

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-63811; File No. SR-OCC-2011-02)

February 1, 2011

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change to Accommodate the Clearance of Relative Performance Options

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 January 19, 2011, 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

The proposed rule change would accommodate the clearance of options on certain indexes measuring the relative performance of one reference security or reference index relative to a second reference security or reference index.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

significant aspects of these statements.³

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

The purpose of this rule change is to accommodate the clearance of options on certain indexes measuring the relative performance of one reference security or reference index relative to a second reference security or reference index ("Relative Performance Options"). A reference security may be an exchange-traded fund ("ETF"). The revised rules have been broadly drafted to cover Alpha Options (described below) and any similar product that may be listed on any participant exchange in the future.

NASDAQ OMX PHLX LLC ("Phlx") is proposing to list options ("Alpha Options")⁴ on NASDAQ OMX Alpha Indexes ("Alpha Indexes"), a family of indexes developed by NASDAQ OMX Group, Inc. ("Nasdaq"). Alpha Indexes are calculated based on two ETFs or other reference securities underlying options that are also traded on Phlx. For example, an Alpha Index may measure the relative total return of two non-ETF securities, two ETFs, or one ETF and one non-ETF security (the first component of each pair is referred to as the "Target Component," and the second component is referred to as the "Benchmark Component"). The Alpha Index is calculated by measuring the total return performance of the Target Component relative to the total return performance of the Benchmark Component based upon prices of transactions on the primary listing exchange of each underlying component. Each Alpha Index will initially be set at 100.00. Alpha Options will be cash-settled, European-style options. In the event of a corporate event that eliminates one of the underlying components of an Alpha Index,

³ The Commission has modified the text of the summaries prepared by OCC.

⁴ See SR-Phlx-2010-176, Release No. 34-63575, December 17, 2010.

Nasdaq will cease calculation of the Alpha Index for that pair of underlying components, and all outstanding option positions will be immediately settled at the last disseminated price of that Alpha Index.

Relative Performance Options are highly similar to other index options cleared by OCC except for the identity and nature of the underlying index. Therefore, OCC believes that the provisions of its By-Laws and Rules governing index options, as they are currently in effect, are generally sufficient to support the clearance and settlement of Relative Performance Options. However, minor modifications are needed to support Alpha Options and other types of Relative Performance Options that may be introduced in the future. For example, OCC's current Rules do not account for the possibility of an index having a negative value as could occur for certain Relative Performance Indexes. If this should ever occur, the index value would be deemed to be equal to zero or, because certain systems may not accept a zero index value, a near-zero positive amount. Therefore, OCC proposes to modify its By-Laws to provide for such potential adjustment of the index value by either the listing exchange or OCC.

In addition, OCC's current By-Laws do not account for the possibility that an expiration date may be accelerated when a reference security (i.e., an individual reference security and not a reference index) that is one of the components of an underlying relative performance index ceases to be published as a result of a cash-out merger or similar corporate event. If the value of an underlying Relative Performance Index ceases to be published as a result of such an event, the value of the overlying options would become fixed. OCC therefore proposes to modify its By-Laws to provide that OCC will either accelerate or not accelerate the expiration in consultation with the relevant exchange on which the index underlying a Relative Performance Option is listed.

OCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act⁵ because it is designed to promote the prompt and accurate clearance and settlement of transactions in, including the expiry of, Relative Performance Options, and to foster cooperation and coordination with persons engaged in the clearance and settlement of such transactions, to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of such transactions, and, in general, to protect investors and the public interest. The proposed rule change accomplishes this purpose by applying substantially the same rules and procedures to these transactions as OCC applies to transactions in other index options. The proposed rule change is not inconsistent with the existing rules of OCC, including any rules proposed to be amended.

(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 relating to the proposed rule change have not 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 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-

⁵ 15 U.S.C. 78q-1.

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 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-2011-02 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-2011-02. 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, D.C. 20549-1090, on official business days between the hours of 10:00 a.m. and 3:00 pm. Copies of such filings will also be available for inspection and copying at the principal office of OCC and on OCC's website at

http://www.optionsclearing.com/components/docs/legal/rules_and_bylaws/sr_occ_11_02.pdf.

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-2011-02 and should be submitted on or before [insert date 15 days from publication in the Federal Register].

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.⁶

Cathy H. Ahn
Deputy Secretary

⁶ 17 CFR 200.30-3(a)(12).