

# SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104389; File No. SR-OCC-2025-017]

## **Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Partial Amendment No. 1 and Order Granting Accelerated Approval of Proposed Rule Change, as modified by Partial Amendment No. 1, by The Options Clearing Corporation Concerning Adjustments to Cleared Contracts.**

December 12, 2025.

### **I. INTRODUCTION**

On September 26, 2025, the Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change SR-OCC-2025-017, pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act”)<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, to revise and reorganize its rules pertaining to options contract adjustments.<sup>3</sup> The proposed rule change was published for public comment in the *Federal Register* on October 1, 2025.<sup>4</sup> On November 3, 2025, pursuant to Section 19(b)(2) of the Exchange Act,<sup>5</sup> the Commission designated a longer period within which to approve, disapprove, or institute proceedings to determine whether to approve or disapprove the proposed rule change, until December 30, 2025.<sup>6</sup> On December 5, 2025, OCC partially amended SR-OCC-2025-017 to (1) correct proposed rule text describing the current composition and governance of OCC’s

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Notice of Filing *infra* note 4, at 90 FR 47470.

<sup>4</sup> See Exchange Act Release No. 104104 (Sept. 26, 2025), 90 FR 47470 (Oct. 1, 2025) (File No. SR-OCC-2025-017) (“Notice of Filing”).

<sup>5</sup> 15 U.S.C. 78s(b)(2).

<sup>6</sup> See Exchange Act Release No. 104173 (Nov. 3, 2025), 90 FR 51424 (Nov. 17, 2025) (File No. SR-OCC-2025-017).

Securities Committee, as approved by the Commission in a prior proposed rule change;<sup>7</sup> and (2) conform cross references found elsewhere in OCC’s rules to the restatement of the contract adjustment rules proposed in the Notice of Filing ( “Partial Amendment No. 1”).<sup>8</sup> The Commission has received no comments regarding the proposed rule change. The Commission is publishing this notice to solicit comments on Partial Amendment No. 1 from interested persons, and, for the reasons discussed below, is approving the proposed rule change as modified by Partial Amendment No. 1 (hereinafter defined as the “Proposed Rule Change”).

## II. BACKGROUND

OCC is a central counterparty (“CCP”), which means that, as part of its function as a clearing agency, it interposes itself as the buyer to every seller and the seller to every buyer for certain financial transactions. As the CCP for the listed options markets in the United States,<sup>9</sup> as well as for certain futures and stock loans, OCC has certain processing obligations during the life of the products it clears. For example, it may be necessary for OCC to adjust the terms of a contract it has cleared. A contract adjustment refers to the modification of terms of an overlying derivative, like the options that are cleared and settled by OCC, in response to certain corporate actions that affect an underlying security — such as declaration of dividends or distributions, stock splits, rights offerings, reorganizations, or the merger or liquidation of an issuer.<sup>10</sup> OCC

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<sup>7</sup> See Exchange Act Release No. 93102 (Sept. 22, 2021), 86 FR 53718 (Sept. 28, 2021) (SR-OCC-2021-007).

<sup>8</sup> Partial Amendment No. 1 consists of 1) updated rule text to clarify that the Notice of Filing did not intend to implement a change to the governance arrangement or composition of the Securities Committee, as described in current By-Laws; and 2) Exhibit 5, showing updated interpretive guidance to accurately reflect cross-references. Partial Amendment No. 1 does not change the purpose of or basis for SR-OCC-2025-017.

<sup>9</sup> OCC describes itself as “the sole clearing agency for standardized equity options listed on a national securities exchange registered with the Commission (‘listed options’).” See Exchange Act Release No. 96533 (Dec. 19, 2022), 87 FR 79015 (Dec. 23, 2022) (File No. SR-OCC-2022-012).

<sup>10</sup> See Notice of Filing, 90 FR at 47471.

states that it makes adjustments to maintain the economic value of existing positions by mirroring what occurs to the underlying security using determinative factors on a case-by-case basis.<sup>11</sup> Currently, OCC has broad authority to effect contract adjustments and, typically, makes a determination based on (a) fairness to holders and writers (or purchasers and sellers) of the affected contracts; (b) the maintenance of a fair and orderly market in the affected contracts; (c) consistency of interpretation and practice; (d) efficiency of exercise settlement procedures; and (e) the coordination with other clearing agencies of the clearance and settlement of transactions in the underlying interest.<sup>12</sup>

