, that has been notified pursuant to Rule 1403(a) that it is obligated to make or receive delivery with respect to a Treasury securities option shall[:] submit trade information to the real time trade matching system of FICC in order to effect settlement pursuant to the rules of FICC in accordance with the Clearing Member's obligations set forth in the Exercise Settlement Report. Once a trade has been successfully matched at FICC, the Corporation shall have no further obligation to guarantee or effect settlement, provided however that the Delivering Clearing Member and the Receiving Clearing Member shall not be relieved of any settlement obligations they may have to FICC or each other.

[(1) Determine, as to each account of each Treasury securities Clearing Member, the number of exercised and assigned option contracts of each series of Treasury securities options for which the following business day is the exercise settlement date.

(2) Net the settlement obligations of each Treasury securities Clearing Member to the extent that such Clearing Member would be both a Delivering Clearing Member and a Receiving Clearing Member for Treasury securities option contracts of the same type and style, covering the same issue and unit of trading of Treasury securities, and having the same exercise price. The netting shall be performed in the following sequence: (i) within each account, (ii) customer account, (iv) market-maker account against firm account.

(3) Allocate to each Treasury securities Clearing Member that remains a Delivering Clearing Member with respect to any exercised Treasury securities option contract after the netting provided for in clause (2) above the obligation to effect settlement on the ensuing exercise settlement date with one or more designated Treasury securities Clearing Members that continue to be Receiving Clearing Members for exercised Treasury securities options of the same type and style, covering the same issue and unit of trading of Treasury securities, and having the same exercise price; and allocate to such Receiving Clearing Members the obligation to effect settlement with such Delivering Clearing Members. In making such allocations, the Corporation shall

endeavor to match Delivering Clearing Members with Receiving Clearing Members in such a way as to minimize the number of settlements required to be made by each Clearing Member.

(b) At or before the time specified in paragraph (a) of this Rule 1406, the Corporation shall make available to each Treasury securities Clearing Member an Exercise Settlement Report reflecting the netting performed by the Corporation pursuant to said paragraph (a). If a Treasury securities Clearing Member continues to be a Delivering Clearing Member or Receiving Clearing Member after giving effect to such netting, the Exercise Settlement Report shall also specify the identities of the Treasury securities Clearing Members with whom settlement is to be made and the quantity of each issue and unit of trading of Treasury securities to be delivered to or received from each such Clearing Member. Such Exercise Settlement Reports shall include a list of the names and addresses of the correspondent banks designated pursuant to this Chapter by Treasury securities Clearing Members for settlement purposes, and shall serve in lieu of the Delivery Advices otherwise required to be made available under the Rules.]

(d) If a trade required to be completed pursuant to this Rule has not been successfully matched at FICC, the Delivering Clearing Member and the Receiving Clearing Member shall notify the Corporation in such manner and within such time on the first business day following the expiration date as the Corporation shall specify. If the Corporation has not received such notification by the specified deadline, regardless of whether settlement actually occurs, any obligation of the Corporation to guarantee or effect settlement shall be extinguished as of such deadline (unless such obligation has already been extinguished pursuant to Rule 1403(b)), provided however that the Delivering Clearing Member and the Receiving Clearing Member shall not be relieved of any settlement obligations they may have to FICC or one another.

...Interpretations and Policies:

.01 The Corporation may perform the operations described in Rule [1406(a)] 1403(b) and make available Exercise Settlement Reports on a day other than that specified in Rule [1406(a)] 1403(b) if necessary or desirable because of holidays or unforeseen circumstances.

* * *

[Settlement]

[RULE 1407.]

[(a) To the extent that the settlement obligations of a Clearing Member are netted by the Corporation pursuant to Rule 1406, and full settlement shall be deemed to have been made: (i) with respect to Treasury bond or Treasury note options, at the opening of business on the exercise settlement date; and (ii) with respect to Treasury bill options, at

the opening of business on the business day immediately preceding the exercise settlement date.

