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THE OPTIONS CLEARING
CORPORATION

December 7, 2007

VIA E-MAIL

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

Re: Rule Filing SR-OCC-2007-18 Rule Certification

Dear Mr. Stawick:

Attached is a copy of the above-referenced rule filing, which The Options Clearing Corporation ("OCC") is submitting pursuant to the self-certification procedures of Commission Regulation 40.6. This rule filing has been, or is concurrently being, submitted to the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (the "Exchange Act").

In conformity with the requirements of Regulation 40.6(a)(3), OCC states the following: The text of the rule is set forth at Item 1 of the enclosed filing. The date of implementation of the rule is when the proposed rule has been approved by the SEC. No substantive opposing views were expressed to OCC by governing board or committee members, clearing members of OCC, or market participants, that were not incorporated into the rule.

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

JEAN M. CAWLEY
SENIOR VICE PRESIDENT AND DEPUTY GENERAL COUNSEL
ONE N. WACKER DRIVE, SUITE 500 CHICAGO, ILLINOIS 60606 TEL 312.322.6269 FAX 312.322.6280
JCAWLEY@THEOCC.COM WWW.OPTIONSCLEARING.COM

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

Sincerely,

Jean M. Cawley

Attachments

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

2007-18 cftc.ltr

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 19b-4

Proposed Rule Change
by

THE OPTIONS CLEARING CORPORATION

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

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

The Options Clearing Corporation ("OCC") proposes to amend Rule 805, which describes expiration date exercise procedures, including exercise by exception processing. Specifically, OCC proposes to reduce the threshold amounts used to determine equity options that are in the money for purposes of exercise by exception processing. A conforming change is being made to Rule 1106.

Underlining indicates material proposed to be added and brackets indicate material proposed to be deleted.

THE OPTIONS CLEARING CORPORATION

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RULES

* * *

CHAPTER VIII

Exercise and Assignment

* * *

Expiration Date Exercise Procedure

RULE 805. (a) –(c) [unchanged]

(d) Each Clearing Member shall be deemed to have properly and irrevocably tendered to the Corporation, immediately prior to the expiration time for such option contracts on each expiration date, an exercise notice with respect to:

(1) [unchanged]

(2) every option contract of each series listed in the Clearing Member's Expiration Exercise Report that has an exercise price below (in the case of a call) or above (in the case of a put) the closing price of the underlying security by $0.0[5]1 or more, unless the Clearing Member shall have duly instructed the Corporation, in accordance with subparagraph (b), to exercise none, or fewer than all, of the option contracts of such series carried in such account. If a Clearing Member desires that any such option contract not be exercised, it shall be the responsibility of the Clearing Member to give appropriate instructions to the Corporation in accordance with subparagraph (b).

(e) – end [unchanged]

* * *

CHAPTER XI

Suspension of a Clearing Member

* * *

Open Positions

RULE 1106. (a) [unchanged]

(1) - (2) [unchanged]

(3) if an option carried in a segregated long position of a suspended Clearing Member has not been closed out prior to its expiration date, and the exercise price thereof is below (in the case of a call) or above (in the case of a put) the closing price of the underlying security, as defined for the purposes of Rule 805, by (i) $.0[5]1 or more in the case of a stock option contract, or (ii) the interval or intervals established in accordance with the applicable Chapter of the Rules (or, if no such intervals shall have been established, such interval or intervals as the Corporation shall in its discretion select) in the case of an option other than a stock option, the option shall be exercised for the account of the suspended Clearing Member on its expiration date.

If an option is exercised pursuant to this Rule 1106(a), or if a BOUND has expired but not been settled, the exercised option, or expired BOUND shall, unless the Corporation stipulates otherwise, be closed in accordance with Rule 1107 (or in accordance with a Rule applicable to such option or BOUND that replaces Rule 1107), provided that any gain or loss sustained by the assigned Clearing Member shall be credited or charged, as the case may be, to the account that would have been credited with the net proceeds from the closing of such option or BOUND had it been closed rather than exercised or allowed to expire. The suspended Clearing Member or its representative shall be notified as promptly as possible of any closing or exercise of long positions pursuant to this Rule.

(b) – end [unchanged]

* * *

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 September 25, 2007.

Questions regarding the proposed rule change should be addressed to Jean M. Cawley, Senior Vice President and Deputy General Counsel, at (312) 322-6269.