As part of its contract adjustment risk management, OCC proposes to (1) adopt rules reflecting OCC's current practices in making adjustment determinations; and (2) relocate, consolidate, and update references to adjustment-related provisions within its By-Laws and Rules.<sup>13</sup> Regarding substantive revisions, OCC proposes to codify within its Rules the current practices related to adjustment determinations (e.g., by specifying additional circumstances when OCC will generally not make an adjustment or specifying additional factors guiding adjustment determinations).<sup>14</sup> As to the non-substantive reorganization of adjustment-related provisions, OCC proposes to (i) relocate OCC's existing provisions from its By-Laws to the new Chapter

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<sup>11</sup> *Id.* (“The future occurrence of corporate actions is not always foreseeable at the time parties enter a derivatives trade, and therefore the occurrence of such a corporate action is not priced into the economics of the trade. Because derivative contract positions of trading parties may exist for weeks, months or years after the position was established, corporate actions may occur during the life of the contract that affect the economic position of the parties.”).

<sup>12</sup> *Id.* OCC also maintains a Securities Committee, consisting of one designated representative of each Securities Exchange and OCC's Chief Executive Officer. This Securities Committee is authorized to adopt statements of policy or interpretations having general application to specified types of events or OCC cleared contracts to help guide adjustment policy for new or unusual situations, as needed. *Id.*

<sup>13</sup> *See* Notice of Filing, 90 FR at 47470.

<sup>14</sup> *See* Notice of Filing, 90 FR at 47481-84.

XXVIII of the Rules, which would encompass Rules 2801 through 2805;<sup>15</sup> (ii) consolidate provisions regarding OCC's adjustment authority and practices for actively traded products with similar methods of adjustments<sup>16</sup> to eliminate duplicative provisions (e.g., consolidating provisions for adjustments to stock futures and stock options); and (iii) update references to current adjustment By-Laws sections contained in other adjustment provisions of the By-Laws for products not actively traded, and with regard to governance provisions for amendments to Rules and By-Laws. The proposed changes are described in more detail below.

*A. Codification of Current Practices*

OCC represents that the proposed provisions concerning its adjustment process result from and reflect longstanding practices that OCC developed under its existing adjustment authority but that have not been codified as rules.<sup>17</sup> OCC maintains that this codification is meant to provide more detail, transparency, and clarity around its adjustment process.<sup>18</sup> The provisions codifying OCC's current adjustment practices would be written into Chapter XXVIII of the Rules and are discussed at greater length below.

1. Applicability to Specific Types of Contracts

Rule 2802(a)(1) would add a list of the types of cleared instruments for which OCC's Securities Committee may adopt statements of policy or interpretations regarding adjustments.

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<sup>15</sup> OCC also proposes certain non-substantive clarifying changes to the relocated language.

<sup>16</sup> OCC does not propose consolidating By-Law provisions into the Rules for products that do not currently trade. Specifically, Article XIV, Sections 3A and 3B (Adjustments for Binary Options), Article XV, Section 4 (Adjustments for Foreign Currency Options), Article XVI, Section 3 (Adjustments for Yield-Based Treasury Options), Article XXIV, Section 4 (Adjustments for BOUNDS), and Article XXVI (Adjustments for Packaged Spread Options) will remain in the By-Laws with updates to reflect references to other adjustment provisions relocated to OCC's Rules.

<sup>17</sup> See Notice of Filing, 90 FR at 47481. To illustrate such longstanding practices, OCC points to past guidance that has been publicly released in the form of Information Memos. See generally Notice of Filing, 90 FR at 47481-47483.

<sup>18</sup> *Id.*

The types of cleared instruments would be stock option contracts, Treasury securities option contracts, yield-based Treasury option contracts, debt securities option contracts, index option contracts, or other cash-settled option contracts. OCC states that listing the types of instruments would provide increased specificity.<sup>19</sup>

## 2. Clarification of the Securities Committee’s Authority

Rule 2802(a)(2) would leave intact the composition and governance of the Securities Committee, but would update the description of its authority. The proposed language of Rule 2802(a)(2) would reflect almost all of the current text of Section 11(c) of Article VI of the By-Laws. However, the Proposed Rule Change would modify the applicable title from “Adjustment Policies and Procedures,” as is written in Section 11 of Article VI of the By-Laws, to “Statements of Adjustment Policies and Interpretations,” which would be the title for Rule 2802. Additionally, Rule 2802(a)(2) would delete text that describes the Securities Committee’s authority as being able to “make certain determinations with respect to cleared contracts” and replace this language with “adopt statements of policy or interpretations” related to contract adjustments. OCC states that the proposed changes would more accurately describe the Securities Committee’s authority and clarify that the Securities Committee’s function is to issue such statements.<sup>20</sup>

## 3. Events Not Ordinarily Resulting in Contract Adjustment

OCC currently specifies the types of events not ordinarily resulting in a contract adjustment under Section 11A of Article VI of the By-Laws and would continue to do so under proposed Rule 2803(c). However, OCC proposes new subprovisions describing additional

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<sup>19</sup> See Notice of Filing, 90 FR at 47472-73.

