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THE OPTIONS CLEARING
CORPORATION

OFFICE OF THE SECRETARIAT

December 14, 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-2007-20 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

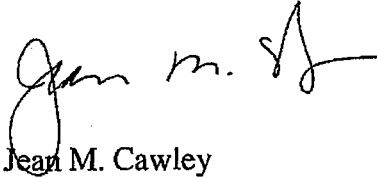
JCAWLEY@THEOCC.COM WWW.OPTIONSCLEARING.COM



Mr. David A. Stawick
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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

2007-20 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” or the “Corporation”) proposes to amend its Rules as set forth below in order to improve its risk management process by integrating certain forms of collateral, initially common stocks and exchange traded funds (“ETFs”), into the process by which OCC calculates margin requirements using the System for Theoretical Analysis and Numerical Simulations (“STANS”). Certain related changes and minor updates in existing margin rules are also proposed.

Material proposed to be added to OCC’s Rules as currently in effect is underlined and material proposed to be deleted is enclosed in bold brackets.

THE OPTIONS CLEARING CORPORATION**RULES**

* * *

Chapter VI**Margins**

* * *

Margin Requirements

Rule 601. (a)- (e) [No change]

... Interpretations and Policies:

.01 - .04 [No change]

.05 Margin deposited in respect of any account in the form of common stocks or fund shares will be included in the Monte Carlo simulations (as described in paragraph (c) of Rule 601) when calculating the minimum expected liquidating value of such account. Margin assets deposited in any other form shall continue to be valued as provided in Rule 604.

* * *

Forms of Margin

Rule 604. (a) [No change]

(b) *Securities*. The types of securities specified in subparagraphs (1) – (4) of this paragraph (b) may be deposited with the Corporation in the manner specified for each:

(1) - (3) [No change]

(4) *Equity and Debt Issues*. (i) Clearing Members may deposit, as hereinafter provided, common and preferred stocks, including fund shares (collectively, “stocks”), and corporate bonds which meet the standards prescribed below. In order to be eligible for deposit, stocks must have a market value greater than \$10 per share and must be [(A)] traded on a national securities exchange, provided that Nasdaq-traded securities must be [(B)] traded in the Nasdaq Global Market or [(C) traded in T] the Nasdaq Capital Market. Corporate bonds must (A) be listed on a national securities exchange and not in default, (B) have a current market value that is readily determinable on a daily basis, and (C) be rated in one of the four highest rating categories by a nationally recognized statistical rating organization. Notwithstanding the foregoing, the \$10 per share market value requirement will not apply to: (x) securities that are deliverable upon the exercise or maturity of any cleared contract, or (y) fund shares that have as their reference any index that underlies any cleared contract, regardless of whether such fund shares are deliverable upon the exercise or maturity of any cleared contract. An issue that is suspended from trading by, or subject to special margin requirements under the rules of, the market that listed or qualified the issue for trading because of volatility, lack of liquidity or similar characteristics, may not be deposited as margin with the Corporation. If the issue is listed or traded on more than one market and the markets do not take the same action, the Corporation will use its discretion to determine which market’s actions will be definitive for purposes of this Rule. Each deposit pursuant to this Rule 604 (b)(4) shall be made with respect to a designated account of the Clearing Member. Deposited stocks and bonds shall be valued on a daily basis at 70% of current market value or such lower value as the Membership/Risk Committee of the Corporation may prescribe from time to time with respect to such stocks or bonds, or any of them. In valuing any stock or bond for the purposes of this Rule 604 (b)(4), its current market value shall be deemed to be its price at the close of regular trading hours (as determined by the Corporation) on such national securities exchange or other domestic security market as the Corporation shall determine during the preceding trading day. If such stock or bond was not traded on such market during regular trading hours, the current market value shall be deemed to be the lowest reported bid quotation for such stock or bond at or about the close of regular trading hours on such day. [Equity]Stocks and debt issues of any one issuer shall not be valued at an amount in excess of 10% of the margin [requirement] on deposit in the account for which such securities are deposited; provided that this 10% limit shall not apply to: (x) securities that are deliverable upon the exercise or maturity of any cleared contract, or (y) fund shares that have as their reference any index that underlies any cleared contract, regardless of whether the fund share is deliverable upon the exercise or maturity of any cleared contract. Common stocks

deposited pursuant to Rule 610 shall have no value as margin for the purposes of this Rule 604(b)(4).