(b) Each Clearing Member shall cause the Treasury securities for which such Clearing Member is designated in an Exercise Settlement Report as the Delivering Clearing Member to be delivered in book entry form (against payment of the settlement amount) to the account of the Receiving Clearing Member at such Receiving Clearing Member's correspondent bank on the exercise settlement date (or on the date of issuance of such securities, whichever is later) between the opening of business and 1:00 P.M. Central Time (2:00 P.M. Eastern Time) or between such other hours as the Corporation may from time to time designate upon 5 days' written notice to Treasury securities Clearing Members. The obligation to deliver shall continue until settlement has occurred pursuant to this Rule 1407 or until a buy-in or sell-out has occurred pursuant to Rule 1409 or 1410.

(c) From and after the opening of business on the exercise settlement date, each Treasury securities Clearing Member shall be obligated to accept delivery of, and to pay the settlement amount for, the Treasury securities for which it is designated in an Exercise Settlement Report as the Receiving Clearing Member. The Receiving Clearing Member shall accept delivery of less than all of such securities if tendered in lots of one unit of trading or multiples thereof. The obligation of the Receiving Clearing Member to receive and pay for such securities shall continue until settlement has occurred pursuant to this Rule 1407 or 1410.

(d) The settlement amount with respect to each issue and unit of trading of Treasury securities shall be the aggregate exercise price increased, in the case of Treasury bonds and Treasury notes, by the amount of accrued interest (if any) through and including the exercise settlement date (regardless of the date on which settlement is made) and multiplied by the number of contracts to be settled.

(e) The Delivering Clearing Member and the Receiving Clearing Member shall notify the Corporation in such manner and within such time as the Corporation may designate that the Treasury securities have been delivered and paid for. Settlement confirmations received by the Corporation shall be applied to reduce positions in the Clearing Members' accounts in the following sequence: (i) customer calls, (ii) customer puts, (iii) market-maker calls, (iv) market-maker puts, (v) firm calls, and (vi) firm puts.

...Interpretations and Policies:

01. Series of Treasury bond options or Treasury note options may sometimes be opened for trading on or after the day on which the underlying Treasury bond or Treasury note is auctioned, but before such bond or note is issued. If such an option is exercised in the first few days of trading, the exercise settlement date may occur before the underlying security has been issued. In such cases, delivery is due on the date of issuance of the securities rather than on the exercise settlement date.]

[Correspondent Banks]

[RULE 1408.]

[Each Treasury securities Clearing Member shall designate, in such manner as the Corporation may prescribe, a correspondent bank where Treasury securities deliverable to such Clearing Member in settlement of Treasury security option exercises shall be delivered and paid for. Such correspondent bank must be a Federal Reserve member bank which maintains a terminal providing access to the Federal Reserve wire and which has agreed to act as agent for such Clearing Member in accepting delivery of Treasury securities and making payment therefor. Rules 913 through 916 shall be inapplicable to exercises of Treasury securities option contracts.]

Failure to [Deliver] Match

RULE [1409] 1404.

(a) If the Corporation, pursuant to Rule 1403(d), receives timely notice of a failure to match a trade, the affected Clearing Members shall attempt to resolve any such failure so that settlement may still occur through FICC by such time on the second business day following the expiration date as the Corporation shall specify. If by such deadline the failure has not been resolved and the trade has still not been successfully matched at FICC, the Delivering Clearing Member and the Receiving Clearing Member shall notify the Corporation in such manner and within such time on the second business day following the expiration date as the Corporation shall specify. If the Corporation has not received such notification by the specified deadline, regardless of whether settlement actually occurs, any obligation of the Corporation to guarantee or effect settlement shall be extinguished as of such deadline (unless such obligation has already been extinguished pursuant to Rule 1403(b)), provided however that the Delivering Clearing Member and the Receiving Clearing Member shall not be relieved of any settlement obligations they may have to FICC or one another.

