

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-94646; File No. SR-OCC-2022-006)

April 8, 2022

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by The Options Clearing Corporation Concerning Weekly Options and Short Term Options.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 25, 2022, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III 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

This proposed rule change would amend the definitions of “weekly option” and “short term option” in Article I of OCC’s By-Laws. The proposed rule change would amend these definitions to align with the rules of participant options exchanges by clarifying that weekly options and short term options may expire and/or be opened in accordance with the rules of the exchange on which they are traded. The proposed changes to OCC’s By-Laws are included in Exhibit 5 of File No. SR-OCC-2022-006. Material proposed to be added to OCC’s By-Laws as currently in effect is underlined and

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

material proposed to be deleted is marked in strikethrough text. All capitalized terms not defined herein have the same meaning as set forth in the OCC By-Laws and Rules.³

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 more clearly align certain existing definitions in OCC's By-Laws for options products with Exchange Rules related to those products. OCC currently facilitates the clearance and settlement of weekly options and short term options on behalf of participant options exchanges. The term "weekly option" is currently defined in Article I of OCC's By-Laws as "an option of a series of stock options or index options that expires on any Friday of a calendar month other than the

³ OCC's By-Laws and Rules can be found on OCC's public website: <https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules>.

third Friday of such calendar month.”⁴ The definition was first introduced in 2010.⁵ The term “short term option” is currently defined as “an option of a series of options that expires one week after it is opened for trading” and further specifies that short term options “may be opened on a Friday that is a business day and shall expire, at the expiration time, on the next Friday that is a business day; provided, however, that if a Friday is not a business day, the series shall be opened (or shall expire) on the first business day immediately prior to that Friday.”⁶ The definition was first introduced in 2005 in connection with a pilot program for short term options that was eventually made permanent in 2009.⁷

Currently, participant options exchanges list and trade weekly options that expire on other days of the week, such as Monday or Wednesday,⁸ and a participant options

⁴ The definition of “weekly option” also states that “[t]he term ‘weekly index option’ means a weekly option on an index.” OCC is not proposing changes to this part of the weekly option definition.

⁵ See Exchange Act Release No. 63293, 75 FR 70055 (November 16, 2010) (approval order establishing weekly options and monthly options).

⁶ The definition of “short term option” also specifies that a short term option series may be opened in any option class. OCC is not proposing changes to this part of the short term option definition.

⁷ See Exchange Act Release No. 52010, 70 FR 41469 (July 19, 2005) (SR-OCC-2005-06) (approval order to support the short term options pilot program). See also e.g., Exchange Act Release Nos. 52011 (July 12, 2005), 70 FR 41451 (July 19, 2005) (SR-CBOE-2004-63) (approval order establishing Weeklys Pilot Program) and 59824 (April 27, 2009), 74 FR 20518 (May 4, 2009) (SR-CBOE-2009-018) (approval order permanently establishing Weeklys Program). CBOE refers to its short term option program as the “Weeklys Program.”

⁸ See e.g., Cboe Rule 4.13(e)(1) (“The Exchange may open for trading Weekly Expirations on any broad-based index eligible for standard options trading to expire on any Monday, Wednesday, or Friday (other than the third Friday-of-the-

exchange has recently filed a proposed rule change to list and trade weekly options that expire on Tuesday and Thursday.⁹ These exchanges also list short term options that may be opened on days other than a Friday and expire on days other than Friday.¹⁰ Because pursuant to Exchange Rules weekly options may expire on days other than Friday and short term options may be opened and expire on days other than Friday, OCC proposes making clarifying changes to these definitions to more closely align them with options Exchange Rules and with how these options trade today.

Accordingly, OCC proposes to amend the definition of a weekly option to provide that a weekly option means “an option of a series of stock options or index options that has a weekly tenor and that expires on any day as provided in Exchange Rules. The term ‘weekly index option’ means a weekly option on an index.” Similarly, OCC proposes to amend the definition of a short term option to provide that a short term option means “an option of a series of options that pursuant to Exchange Rules expires one week after it is

month or days that coincide with an EOM [end of month] expiration.”)(emphasis added).

