

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-64154; File No. SR-ODD-2011-02)

March 31, 2011

Self-Regulatory Organizations; The Options Clearing Corporation; Order Granting Approval of Accelerated Delivery of Supplement to the Options Disclosure Document Reflecting Certain Changes to Disclosure Regarding Variability Index Options and Relative Performance Index Options and Amendment to the Options Disclosure Document Inside Front Cover

On May 21, 2010, The Options Clearing Corporation (“OCC”) submitted to the Securities and Exchange Commission (“Commission”), pursuant to Rule 9b-1 under the Securities Exchange Act of 1934 (“Act”),¹ five preliminary copies of a supplement to amend its options disclosure document (“ODD”) to reflect certain changes to disclosure regarding variability index options.² On January 20, 2011, the OCC submitted to the Commission five preliminary copies of a supplement to amend its ODD to add disclosure regarding relative performance index options.³ The OCC is also updating the front inside cover page of the ODD so that it contains a current list of the U.S. exchanges that trade options issued by the OCC, and the current names and corporate addresses of these options exchanges. On March 16, 2011, the OCC submitted to the Commission five definitive copies of the March 2011 Supplement⁴ to reflect all these changes, as

¹ 17 CFR 240.9b-1.

² See letter from Jean M. Cawley, Senior Vice President and Deputy General Counsel, OCC, to Sharon Lawson, Senior Special Counsel, Division of Trading and Markets (“Division”), Commission, dated May 20, 2010.

³ See letter from Jean M. Cawley, Senior Vice President and Deputy General Counsel, OCC, to Sharon Lawson, Senior Special Counsel, Division, Commission, dated January 19, 2011.

⁴ See letter from Jean M. Cawley, Senior Vice President and Deputy General Counsel, OCC, to Sharon Lawson, Senior Special Counsel, Division, Commission, dated March 15, 2011.

described in more detail below.⁵

Variability Indexes

The ODD currently contains general disclosures on the characteristics and risks of trading standardized options on variability indexes. The current ODD states that variability indexes are indexes intended to measure the implied volatility, or the realized variance or volatility, of specified stock indexes. In May of 2010, the Commission approved the Chicago Board Options Exchange's ("CBOE") proposal to list and trade options on the CBOE Gold ETF Volatility Index.⁶ The March 2011 Supplement amends disclosures in the ODD regarding variability index options to accommodate the listing and trading of options on the CBOE Gold ETF Volatility Index and similarly structured equity-based volatility indexes that are intended to measure the volatility of a single reference security. Specifically, the proposed March 2011 Supplement amends the discussion of variability index options to provide disclosure regarding the characteristics of options on equity-based volatility indexes⁷ and their special risks.

Relative Performance Indexes

Currently, the ODD states that indexes that may underlie options include stock indexes, variability indexes, strategy-based indexes, and dividend indexes. Recently, the Commission approved the NASDAQ OMX PHLX LLC's ("Phlx") proposal to list and trade Alpha Index

⁵ The proposed March 2011 Supplement to the ODD amends the February 1994 version of the booklet entitled "Characteristics and Risks of Standardized Options," and portions of the May 2007, June 2008, December 2009 and May 2010 Supplements.

⁶ See Securities Exchange Act Release No. 62139 (May 19, 2010), 75 FR 29597 (May 26, 2010) (SR-CBOE-2010-018) (order approving CBOE's proposed rules to list and trade CBOE Gold ETF Volatility Index options).

⁷ For purposes of the ODD, the disclosure will make clear that an equity-based volatility index measures the implied volatility, or the realized variance or volatility of a specified reference security.

options.⁸ Alpha Indexes measure the relative total return of one stock and one exchange-traded fund share. The proposed March 2011 Supplement amends disclosures in the ODD to add relative performance indexes as a type of index that can underlie an option in order to accommodate the listing and trading of options on the Alpha Index and similarly structured relative performance indexes.⁹ Specifically, the proposed March 2011 Supplement adds new disclosure regarding the characteristics of options on relative performance indexes and their special risks. The Commission notes that the intent of this proposed March 2011 Supplement is to provide disclosure for relative performance options on indexes of which both index components are equity securities, and one of which could be a fund share.

Inside Cover of ODD

Lastly, the March 2011 Supplement amends the ODD to revise the inside front cover page. The revisions are as follows: 1) adding the C2 Options Exchange, Incorporated and its corporate address to the inside front cover of the ODD; 2) updating Phlx's name to incorporate the Phlx's recent conversion to a limited liability company; and 3) to reflect NASDAQ OMX BX's recent change in corporate address. These changes will ensure that the ODD accurately

⁸ See Securities Exchange Act Release No. 63860 (February 7, 2011), 76 FR 7888 (February 11, 2011) (SR-Phlx-2010-176) (order approving Phlx's proposed rules to list and trade Alpha Index options).

⁹ For purposes of the ODD, relative performance indexes are a special type of strategy-based indexes that measure the relative performance – generally the relative total return – of two index components (the target component and the benchmark component). The index is calculated by measuring the total return of the target component relative to the total return of the benchmark component. The index will rise as and to the extent that the target component outperforms the benchmark component, and will fall as and to the extent that the opposite occurs. As stated in the March 2011 Supplement, as of the date of this Supplement, the only relative performance options approved for trading are options on indexes of which both index components are equity securities, and one of which could be a fund share.

identifies the markets on which options currently trade and accurately reflects the corporate name and address of those entities.

The proposed supplement is intended to be read in conjunction with the more general ODD, which discusses the characteristics and risks of options generally.¹⁰ Rule 9b-1(b)(2)(i) under the Act¹¹ provides that an options market must file five copies of an amendment or supplement to the ODD with the Commission at least 30 days prior to the date definitive copies are furnished to customers, unless the Commission determines otherwise, having due regard to the adequacy of information disclosed and the public interest and protection of investors.¹² In addition, five copies of the definitive ODD, as amended or supplemented, must be filed with the Commission not later than the date the amendment or supplement, or the amended ODD, is furnished to customers. The Commission has reviewed the proposed supplement and amendment and finds, having due regard to the adequacy of the information disclosed and the public interest and protection of investors, that they may be furnished to customers as of the date of this order.

¹⁰ The Commission notes that the options markets must continue to ensure that the ODD is in compliance with the requirements of Rule 9b-1(b)(2)(i) under the Act, 17 CFR 240.9b-1(b)(2)(i), including when changes regarding variability index options and relative performance index options are made in the future. Any future changes to the rules of the options markets concerning variability index options and relative performance index options would need to be submitted to the Commission under Section 19(b) of the Act. 15 U.S.C. 78s(b).

¹¹ 17 CFR 240.9b-1(b)(2)(i).

¹² This provision permits the Commission to shorten or lengthen the period of time which must elapse before definitive copies may be furnished to customers.

IT IS THEREFORE ORDERED, pursuant to Rule 9b-1 under the Act,¹³ that definitive copies of the March 2011 Supplement amending the ODD (SR-ODD-2011-02) to reflect changes to disclosure regarding variability index options and relative performance index options and to the inside front cover of the ODD, may be furnished to customers as of the date of this order.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁴

Cathy H. Ahn
Deputy Secretary

¹³ 17 CFR 240.9b-1.

¹⁴ 17 CFR 200.30-3(a)(39).