(b) If the Corporation receives notification of a failure to match pursuant to Rule 1404(a), the Corporation shall determine and assess the damages incurred by the Receiving Clearing Member, if any, as a result of such failure. In the event the Receiving Clearing Member has responded to the failure by purchasing the underlying Treasury security it would have received, it shall as promptly as possible on the day of execution notify the Corporation and the Delivering Clearing Member, in such manner as the Corporation shall specify, of the quantity purchased and the price paid. In determining and assessing the damages incurred by the Receiving Clearing Member as a result of the failure to match, the Corporation shall take into account the settlement amount, the market price of the underlying Treasury security, the quantity purchased and price paid reported by the Receiving Clearing Member (if applicable), market conditions generally and reasonable and customary transaction costs applicable to transactions in the underlying Treasury security. Such damages shall be paid by the Corporation to the

Receiving Clearing Member and the Corporation is authorized to withdraw the amount of such damages from the applicable bank account of the Delivering Clearing Member.

(c) If the Corporation receives notification of a failure to match pursuant to Rule 1404(a), the Corporation shall determine and assess the damages incurred by the Delivering Clearing Member, if any, as a result of such failure. In the event the Delivering Clearing Member responds to the failure by selling the underlying Treasury security it would have delivered, it shall as promptly as possible on the day of execution notify the Corporation and the Receiving Clearing Member, in such manner as the Corporation may specify, of the quantity sold and the price received. In determining and assessing the damages incurred by the Delivering Clearing Member as a result of the failure to match, the Corporation shall take into account the settlement amount, the market price of the underlying Treasury security, the quantity sold and price received reported by the Delivering Clearing Member (if applicable), market conditions generally and reasonable and customary transaction costs applicable to transactions in the underlying Treasury security. Such damages shall be paid by the Corporation to the Delivering Clearing Member and the Corporation is authorized to withdraw the amount of such damages from the applicable bank account of the Receiving Clearing Member.

(d) The obligation of the Corporation to guarantee or effect settlement, as well as the settlement obligations between the Delivering Clearing Member and the Receiving Clearing Member, shall be extinguished upon the Corporation's payment of damages pursuant to Rule 1404(b) or Rule 1404 (c) (unless such obligation has already been extinguished pursuant to Rule 1403(b)). Every determination of damages by the Corporation in respect of a failure to match pursuant to this Rule 1404 shall be within the sole discretion of the Corporation and shall be conclusive and binding on all Clearing Members and not subject to review.

Interpretations and Policies...

.01 A Delivering Clearing Member and/or Receiving Clearing Member's failure to pay damages pursuant to Rule 1404(b) or Rule 1404(c) shall constitute an event of "default" with respect to such Clearing Member.

[(a) If the Clearing Member required to make a delivery under Rule 1407 shall not complete such delivery by the later of: (i) the end of the business day following the exercise settlement date, or (ii) the end of the business day following the day on which the Treasury securities to be delivered are issued, the Receiving Clearing Member shall issue a written buy-in notice with respect to the undelivered securities on or before the expiration of 20 calendar days following such date. One copy each of such buy-in notice shall be delivered to the Corporation and to the office of the Delivering Clearing Member. Attached to or accompanying each buy-in notice shall be a copy of the Exercise Settlement Report. Every notice shall state the class of Treasury securities options in settlement of which the buy-in is proposed, the exercise price or prices, the quantity and description of the undelivered securities, and the exercise settlement date. Such notice shall state further, that unless delivery is effected at or before a certain specified time,

which may not be prior to twenty-four hours after delivery of such notice to the office of the Delivering Clearing Member no later than 1:00 P.M. Central Time (2:00 P.M. Eastern Time) on the fifth business day following the date of issuance of the notice, the undelivered securities may be bought in after such specified time.