(ii) – (iii) [no change]

(5) [no change]

(c) – (f) [no change]

* * *

Withdrawals of Margin

Rule 608. In the event that the amount of a Clearing Member's margin on deposit exceeds the amount required on a particular day, as reported by the Corporation [shown by the Daily Margin Report] for such day, the Corporation shall authorize the withdrawal of the amount of the excess upon the submission to the Corporation by the Clearing Member between such times as the Corporation may specify of a withdrawal request in such form as the Corporation shall prescribe. Notwithstanding the foregoing, (a) a Clearing Member may not withdraw margin in any form or currency in an amount in excess of the amount of margin of that form or currency deposited in the account from which the withdrawal is made and (b) [the Chairman, the Management Vice Chairman, or President of] the Corporation may, if [such officer] it deems it advisable for any of the reasons described in Rule 609, reject any such withdrawal request. In the event of any such rejection, credit shall continue to be given for any margin deposit in respect of which withdrawal was rejected[, in each Daily Margin Report for the appropriate account,] until such time as the withdrawal of such margin deposit is authorized.

... Interpretations and Policies:

.01 Where a Clearing Member seeks to withdraw a security that has been included in the Monte Carlo simulations (as described in paragraph (c) of Rule 601) when calculating the minimum expected liquidating value of any account, the Corporation may require that it be replaced with collateral having a value determined in accordance with such procedures as the Corporation may specify from time to time.

Intra-Day Margin

RULE 609. [A designated officer of t]The Corporation may require the deposit of such additional margin ("intra-day margin") by any Clearing Member in any account at any time during any business day, as such officer deems advisable to reflect changes in (i) the market price during such day of any series of options held in a short position in such account or of any underlying interest underlying any cleared security (including an exercised option) in such account or of any Loaned Stock that is the subject of a stock loan or borrow position in such account, (ii) the size of such Clearing Member's positions in cleared securities or stock loan or borrow positions, (iii) the value of securities deposited by the Clearing Member as margin

[pursuant to Rule 604], or (iv) the financial position of the Clearing Member, or otherwise to protect the Corporation, other Clearing Members or the general public. Such Clearing Member shall satisfy a required deposit of intra-day margin in immediately available funds within the time prescribed by such officer or, in the absence thereof, within one hour of the Corporation's issuance of an instruction debiting the applicable bank account of the Clearing Member. [Credit shall be given for any such intra-day margin deposit in each Daily Margin Report for such account commencing on the business day following the day on which the deposit is required and continuing until such time as the release of such intra-day margin deposit is authorized. For the purposes hereof, "designated officer" means the Chairman, Management Vice Chairman, President or such other officer of the Corporation as designated by any one of the foregoing officers.]

* * *

Cross-Margining Settlement Procedures

RULE 706. The Corporation shall conduct daily settlement in respect of sets of X-M accounts in accordance with this Rule with each Joint Clearing Member and each Pair of Affiliated Clearing Members that has designated the Corporation as its or their Designated Clearing Organization.

(a) – (b) [no change]

(c) That portion, if any, of the Excess Margin remaining after application in accordance with subsection (a) of this Rule may be withdrawn from sets of X-M accounts in accordance with Rule 608. [For the purposes of this paragraph the reference in Rule 608 to the "Daily Margin Report" shall be deemed to be a reference to the X-M Margin and Settlement Report.]

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 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

Purpose of Rule Change

The purpose of this proposed rule change is to permit the incorporation of certain forms of collateral into the System for Theoretical Analysis and Numerical Simulations ("STANS") risk management methodology. OCC believes that this procedure will more accurately measure the risk in Clearing Members' accounts and thereby permit OCC to set margin requirements that more precisely reflect that risk. As a result of this change, it is also necessary to provide additional flexibility in determining the amount of replacement collateral required when securities deposited as margin are withdrawn. OCC also believes that certain existing concentration limits and requirements regarding minimum share prices are no longer appropriately applied to securities that are underlying securities, or to fund shares that track an index that is an underlying index, for covered contracts. OCC is therefore proposing to eliminate such requirements with respect to such securities.