<sup>20</sup> See Notice of Filing, 90 FR at 47473.

situations that would not result in contract adjustments regardless of the manner of payment. Rule 2803(c)(1)(iii)(B) would specify that a stock dividend or distribution by the issuer of the underlying security that is paid in lieu of a cash dividend or distribution that itself would have been an ordinary distribution would be considered an “ordinary” dividend or distribution and, therefore, would not ordinarily result in a contract adjustment.<sup>21</sup> Similarly, Rule 2803(c)(3)(v) would state that adjustments generally will not be made where a dividend or distribution is determined to be ordinary regardless of whether it is subject to a shareholder election regarding the form in which it will be paid, such as cash or stock. OCC asserts that these codifications are consistent with current rules as to what types of events are eligible for adjustment and that, generally, the determination of whether a dividend or distribution is considered ordinary will control whether OCC will make an adjustment, regardless of the form such dividends or distributions take.<sup>22</sup>

Likewise, Rule 2803(c)(3)(iv) would state that a distribution of non-transferrable property would be considered an event not ordinarily resulting in an adjustment. OCC asserts that, because distributions of non-transferable property cannot be traded on a national market or transferred through the facilities of a central securities depository clearing agency, there is no practical means to ascertain the trading price to provide a value, or to facilitate delivery of non-transferable distributions in fulfillment of option exercises and assignments.<sup>23</sup> OCC maintains that proposed Rule 2803(c)(3)(iv) reflects past practice and that OCC would, nevertheless, retain

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<sup>21</sup> Generally, OCC will not make an adjustment to an options or futures contract with respect to ordinary dividends or distributions that are routinely made by the issuer because ordinary dividends or distributions may be factored into the economic expectations of the parties to an options or futures contract even though the event has not yet been formally announced or declared. *See* Notice of Filing, 90 FR at 47471.

<sup>22</sup> *See* Notice of Filing, 90 FR at 47481.

<sup>23</sup> *See* Notice of Filing, 90 FR at 47483.

general authority to make adjustments to non-transferable property on a case-by-case where necessary.<sup>24</sup>

#### 4. Cash in Lieu of Fractional Entitlements

The Proposed Rule Change would address adjustments in the context of cash in lieu of fractional entitlements.<sup>25</sup> First, OCC proposes a clarification related to cash in lieu of fractional entitlements, which would be added at the end of Rule 2803(c)(2). Currently, OCC generally will not make an adjustment to a stock option contract for any cash dividend or distribution by the issuer of the underlying security if such dividend or distribution is less than \$0.125 per share. OCC indicates that this general practice would not change.<sup>26</sup> However, OCC would codify in a new, final sentence of Rule 2803(c)(2) that, this general rule would not apply to contract adjustment determinations involving cash paid in lieu of fractional share entitlements for a stock option contract (e.g., in respect of stock rights, contingent value rights, or other distributions). OCC states that this proposed text is consistent with longstanding practices and is necessary to clarify that adjustments in lieu of property are governed by other provisions of proposed Rule 2803.<sup>27</sup>

Secondly, Rule 2803(k) would provide that cash amounts in lieu of fractional share entitlements included in adjusted deliverables will generally be made in a manner consistent with any determinations by a central securities depository clearing agency (*i.e.*, Depository Trust

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<sup>24</sup> *Id.*

<sup>25</sup> *See* Notice of Filing, 90 FR at 47481-82. For example, OCC states that “[i]n certain circumstances, the terms of a corporate action on an underlying security of an option may result in a fractional entitlement per 100 shares of stock for which cash will be paid in lieu of the fractional shares. In such situations, a contract adjustment that is effective on the option in response to the corporate action on the underlying security may result in an adjusted option deliverable that includes a cash component in lieu of fractional shares.” Notice of Filing, 90 FR at 47481.

<sup>26</sup> *See* Notice of Filing, 90 FR at 47482.

