

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-55035; File No. SR-ODD-2006-01)

December 29, 2006

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 U.S. Dollar-Denominated Foreign Currency Options

On December 8, 2006, 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”),<sup>1</sup> five preliminary copies of a supplement to its options disclosure document (“ODD”) reflecting certain changes to disclosure regarding U.S. dollar-denominated foreign currency options (“FCOs”).<sup>2</sup> On December 29, 2006, the OCC submitted to the Commission five definitive copies of the supplement.<sup>3</sup>

The ODD currently contains general disclosures on the characteristics and risks of trading standardized options. Recently, an options exchange amended its rules to permit the listing and trading of FCOs on the British pound and the Euro.<sup>4</sup> The proposed supplement to the ODD accommodates this change by providing additional disclosure regarding FCOs.

Specifically, the proposed supplement to the ODD updates disclosure regarding the calculation of exercise prices and premiums for FCOs. The proposed supplement also enhances disclosure regarding cash-settlement of FCOs, including the calculation of cash settlement

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<sup>1</sup> 17 CFR 240.9b-1.

<sup>2</sup> See letter from William H. Navin, Executive Vice President, General Counsel, and Secretary, OCC, to Elizabeth King, Associate Director, and Sharon Lawson, Senior Special Counsel, Division of Market Regulation, Commission, dated December 7, 2006.

<sup>3</sup> See letter from Jean M. Cawley, First Vice President and Deputy General Counsel, OCC, to Elizabeth King, Associate Director, and Sharon Lawson, Senior Special Counsel, Division of Market Regulation, Commission, dated December 29, 2006.

<sup>4</sup> See Securities Exchange Act Release No. 34-54989 (December 21, 2006), 71 FR 78506 (December 29, 2006) (approving File No. SR-Phlx-2006-34).

amounts and exercise settlement values. Finally, the proposed supplement updates disclosure in the ODD regarding the expiration of FCOs.<sup>5</sup> The proposed supplement is intended to be read in conjunction with the more general ODD, which, as described above, discusses the characteristics and risks of options generally.

Rule 9b-1(b)(2)(i) under the Act<sup>6</sup> 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.<sup>7</sup> 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 options disclosure document, is furnished to customers. The Commission has reviewed the proposed supplement and finds, having due regard to the adequacy of information disclosed and the public interest and protection of investors, that the proposed supplement may be furnished to customers as of the date of this order.

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<sup>5</sup> 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 future changes regarding FCOs are made. Any future changes to the rules of the options markets concerning FCOs would need to be submitted to the Commission under Section 19(b) of the Act. 15 U.S.C. 78s(b).

<sup>6</sup> 17 CFR 240.9b-1(b)(2)(i).

<sup>7</sup> 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,<sup>8</sup> that definitive copies of the proposed supplement to the ODD (SR-ODD-2006-01), reflecting changes to disclosure regarding U.S. dollar-denominated foreign currency options, may be furnished to customers as of the date of this order.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>8</sup> 17 CFR 240.9b-1.

<sup>9</sup> 17 CFR 200.30-3(a)(39).