⁹ See Exchange Act Release No. 94292, 87 FR 11102 (February 28, 2022) (SR-CBOE-2022-005) (notice of filing of proposed rule change to permit P.M.-settled S&P 500 index options that expire on Tuesday or Thursday).

¹⁰ See e.g., Cboe Rule 4.5(d) (“Short Term Option Series Program. After an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day . . . Monday and Wednesday SPY, IWM and QQQ Expirations. The Exchange may open for trading on any Friday or Monday that is a business day series of options on the SPDR S&P 500 ETF Trust (“SPY”) . . . that expire at the close of business each of the next five Mondays that are business days . . . The Exchange may also open for trading on any Tuesday or Wednesday that is a business day series of SPY options . . . that expire at the close of business on each of the next five Wednesdays . . .”).

opened for trading. Short term option series may be opened in any option class.” In both cases, OCC proposes to remove language specifying particular days of the week on which weekly options or short term options may expire and/or be opened and to instead reference the relevant options Exchange Rules for information on expirations and any opening conditions. OCC believes that the proposed amendments would promote clarity in OCC’s By-Laws regarding when weekly options and short term options may be opened and/or expire and, as noted, promote greater consistency with options Exchange Rules.

(2) Statutory Basis

Section 17A(b)(3)(F)¹¹ of the Exchange Act requires, among other things, that the rules of a clearing agency be designed, in general, to protect investors and the public interest. OCC believes that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act.¹² As noted above, the proposed rule change would promote clarity in OCC’s By-Laws regarding when weekly options and short term options may be opened and/or expire and consistency with options Exchange Rules. OCC believes that the proposed amendments to the “weekly option” and “short term option” definitions would protect investors and the public interest by setting forth clear definitions that are consistent with options Exchange Rules and in turn facilitate a clear understanding of the regulatory framework for weekly options and short term options. Additionally, OCC believes that making clarifying changes to its definitions of a weekly option and short

¹¹ 15 U.S.C. 78q-1(b)(3)(F).

¹² Id.

term option to better align with options Exchange Rules helps foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions between and among OCC and the options exchanges that rely on OCC to clear and settle trades, consistent with Section 17A(b)(3)(F) of the Act.¹³ Additionally, the proposed rule change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

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

Section 17A(b)(3)(I) of the Act¹⁴ requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. OCC does not believe that the proposed amendments to the definitions of “weekly option” and “short term option” would impose any burden on competition because they would merely modify the definitions to promote consistency with options Exchange Rules and to reflect how these options trade today pursuant to those Exchange Rules. The proposed changes would not inhibit access to OCC’s services in any way, would apply to all Clearing Members uniformly and does not disadvantage or favor any particular user in relationship to another user. Accordingly, OCC does not believe that the proposed rule change would have any impact or impose a burden on competition.

¹³ Id.

¹⁴ 15 U.S.C. 78q-1(b)(3)(I).

(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

Pursuant to Section 19(b)(3)(A)(ii)¹⁵ of the Act, and Rule 19b-4(f)(1) and (4) thereunder,¹⁶ the proposed rule change is filed for immediate effectiveness. 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. The proposal shall not take effect until all regulatory actions required with respect to the proposal are completed.¹⁷

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

¹⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁶ 17 CFR 240.19b-4(f)(1), (4).

¹⁷ Notwithstanding its immediate effectiveness, implementation of this rule change will be delayed until this change is deemed certified under CFTC Regulation 40.6.

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-OCC-2022-006 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Vanessa Countryman, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-OCC-2022-006. 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 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of OCC and on OCC's website at <https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules>.

All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-OCC-2022-006 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.¹⁸

Jill Peterson
Assistant Secretary

¹⁸ 17 CFR 200.30-3(a)(12).