<sup>27</sup> *Id.*

Company). OCC represents that Rule 2803(k) would reflect an established practice and clarify that, where a stock dividend or distribution by an issuer involves some cash amount in lieu of fractional share entitlements and OCC determines that an adjustment is necessary pursuant to its By-Laws and Rules, OCC will generally seek to align its distribution with the approach taken by the central securities depository clearing agency so that an option's adjusted deliverable resulting from a corporate action reflects the amount of cash paid in lieu of fractional shares that the holder of 100 shares of the underlying security receives from the corporate action.<sup>28</sup> OCC notes that because it cannot facilitate settlement of fractional shares, it may be necessary for OCC, in rare circumstances, to independently determine a cash in lieu price for fractional shares because of the terms of the underlying corporate action.<sup>29</sup> OCC states that in such uncommon cases, Rule 2803(k) would work in conjunction with Rule 2803(j) in determining the cash value of any distributed property.<sup>30</sup>

OCC would retain its authority to determine the value of distributed property with respect to any adjustments, as currently laid out in Section 11A(e) of Article VI and the last sentence of Section 3(e) of Article XII of the By-Laws, and proposed to be consolidated and moved to Rule 2803(j). However, OCC proposes to add a second sentence to Rule 2803(j), explicitly providing that it may use this authority in circumstances that include but are not limited to cases in which

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<sup>28</sup> See Notice of Filing, 90 FR at 47481-82. OCC cited to past Information Memos #54176, #36262, and #20861 as examples where adjustments were made after the cash-in-lieu price was available from the central securities depository clearing agency. *Id.*

<sup>29</sup> As an example, OCC pointed to Information Memo #23267, writing that “on July 13, 2007, options on CBOT Holdings, Inc. (“BOT”) were adjusted to reflect the merger between BOT and CME Group Inc. (“CME”). Notice of Filing, 90 FR at 47482. The adjusted options deliverable became 1) 37 CME Group Inc. (“CME”) Common Shares and 2) cash in lieu of .5 fractional CME shares. However, pursuant to the terms of the corporate action, CME issued fractional shares instead of paying cash in lieu of fractional shares. Because OCC cannot facilitate settlement of fractional shares, it was determined that the closing price from the day prior to the consummation of the merger would be used to determine the cash-in-lieu amount.” *Id.*

<sup>30</sup> *Id.*

OCC determines that the final amount or distribution resulting from a corporate action may not be determined for a long period. OCC maintains that the additional text would clarify that OCC would consider using its authority to determine the value of distributed property when OCC expects that it may take a long period of time to determine the final amount of a distribution resulting from a corporate action.<sup>31</sup> OCC states that if a lengthy delay to determine the distributed property value is expected, options or stock futures contracts may expire or mature prior to the time when the value is determined, which would leave such contract holders uncertain about the value of their position, and their positions subject to delayed settlement for an extended period of time.<sup>32</sup> In such situations, OCC represents that it is appropriate to use its existing authority to determine the cash value of distributed property.<sup>33</sup>

#### 5. Other Scenarios Affecting Adjustments

Rule 2803(i) would provide that the deliverable resulting from an adjustment in the case of an election merger or similar event involving shareholder elections, such as shareholder election of a non-ordinary dividend, will generally be based on the consideration accruing to a non-electing shareholder if OCC determines in its sole discretion that it is readily able to facilitate delivery of that consideration. OCC states that this provision makes explicit a longstanding practice and provides additional details regarding corporate action events involving shareholder elections to reflect, to the extent possible, what a shareholder who does not make an

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<sup>31</sup> See Notice of Filing, 90 FR at 47483.

<sup>32</sup> *Id.*

<sup>33</sup> *Id.* As an example, OCC points to Information Memo #39462, which discussed the adjustment of options on Winthrop Realty Trust (“FUR”) on August 8, 2016, in response to the liquidation of the underlying security. *Id.* OCC states that “assets and liabilities of the trust were transferred to a liquidating trust, and each FUR share would be converted into a nontransferable Unit of Beneficial Interest in the liquidating trust. Since the timing and amount of any liquidating distributions were unknown and because the Unit of Beneficial Interest could not be transferred, the adjustment determination was made to set a cash value equivalent for FUR Shares using a high and low price from the last day of trading, thereby allowing settlement to occur in a timely manner.” *Id.*

election will receive.<sup>34</sup> OCC represents that there may be circumstances where it is not possible to determine an adjustment that aligns with the interest of a non-electing shareholder.<sup>35</sup>

