

# LEHMAN BROTHERS

June 19, 2007

Nancy M. Morris, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-0609

**File No. SR-OCC-2006-19**

**Notice of Filing of a Proposed Rule Change Relating to Close-Out Netting Procedures of the Options Clearing Corporation (OCC)**

Dear Ms. Morris:

Lehman Brothers appreciates the opportunity to comment on Proposed Rule Change SR-OCC-2006-19.

We are one of the OCC Clearing Members referenced in the Background section of the proposed rule change who asked OCC to amend its rules to allow for close-out netting of obligations running between OCC and its Clearing Members in the event of an OCC default or insolvency. We strongly support the proposed rule change because it makes explicit the close-out netting of obligations due to/from OCC in the event of default or insolvency, thus allowing us to (i) comply with the bilateral netting rules of the Basel Capital Accord, and (ii) apply balance sheet netting to our positions with OCC under U.S. GAAP.

We are aware that the OCC intends to inform the SEC that the US GAAP discussion in the proposed rule change will be amended to make reference to paragraph 10 of FASB Interpretation No. 39 (FIN 39), *Offsetting of Amounts Related to Certain Contracts*, as amended by FASB Staff Position FIN 39-1, *Amendment of FASB Interpretation No. 39*, in order to make clear that the Clearing Members' contractual arrangements with the OCC, as supplemented by the OCC's By-Laws and Rules (including the proposed new Section 27), constitute a master netting arrangement as defined in paragraph 10 of FIN 39.

Should you have any questions or need any clarification of the matters addressed in this letter please do not hesitate to contact me.

Sincerely,



Edward S. Grieb  
Managing Director and Financial Controller, Lehman Brothers Holdings Inc.

cc: Michael A. Macchiaroli, Associate Director  
SEC Division of Market Regulation