

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-62685; File No. SR-OCC-2010-12)

August 10, 2010

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify the Definition of Government Securities to Exclude Separate Trading of Registered Interest and Principal Securities on Treasury Inflation Protected Securities, commonly known as TIP-STRIPS

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on July 29, 2010, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I and II below, which items have been prepared primarily by OCC. OCC filed the proposal pursuant to Section 19(b)(3)(A)(i) of the Act² and Rule 19b-4(f)(1)³ thereunder so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the rule change from interested parties.

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

The proposed rule change will modify the definition of “Government securities” found in Article I, Section 1 of OCC’s By-Laws to exclude Separate Trading of Registered Interest and Principal Securities (“STRIPS”) on Treasury Inflation Protected Securities (“TIPS”), commonly known as TIP-STRIPS.

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78s(b)(3)(A)(i).

³ 17 CFR 240.19b-4(f)(1).

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 these statements.⁴

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

1. Purpose

The purpose of this rule change is to modify the definition of "Government securities" found in Article I, Section 1 of OCC's By-Laws to exclude Separate Trading of Registered Interest and Principal Securities ("STRIPS") on Treasury Inflation Protected Securities ("TIPS"), commonly known as TIP-STRIPS. The reason for the proposed exclusion is the absence of a liquid secondary market for TIP-STRIPS.

U.S. and Canadian Government securities are acceptable forms of collateral for margin and clearing fund purposes. OCC defines Government securities to be securities issued or guaranteed by the United States or Canadian Government or any other government acceptable to OCC. U.S. Government securities include bills, bonds, notes, TIPS, and STRIPS. The U.S. Government does not issue STRIPS, but it does guarantee their principal payments making them eligible as Government securities for purposes of OCC's By-Laws and Rules. The U.S. Government also does not issue TIP-STRIPS. Nonetheless, TIP-STRIPS fall within OCC's

⁴ The Commission has modified the text of the summaries prepared by OCC.

definition of Government securities as their principal is guaranteed by the U.S. Government.

TIP-STRIPS were first issued in the late 1990's by an investment bank to meet the needs of certain clients. The securities are registered in the Federal Reserve Bank's book entry system. The securities have a de minimis circulation, and there currently is no active secondary market for them resulting in a lack of price transparency and liquidity and no reliable means by which to determine their value. OCC's ability to liquidate this form of collateral in the event of a clearing member default could be severely compromised as a result of these factors. Accordingly, OCC has concluded TIP-STRIPS should be excluded from the definition of Government securities. OCC is unaware of any instance in which a clearing member has pledged TIP-STRIPS to meet its margin or clearing fund obligation. Therefore, OCC believes excluding TIP-STRIPS from the definition of Government securities enhances the protection of OCC, clearing members, and the investing public without imposing a burden on clearing members depositing Government securities to meet their margin and clearing fund obligations.

2. Statutory Basis

OCC believes that the proposed rule change is consistent with Section 17A of the Act,⁵ as amended, because it assures the safeguarding of securities and funds which are in OCC's custody and control and provides for the protection of investors and the public interest. The proposed change meets these objectives by making a security with de minimis circulation, liquidity, and price transparency ineligible for deposit as a form of collateral. As OCC has not identified an instance in which a clearing member has deposited such security as collateral, the proposed change does not burden clearing members or adversely affect their ability to meet their

⁵ 15 U.S.C. 78q-1.

obligations to OCC. The proposed rule change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

(B) Self-Regulatory Organization's Statement on Burden on Competition

OCC does not believe that the proposed rule change will have any impact or 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 relating to the proposed rule change were not and are not intended to be 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

The foregoing proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act⁶ and Rule 19b-4(f)(1)⁷ thereunder because the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

⁶ 15 U.S.C. 78s(b)(3)(A)(i).

⁷ 17 CFR 240.19b-4(f)(1).

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-2010-12 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 20549-1090.

All submissions should refer to File Number SR-OCC-2010-12. 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 Web site 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 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/components/docs/legal/rules_and_bylaws/sr_occ_10_12.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-2010-12 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

Florence E. Harmon
Deputy Secretary

⁸ 17 CFR 200.30-3(a)(12).