

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55921; File No. SR-ODD-2007-03)

June 18, 2007

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 Credit Default Options

On April 25, 2007, 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”),¹ five preliminary copies of a supplement to its options disclosure document (“ODD”) reflecting certain changes to disclosure regarding credit default options (“CDOs”).² On June 18, 2007, the OCC submitted to the Commission five definitive copies of the supplement.³

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 certain CDOs.⁴ The proposed supplement amends the ODD to accommodate this change by providing disclosure regarding CDOs, including credit default basket options.⁵

Specifically, the proposed supplement to the ODD adds new disclosure regarding the characteristics of CDOs, including disclosure regarding adjustments. Furthermore, the proposed

¹ 17 CFR 240.9b-1.

² See letter from Jean M. Cawley, Senior Vice President and Deputy General Counsel, OCC, to Sharon Lawson, Senior Special Counsel, Division of Market Regulation (“Division”), Commission, dated April 24, 2007.

³ See letter from Jean M. Cawley, Senior Vice President and Deputy General Counsel, OCC, to Sharon Lawson, Senior Special Counsel, Division, Commission, dated June 18, 2007. This letter provides that the definitive supplement supersedes and replaces the previous supplement submitted on June 15, 2007.

⁴ See Securities Exchange Act Release No. 55871 (June 6, 2007), 72 FR 32372 (June 12, 2007) (SR-CBOE-2006-84).

⁵ See SR-CBOE-2007-26.

supplement to the ODD adds new disclosure regarding risks associated with the purchase and sale of CDOs.⁶ 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 Act⁷ 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.⁸ 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.

⁶ 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 CDOs are made. Any future changes to the rules of the options markets concerning CDOs would need to be submitted to the Commission under Section 19(b) of the Act. 15 U.S.C. 78s(b).

⁷ 17 CFR 240.9b-1(b)(2)(i).

⁸ 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,⁹ that definitive copies of the proposed supplement to the ODD (SR-ODD-2007-03), reflecting changes to disclosure regarding CDOs, 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.¹⁰

Florence E. Harmon
Deputy Secretary

⁹ 17 CFR 240.9b-1.

¹⁰ 17 CFR 200.30-3(a)(39).