(b) Upon the failure of the Corporation or the Delivering Clearing Member to effect delivery in accordance with the buy-in notice or to obtain a stay as hereinafter provided, the Receiving Clearing Member may buy in the undelivered securities for immediate delivery for the account and liability of the defaulting party. In the event a buy-in is not completed pursuant hereto on the date specified in the notice, as such date may be extended pursuant to subparagraph (c) hereof, the buy-in notice shall remain in force until 1:00 P.M. Central Time (2:00 P.M. Eastern Time) on the fifth business day following the date of issuance of the notice. Except as the Corporation may otherwise authorize, the Receiving Clearing Member shall buy in prior to the expiration of the buy-in notice. In all cases, Clearing Members must be prepared to defend the price at which the buy-in is executed relative to the current market at the time of the buy-in.

(c) If prior to the execution of a buy-in, the Receiving Clearing Member receives from the Delivering Clearing Member or the Corporation written notice stating that the securities are available for immediate delivery at the Delivering Clearing Member's correspondent bank, then the Receiving Clearing Member shall accept delivery thereof in lieu of the buy-in. Upon request of a Delivering Clearing Member, the Corporation may direct that the execution of a proposed buy-in be deferred for a maximum of five business days following the time specified for delivery in the buy-in notice if the Corporation has reason to believe that the default of the Delivering Clearing Member will be cured or that other arrangements adequate to protect the interests of the Receiving Clearing Member have been made.

(d) The Clearing Member executing a buy-in shall as promptly as possible on the day of execution notify the Corporation and the Delivering Clearing Member as to the quantity purchased and the price paid, and shall promptly mail or deliver formal confirmation thereof. The defaulting party shall promptly, and in any event prior to 10:00 A.M. Central Time (11:00 A.M. Eastern Time) of the following business day, pay the Receiving Clearing Member the excess, if any, of the price paid on such buy-in over the exercise settlement amount (as defined in Rule 1407(d)).

(e) As used herein, the term "defaulting party" shall mean the Corporation when the buy-in notice is issued in respect of a call option contract and shall mean the Delivering Clearing Member when the buy-in notice is issued in respect of a put option contract. When the buy-in notice is issued in respect of a call option contract, the Delivering Clearing Member shall be obligated to pay to the Corporation the amount specified in subparagraph (d) not later than the close of business on the day of execution of the buy-in.

(f) The failure of the Receiving Clearing Member to issue or to execute a buy-in notice within the times specified in this Rule 1409 shall not affect the contract rights of the parties except that the defaulting party may limit the amount which it is obligated to

pay pursuant to subparagraph (d) hereof to the highest amount it would have been required to pay if the buy-in had been issued and executed on a timely basis.]

[Failure to Receive]

[RULE 1410.]

[If, prior to executing a buy-in pursuant to Rule 1411, a Receiving Clearing Member shall refuse to receive or fail to pay the settlement amount for all the securities tendered to it pursuant to Rule 1407, and if such refusal or failure shall continue beyond the close of business on the exercise settlement date, the Delivering Clearing Member shall promptly sell out the tendered securities for the account and liability of the defaulting party; provided, however, that the Corporation may direct that the execution of any such sell-out be deferred if the Corporation has reason to believe that other arrangements adequate for the protection of the Delivering Clearing member have been made. No advance notice need be given of any such sell-out, but upon executing such a sell-out, the Delivering Clearing Member shall immediately give written notice to the Corporation and the Receiving Clearing Member. As used in this Rule 1410 the term "defaulting party" shall mean the Receiving Clearing Member in the case of a call option contract and the Corporation in the case of a put option contract. The defaulting party shall be obligated to pay promptly, and in any event prior to 10:00 A.M. Central Time (11:00 A.M. Eastern Time) of the business day following the sell-out, to the Delivering Clearing Member the excess, if any, of the settlement amount of the undelivered securities over the price at which such securities were sold out; and if the Corporation is the defaulting party, the Receiving Clearing Member shall pay such amount to the Corporation not later than the close of business on the day of the sell-out. The Delivering Clearing Members must be prepared to defend the timing of any sell-out and the price at which the sell-out is executed relative to the current market at the time of the transaction.]

