

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-62801; File No. SR-OCC-2010-13)

August 31, 2010

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of a Proposed Rule Change To Allow for Adjustments to the Settlement Price of Exchange-Designated Security Futures for All Cash Dividends or Distributions Paid by the Issuer of the Underlying Security

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on August 19, 2010, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") and on August 25, 2010, amended 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 from interested persons.

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

The purpose of the proposed rule change is to revise OCC's By-Laws to allow OCC to make adjustments to the settlement price of exchange-designated security futures for all cash dividends or distributions paid by the issuer of the underlying security.

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 such statements.²

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified the text of the summaries prepared by OCC.

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

The primary purpose of this proposed rule change is to revise OCC's By-Laws to allow OCC to make adjustments to the settlement price of exchange-designated security futures for all cash dividends or distributions paid by the issuer of the underlying security. Under its current rules, OCC makes such adjustments only for "non-ordinary" dividends. However, OneChicago, LLC ("OneChicago") has informed OCC that it believes there is a demand for security futures that would be adjusted in response to all cash dividends or distributions. Accordingly, OCC is proposing to amend Section 3 of Article XII of its By-Laws to permit exchanges to designate certain security futures that would be adjusted for ordinary as well as "non-ordinary" dividends. Exchanges could continue to trade security futures that would be adjusted only in the event of a "non-ordinary" dividend.

For security futures subject to adjustment for all cash dividends or distributions, it would be the exchange's responsibility to inform OCC of the issuance of a cash dividend or distribution and the appropriate adjustment amount. Provided that such information (including any corrections thereto) is reported to OCC before a designated cut-off time prior to the ex-date, OCC would then make the appropriate adjustment to the settlement price of the security futures contract. Such adjustments would be effective before the opening of business on the ex-date.³ If the exchange failed to report dividend or distribution information to OCC on a timely basis or reported incorrect dividend or distribution information to OCC, then the exchange would be able

³ The standard method for adjusting futures contracts in response to cash distributions is to decrease the prior day's settlement price by the amount of the dividend. This adjustment is effective at the opening of business on the ex-distribution date and parallels the adjustment made to the price of the underlying stock by the securities exchanges on the ex-distribution date. It is intended to ensure that no futures mark-to-the-market attributable to the adjustment made to the stock price for the dividend will occur.

to report such information or corrected information to OCC on the ex-date, and OCC would effect the adjustment as soon as practicable thereafter.⁴ In the event the exchange already opened trading in the security futures contracts affected thereby, the exchange would provide OCC with direction on whether such trades should be cleared or disregarded as provided for in Article VI, Section 7 of OCC's By-Laws. Pursuant thereto, disregarded transactions would be deemed null and void and given no effect. These procedures are intended to preserve OCC's ability to initiate and conduct nightly processing on a timely basis, but they also provide the exchange with the opportunity to report to OCC dividend or distribution information that was not available to it before OCC's processing cut-offs or to correct erroneously reported information to ensure an appropriate adjustment to the settlement price for the affected contracts.

In connection with OneChicago's proposal, OneChicago and OCC also have agreed to amend the Security Futures Agreement for Clearing and Settlement Services, dated April 1, 2002, (the "Clearing Agreement") by entering into Amendment No. 1 thereto.⁵ Amendment No. 1 would amend Section 5 of the Clearing Agreement to permit OneChicago to designate those security futures contracts for which adjustments will be made in response to all cash dividends or distributions and to set forth for OneChicago's obligation to furnish OCC with notice of all relevant information regarding such dividends or distributions in order for OCC to

⁴ OCC also proposes to add Interpretation and Policy .10 to Article XII, Section 3 that provides that officially reported settlement prices will not be adjusted (other than as provided for in the By-Laws and Rules) except in extraordinary circumstances. The Interpretation further provides that in no event will a completed settlement be adjusted due to errors discovered thereafter. This latter provision is intended to preserve the finality of money settlements should it be later determined that an officially reported settlement price was erroneous and is based on existing provisions of OCC's By-Laws. See, e.g., Article XIV, Section 6, Interpretation and Policy .01; Article XVI, Section 4, Interpretation and Policy .01; and Article XVII, Section 4, Interpretation and Policy .01.

⁵ Amendment No. 1, which will be executed after the effectiveness of this filing, would amend and restate Section 5 of the Clearing Agreement.

adjust the settlement price of the affected security future as described above. Amended Section 5 further extends the current indemnification provided by OneChicago to OCC to also cover losses resulting from adjusting security futures in accordance with dividend or distribution information supplied by OneChicago or failing to adjust in the event OneChicago did not supply OCC with information regarding such an adjustment.

OCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act,⁶ as amended, and the rules and regulations thereunder applicable to OCC because it is designed to promote the prompt and accurate clearance and settlement of security transactions and generally to protect investors and the public interest by allowing the clearing and settling of security futures contracts that reflect the issuance of all cash dividends or distributions on the underlying security.

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

OCC does not believe that the proposed rule change will have an impact on or impose a 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 relating to the proposed rule change have been solicited or received. OCC will notify the Commission of any written comments received by OCC.

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 (i) as the Commission may designate up to ninety days of such date if it finds

⁶ 15 U.S.C. 78q-1.

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.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-OCC-2010-13 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-2010-13. 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 inspection and copying in the Commission's Public Reference Section, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing also will be available for inspection and copying at the principal office of OCC and on OCC's website at www.theocc.com. 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-2010-13 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.⁷

Florence E. Harmon
Deputy Secretary

⁷ 17 CFR 200.30-3(a)(12).