Item 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The Options Clearing Corporation ("OCC") is proposing to amend Rule 805, which prescribes expiration date exercise procedures, including exercise by exception processing.[1] Specifically, OCC proposes to reduce the threshold amounts used to determine the equity options that are deemed to be in the money for purposes of exercise by exception processing.

Background

OCC has for years maintained an "exercise by exception" procedure. Under that

[1] A conforming change is also being made to Rule 1106, which concerns the treatment of open positions following

procedure, options that are in the money at expiration by more than a specified threshold amount are exercised automatically unless the clearing member carrying the position instructs otherwise. Equity options are determined to be in the money or not based on the difference between the exercise price and the closing price of the underlying equity interest on the last trading day before expiration. In each of the last two years, OCC has reduced the threshold amounts for equity options in order to streamline expiration processing.[2] These changes were implemented at the request of the OCC Roundtable[3] and benefited both OCC and clearing members by reducing the time required to submit exercise instructions on an average expiration weekend.

Discussion

In view of the high options volumes experienced in 2007, the OCC Roundtable once more recommended that OCC decrease the threshold applied to equity options in an effort to continue to improve expiration processing while reducing operational risks. The Roundtable suggested $.01 as the new threshold for all accounts.

As with the other proposed threshold reductions, OCC conducted a survey of its clearing membership to assess support for the change. Survey results reflected strong support for the change across the membership. Seventy-nine clearing members[4] responded to the survey,

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the suspension of a clearing member.

[2] In September, 2005, the threshold was reduced from $.75 to $.25 in a clearing member's customers' account and from $.25 to $.15 in any other account (i.e., firm and market makers' accounts). See Release No. 34-50178 (August 10, 2005). In October, 2006, the threshold became $.05 in all account types. See Release No. 34-54514 (September 26, 2006).

[3] OCC's Roundtable is an OCC sponsored advisory group comprised of representatives from OCC's participant exchanges, OCC, a cross-section of OCC clearing members, and industry service bureaus. The Roundtable considers operational improvements that may be made to increase efficiencies and lower costs in the options industry.

[4] OCC also contacted clearing members that did not respond to its survey. These firms expressed no opinion on the

with 69 clearing members in favor of the threshold change and 10 clearing members opposed. Clearing members supporting the change confirmed the Roundtable's view that it would significantly reduce the number of instructions they are required to input on expiration, thereby shortening the timeframe for completing instructions to OCC.

OCC contacted each firm that opposed the threshold change. (These firms are generally mid-size to small retail clearing members.) Their principal concern was that the lowered threshold would require them to input more "do not exercise" instructions, although some indicated concerns about the need to educate customers and the possibility that commission costs could make an exercise unprofitable.[5] For approximately half of the 10 clearing members opposed to the change, expiration exercise reports for the first eight months of 2007 reflected that there were about 20 to 70 line items of positions that were in the money but not exercised because the in the money amount was less than the current threshold level.[6] As a result, OCC believes these clearing members would most likely have to input more "do not exercise" instructions. The remaining clearing members carried positions in fewer than ten expiring series that were in the money by less than the current threshold, leading OCC to conclude that these clearing members would have a negligible increase in processing time for submitting instructions not to exercise. All firms, however, agreed that they could adapt to the change if supported by

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matter.

[5] As noted, clearing members are able to instruct OCC not to exercise an expiring equity option even though the option is in the money by more than the exercise by exception threshold—e.g., where the in the money amount is less than the applicable commission costs.

[6] OCC continually reviews expiration exercise reports of clearing members to monitor exercise activity. The referenced information, which remained consistent across expirations during this period and thereafter, was obtained in the course of performing such reviews.

the majority of clearing members.

After carefully considering clearing member views on the threshold change, OCC has concluded that it will generally benefit the majority of clearing members and further improve expiration processing. OCC will modify its clearing system to provide increased functionality in order to lessen the operational burden that may be experienced by the firms needing to submit additional "do not exercise" instructions as a result of changing the threshold.

The clearing member survey also asked firms to provide an estimate of the time needed to accommodate the threshold change based upon supplied timeframes (i.e., 0-3 months or 4-6 months). The majority of firms indicated that they could complete the necessary systems development and customer notifications within 6 months. OCC contacted every firm that commented on the proposed timeframes, and all expressed the view that their efforts would be completed in the 6 month time period.