OCC proposes to add Rule 2803(l), which would provide that, in general, all contract adjustments will be made net of any relevant foreign withholding taxes, with the exception of events for which local tax authorities issue rulings that exempt certain groups from the withholding tax and it is reasonable that U.S. investors collectively can be included in such groups. OCC maintains that Rule 2803(l) clarifies to market participants that OCC's contract adjustments will ordinarily include foreign withholding taxes, unless there is an exception from local tax authorities in the foreign jurisdiction of which OCC reasonably believes U.S. investors could avail themselves.<sup>36</sup> Additionally, OCC represents that it routinely investigates withholding tax information on foreign securities and intends to adjust options taking withholding tax into account in the manner described above when such information is readily available.<sup>37</sup>

Rule 2803(m) would provide that all contract adjustments will be made on a per contract basis. OCC states that Rule 2803(m) would improve the clarity and consistency of its Rules by explicitly describing the practice of exercising and assigning options based on a single contract as the lowest possible holding of an option.<sup>38</sup> OCC maintains that this existing practice is required for the proper functioning of the exercise and assignment process.<sup>39</sup>

*B. Non-Substantive Reorganization of Adjustment-Related Provisions*

As stated above, OCC proposes to rearrange adjustment-related provisions in its By-Laws

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<sup>34</sup> See Notice of Filing, 90 FR at 47482.

<sup>35</sup> See Notice of Filing, 90 FR at 47482, n. 24.

<sup>36</sup> See Notice of Filing, 90 FR at 47483.

<sup>37</sup> *Id.*

<sup>38</sup> See Notice of Filing, 90 FR at 47483-84.

<sup>39</sup> *Id.*

and Rules.<sup>40</sup> The Proposed Rule Change would (i) relocate OCC’s existing adjustment-related provisions from its By-Laws to proposed Chapter XXVIII of the Rules, while making certain non-substantive clarifying changes to the relocated language; (ii) consolidate provisions regarding OCC’s adjustment authority and practices for actively traded products with similar methods of adjustments<sup>41</sup> to eliminate duplicative provisions (e.g., consolidating provisions for adjustments to stock futures and stock options); and (iii) update references to current adjustment By-Laws sections contained in other adjustment provisions of the By-Laws for products not actively traded, and with regard to governance provisions for amendments to Rules and By-Laws.<sup>42</sup>

#### 1. Relocation

Provisions related to adjustments of contracts currently are set forth in various parts of OCC’s By-Laws, including, for example, in Article VI, Section 11 and 11A, covering options contract adjustments, and in Article XII, Sections 3, 4, and 4A, covering futures contracts and futures options adjustments. The Proposed Rule Change would relocate these adjustment-related provisions from the By-Laws to a single location in OCC’s Rules, the newly numbered Chapter XXVIII. OCC also proposes to make clarifying edits to certain text in these provisions, including where the language pertaining to different instruments is similar.<sup>43</sup> The proposal would update cross-references to corresponding Rules, as well as add italicized headers to most of the paragraphs and subparagraphs in Chapter XXVIII of the Rules to provide a brief preview and description of the provisions. OCC states that this relocation will improve readability,

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<sup>40</sup> See Notice of Filing, 90 FR at 47470.

<sup>41</sup> See *supra* note 16.

<sup>42</sup> See Notice of Filing, 90 FR at 47470.

<sup>43</sup> See Notice of Filing, 90 FR at 47472 (“[...]e.g., where OCC’s adjustment determinations are the same for options contracts and futures contracts.”).

promote clarity and consistency, and increase understanding of the process governing adjustments for all instruments.<sup>44</sup> Additionally, OCC represents that these adjustment-related provisions are more appropriately organized as Rules, rather than By-Laws, because the relocation would more accurately reflect typical corporate bylaws, which usually focus on governance and administrative matters of an entity, such as OCC.<sup>45</sup>

Chapter XXVIII would be divided into five rules, numbering from 2801 to 2805. A summary of each rule follows, while further details and comparative charts are available in the Notice of Filing.<sup>46</sup> Other than those changes described above in Section II.A., OCC is not proposing to make substantive changes to the rules that it propose to move. Rule 2801 would describe how OCC makes adjustment determinations, including the factors<sup>47</sup> it takes into account in making these determinations, and would include the provision that every adjustment determination shall be within OCC's sole discretion and shall be conclusive and binding on all investors, and not subject to review. Rule 2802 primarily would discuss the Securities Committee's authority to adopt statements of policies and interpretations regarding contract adjustments, as well as its composition and governance. Rule 2803 would comprise provisions governing the details of the adjustments, including the subprovision stating that when a corporate action impacts an underlying security, OCC may adjust any or a combination of the following

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<sup>44</sup> See Notice of Filing, 90 FR at 47471-72. OCC represents that "when OCC makes a determination to adjust an options or futures contract, all market participants holding options or futures contracts are uniformly subject to OCC's adjustment determination." Notice of Filing, 90 FR at 47471.

