

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-70225; File No. SR-OCC-2013-13)

August 16, 2013

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to the Use of Manual Signatures, Reduction of Segregated Long Positions in Accounts with Aggregated Long Positions, Requirements to be Physically Present, and Other Technical Changes to OCC's By-Laws and Rules to Better Reflect Current Operational Practices

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 August 5, 2013, 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 by OCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

OCC proposes to make certain non-material "housekeeping" changes so that OCC's By-Laws and Rules (collectively, "Rules") better reflect current operational practices.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(1) Purpose

The purpose of this proposed rule change is to make non-material “housekeeping” changes to certain OCC’s Rules so that OCC’s Rules better reflect current operational practices. For example, Rule 201 requires a representative of each clearing member to sign all instruments necessary to conduct business with OCC and applies to items such as trade data and banking instructions. Manual signatures on such instruments were a means by which OCC and its clearing members verified and validated information contained therein. However, since the adoption of Rule 205, which requires clearing members to electronically submit items to OCC, and Rule 212, which allows OCC to assign clearing members access codes for electronic data entry,³ the requirement for manual signatures has been virtually eliminated. OCC proposes to remove references to manual signatures within Rule 201 because OCC has adopted and implemented electronic processes and controls within its clearance and settlement systems to allow authorized individuals to electronically verify and validate information such as trade data

³ OCC Rule 212 also requires clearing members to take appropriate precautions to protect the security of their access codes and prevent unauthorized use thereof.

and banking instructions. Such processes and controls are used by all OCC clearing members.

Rule 202 requires each clearing member to file with OCC a certified list of representatives who are authorized to conduct business with OCC, including individuals authorized to sign, “certificates, checks, receipts, and orders.” As with manual signatures on trade data and banking instructions, OCC’s electronic systems, and its Rules related thereto, have made the need for manual signatures on certificates, checks, receipts and orders superfluous and OCC proposes that references to manual signatures on such documents be removed. Even though OCC proposes to remove certain references to manual signatures, as described above, OCC still needs to know the individuals authorized to act on behalf of each of its clearing members and OCC will continue to require clearing members to provide OCC with a list of individuals authorized to act on behalf of each such clearing member.⁴ In turn, OCC will provide such authorized individuals with the appropriate electronic access to its clearance and settlement systems. Moreover, the description in Rule 611(c) regarding how OCC reduces segregated and unsegregated long positions is not consistent with the current functionality in OCC’s clearance and settlement systems. OCC proposes to amend Rule 611(c) so that it better reflects the current practice that, in the event of a closing transaction or exercise in an account with aggregate long positions, segregated long positions are reduced before

⁴ OCC also proposes to make conforming changes to its clearing member authorized representative form, which each clearing member must complete and submit to OCC so that OCC knows the persons authorized to act on behalf of such clearing member. Such changes are attached hereto as Exhibits 3A-3D. Moreover, in the event of unusual or unforeseen circumstances, manual signatures on documents serve as a backup way to authenticate instructions and documents submitted to OCC.

unsegregated long positions, and that clearing members may not choose an alternative reduction method.

OCC also has provisions in several rules that were implemented before industry-wide adoption of technological advancements in remote access capability. For example, Rule 201 requires that an authorized representative of a clearing member be present in such clearing member's office during specific hours each day. Advancements in technology, such as remote computer access, have rendered the requirement to have a clearing member representative physically present in a clearing member's office overly burdensome and unnecessary. Moreover, regulatory requirements pertaining to business continuity planning and disaster recovery have required OCC and its clearing members to adopt decentralized operational structures and, as a result, remote access has become integrated into OCC's and its clearing members' daily operations. Therefore, OCC proposes to amend the "physically present" requirement in Rule 201 to require an authorized representative of a clearing member be available during such times as OCC may specify from time to time as well as unify the requirements of Rule 201 so that both Non-U.S. Clearing Members and U.S. Clearing Members are subject to the same authorized representative availability standard. OCC also proposes to add clarifying language to Rule 204 so that in the event OCC processes transactions through its backup processing facility clearing members do not need to make a purely administrative designation of such backup facility as its primary clearing office.

Finally, OCC proposes additional amendments to Rules 207, 208 and 611(b) to reflect non-material changes: to the names of, information contained within and manner in which clearing members may amend various reports; to Rule 611(b) to clarify that

clearing members may electronically submit instructions to OCC regarding their segregated long positions; to remove references to clearing international transactions and the International Clearing System, a dormant system, found in By-Laws Articles I and VI as well as Rule 801; to remove references to XMI index options, which are no longer traded, found in By-Laws Article VI and Rule 801; to amend Rule 801 so that OCC, and not its Board of Directors, may choose exercise notices that are not eligible for late processing; and, to add language to Rule 211 so that OCC satisfies its Rule 211 requirement to provide notice to clearing members and other registered clearing agencies of rule changes by posting such filings on its public website.

(2) Statutory Basis

OCC believes that the proposed rule change is consistent with Section 17A(b)(3)(F)⁵ of the Act⁶ because it facilitates the prompt and accurate clearance and settlement of securities transactions. The proposed changes will update OCC Rules to better reflect the current operational and technological environment of OCC and its clearing members by removing outdated requirements and references within OCC's Rules. The proposed rule change is not inconsistent with any rules of OCC, including those proposed to be amended.

(B) Clearing Agency's Statement on Burden on Competition

OCC does not believe that the proposed rule change would impact, or impose a burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed changes, which will apply to all clearing members, are

⁵ 15 U.S.C. § 78q-1(b)(3)(F).

⁶ 15 U.S.C. § 78a et seq.

administrative in nature and will better align OCC's Rules with both its own and its clearing members current operational practices. Accordingly, the proposed changes will reduce unnecessary administrative burdens on its clearing members, including any such burdens that may impact competition.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments on the proposed rule change 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 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 such 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-2013-13 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-OCC-2013-13. 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 Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of OCC and on OCC's website:

http://www.theocc.com/components/docs/legal/rules_and_bylaws/sr_occ_13_13.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-2013-13 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.⁷

Kevin M. O'Neill
Deputy Secretary

⁷ 17 CFR 200.30-3(a)(12).