Overview of Proposed Changes

OCC proposes to incorporate certain common stocks and ETFs (defined as "fund shares" in Article I of OCC's By-Laws) into the STANS margin calculation process.¹ STANS is a large-scale Monte Carlo-based risk management methodology used to measure risk associated with portfolios of cleared contracts. Currently, these forms of collateral, when deposited to satisfy margin requirements, are priced on a nightly basis and are assigned a value equal to their end-of-day market price minus the haircut applicable to that form of collateral, an amount that varies according to asset type. While this method of valuing collateral has generally served OCC

¹ See Release No. 34-53322 (February 15, 2006) for a description of STANS.

well in the past, it does not take into account the potential risk-reducing impact that the deposited collateral might have on a Clearing Member's portfolio. Under the proposed rule change, cleared options positions and underlying securities in the forms indicated above would be analyzed as a single portfolio using STANS, thus providing a more accurate valuation of securities deposited as collateral in relation to the other positions in the account. The change would align risk management techniques utilized to manage market risk of options portfolios with those used to value margin deposits. There are two primary benefits expected from the rule change: (i) margin requirements will be based on the risk of the combined portfolio that includes both cleared contracts and deposited collateral, thus taking into consideration relevant intercorrelations rather than treating securities deposited as collateral as having a fixed value; and (ii) the coverage provided by a particular asset class (*e.g.*, shares of IBM common stock) will be based on the historical volatility of that particular asset rather than by taking a flat "haircut" rate across a much broader class of assets (*e.g.*, 30% haircut for common stock). For the period from August 16, 2007 to September 10, 2007, OCC staff computed margin requirements for all existing accounts according to this proposed approach. The result showed an average daily reduction in risk margin requirements of approximately \$1.2 billion, or 5 %, as compared to OCC's current approach. At the same time that average daily collateral requirements would be reduced, the STANS calculations would also measure and compensate for added risk arising where risks are positively correlated rather than offsetting.

In connection with the foregoing change, OCC is also proposing an exception to collateral minimum price and concentration limits with respect to certain securities deposited as collateral. Currently, eligible collateral securities deposited with OCC must meet the following criteria: (1) have a market value greater than \$10 per share; and (2) be traded on a national

securities exchange, the Nasdaq Global Market, or the Nasdaq Capital Market. Additionally, the aggregate value of margin attributed to a single security cannot exceed 10% of a Clearing Member's total margin requirement. These criteria were designed to limit deposits to liquid, readily marketable securities and to avoid concentrations of deposits in a single security. OCC proposes an exception to these eligibility and concentration requirements for securities that are deliverable upon exercise of a contract cleared by OCC or, in the case of ETFs, that track an index underlying cleared contracts, whether or not the particular ETF is an underlying security. OCC believes that this exception will permit and encourage the use of collateral that closely hedges related options positions. The proposed exception would apply only to the approximately 2,800 exchange-listed equity securities that currently underlie listed options. Thus, OCC's existing minimum value and concentration restrictions would continue to apply to the approximate 7,200 exchange-listed equity securities that do not underlie listed options. Further, OCC proposes a minor amendment to the current requirement that the aggregate value of margin attributed to a single security cannot exceed 10% of the total margin requirement in an account. The proposed change would base the calculation on the Clearing Member's actual margin deposits rather than the Clearing Member's total margin requirement in the account. Thus, the requirement as amended would limit the value given to deposits in any single security to no more than 10% of the market value of a member's aggregate margin deposits in the account. This test is very similar in purpose and effect to the current test, but OCC believes it will be much easier to administer than the current test when collateral is included in STANS.

