

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54793; File No. SR-OCC-2006-20)

November 20, 2006

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change to Accelerate the Expiration Date of American-Style Equity Options That Have Been Adjusted to Call for Cash-Only Delivery

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 26, 2006, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I, II, and III 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 parties.

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

The purpose of the proposed rule change is to accelerate the expiration date of American-style equity options that have been adjusted to call for cash-only delivery to the earliest practicable regular expiration date. OCC currently has such authority with respect to European-style options that have been so adjusted.

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

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

In a cash-out merger, the common equity of the acquired company ("Security") is converted into a right to receive a fixed amount of cash. On the day after the announced consummation date for the merger, the stock exchanges on which the Security is traded suspend all trading in the Security. Concurrently, the option exchanges discontinue trading in options overlying the Security. If a customer does not liquidate an out-of-the-money option position before the exchange halts trading, its broker must carry the position until it expires. With increasing volume and the proliferation of options with long expiration dates, clearing members' cost and operational overhead of carrying these positions is significant. In an effort to reduce these costs, OCC adopted Rule 807 in 1998 to provide for acceleration of the expiration date of European-style equity options that have been converted to a cash deliverable. OCC now proposes to extend Rule 807 to cover American-style equity options.

Under the proposed rule change, OCC typically would accelerate the expiration date of American-style and European-style equity options that are adjusted to call for a cash deliverable to the earliest practicable regular expiration date. OCC proposes to set the exercise by exception price threshold for the adjusted contracts at \$.01 per share of the amount of the cash deliverable.⁴

OCC proposes to implement the rule change on January 1, 2008, to allow clearing

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

⁴ OCC also proposes to make a conforming change to Rule 1106. Every option contract that has an exercise price below (in the case of a call) or above (in the case of a put) the amount of the cash deliverable by \$.01 or more will be deemed to have been exercised immediately prior to the accelerated expiration time unless the clearing member directs otherwise.

members and customers sufficient time to prepare for the change of methodology. OCC will not implement the proposed rule change until definitive copies of an appropriate revision of or supplement to the options disclosure document, Characteristics and Risks of Standardized Options, are available for distribution.

OCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act⁵ and the rules and regulations thereunder because it would eliminate inefficient procedures for clearance and settlement that impose unnecessary costs on investors and persons facilitating transactions by and acting on behalf of investors. As such, OCC believes it is designed to promote the prompt and accurate clearance and settlement of securities transactions.

(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

⁵ 15 U.S.C. 78q-1.

(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-2006-20 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-2006-20. 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 filings also will be available for inspection

and copying at the principal office of OCC and on OCC's Web site at http://www.optionsclearing.com/publications/rules/proposed_changes/sr_occ_06_20.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-2006-20 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Nancy M. Morris
Secretary

⁶ 17 CFR 200.30-3(a)(12).