Disciplinary Action for Failure to [Deliver or Receive] Match

RULE [1411] 1405.

If[, without good cause,] a Delivering Clearing Member or a Receiving Clearing Member fails, without good cause, to timely submit accurate trade information to the real time trade matching system of FICC [to discharge its delivery obligations] under Rule [1407] 1403, [or a Receiving Clearing Member refuses to accept or fails to pay the settlement amount for Treasury securities tendered to it pursuant to Rule 1407], and [such failure or refusal continues until the other party to the settlement becomes entitled to issue a buy-in notice pursuant to Rule 1409 or sell out the underlying securities pursuant to Rule 1410 (whether or not a buy-in notice is issued or the Corporation directs that the execution of the buy-in or sell-out be deferred),] the Corporation receives notice pursuant to Rule 1404(a) that the failure has not been resolved and the trade has not been successfully matched, such failure [or refusal] shall be deemed to constitute a delay embarrassing the operations of the Corporation, and shall be subject to discipline under Chapter XII of the Rules. The Chairman, the Management Vice Chairman, or President of the Corporation shall have the authority to determine, subject to review as provided in

Chapter XII of the Rules, whether good cause existed for any such failure to deliver or receive.

...Interpretations and Policies:

01. As used in Rule [1411] 1405, “good cause” shall be deemed by the Corporation to include, but not to be limited to, failure of [the Federal Reserve wire] FICC’s real-time matching system or the failure of access to such [wire] system by [the correspondent bank of] either the Receiving or the Delivering Clearing Member, provided settlement is made on the next business day on which such [wire] system is operable.

* * *

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 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 this proposed rule change is to accommodate the clearing of physically-settled options on certain U.S. Treasury notes and U.S. Treasury bonds (“Treasury Options”) proposed to be traded by NASDAQ OMX PHLX, LLC (“PHLX”).¹ OCC’s current By-Laws and Rules (collectively, the “Rules”) accommodate options on Treasury securities, but the options on Treasury securities contemplated by the Rules are no longer traded and are different from the Treasury Options that PHLX intends to trade in certain respects.² Accordingly, OCC proposes to amend the Rules, as described below,

¹ see SR-PHLX-2012-105, PHLX’s rule filing to list Treasury Options.

² Since options on Treasury securities contemplated by the Rules are no longer traded and are different from Treasury Options, clearing members desiring to trade Treasury Options must request and be approved for a business expansion.

to accommodate such Treasury Options as well as to streamline Chapter XIV of its rulebook by re-numbering certain rules and deleting unused and “reserved” rules.

The PHLX Treasury Options are limited to European-style options on Treasury notes and bonds with a unit of trading of \$10,000.³ OCC therefore proposes to remove provisions and references within Chapter XIV of the Rules to American-style options on Treasury securities, Treasury bills as an eligible underlying interest for options on Treasury securities, and “mini options” on Treasury securities. In addition, OCC proposes to remove from the Rules the defined term “adjusted exercise price,” which related only to options on Treasury bills and consequently is no longer needed, and update other definitions within the Rules to reflect the limiting of the underlying interests for Treasury Options to Treasury bonds and notes. Furthermore, OCC does not plan to permit escrow deposits to be made in connection with the clearing of Treasury Options and proposes to remove related provisions in Section 2 of Article XIII.

OCC generally will apply current expiration date exercise procedures to Treasury Options, and will require delivery settlement for exercised and assigned Treasury Options to be effected on a broker-to-broker basis through FICC. Clearing members interested in Treasury Options have advised that it would be operationally more efficient for them if delivery settlement were effected in this manner.⁴ As not all OCC clearing members are participants of the Government Securities Division of FICC, the proposed rules would permit clearing members to designate, with proper advance notice to OCC, a representative that is a GSD participant who would be responsible for inputting trade

³ *see* SR-PHLX-2012-105.