<sup>45</sup> See Notice of Filing, 90 FR at 47471, n. 10.

<sup>46</sup> See Notice of Filing, 90 FR at 47471-47480.

<sup>47</sup> No substantive changes are being proposed to these factors, which are (i) fairness to holders and writers (or purchasers and sellers) of the affected contracts; (ii) the maintenance of a fair and orderly market in the affected contracts; (iii) consistency of interpretation and practice; (iv) efficiency of exercise settlement procedures; and (v) the coordination with other clearing agencies of the clearance and settlement of transactions in the underlying interest.

regarding all outstanding stock option contracts and stock futures in the underlying security: (1) the number of shares; (2) the unit of trading in the case of an options contract or the unit of trading (or settlement price) in the case of a stock future; (3) the exercise price in the case of an options contract; and (4) the underlying security. Rule 2803 also would identify events ordinarily and not ordinarily resulting in a contract adjustment, in addition to providing for other types of scenarios affecting adjustments, including the timing of cash value determinations and the determination of cash amounts in lieu of fractional share entitlements. Rule 2804 would pertain to the adjustment of index options and futures and certain other cash-settled options and futures. Rule 2805 would cover the adjustment of cash-settled foreign currency options and futures.

## 2. Consolidation

Currently, the provisions related to contract adjustments for various types of instruments cleared by OCC are dispersed throughout the By-Laws, including, for example, those covering options contracts in Article VI; futures, futures options, and commodity options in Article XII; index options and certain other cash-settled options in Article XVII; and cash-settled foreign currency options in Article XXII. OCC represents that these adjustment-related provisions often are substantially similar or identical to one another.<sup>48</sup> To streamline these adjustment-related

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<sup>48</sup> See Notice of Filing, 90 FR at 47480-81 (“For example, Section 11(a) of Article VI of the By-Laws (regarding options), Section 3(b) of Article XII of the By-Laws (regarding futures), and Section 3(b) of Article XVII (regarding index options and certain other cash-settled options) each provide, among other things, that OCC shall determine whether to make adjustments to reflect particular events in respect of an underlying interest based on OCC’s judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to holders and writers (or purchasers and sellers) of the instruments, the maintenance of a fair and orderly market in the affected contracts, and consistency of interpretation and practice.”). See also Notice of Filing, 90 FR at 47481, n. 13 (“The adjustment provisions for options contracts and futures contracts also specify two additional criteria to be considered: (i) the efficiency of exercise settlement procedures and (ii) the coordination with other clearing agencies of the clearance and settlement of transactions in the underlying interest. OCC proposes that all instruments would be subject to these two additional criteria pursuant to proposed Rule 2801, which OCC believes are also potentially relevant considerations for determining adjustments for index options and certain other cash-settled options.”).

provisions currently found in the By-Laws, OCC proposes to consolidate their relevant text into Chapter XXVIII of the Rules, while ensuring the terminology applies to the specific product.<sup>49</sup> For instance, proposed Rule 2803(h) would account for the fact that options contracts involve an exercise price while a stock future involves a settlement price. Accordingly, where OCC proposes to integrate text about stock futures into existing language in an options-related adjustment provision, OCC proposes to add a reference to a stock future's settlement price where the current provision references an exercise price.

### 3. Updated References

In light of the relocation and consolidation discussed above in Sections II.B.1.-2., OCC proposes to make non-substantive updates to adjustment-related references in the Rules and By-Laws. Certain provisions in OCC's By-Laws discuss products that are not actively traded and their related contract adjustments. Currently, these provisions state that, generally, adjustments for inactive products will be governed by Sections 11 and 11A of Article VI of the By-Laws or, in the case of Packaged Spread Options, Section 3 of Article XVII of the By-Laws. Since the Proposed Rule Change would relocate these adjustment-related provisions from the By-Laws to the Rules, cross-references to inactive products and their contract adjustments would be updated to correspond to the applicable provisions in Chapter XXVIII of the Rules. Specific modifications would cover cross-references to binary options and trade options, foreign currency options, yield-based Treasury options, BOUNDS, and packaged spread options.<sup>50</sup> OCC represents that even though these proposed changes are not substantive, they are necessary to ensure consistency in the Rules.<sup>51</sup>

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<sup>49</sup> See Notice of Filing, 90 FR at 47481.

<sup>50</sup> See Notice of Filing, 90 FR at 47484, for additional detail.

<sup>51</sup> See Notice of Filing, 90 FR at 47484.

