

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-63278; File No. SR-OCC-2010-05)

November 8, 2010

Self-Regulatory Organizations; The Options Clearing Corporation; Order Granting Approval of a Proposed Rule Change Relating to Cash-Settled Foreign Currency Options With One-Cent Exercise Prices

I. Introduction

On March 16, 2010, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder² to clarify that cash-settled foreign currency options traded on national securities exchanges will be treated and cleared as securities options notwithstanding that they may have a nominal exercise price such as one cent. The proposed rule change was published for comment in the Federal Register on April 7, 2010.³ No comment letters were received on the proposal. This order approves the proposal.

II. Description of the Proposal

OCC will add a sentence to the Introduction to Article XXII of its By-Laws to make clear that cash-settled foreign currency options traded on national securities exchanges will be treated and cleared as securities options notwithstanding that they may have a nominal exercise price such as one cent.⁴

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 61820 (Apr. 1, 2010), 75 FR 17805.

⁴ The exact language of the proposal can be seen at <http://www.theocc.com/component/docs/legal/rules_and_bylaws/sr_OCC_10_05.pdf>.

In its capacity as a “derivatives clearing organization” registered as such with the Commodities Futures Trading Commission, OCC also filed this proposed rule change with the CFTC for prior approval pursuant to provisions of the Commodity Exchange Act (“CEA”) in order to foreclose any potential argument that the clearing by OCC of such options as securities options constitutes a violation of the CEA. The products involved here are essentially the same as cash-settled foreign currency options that OCC currently clears except for the low strike price.

III. Discussion

Section 17A(b)(3)(F) of the Act⁵ 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 and derivative transactions. OCC’s clarification of its By-Laws with respect to cash-settled foreign currency options with nominal exercise prices should help reduce the likelihood of confusion as to OCC’s treatment of such products, and accordingly should help to promote the prompt and accurate clearance and settlement of securities transactions.

IV. 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 Act⁶ and the rules and regulations thereunder.

⁵ 15 U.S.C. 78q-1(b)(3)(F).

⁶ 15 U.S.C. 78q-1.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁷ that the proposed rule change (File No. SR-OCC-2010-05) be and hereby is approved.⁸

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.⁹

Florence E. Harmon
Deputy Secretary

⁷ 15 U.S.C. 78s(b)(2).

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).

⁹ 17 CFR 200.30-3(a)(12).