

THE OPTIONS CLEARING CORPORATION

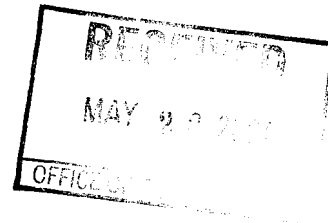
ONE N. WACKER DRIVE, SUITE 600, CHICAGO, ILLINOIS 60606

WILLIAM H. NAVIN

EXECUTIVE VICE PRESIDENT, GENERAL COUNSEL, AND SECRETARY

TEL 312.322.1817 FAX 312.322.1836

WNAVIN@THEOCC.COM



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Via Courier Delivery

Mr. Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: File No. S7-18-04

Dear Mr. Katz:

I am writing on behalf of The Options Clearing Corporation (“OCC”) to comment on the proposal of the Securities and Exchange Commission (the “Commission”), published in Release No. 34-49505 (the “Release”), relating to requirements that rule changes proposed by self-regulatory organizations (“SROs”) be filed electronically with the Commission via a web-based system.¹ In addition, the Commission proposed that SROs be required to promptly post all proposed rule changes, as well as a current and complete set of their rules, on their websites.² Subject to our specific comments below, OCC supports these changes. We agree with the Commission that they will increase the efficiencies and transparency of the rule filing process, and will provide greater assurance that SRO members and other interested parties have access to a current version of SRO rules.

The Commission asked for comment on whether there should be any other exceptions to the electronic filing requirement for SROs besides the limited circumstances described in the Release. We believe there should be. In the event the web-based system was unavailable, an SRO could not file a rule change until the

¹ The Commission would except from the proposal those portions of filings that cannot be submitted in electronic form or that contain proprietary or other information subject to a request for confidential treatment.

² OCC’s by-laws and rules and pending rule changes are already published on its public website, <http://www.optionsclearing.com>.

condition causing the problem was identified and resolved, a process which may require considerable time and effort. SROs therefore would be precluded from implementing any rule changes that would have been filed for immediate effectiveness during the outage period.

OCC believes that the Commission could easily construct a flexible framework to accommodate alternative means to file rule changes if needed. If the electronic system were unavailable, the Commission could authorize SROs to file rule changes by other approved means as designated by the Commission. Such other means could include emailing the filing in Microsoft Word or PDF format or sending a single hard copy of the filing by facsimile transmission. Submission through the electronic system could be required once it was available, and the submitting SRO could identify the actual filing date by a notation in the filing template proposed by the Commission. The Commission could deem that the rule change was effectively filed on the identified date in accordance with prescribed procedures.

The Commission also requested comment on the appropriateness of requiring that by the next business day SROs post all proposed rule changes, including amendments, on their public websites as well as incorporate the terms of approved rule changes into their on-line rules after receipt of the Commission's notice of approval.³ OCC believes that the Commission should modify these requirements for several reasons.

First, the Commission has proposed to use the web-based filing system as a means to inform SROs of its approval of rule changes or its notice of effective-upon-filing rules. This would require SROs to constantly monitor the electronic filing system to ascertain whether a filing had been approved. Such a process would be inefficient to administer. OCC believes that the Commission should employ a more direct method (e.g., email or facsimile transmission) of advising SROs that a rule change has been approved in order to better achieve its goal of increasing the efficiency and transparency of the rule change process.

Second, the one business day timeframe for integrating approved rule changes into rules available on a public website is unduly burdensome. In some cases, rule changes are complex and can amend significant portions of an SROs by-laws and rules; in other cases, the Commission may approve multiple rule changes within a short period of time. The SRO staff administering updates to the on-line rules would most likely have to stop all other ongoing work in order to comply with the required timeframe. The narrow timeframe for compliance also increases the possibility that errors would occur in completing rule updates. One business day is not a sufficient amount of time for an SRO to ensure it has *accurately* updated its on-line rules. OCC suggests that SROs be given at

³ The Commission also asked for comment on whether certain national market system plans and amendments thereto should be posted on their administrators' websites. As noted by the Commission, OCC and the options exchanges administer the Options Listing Procedures Plan ("OLPP"). Subject to our comments with respect to the applicable timeframe for updating on-line rules and proposed rule changes, we see no reason why the current version of the OLPP, and any amendment, could not be posted on our public website.

least ten business days after receipt of the notice of approval to complete this process. The Commission could achieve its goal of ensuring that interested parties have access to information about current rules by less burdensome means. For example, it could simply require SROs to identify on their websites which proposed rule changes, including amendments, have been approved. We believe that SROs could reasonably be expected to indicate a filing's approved status within three business days after being notified thereof. Such information then could be removed from the website once the text of the changed rule has been incorporated into the on-line rules. If an SRO rule change will not be effective for a certain period after Commission approval, OCC believes that the SRO's on-line rules should not be required to be updated until the change is effective.


Further, for technological reasons, websites may be unavailable for modifying content during particular periods. For example, it is possible that an SRO may be required to perform unexpected maintenance to its public website during a business day, which could adversely affect its ability to post a rule filing within the required timeframe. The Commission's rules should provide the SROs with additional time to post proposed rule changes under such circumstances.

OCC also questions the need for an SRO signatory to manually sign a copy of the rule change to authenticate, acknowledge or adopt his or her electronic signature. We know of no occasion when the authenticity of an SRO rule filing, or proof of its authenticity, was ever at issue, and it seems to us to be an unlikely problem. It should be sufficient to identify (through use of a conformed signature) the officer of the SRO that is responsible for its filing (i.e., the person who would otherwise have signed the filing).

Finally, with respect to returned or withdrawn rule changes, OCC sees no reason why the status of the filing could not be temporarily noted on an SRO's website provided that the SRO could remove the filing from the list of proposed changes within a reasonable period of time. Interested parties could always contact the SRO to learn the current status of any particular rule filing.

OCC appreciates this opportunity to comment on the Release, and we would be pleased to discuss our comments with the staff.

Sincerely,

A handwritten signature in black ink, appearing to read "William H. Navin". The signature is written in a cursive style with a large initial "W".

William H. Navin

Cc: Jerry Carpenter