⁴ OCC and PHLX discussed various approaches to effecting settlement of Treasury Options with a number of OCC’s clearing members and, as a result of those discussions, OCC received feedback from such clearing members regarding the proposed delivery settlement process.

information into FICC's systems for delivery settlement purposes. The proposed rules make it clear, however, OCC would have no obligation to such designated representative and contain the agreement of the designating clearing member to be bound by, and to hold OCC harmless against any claims based on, the designated representative's actions or delays in acting or failures to act.

On the expiration date for a Treasury Option, OCC will produce an exercise and assignment report identifying the delivering and receiving clearing members and other relevant delivery information.⁵ Clearing members that are obligated to purchase or sell Treasury securities as a result of the exercise or assignment of positions in Treasury Options will be required to submit the terms of such trades to FICC's real time trade matching system. If the trade information submitted by the delivering and receiving clearing member matches within FICC's system, pursuant to FICC's rules, FICC becomes obligated to guarantee settlement of the trade (i.e., delivery settlement of exercised and assigned Treasury Options) and OCC's obligation to guarantee delivery settlement will be terminated. Delivery settlement through FICC includes delivery of the underlying securities against payment of the aggregate purchase price increased by the amount of accrued interest. If a trade does not match, the delivering and receiving OCC clearing members will be required to notify OCC of such failure by a deadline on the first business day after the expiration date. If no such notification is made by this deadline, pursuant to proposed Rule 1403(d), OCC's obligation to guarantee settlement will be

⁵ In the event a Treasury Securities Clearing Member designates a representative to submit trade information to FICC, pursuant to proposed Rule 1403, the exercise and assignment report will include the name of the representative and the representative's delivery information.

extinguished as of such deadline, regardless of whether or not settlement was actually completed.

In the event OCC is given timely notification of a failure to match, the clearing members would be required to attempt to resolve the failure such that settlement could still occur through FICC by a deadline specified by OCC on the second business day following the expiration date.⁶ If the failure is not resolved and the trade has still not matched by this deadline, the delivering and receiving OCC clearing members will be required to notify OCC of such failure. If no such notification is made by this deadline, pursuant to proposed Rule 1404(a), OCC's obligation to guarantee settlement will be extinguished as of this deadline, regardless of whether or not settlement was actually completed.

If OCC receives timely notification, pursuant to proposed Rule 1404(a), that the second submission attempt at FICC failed to result in a match, OCC will assess and pay damages, if any, incurred by the Delivering or Receiving Clearing Member, as applicable, in connection with the failure to match. OCC will also be authorized to debit the amount of such damages from the account of the Delivering or Receiving Clearing Members, as applicable.

Under proposed Rule 1404, in the event the non-defaulting clearing member buys or sells the underlying Treasury security, the non-defaulting clearing member will be required to promptly notify OCC of the price paid or received, as applicable, and OCC will take this information into account in assessing damages. However, OCC will not be

⁶ OCC's Operations Manual will contain a specific time and describe the manner in which OCC should be notified of a failure to match. OCC will disseminate such information, and any changes thereto, to its Clearing Members through its standard methods, such as through Infomemos.

bound to accept these prices in assessing damages, and will be able to make an independent determination of damages. Proposed Rule 1404 provides that OCC's determination of damages would be at OCC's sole discretion, final and binding on all parties. Such "failure to match" procedures will limit OCC's liability in the event of a default by one of its clearing members. Proposed Rules 1401, 1402, 1403 and 1404 reflect the settlement process described above.

OCC will collect and hold margin from clearing members with Treasury Option delivery or receipt obligations until the exercise settlement date, unless OCC receives notification of a failure to match, in which case OCC will continue to hold margin until either the trade is deemed settled or damages have been assessed and paid to the non-defaulting clearing member.⁷

Proposed Rule 1405 would clarify that OCC may pursue disciplinary action against clearing members who fail to discharge the delivery, payment, and notification obligations as set forth in proposed Rules 1403 and 1404.