The Roundtable has asked that this change be implemented no later than the June, 2008 expiration. OCC therefore requests the Commission to approve this rule filing no later than January 31, 2008 in order for OCC to provide sufficient advance notice to firms that it has been approved for implementation. OCC further requests that it be authorized to implement the threshold change thereafter based upon its assessment of clearing member readiness. OCC will provide at least 10 days advance notice to clearing members of the effective date of the new threshold amounts. Such notice will be provided via information memoranda and other forms of electronic notice such as email.

* * *

The proposed rule change is consistent with Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act") because it facilitates the prompt and accurate processing of exercise information at expiration. The proposed rule change is not inconsistent with the rules of OCC, including any rule proposed to be amended.

Item 4. Self-Regulatory Organization's Statement on Burden on Competition

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

Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments were received on the proposed rule change in connection with the clearing member surveys conducted by OCC. Those comments are summarized and responded to in Item 3. No other written comments are 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

Not applicable.

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 Rule of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on a rule of another self-regulatory organization or of the Commission.

Item 9. Exhibits

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

Exhibit 2. Copy of Written Comments Received in Response to Clearing Member Survey on Proposed Threshold Change.[7]

[7] With the concurrence of the Commission's staff, OCC redacted the names, titles and any other personal information of the clearing member representatives responding to the survey for privacy considerations. Telephone conversation, November 14, 2007, between Jean M. Cawley, SVP and Deputy General Counsel, OCC, and Jerry W. Carpenter, Assistant Director, Division of Trading and Markets. In cases where responding firms supplied only their clearing number(s), OCC added the clearing member's name for the Commission's convenience. Exhibit 2 is presented in alphabetical order by responding clearing member.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, The Options Clearing Corporation has caused this filing to be signed on its behalf by the undersigned hereunto duly authorized.

THE OPTIONS CLEARING CORPORATION

By:______________________________
Jean M. Cawley
Senior Vice President and
Deputy General Counsel

Personal Information - Redacted for Privacy Considerations			The Options Clearing Corporation is reviewing the possibility of reducing the equity thresholds to the proposed amount of $0.01 for all expiring equity option positions. This would encompass customer, firm and market maker accounts. Would your firm support this move?		If you answered no, please explain why your firm does not support the proposal.	How long will your firm need to make system modifications, complete procedural changes and meet client notification requirements?			Please add any comments or concerns below.
Name	Title	Clearing Member	Yes	No	Open-Ended Response	0-3 months	4-6 months	6-12 months	Open-Ended Response
		A.G. Edwards (201)	Yes			0-3 months			
		ABN Amro Inc 0425	Yes			0-3 months			
		Assent LLC	Yes			0-3 months			Let s do it!!
		Banc of America Securities 773	Yes			0-3 months			
		Barclays Capital 576	Yes				4-6 months		
		Bernard L. Madoff Invest. Sec., LLC 646	Yes			0-3 months			
		BNP Paribas 656	Yes			0-3 months			
		Calyon Financial Inc	Yes			0-3 months			Would it make sense to say that if it is in-the-money it will be execised. I'm sure that at some point the underlying security will be trading in sub-penny increments.
		CGMI # 411	Yes			0-3 months			
		Charles Schwab		No	Customers will have stock positions with no market edge and increases their transaction costs with no significant economic benefit.	0-3 months			
		CIBC World Markets Corp. 438		No	You will have multiple customer positions that will be auto exercised with greater risk the market moving against them Monday morning.	0-3 months			
		Citadel Trading Group LLC 775	Yes			0-3 months			
		Citigroup Global Markets Inc.	Yes				4-6 months		
		Credit Suisse Securities (USA) LLC	Yes				4-6 months		
		Daiwa Securities America Inc. 647	Yes			0-3 months			
		Deutsche Bank Securities, Inc. 573	Yes			0-3 months			
		Electronic Brokerage Servcas Inc/333	Yes			0-3 months			This question would not pertain to us (333) because we do not hold positions. We would be in support of whatever the clearing member community vote dictates.
		Etrade		No	1) Reducing the threshold level will provide little or no benefit and will dramatically increase the size of "do-not" exercise instructions. 2) A one penny increment is not a sufficient cushion for a retail investor given the fact that most end users liquidate the stock the next business day. 3) Reducing the threshold to a penny will force retail firms to add tighter restrictions on accounts due to risk mitigation purposes which could ultimately lead to lower volume from retail investors.	0-3 months			A customer saving one dollar per contract and adding to the custoerms downside risk appears to be penny wise and dollar foolish. From a professional traders view this initialive would provide positive opportunities but from a retail perspective it simply increases the risk without increasing the benefit to the end user.
		Ferris Baker Watts, Inc. 039	Yes			0-3 months			
		Fimat USA	Yes			0-3 months			
		First Clearing, LLC	Yes				4-6 months		We suspect that initially, this will cause heavy volumes of EED requests (Do not exercise requests) as it did when it dropped from .25 cents to .05 cents.
		First Southwest Company	Yes				4-6 months		

