

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-54898; File No. SR-OCC-2006-08)

December 8, 2006

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change to Revise Stock Futures Adjustment Methodology

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> notice is hereby given that on May 19, 2006, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which items have been prepared by OCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

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

OCC is seeking to amend Article XII (Futures and Futures Options), Section 3 (Adjustments to Futures and Futures Options) of OCC’s By-Laws to conform to the changes sought in proposed rule change SR-OCC-2006-01 to Article VI (Clearance of Exchange Transactions), Section 11A (Adjustments for Stock Option Contracts).<sup>2</sup>

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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> The Commission published the notice for proposed rule change SR-OCC-2006-01 on March 9, 2006. Securities Exchange Act Release No. 53400 (March 2, 2006), 71 FR 12226.

below. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>3</sup>

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

On January 12, 2006, OCC filed with the Commission proposed rule change SR-OCC-2006-01. Pursuant to SR-OCC-2006-01, OCC proposed, among other things, to amend its adjustment rules in Article VI, Section 11A for stock option contracts with respect to stock dividends, stock distributions, and stock splits. Subject to the Commission approving proposed rule change SR-OCC-2006-01, OCC is proposing to amend Article XII, Section 3 to ensure stock futures contracts can be adjusted in a manner consistent with adjustments made to stock option contracts on the same underlying security.

As described in proposed rule change SR-OCC-2006-01, OCC desires to change certain of its adjustment rules with respect to stock option contracts to eliminate the need to round strike prices and/or units of trading in the event of certain stock dividends, stock distributions, and stock splits.<sup>4</sup> The adjustment rules for stock futures as currently provided in Article XII, Section 3 parallel the current adjustment rules for stock options provided in Article VI, Section 11A. This uniformity ensures stock futures contracts can be adjusted in a manner consistent with adjustments made to stock option contracts on the same underlying security. The changes to Article XII, Section 3 that are the subject of this proposed rule change are made solely to track

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<sup>3</sup> The Commission has modified the text of the summaries prepared by OCC.

<sup>4</sup> The notice for SR-OCC-2006-01 describes OCC's proposed changes to and the rationale for the proposed rule change to its adjustment rules for stock options.

the changes proposed to be made to Article VI, Section 11A and are intended to ensure that adjustments to stock options and to stock futures made for stock dividends, stock distributions, and stock splits will remain consistent with respect to an underlying security.

As noted above, the central purpose of the rule change proposed in SR-OCC-2006-01 is to eliminate inequities which result from certain rounding practices currently required by OCC's By-Laws because stock option strike prices are quoted in and therefore rounded to the nearest one-eighth. Stock futures do not have the same issue because they are quoted in decimals. Nevertheless, in order to ensure adjustments for stock options and for stock futures remain consistent, OCC proposes to revise the adjustment rules with respect to stock futures to match the proposed revised adjustment rules with respect to stock options for stock dividends, stock distributions, and stock splits.

OCC will not implement the proposed rule change described herein until implementation of SR-OCC-2006-01. In the event any amendments are made to SR-OCC-2006-01, OCC would seek approval for conforming parallel changes to this proposed rule change.

OCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>5</sup> and the rules and regulations thereunder applicable to OCC because it is intended solely to keep the adjustment rules for stock futures with respect to stock dividends, stock distributions, and stock splits consistent with the adjustment rules for stock options with respect to stock dividends, stock distributions, and stock splits and thus should protect investors.

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<sup>5</sup> 15 U.S.C. 78q-1.

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

OCC does not believe that 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

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

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

Within thirty-five 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 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 such 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](mailto:rule-comments@sec.gov). Please include File Number SR-OCC-2006-08 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-OCC-2006-08. 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 Web site (<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. Copies of such filing also will be available for inspection and copying at the principal office of OCC and on OCC's Web site at [www.theocc.com](http://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-2006-08 and should be submitted on or before [insert date 15 days from publication in the Federal Register].

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>6</sup> 17 CFR 200.30-3(a)(12).

