

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56684; File No. SR-OCC-2007-12)

October 22, 2007

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change Relating to Options on Leveraged ETF Shares

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on October 4, 2007, 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 and order to solicit comments on the proposed rule change from interested persons and to grant accelerated approval of the proposal.

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

The proposed rule change would allow OCC to clear and settle options on exchange traded fund ("ETF") shares generally known as "Leveraged ETF Shares."

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. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.²

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

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified parts of these statements.

for, the Proposed Rule Change

The purpose of the proposed rule change is to accommodate the introduction of options on ETF shares that represent interests in entities making a broad array of investments in order to provide investment returns that are equivalent to (a) a multiple of the percentage return of a specific stock index (“Multiple Fund Shares” or “Index Multiple ETFs”) or (b) a multiple of the inverse percentage return of a specific stock index (“Inverse Fund Shares” or “Index Inverse ETFs”) (Multiple Fund Shares, Index Multiple ETFs, Inverse Fund Shares, and Index Inverse ETFs are collectively “Leveraged ETF Shares”).³ According to the proposed rule changes filed by the exchanges seeking to list and trade Leveraged ETF Shares, the ETF issuing the Leveraged ETF Shares may make a variety of exchange-traded and over-the-counter investments, including stock index futures contracts, options on futures, options on securities, options on indexes, caps on stock, collars on stock, floors on stock, swap agreements, forward contracts, repurchase agreements, and reverse repurchase agreements.⁴

Currently, the definition of “fund share” in Article I, Section 1 of OCC’s By-Laws lists the various underlying investments that may be made by the ETF issuing the fund share. In order to avoid creating an ever-lengthening list of possible investments that may prove to be non-exhaustive, OCC proposes to amend the definition of “fund share” to state that the term means “a publicly traded security (as defined in Section 3(a)(10) of the Securities Exchange Act of 1934,

³ The ProShares Ultra Funds, which trades on the American Stock Exchange (“Amex”), is an example of a Multiple Fund Share or Index Multiple ETF. The Short Funds and the UltraShort Funds, which also trade on Amex, are examples of Inverse Fund Shares Index Inverse ETFs.

⁴ File Nos. SR-Amex-2007-35 and SR-ISE-2007-87. The Commission recently issued an order granting approval of SR-Amex-2007-35 that allows Amex to list and trade options on Multiple Fund Shares and on Inverse Fund Shares. Securities Exchange Act Release No. 56650 (October 12, 2007), 72 FR 59123 (October 18, 2007).

as amended) that represents an interest in a trust, investment company, commodity pool, or similar entity holding and/or trading in one or more investments.”⁵

The proposed rule change is consistent with the requirements of Section 17A of the Act because it (1) promotes the prompt and accurate clearance and settlement of transactions in options on Leveraged ETF Shares by applying the same basic rules and procedures to such options as are applied to options on other equity interests, (2) fosters cooperation and coordination with persons engaged in the clearance and settlement of securities transactions, (3) removes impediments to and perfects the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, and (4) protects investors and the public interest. The proposed rule change is not inconsistent with the rules of OCC, including any rule 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.

(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

⁵ The Commission previously approved a supplement to the “options disclosure document” defining “fund shares” in a similar manner. Part III of the May 2007 Supplement to Characteristics and Risks of Standardized Options provides that the term “fund shares” includes interests in exchange-traded funds and other entities holding or trading in one or more types of investments. Securities Exchange Act Release No. 55702 (May 3, 2007), 72 FR 26671 (May 10, 2007) (File No. SR-ODD-2007-02).

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions.⁶ By amending OCC's By-Laws so that OCC may clear and settle options on Leveraged ETF Shares that are to be listed and traded on Amex, the proposed rule change should help promote the prompt and accurate clearance and settlement of such securities transactions.

OCC has requested that the Commission approve the proposed rule prior to the thirtieth day after publication of the notice of the filing. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the publication of notice because such approval will allow Amex to commence trading of options on Leveraged ETF Shares without any unnecessary delay.⁷

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-2007-12 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.

⁶ 15 U.S.C. 78q-1(b)(3)(F).

⁷ Supra note 4.

All submissions should refer to File Number SR-OCC-2007-12. 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 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 such filing also will be available for inspection and copying at the principal office of OCC. 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-2007-12 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

V. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules and regulations thereunder.⁸

⁸ In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-OCC-2007-12) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁹

Florence E. Harmon
Deputy Secretary

⁹ 17 CFR 200.30-3(a)(12).