

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-68113; File No. SR-OCC-2012-15)

October 26 , 2012

Self-Regulatory Organizations; Options Clearing Corporation; Order Approving Proposed Rule Change Relating to Financial Reporting by Canadian Clearing Members

I. Introduction

On September 5, 2012, the Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change SR-OCC-2012-15 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder.² The proposed rule change was published for comment in the Federal Register on September 19, 2012.³ The Commission received no comment letters. This order approves the proposed rule change.

II. Description

The proposed rule change would make technical “housekeeping” changes to OCC’s By-Laws and Rules relating to financial reporting by Canadian clearing members to reflect the Investment Industry Regulatory Organization of Canada’s (“IIROC”) adoption of the International Financial Reporting Standards.

OCC Rule 310, through cross-references to interpretive provisions of OCC Rule 306—Financial Reports and OCC Rule 308-Audits, allows Canadian clearing members to elect to file their Joint Regulatory Financial Questionnaire and Reports (“JRFQR”) with OCC, instead of filing SEC Form X-17A-5, to discharge their financial reporting requirements to OCC. In

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 67851 (September 13, 2012), 77 FR 58194 (September 19, 2012).

addition, other provisions of OCC's rules (Rules 301, 302, 303, 304, 306 and 308) reference information Canadian clearing members report on their JRFQR. IIROC, the primary regulator of Canada's securities industry, replaced the JRFQR with "Form 1" of the International Financial Reporting Standards. OCC proposes to replace references to the JRFQR within its By-Laws and Rules with references to "Form 1."⁴ OCC also proposes to add an Interpretation and Policy to Rule 304 in response to a change in how IIROC requires regulated entities to report capital withdrawals.

OCC, as part of its financial surveillance program, requires Canadian clearing members to submit their JRFQR, a financial report similar to SEC Form X-17A-5, to OCC at the end of each month. OCC also monitors the financial health of such clearing members using the capital levels reported on their JRFQRs. In 2011, IIROC replaced the JRFQR with Form 1. Among other things, Form 1 aligns the reporting of certain financial liabilities to U.S. Generally Accepted Accounting Principles ("GAAP"). Canadian clearing members that use Form 1 report the same, and in some cases more conservative, amounts of regulatory capital to OCC as they had using the JRFQR. Moreover, OCC believes that the change does not impair OCC's ability to conduct diligent financial surveillance of Canadian clearing members. Accordingly, OCC proposes to replace references to the "JRFQR" within its By-Laws and Rules with references to "Form 1."

The IIROC also altered how its regulated entities report capital withdrawals. IIROC previously required capital withdrawals to be reported on monthly financial reports; however, IIROC amended its standards and now requires firms to obtain approval for withdrawals of capital following notice thereof. OCC had, when applicable, adjusted Canadian clearing

⁴ OCC does not propose to amend Rule 310 since it does not specifically use the term, "Joint Regulatory Financial Questionnaire and Reports."

member's reported capital levels in light of withdrawals reflected in financial reports in order to determine if the firm's capital falls within OCC's standards. With the change implemented by IIROC, that information is no longer be available to OCC via monthly financial reports submitted by Canadian clearing members. To ensure it is aware of such capital withdrawals, OCC proposes to add an Interpretation and Policy to Rule 304, which would require Canadian clearing members to submit capital withdrawal notifications to OCC when such requests are submitted to IIROC.

III. Discussion

Section 17A(b)(3) (F) of the Act⁵ requires that, among other things, a clearing agency be organized and its rules designed to safeguard securities and funds in its custody or control or for which it is responsible. The proposed rule change will allow OCC to efficiently monitor the financial health of its clearing members and is intended to facilitate Canadian clearing members' compliance with OCC's By-Laws and Rules by aligning OCC's financial reporting requirements, as they pertain to Canadian clearing members, with those of the IIROC. It is also intended to ensure OCC has appropriate information about Canadian clearing members' capital withdrawals, which will no longer be reported to OCC on a monthly basis. As such, it will help OCC to safeguard the securities and funds in its custody or control or for which it is responsible.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act⁶

⁵ 15 U.S.C. 78q-1(b)(3) (F)

⁶ 15 U.S.C. 78q-1.

and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁷ that the proposed rule change (File No. SR-OCC-2012-15) be, and hereby is, approved.⁸

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.⁹

Kevin M. O'Neill
Deputy Secretary

⁷ 15 U.S.C. 78s(b)(2).

⁸ In approving this proposed rule change the Commission has considered the proposed rule's impact of efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁹ 17 CFR 200.30-3(a)(12).