In addition to the above changes relating to the terms of and settlement process for Treasury Options, OCC proposes revisions to Section 5 of Article XIII of the By-Laws regarding the handling of shortages of Treasury Securities. These revisions would provide OCC with broader discretion in determining whether a shortage exists and simplify the procedures to be used in this situation.

* * *

⁷ In the event a Treasury Securities Clearing Member elects a representative to submit trade information to FICC, pursuant to amended Rule 1403, OCC will continue to margin the Treasury Securities Clearing Member, not its representative.

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 (the "Act"), because they are designed to promote the prompt and accurate clearance and settlement of securities transactions and the protection of investors and the public interest. They accomplish this purpose by, among other things, updating OCC's existing rule provisions to accommodate Treasury Options, as proposed for trading by PHLX, and implementing a settlement process designed to minimize the risks of settlement failures for investors. In addition, the proposed changes facilitate the establishment of linked and coordinated facilities for clearance and settlement of transactions in securities options by utilizing the existing infrastructure of two clearing agencies to create an operationally efficient exercise settlement process for Treasury Options, proposed for trading by PHLX. The proposed rule change is not inconsistent with any 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 that is 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 solicited with respect to the proposed rule change and none were 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.

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 of another securities self-regulatory organization as defined in Section 3(a)(26) of the Act.

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 Szarmack
Vice President and Associate General Counsel

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[Leave Blank]; File No. SR-OCC-2012-23)

November 30, 2012

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change to Accommodate Certain Physically-Settled Options on U.S. Treasury Securities

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder² notice is hereby given that on November 30, 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 certain physical-settled options on the U.S. Treasury securities.

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 the most significant aspects of these statements.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

The purpose of this proposed rule change is to accommodate the clearing of physically-settled options on certain U.S. Treasury notes and U.S. Treasury bonds ("Treasury Options") proposed to be traded by NASDAQ OMX PHLX, LLC ("PHLX"). OCC's current By-Laws and Rules (collectively, the "Rules") accommodate options on Treasury securities, but the options on Treasury securities contemplated by the Rules are no longer traded and are different from the Treasury Options that PHLX intends to trade in certain respects. Accordingly, OCC proposes to amend the Rules, as described below, to accommodate such Treasury Options as well as to streamline Chapter XIV of its rulebook by re-numbering certain rules and deleting unused and "reserved" rules.

The PHLX Treasury Options are limited to European-style options on Treasury notes and bonds with a unit of trading of \$10,000. OCC therefore proposes to remove provisions and references within Chapter XIV of the Rules to American-style options on Treasury securities, Treasury bills as an eligible underlying interest for options on Treasury securities, and "mini options" on Treasury securities. In addition, OCC proposes to remove from the Rules the defined term "adjusted exercise price," which related only to options on Treasury bills and consequently is no longer needed, and update other definitions within the Rules to reflect the limiting of the underlying interests for Treasury Options to Treasury bonds and notes. Furthermore, OCC does not plan to permit escrow deposits to be made in connection with the clearing of Treasury Options and proposes to remove related provisions in Section 2 of Article XIII.

OCC generally will apply current expiration date exercise procedures to Treasury Options, and will require delivery settlement for exercised and assigned Treasury Options to be

effected on a broker-to-broker basis through FICC. Clearing members interested in Treasury Options have advised that it would be operationally more efficient for them if delivery settlement were effected in this manner. As not all OCC clearing members are participants of the Government Securities Division of FICC, the proposed rules would permit clearing members to designate, with proper advance notice to OCC, a representative that is a GSD participant who would be responsible for inputting trade information into FICC's systems for delivery settlement purposes. The proposed rules make it clear, however, OCC would have no obligation to such designated representative and contain the agreement of the designating clearing member to be bound by, and to hold OCC harmless against any claims based on, the designated representative's actions or delays in acting or failures to act.