Additionally, Article XI, Section 1 of the By-Laws states that amendment to certain provisions of the By-Laws, including Sections 11 and 11A of Article VI, requires approval of the holders of all outstanding Common Stock of OCC. However, OCC proposes to relocate the text of Sections 11 and 11A of Article VI of the By Laws to the Rules. As such, the Proposed Rule Change would add language to Section 2 of Article XI of the By-Laws cross-referencing the Rules and specifying that Chapter XXVIII of the Rules may not be amended by action of the Board of Directors without the approval of the holders of all OCC outstanding common stock.

### **III. DISCUSSION AND COMMISSION FINDINGS**

Section 19(b)(2)(C) of the Exchange Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Exchange Act and the rules and regulations thereunder applicable to such organization.<sup>52</sup> Under the Commission’s Rules of Practice, the “burden to demonstrate that a proposed rule change is consistent with the Exchange Act and the rules and regulations issued thereunder . . . is on the self-regulatory organization [‘SRO’] that proposed the rule change.”<sup>53</sup>

The description of a proposed rule change, its purpose and operation, its effect, and a legal analysis of its consistency with applicable requirements must all be sufficiently detailed and specific to support an affirmative Commission finding,<sup>54</sup> and any failure of an SRO to provide this information may result in the Commission not having a sufficient basis to make an affirmative finding that a proposed rule change is consistent with the Exchange Act and the

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<sup>52</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>53</sup> Rule 700(b)(3), Commission Rules of Practice, 17 CFR 201.700(b)(3).

<sup>54</sup> *Id.*

applicable rules and regulations.<sup>55</sup> Moreover, “unquestioning reliance” on an SRO’s representations in a proposed rule change is not sufficient to justify Commission approval of a proposed rule change.<sup>56</sup>

After carefully considering the Proposed Rule Change, the Commission finds that the Proposed Rule Change is consistent with the requirements of the Exchange Act and the rules and regulations thereunder applicable to OCC. More specifically, the Commission finds that the Proposed Rule Change is consistent with Section 17A(b)(3)(F) of the Exchange Act,<sup>57</sup> and with Exchange Act Rule 17ad-22(e)(21)<sup>58</sup> as described in detail below.

A. *Consistency with Section 17A(b)(3)(F) of the Exchange Act*

Section 17A(b)(3)(F) of the Exchange Act requires, among other things, that a clearing agency’s rules are designed to “promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivatives agreements, contracts, and transactions.”<sup>59</sup> Based on the Commission’s review of the record, and for the reasons described below, the changes described above are consistent Section 17A(b)(3)(F) of the Exchange Act.<sup>60</sup>

As discussed above, the proposed changes would codify in OCC’s Rules certain longstanding adjustment practices that previously had been outlined in non-consecutive, sporadically released Information Memos. These practices, although found in separate guidance documents, describe specific situations where OCC used a consistent process to make contract

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<sup>55</sup> *Id.*

<sup>56</sup> *Susquehanna Int’l Group, LLP v. Securities and Exchange Commission*, 866 F.3d 442, 447 (D.C. Cir. 2017).

<sup>57</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>58</sup> 17 CFR 240.17ad-22(e)(21).

<sup>59</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>60</sup> *Id.*

adjustments to preserve the economic value of the affected instruments. By transferring these practices out of guidance and codifying them as Rules, the Proposed Rule Change helps strengthen the practices' application to and impact on the instruments OCC clears and settles, and, as such, to promote the prompt and accurate settlement of such transactions. Additionally, the remaining adjustment-related text would be consolidated and relocated from OCC's By-Laws to a single location in OCC's Rules, leaving intact the factors behind adjustment determinations, detailed procedures for stock adjustments in cases of corporate actions affecting underlying stocks, and events ordinarily and not ordinarily resulting in contract adjustments, among other substantive provisions. Thus the existing adjustment process would remain unchanged, continuing to promote the prompt and accurate clearance and settlement of transactions.