		Fortis Clearing Americas, LLC	Yes			0-3 months			
		Goldman Sachs 005	Yes		However we are concerned about inconsistent pricing which may cause problems -- Ideally we would all be susing the same pricing feed to make our choices.		4-6 months		
		Goldman Sachs Execution and Clearing, L.P.	Yes				4-6 months		In all likelyhood, 3 months should be sufficient. Client/Customer communication would be our main focus.
		H&R Block Financial Advisors #0756	Yes					6-12 months	Although we do not believe we generally have large enough positions for this to be suitable for our clients, we leave so few ITM options on the table with the 5 cent threshold it will usually be a non-event for us.
		HSBC Securties (USA) Inc.	Yes				4-6 months		From what I understand this was discussed at the recent OCC roundtable in London, the OCC have been asked by the European GCM's to move eventually towards an automatic expiry process i.e. any positions at the money the exchange/clearing house does an auto E&A for the GCM.. Eliminating any manual intervention..... These steps begin to align the Exchanges/clearing houses globally.
		Ingalls & Snyder llc #0124	Yes			0-3 months			
		Interactive Brokers	Yes			0-3 months			If we do not go to .01, we would have to explore allowing firms to establish their own thresholds.
		Janney Montgomery Scott	Yes				4-6 months		
		Jefferies	Yes			0-3 months			
		JJB Hilliard WL Lyons Inc	Yes			0-3 months			
		JP Morgan Chase Securities	Yes				4-6 months		
		KDC Merger Arbitrage LP	Yes			0-3 months			
		KV Execution Services LLC	Yes			0-3 months			
		KV Execution Services LLC	Yes			0-3 months			
		Lakeshore Securities	Yes			0-3 months			
		LeBranche Financial Services Inc. 215	Yes			0-3 months			
		Legent Clearing 052		No	From a Legent perspective, it will not affect us much except to possibly have more "Do Not Exercise" requests. From a BD perspective, it will mean that they may have to watch the expiring options closer and provide instructions that are to the benefit of their clients or close out the position. From a client perspective, this will not be beneficial as most trade ticket charges will be for more than the profit available from the exercise.	0-3 months			
		Lehman Brothers, Inc. 074, 273, 084, 155	Yes			0-3 months			
		Lek Securities Corporation 512	Yes			0-3 months			
		Maple Securities, Inc. 269	Yes			0-3 months			
		Merrill Lynch	Yes					6-12 months	
		Mesirow Financial, Inc	Yes				4-6 months		
		Morgan Keegan & Company, Inc. 780	Yes			0-3 months			

		Morgan Stanley	Yes		One of our BU express concerns around how to price the resulting exercises and assignments that is below the nickel. Another point raise is that it would be more hassle for the clients to manage the positions that fall with in the penny to 4 cents range.	0-3 months			
		Morgan Stanley&Co., Inc. 015	Yes				4-6 months		
		Natexis Bleichroeder, Inc. 031	Yes			0-3 months			
		National Bank Financial 080	Yes				4-6 months		
		National Financial Services LLC 226		No	A number of our retail customers potentially may be impacted if the threshold was lowered to $0.01. • Commissions would negate any possible gains or could possibly cause a loss. • The price spread on the underlying equity may be greater than the penny threshold. • A reduced ITM amount increases the number of positions exposed to weekend market risk affecting the Clearing Firm population. • The customer experience suffers with a perceived increase in commissions charged due to the auto exercise at $0.01.			6-12 months	
		Nomura Securities International Inc. 180/884	Yes				4-6 months		
		Oppenheimer & Co. Inc. 571	Yes			0-3 months			
		optionsXpress	Yes			0-3 months			Potential problems: Customers may not be able to sell or close out their positions in the market prior to close if option is $0.01 in the money, options may have no bid. This would likely increase the number of positions in the money we would NOT be exercising. I think OCC needs to adjust the ENCORE EED functionality to include the ability to enter the number of contracts that will not be exercised. Allowing only positive instructions makes it difficult to determine our long positions on Friday and does not allow a firm to take into account a possible transferred position or an outtrade error that would be unknown until Saturday.
		Penson Financial Services 0234 and 0111	Yes			0-3 months			There is a possibility that the DO NOT exercises will increase due to certain customer models, where they currently take advantage of the .05 threshold as a way of charging commission.
		Pershing	Yes					6-12 months	
		Prudential; Bache Securities LLC	Yes			0-3 months			