On the expiration date for a Treasury Option, OCC will produce an exercise and assignment report identifying the delivering and receiving clearing members and other relevant delivery information. Clearing members that are obligated to purchase or sell Treasury securities as a result of the exercise or assignment of positions in Treasury Options will be required to submit the terms of such trades to FICC's real time trade matching system. If the trade information submitted by the delivering and receiving clearing member matches within FICC's system, pursuant to FICC's rules, FICC becomes obligated to guarantee settlement of the trade (i.e., delivery settlement of exercised and assigned Treasury Options) and OCC's obligation to guarantee delivery settlement will be terminated. Delivery settlement through FICC includes delivery of the underlying securities against payment of the aggregate purchase price increased by the amount of accrued interest. If a trade does not match, the delivering and receiving OCC clearing members will be required to notify OCC of such failure by a deadline on the first business day after the expiration date. If no such notification is made by this deadline, pursuant

to proposed Rule 1403(d), OCC's obligation to guarantee settlement will be extinguished as of such deadline, regardless of whether or not settlement was actually completed.

In the event OCC is given timely notification of a failure to match, the clearing members would be required to attempt to resolve the failure such that settlement could still occur through FICC by a deadline specified by OCC on the second business day following the expiration date. If the failure is not resolved and the trade has still not matched by this deadline, the delivering and receiving OCC clearing members will be required to notify OCC of such failure. If no such notification is made by this deadline, pursuant to proposed Rule 1404(a), OCC's obligation to guarantee settlement will be extinguished as of this deadline, regardless of whether or not settlement was actually completed.

If OCC receives timely notification, pursuant to proposed Rule 1404(a), that the second submission attempt at FICC failed to result in a match, OCC will assess and pay damages, if any, incurred by the Delivering or Receiving Clearing Member, as applicable, in connection with the failure to match. OCC will also be authorized to debit the amount of such damages from the account of the Delivering or Receiving Clearing Members, as applicable.

Under proposed Rule 1404, in the event the non-defaulting clearing member buys or sells the underlying Treasury security, the non-defaulting clearing member will be required to promptly notify OCC of the price paid or received, as applicable, and OCC will take this information into account in assessing damages. However, OCC will not be bound to accept these prices in assessing damages, and will be able to make an independent determination of damages. Proposed Rule 1404 provides that OCC's determination of damages would be at OCC's sole discretion, final and binding on all parties. Such "failure to match" procedures will limit OCC's

liability in the event of a default by one of its clearing members. Proposed Rules 1401, 1402, 1403 and 1404 reflect the settlement process described above.

OCC will collect and hold margin from clearing members with Treasury Option delivery or receipt obligations until the exercise settlement date, unless OCC receives notification of a failure to match, in which case OCC will continue to hold margin until either the trade is deemed settled or damages have been assessed and paid to the non-defaulting clearing member.

Proposed Rule 1405 would clarify that OCC may pursue disciplinary action against clearing members who fail to discharge the delivery, payment, and notification obligations as set forth in proposed Rules 1403 and 1404.

In addition to the above changes relating to the terms of and settlement process for Treasury Options, OCC proposes revisions to Section 5 of Article XIII of the By-Laws regarding the handling of shortages of Treasury Securities. These revisions would provide OCC with broader discretion in determining whether a shortage exists and simplify the procedures to be used in this situation.

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 (the "Act"), because they are designed to promote the prompt and accurate clearance and settlement of securities transactions and the protection of investors and the public interest. They accomplish this purpose by, among other things, updating OCC's existing rule provisions to accommodate Treasury Options, as proposed for trading by PHLX, and implementing a settlement process designed to minimize the risks of settlement failures for investors. In addition, the proposed changes facilitate the establishment of linked and coordinated facilities for clearance and settlement of transactions in securities options by utilizing the existing infrastructure of two

clearing agencies to create an operationally efficient exercise settlement process for Treasury Options, proposed for trading by PHLX. The proposed rule change is not inconsistent with any rules of OCC, including any rules proposed to be amended.

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

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

(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 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-2012-23 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-2012-23. 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-2012-23 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.³

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: _____

³ CFR 200.30-3(a)(12).