

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55307; No. SR-OCC-2006-22)

February 15, 2007

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Enhance Futures Clearing Services by Providing an Alternative Method for Effecting Gross Position Adjustments and Certain Trade Management Services

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)¹ and Rule 19b-4 thereunder² notice is hereby given that on December 19, 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)(iii) of the Act³ and Rule 19b-4(f)(4)⁴ thereunder, which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the rule change from interested parties.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

OCC proposes to amend Rule 401 to accommodate an alternative method for effecting gross position adjustments and to enable members to update certain non-critical trade information. The text of the proposed rule change is available at www.optionsclearing.com, at the OCC, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(4).

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.⁵

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

OCC proposes to amend Rule 401 to accommodate an alternative method for effecting gross position adjustments and to enable members to update certain non-critical trade information.

Position Adjustments

Following the practice in the futures markets, OCC does not require that matched trade information submitted by a market identify each trade as opening or closing.⁶ If a market elects to submit trade information without opening or closing identifiers, OCC treats all transactions as opening transactions. A clearing member then submits gross position adjustment information at the end of the day to reduce its positions to reflect the actual open interest in its accounts. In order to calculate gross position adjustment information for each position in a series of futures contracts, a clearing member must: determine its net ending position in that series; calculate its

⁵ The Commission has modified the text of the summaries prepared by OCC.

⁶ OCC is aware that some markets may not have systems capable of making such identifications.

gross ending position in that series on OCC's books;⁷ determine the gross position adjustment for that series by comparing the net ending position on its books with its calculation of the gross ending position on OCC's books; and submit gross position adjustments for each series in each account to OCC to ensure that OCC's records reflect the actual open interest.

Futures commission merchant ("FCM") clearing members find this process cumbersome and complex. These clearing members have requested OCC modify its systems to permit an alternative method of submitting gross position adjustment information. Specifically, they want to be able to advise OCC of the correct ending position for each series of futures contracts in their account(s) and have OCC compare the information to the current positions carried on OCC's books and effect the necessary position adjustment.⁸ OCC understands this method of effecting gross position adjustments is commonly used by other futures clearing organizations.

Only minor changes to the Interpretations and Policies to OCC's Rule 401 are necessary to support this alternative method of determining the actual open interest for futures. OCC proposes to amend Interpretation and Policy .01 to clarify that if there are an insufficient number of contracts in the account to effect the stated position adjustment, the adjustment will be applied only up to the number of available contracts and the remainder of the adjustment will not be affected.

⁷ This step requires the clearing member to assume for each account that all trades defaulted to open, that OCC has received correct information on all trades, and that post-trade instructions affecting the segregated futures account were processed correctly.

⁸ Typically, a firm advises the clearinghouse of the correct ending long position in each series, and the clearinghouse adjusts both long and short positions in the clearing member's segregated futures account to ensure its books reflect such position and remain in balance.

Non-Critical Trade Information

FCM clearing members also have asked to use OCC's systems to update non-critical trade information, a practice that is customary within the futures industry. Non-critical trade information includes customer account or other identifying information or codes. Only minor changes to Rule 401 are required to accommodate this request. OCC is proposing to add a second interpretation to Rule 401 to provide that its systems may be used for such purposes provided that such updates are not in contravention of any rule of the exchange or market on which the trade was executed.

OCC will not implement this rule change until the requisite systems are available, which is expected to be in or about the first quarter of 2007.

2. Statutory Basis

The proposed rule change is consistent with Section 17A of the Act,⁹ as amended, because it promotes the prompt and accurate clearance and settlement of transactions in derivatives contracts by providing mechanisms that are designed to ensure OCC's books and records contain accurate information regarding actual open interest in futures contracts and because OCC is able to provide its FCM clearing members with services that are standard in the futures industry.

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

The proposed rule change will not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Act.

⁹ 15 U.S.C. 78q-1.

(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 proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act¹⁰ and Rule 19b-4(f)(4)¹¹ thereunder because the rule does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible and does not significantly affect the respective rights or obligations of the clearing agency or persons using the service.

At any time within sixty days of the filing of the proposed 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

¹⁰ 15 U.S.C. 78s(b)(3)(A)(iii).

¹¹ 17 CFR 240.19b-4(f)(4).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-OCC-2006-22 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-OCC-2006-22. 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 Room. Copies of such filings also will be available for inspection and copying at the principal office of OCC and on OCC's Web site at 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-2006-22 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.¹²

Florence E. Harmon
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).