

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55151; File No. SR-OCC-2006-16)

January 23, 2007

Self-Regulatory Organizations; The Options Clearing Corporation; Order Granting Approval of a Proposed Rule Change Relating to the Definition of Fund Share

I. Introduction

On September 21, 2006, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR-OCC-2006-16 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”).¹ Notice of the proposal was published in the Federal Register on November 28, 2006.² No comment letters were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

II. Description

OCC issues and clears options on “fund shares” that are defined in Article I of OCC’s By-Laws as a publicly traded interest in a trust, investment company, or other entity holding portfolios or baskets of securities.³ The rule change amends the definition of “fund share” in order to accommodate requests from OCC participant exchanges that OCC clear and settle options on exchange traded fund (“ETF”) shares that represent interests in an entity holding euros

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 54786, (November 20, 2006), 71 FR 68872.

³ Securities Exchange Act Release No 46914 (November 26, 2002), 67 FR 72261 (December 4, 2002) [File No. SR-OCC-2002-22].

and investing the euros in time deposits.⁴ Specifically, the rule change amends the definition to include interests in entities holding portfolios or baskets of currencies, including single currencies. The definition would also be revised to make it clear that (i) it includes entities with actively managed portfolios and (ii) it applies only to entities principally engaged in holding portfolios or baskets of securities or currencies and not to entities that do so as an incident to some other business.

If approved by the Commission, the proposed rule change would not be implemented until definitive copies of an appropriate supplement to the options disclosure document, Characteristics and Risks of Standardized Options, are available for distribution.

III. Discussion

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions.⁵ The purpose of the proposed rule change is to amend OCC's By-Laws and Rules so that OCC may clear and settle options on ETF shares that represent interest in an entity that holds currencies, including single currencies. Accordingly, the proposed rule change should promote the prompt and accurate clearance and settlement of such securities transactions.

IV. Conclusion

⁴ Securities and Exchange Act Release Nos. 54087 (June 30, 2006), 71 FR 38918 (July 10, 2006) [File No. SR-ISE-2005-60] and 54983 (December 20, 2006), 71 FR 78476 (December 29, 2006) [File No. SR-AMEX-2006-87] (Orders approving a proposed rule change to allow listing and trading of fund shares that hold specified non-U.S. currency options, futures or options on futures on such currency, or any other derivatives based on such currency).

⁵ 15 U.S.C. 78q-1(b)(3)(F).

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules and regulations thereunder.⁶

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-OCC-2006-16) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁷

Florence E. Harmon
Deputy Secretary

⁶ In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

⁷ 17 CFR 200.30-3(a)(12).