Accordingly, the Proposed Rule Change is consistent with the requirements of Section 17A(b)(3)(F) of the Exchange Act.<sup>61</sup>

*B. Consistency with Rule 17ad-22(e)(21) under the Exchange Act*

Rule 17ad-22(e)(21) under the Exchange Act requires, in part, that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures that are reasonably designed to be efficient and effective in meeting the requirements of its participants and the markets it serves.<sup>62</sup>

As described above, OCC proposes to codify longstanding practices related to its contract adjustment process and reorganize adjustment-related provisions into a single chapter in the Rules, while consolidating similarly worded provisions and updating cross-references. The proposed Chapter XXVIII, which contains Rules 2801 through 2805, would list specific types of

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<sup>61</sup> *Id.*

<sup>62</sup> 17 CFR 240.17ad-22(e)(21).

instruments subject to the adjustment-related rules; clarify the Securities Committee's authority; outline additional events not ordinarily resulting in contract adjustment; describe in greater detail the adjustment process concerning cash in lieu of fractional entitlements; and state in writing the adjustment practices related to election mergers, foreign withholding taxes, and per-contract basis treatment. The Proposed Rule Change also would relocate adjustment-related provisions from the By-Laws to the Rules, consolidate substantially similar or identical language from separately laid out provisions, and update cross-references to adjustment-related provisions across the Rules and By-Laws.

The Proposed Rule Change is consistent with Rule 17Ad-22(e)(21)<sup>63</sup> because it is designed as a continuation of established and publicly released practices related to contract adjustment. By codifying longstanding processes, as previously described in public but disparately released Information Memos, the Proposed Rule Change helps clarify such processes and bolster their impact as OCC Rules governing the adjustment process. This clarity and impact, in turn, leads to more effectiveness in meeting the requirements of OCC's participants, specifically, their need to understand the details behind the contract adjustment determinations by which they are bound. Similarly, the non-substantive reorganization of adjustment-related provisions streamlines substantially similar or identical text into a single location, and better reflects the typical scope and purpose of an entity's corporate by-laws. As a result, the non-substantive re-organization helps to increase the consistency, readability, and, thus, the efficiency of OCC's Rules and By-Laws.

Accordingly, the Proposed Rule Change is consistent with Rule 17ad-22(e)(21) under the

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<sup>63</sup> *Id.*

Exchange Act.<sup>64</sup>

#### **IV. SOLICITATION OF COMMENTS ON PARTIAL AMENDMENT NO. 1 TO THE PROPOSED RULE CHANGE**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as modified by Partial Amendment No. 1, is consistent with the Exchange 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-2025-017 on the subject line.

*Paper comments:*

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

All submissions should refer to file number SR-OCC-2025-017. 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 of submission. The Commission will post all comments on the Commission's website (<http://www.sec.gov/rules/sro.shtml>). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All

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<sup>64</sup> *Id.*

submissions should refer to File Number SR-OCC-2025-017 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

**V. ACCELERATED APPROVAL OF PROPOSED RULE CHANGE, AS MODIFIED BY PARTIAL AMENDMENT NO. 1**

The Commission finds good cause, pursuant to Section 19(b)(2) of the Exchange Act,<sup>65</sup> to approve the proposed rule change prior to the 30<sup>th</sup> day after the date of publication of notice of the filing of Partial Amendment No. 1 in the *Federal Register*. As discussed above, Partial Amendment No. 1 modified the original proposed rule change to (1) correct proposed rule text describing the current composition and governance of OCC's Securities Committee;<sup>66</sup> and (2) conform cross references in OCC's interpretive guidance to the restatement of the contract adjustment rules proposed in the Notice of Filing. Partial Amendment No. 1 does not change the purpose of or basis for the proposed changes.

For similar reasons as discussed above, the Commission finds that Partial Amendment No. 1 is consistent with the requirement that OCC's rules be designed to promote the prompt and accurate clearance and settlement of securities transactions under Section 17A(b)(3)(F) of the Exchange Act.<sup>67</sup> Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Exchange Act, to approve the proposed rule change, as modified by Partial Amendment No. 1, on an accelerated basis, pursuant to Section 19(b)(2) of the Exchange Act.<sup>68</sup>

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<sup>65</sup> 15 U.S.C. 78s(b)(2).

<sup>66</sup> See Exchange Act Release No. 93102 (Sept. 22, 2021), 86 FR 53718 (Sept. 28, 2021) (SR-OCC-2021-007).

<sup>67</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>68</sup> 15 U.S.C. 78s(b)(2).

## VI. CONCLUSION

On the basis of the foregoing, the Commission finds that the proposed rule change, as modified by Partial Amendment No. 1, is consistent with the requirements of the Exchange Act, and in particular, the requirements of Section 17A of the Exchange Act<sup>69</sup> and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Exchange Act,<sup>70</sup> that the proposed rule change (SR-OCC-2025-017), as modified by Partial Amendment No. 1, be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>71</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>69</sup> In approving the Proposed Rule Change, the Commission has considered the proposed rules' impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

<sup>70</sup> 15 U.S.C. 78s(b)(2).

<sup>71</sup> 17 CFR 200.30-3(a)(12).