In addition, OCC will need a different means for addressing substitutions of collateral where a security that has been valued in STANS is being replaced during the business day. STANS performs multiple portfolio revaluations during the business day using current prices of

collateral and cleared contracts. While the revaluations include updated positions in cleared contracts reflecting intraday trading activity, they do not at present include updated collateral positions reflecting withdrawals and substitutions. In addition, it is operationally too intensive, given the complexity of the STANS methodology and the frequency of substitution requests, to recalculate the STANS requirement for each such collateral withdrawal/deposit. Although OCC intends ultimately to make further systems changes to address these issues in more efficient ways, OCC has developed an approach that provides the necessary protection to the clearing system by taking a conservative view of the estimated impact that a withdrawal/deposit will have on the member's requirement.

OCC proposes to treat margin collateral substitutions and withdrawals in the same manner that substitutions and withdrawals of specific and escrow deposits are treated. In the case of a margin withdrawal (deposit), OCC would incorporate an adjustment factor, based on the historical volatility of the security, equal to the estimated impact (within the 99% confidence interval) of the security on the projected liquidating value of the account. For example, if a Clearing Member deposited \$300 in IBM stock, and assuming that IBM is given a risk adjustment factor of 10%, the deposited stock would be given a value of \$270 (\$300 times (100% - 10%)) in intraday excess collateral value to be used against releases, accounting for the potential negative risk impact of adding the stock to the portfolio. Subsequently, if the firm releases \$200 of Google stock (assume a risk adjustment factor of 12%) the Clearing Member would be required to maintain \$224 (\$200 times 112%) in excess collateral, accounting for the negative impact of removing Google from the portfolio.

Proposed Changes to OCC's Rules to Implement the Foregoing Concepts

OCC's Rule 601, "Margin Requirements," currently states in paragraph (c) that margin assets may be incorporated into the Monte Carlo calculations as an alternative to valuing such assets under Rule 604. OCC now proposes merely to add an interpretation to Rule 601 to indicate that OCC is implementing this alternative to the extent that it will be incorporating common stocks and ETFs into the STANS calculation of expected net liquidating value. Rule 604(b)(4), which governs the deposit of equity and debt issues to satisfy margin requirements, would be amended to provide exceptions to the per share minimum price and concentration limits, and to provide that concentration limits will be measured in relation to the aggregate margin on deposit, rather than the margin requirement, in an account, all as described above. Rule 604(b)(4) is also proposed to be amended to reflect the fact that Nasdaq is now registered as a national securities exchange. An interpretation is proposed to be added following Rule 608 to give OCC the flexibility to adopt the interim method of dealing with collateral withdrawals and substitutions as described above. The proposed changes in Rules 609 and 706(c) reflect minor conforming changes and nonsubstantive updates to streamline the rules and add flexibility.

OCC proposes to put all of the foregoing proposed rule changes into effect simultaneously, upon appropriate notice to Clearing Members, once systems changes needed for full implementation are in place. The published text of OCC's By-Laws and Rules would not be modified until that time, although this rule change would be published as pending approval, or approved but not yet implemented, as the case may be.

* * *

The proposed changes to OCC's Rules are consistent with the purposes and requirements of Section 17A of the Securities Exchange Act of 1934, as amended, because they

are designed to promote accuracy in the clearance and settlement of transactions in options and other derivatives cleared by OCC, and the risk assessments related thereto, and to promote efficiency and eliminate unnecessary costs to investors by reducing risk margin requirements, and, in general, to protect investors and the public interest. They accomplish this purpose by more accurately evaluating collateral deposits and encouraging the use of collateral that closely hedges options positions. The proposed rule change is not inconsistent with the existing By-Laws and Rules of OCC, including any 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 material impact on competition.

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

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

Item 6. Extension of Time Period for Commission Action

OCC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act.

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 change of another self-regulatory organization.

Item 9. Exhibits

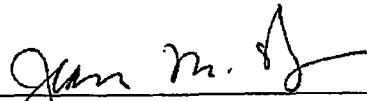
Exhibit 1 Completed notice of the proposed rule change for publication in the Federal Register.

SIGNATURES

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

THE OPTIONS CLEARING CORPORATION

By: _____



Jean M. Cawley
Senior Vice President
and Deputy General Counsel