

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67095; File No. SR-OCC-2012-08)

June 1, 2012

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to Amendments to Certain Rules Applicable to Stock Futures

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 May 24, 2012, 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

Several separate purposes underlie the proposed rule change. First, the rule change clarifies the applicability of OCC’s rules to stock futures overlying index-linked securities. Second, it eliminates a *de minimis* exception relating to adjustments to stock futures overlying ETFs. Third, it makes a technical change to the rules that permit the acceleration of the maturity (expiration) date of stock futures (stock options) following an adjustment in response to cash-out events.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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. The self-regulatory organization has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.³

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

The first purpose of this proposed rule change is to clarify the applicability of OCC's By-Laws and Rules to security futures on index-linked securities such as exchange-traded notes, which are currently traded on OneChicago, LLC. Index-linked securities are non-convertible debt of a major financial institution that typically have a term of at least one year but not greater than thirty years and that provide for payment at maturity based upon the performance of an index or indexes of equity securities or futures contracts, one or more physical commodities, currencies or debt securities, or a combination of any of the foregoing. Index-linked securities are traded on national securities exchanges and, although they are technically debt securities, meet the definition of "NMS stock" under Regulation NMS.⁴ Furthermore, index-linked securities

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

⁴ "NMS stock" is defined in Rule 600(b)(47) of Regulation NMS to mean "any NMS security other than an option." "NMS security" is defined in Rule 600(b)(46) to mean any security for which transaction reports are collected and disseminated under an effective national market system plan, and because index-linked securities are exchange traded they fall within this definition.

traded on designated contract markets meet the requirements of Commodity Futures Trading Commission Regulation 41.21 for the underlying securities of security futures products that are eligible to be treated as a single security. OneChicago therefore treats security futures on index-linked securities as security futures on single securities, or “single stock futures,” for listing and trading purposes, and trading in them will generally be governed by the same rules that are applicable to other single stock futures. OCC similarly treats futures on index-linked securities as single stock futures, and accordingly is proposing to amend the definition of “stock future” in Article I of its By-Laws to explicitly include index-linked securities.⁵

In addition to amending the definition of “stock future” to reference index-linked securities, OCC is proposing to amend Interpretation and Policy .05 to Article XII, Section 3 of its By-Laws to clarify that a call of an entire class of index-linked securities will result in an adjustment of security futures on index-linked securities similar to the adjustment that would be made to other stock futures in the event of a cash merger, but that a partial call will not result in an adjustment. OCC is also proposing to add Interpretation and Policy .11 to Article XII, Section 3 of its By-Laws to establish that interest payments on index-linked securities will generally be considered “ordinary cash dividends or distributions” within the meaning of paragraph (c) of Section 3. The

⁵ Article I of OCC’s By-Laws defines “index-linked security” to mean “a debt security listed on a national securities exchange, the payment upon maturity of which is based in whole or in part upon the performance of an index or indexes of equity securities or futures contracts, one or more physical commodities, currencies or debt securities, or a combination of any of the foregoing.”

proposed amendments parallel amendments previously made to Article VI, Section 11A of the By-Laws to accommodate options on index-linked securities.⁶

The second purpose of this proposed rule change is to amend Interpretation and Policy .08 to Article XII, Section 3, which provides that OCC will ordinarily adjust for capital gains distributions on underlying “fund shares,” *i.e.*, shares of exchange-traded funds (“ETFs”) but with a *de minimis* exception under which no adjustment will be made in respect of distributions of less than \$.125 per fund share. (An equivalent *de minimis* provision is contained in the Interpretations and Policies to Article VI, Section 11A, governing stock options.) However, in the case of stock futures, OneChicago, the only futures exchange clearing through OCC that currently trades such futures, has requested that adjustments be made for capital gains distributions in respect of fund shares without exception in order to permit the stock futures on ETFs to more closely reflect the economic characteristics of the ETFs’ underlying stocks. This revision to the provision for fund shares futures will establish consistency with Interpretation and Policy .01(b) to Article XII, Section 3 which also does not contain a *de minimis* threshold for stock futures adjusted for cash distributions. Accordingly, OCC is proposing to amend Interpretation and Policy .08 to eliminate the *de minimis* exception.

Additionally, OCC proposes to make a technical correction to Rule 1304, which permits the acceleration of the maturity date for stock futures adjusted to require the delivery of cash, and Rule 807, which permits the acceleration of the expiration date of stock options adjusted to require the delivery of cash. Rules 1304 and 807 contain language that could be read to suggest that such acceleration would occur only in the

⁶ Securities Exchange Act Release No. 34-60872 (October 23, 2009), 74 FR 55878 (October 29, 2009).

event of a cash-out merger. However, cash-outs also may occur as a result of bankruptcies, ADS liquidations and other events, and there is no reason to limit such accelerations to cash-out merger events. Accordingly, OCC proposes to amend Rules 1304 and 807 to delete language that may be perceived to limit OCC's ability to accelerate a maturity or expiration date to such events. OCC is also proposing to delete as obsolete a version of Rule 807 that was effective before January 1, 2008, and related language regarding the effective date in what would now be the only version of Rule 807.

OCC believes that the proposed changes to OCC's By-Laws are consistent with the purposes and requirements of Section 17A of the Act⁷ and the rules and regulations thereunder applicable to OCC because they will promote the prompt and accurate clearance and settlement of securities transactions by clarifying that security futures on index-linked securities will be cleared and settled subject to the same rules and procedures that are used successfully by OCC to clear and settle stock futures, eliminating an unnecessary *de minimis* threshold for adjusting stock futures on ETFs, and clarifying OCC's ability to accelerate maturity dates of stock futures or expiration dates of stock options in events other than cash-out merger events and eliminating obsolete rules or references. The proposed rule change is not inconsistent with any rules of OCC, including any that are 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.

⁷ 15 U.S.C. 78q-1.

(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-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-2012-08 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, N.E., Washington, DC 20549-1090.

All submissions should refer to File Number SR-OCC-2012-08. 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, DC 20549-1090, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing will also be available for inspection and copying at the principal office of OCC and on OCC's website at http://www.theocc.com/components/docs/legal/rules_and_bylaws/sr_occ_12_08.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-2012-08 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.⁸

Kevin O'Neill
Deputy Secretary

⁸ 17 CFR 200.30-3(a)(12).