

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53980; File No. SR-OCC-2006-04)

June 14, 2006

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to a Back-up Communication Channel to Internet Access For Clearing Members

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on April 27, 2006, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I, II, and III below, which items have been prepared primarily by OCC. OCC filed the proposed rule change pursuant to Section 19(b)(3)(A)(i) of the Act² and Rule 19b-4(f)(1) thereunder³ so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed 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 adopts a policy statement that requires each clearing member that uses the Internet as its primary means to access OCC information and data systems through a secure website to maintain a secure backup to Internet access in order to provide for business continuance should there be an Internet outage.

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

In 1997, OCC introduced a system called ECMI (Enhanced Clearing Member Interface) for clearing members to access C/MACS, OCC's post-trade and collateral processing system. At the time, all clearing members were required to use ECMI either as their primary means of access or as a back-up to a dedicated T1 line. In 2002, with the deployment of ENCORE for positions processing, clearing members were able to access ENCORE for processing position-related post-trade transactions anytime from anywhere through OCC's secure website by using the Internet. With the deployment of ENCORE Release 4.5 (Collateral), all post-trade transactions, including collateral transactions, could be accomplished using an Internet connection to the secure website. Most clearing members have now adopted the Internet as their primary means of accessing the secure website, and although some clearing members continue to use ECMI as a back-up communication channel, the current ECMI dial-up access does not provide the high speed and performance level necessary for daily ENCORE activity.

With so many clearing members relying on the Internet as their primary means of accessing OCC information and data systems, OCC has determined to adopt a policy statement

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

that requires such clearing members to maintain (i) separate service agreements with two independent internet service providers and (ii) a back-up to Internet access through an approved communication channel. OCC will determine if a clearing member's selected back-up communication channel is applicable to that clearing member by reference to guidelines, set forth in the following chart, incorporated within the policy statement.

Business Profile	Back-Up Communication Channel
Category A	
<ul style="list-style-type: none"> • Ranks in the top 25 Clearing Members with the highest cleared volume during a calendar year • Clears more than one account type as defined in OCC's By-Laws and Rules • Clears two or more product types • Conducts Clearing Member Trade Assignment ("CMTA") business • High volume of daily post-trade input • Generally utilizes multiple forms of collateral • Utilizes most ancillary services offered by OCC • Currently uses Lease Line for data transmissions 	T1 Line
Category B	
<ul style="list-style-type: none"> • Has mid-level volume • Clears only one or more account types as defined in OCC's By-Laws and Rules • Clears one or more product types • Moderate to small volume of post-trade input • Generally utilizes one or two forms of collateral • May utilize Lease Line for data transmissions 	T1 Line or ISDN
Category C	
<ul style="list-style-type: none"> • Has low-level volume • Clears no more than one account type as defined in OCC's By-Laws and Rules • Clears no more than one product type • Generally utilizes one or two forms of collateral • Minimal post-trade input 	ISDN, OCC office ⁵ or fax input

OCC's purpose in adopting this policy statement is to ensure that clearing members maintain secure back-ups to Internet access in order to be able to perform critical business

⁵ Smaller firms that rely solely on the Internet can utilize OCC equipment if the clearing member is located in or near a city where OCC maintains operational centers.

activities in a timely manner even in the event of an Internet outage.⁶ The Policy Statement, which became effective on May 1, 2006, was not incorporated into OCC's Rules but was implemented as a stand-alone document.⁷ Clearing members have already been notified about the adoption of this policy statement and its effective date.

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

OCC does not believe that the proposed rule change would 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 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

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act⁸ and Rule 19b-4(f)(1)⁹ thereunder because it constitutes a stated policy,

⁶ In File No. SR-OCC-2006-03, OCC reduced the fixed monthly ancillary services fees charged to Tier I, II, and III clearing members to reflect the termination of the ECMI Interface and to partially offset the additional cost of establishing a back-up communication channel. This fee reduction became effective in April, 2006.

⁷ Conforming changes are also being made to the Supplement to Agreement for OCC Services for Internet Access ("Supplement") to incorporate the Policy Statement into the terms of the Supplement. Copies of Amendment No. 1 to the Supplement to be executed by existing clearing members, as well as the Amended and Restated Supplement for new clearing members are attached to the proposed rule filing. Language proposed to be added to the Amended and Restated Supplement is underlined. Language proposed to be deleted is in brackets. See also Securities Exchange Act Release No. 46152 (July 1, 2002) 67 FR 45166 (July 8, 2002) [File No. SR-OCC-2001-09] for the text of the original Supplement.

⁸ 15 U.S.C. 78s(b)(3)(A)(i).

⁹ 17 CFR 240.19b-4(f)(1).

practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule. At any time within sixty days of the filing of such rule change, the Commission may summarily abrogate 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.

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-2006-04 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-OCC-2006-04. 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 inspection and copying in the Commission's Public Reference Section, 100 F Street, NE, Washington, DC 20549. Copies of such filing 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>. 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-2006-04 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Nancy M. Morris
Secretary

¹⁰ 17 CFR 200.30-3(a)(12).