		Raymond James		No	Currently, a pennies environment still creates bid/offer spreads which straddle the strike price + or - $0.05. Stocks that are not heavily traded can have spreads that create uncertainty. With the impending change in Corporate Action adjustment methodology, that problem is exacerbated by the requirement to multiply the current stock price by the number of shares required for delivery to get to that in-the-money amount. Since the final determination of price is made at the close, in order to prevent assignment or to take proper advantage of exercise rights, customers may be required to take actions different than they would if better information was available. For example, since most Options continue to trade in $0.05 intervals, a $0.01 in-the-money Options may need to be bought at $0.05 to prevent assignment, creating an instant, unfair and riskless profit for the seller. Although that opportunity already exists in today's market, a $0.01 threshold will greatly increase that possibility.	0-3 months			
		RBC Capital Market Corp.	Yes			0-3 months			
		RBS Greenwich Capital	Yes			0-3 months			Our client base, primarily European, would welcome such a change as soon as possible.
		Ridge Clearing & Outsurcing Solutions 158		No	Do to our client base there would be exuberant amount of DNE notices. The commission charges would be more than the profits of the transactions.			6-12 months	listed above
		Robert W. Baird	Yes				4-6 months		
		Sanford C. Bernstein 0013	Yes			0-3 months			
		Scottrade	Yes			0-3 months			
		SG Americas Securities, LLC 286	Yes			0-3 months			
		Southwest Securities, Inc. 279	Yes			0-3 months			Would need an easier way to submit "do not exercise" instructions.
		Stephens, Inc. 419	Yes				4-6 months		
		Stifel, Nicholaus & Company, Incporated 793		No	It will cause errors in retail accounts. Accounts with long positions that they expect to expire will be exercised.			6-12 months	
		StockCross Finl Svcs		No	Too many customers consider options in the money by a small amount as being worthless (after comsns they are).		4-6 months		
		Swiss American Securities Inc.	Yes			0-3 months			
		TD Ameritrade Clearing 777	Yes				4-6 months		
		Terra Nova Financial	Yes			0-3 months			
		Timber Hill LLC (549 & 611)	Yes			0-3 months			

		TradeStation Securities, Inc. 271		No	As the threshold buffer decreases, the amount of risk from a retail client suffering a catastrophic loss from an auto exercise increases. If there is little incentive to liquidate the option in the open market on the last day of trading, it will increase the number of options going through auto-exercise on the weekend. Inevitably, this will increase the number of retail clients who can not afford to take possession of the underlying assets from a long option auto exercise and pray they can trade out of the large long / short stock positions the following Monday without experiencing substantial losses. What is wrong with telling clients they should trade out of the position on Friday at market value, or the option expires wothless? Is that not easier than processing the extra exercises? A .01 buffer will increase the number of contrary instructions firms will have to place to "stop" auto exercises to protect from large market exposure on the following Monday in accounts that are asleep at the wheel and don't have the	0-3 months			once again, an incentive should exist for long option holders to liquidate their position on Friday rather than hold them over the weekend. how can it be more efficient to encourage long option customers to hold their positions and force deliveries to take place?
		TRADITION ASIEL SECS (370)	Yes			0-3 months			
		UBS	Yes				4-6 months		Reduction of PIN risk and Regulatory reporting requirements would provide significant benefits to member firms. Also would help to reduce the expiration processing timeframes.
		UBS Financial Services Inc. #221	Yes				4-6 months		
		Vision Financial Markets LLC	Yes				4-6 months		
		Wedbush Morgan Securities	Yes			0-3 months			
		Willim Blair & Co., L.L.C. 771	Yes			0-3 months			