

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-68151; File No. SR-OCC-2012-20)

November 5, 2012

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Clarify the Applicability of OCC's Rules Governing Delivery of Treasury Securities Underlying Treasury Futures Contracts to Futures on Treasury Securities with Maturities of Greater than 25 Years

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder<sup>2</sup> notice is hereby given that on October 22, 2012, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as 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)<sup>3</sup> of the Act and Rule 19b-4(f)(4)<sup>4</sup> thereunder so that the proposal was 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 clarify the applicability of OCC's rules governing delivery of Treasury securities underlying Treasury futures contracts to futures on Treasury securities with maturities of greater than 25 years.

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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(4).

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.<sup>5</sup>

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

The purpose of this proposed rule change is to clarify the applicability of OCC’s Rules governing delivery of Treasury securities underlying Treasury futures contracts to futures on Treasury securities with maturities of greater than 25 years, which are currently traded on ELX Futures, L.P. (“ELX”).

Clearing members that are, or that represent, the seller of a physically-settled Treasury future must make delivery of the underlying Treasury security in accordance with the procedures set forth in Rule 1302B. A clearing member need not deliver Treasury securities of a particular issue to satisfy a delivery obligation.<sup>6</sup> Instead, Interpretation and Policy .02 to Rule 1302B sets forth criteria for specific Treasury securities that may be delivered in settlement of Treasury futures contracts. For example, for a Treasury futures contract with an underlying interest that is a Treasury bond, a clearing member may deliver Treasury bonds, if not callable, with a remaining term of at least fifteen years or, if callable, that are not callable for at least 15 years.

ELX trades futures on Treasury securities of various maturities, including futures on treasury bonds with a maturity of greater than 25 years (“Ultra-Long Treasury Futures”). Under

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<sup>5</sup> The Commission has modified the text of the summaries prepared by OCC.

<sup>6</sup> Subject to the condition that all Treasury securities delivered against a single physically-settled Treasury futures contract be of the same issue.

the rules of ELX, delivery obligations on Ultra-Long Treasury Futures may be satisfied by delivering Treasury bonds that, if not callable, have a remaining term of at least 25 years, or if callable, are not callable for at least 25 years. Interpretation and Policy .02 does not specifically address the delivery of Treasury bonds with maturities of 25 years or greater against Ultra-Long Treasury Futures. Accordingly, OCC is proposing to amend Interpretation and Policy .02 to Rule 1302B to provide that the characteristics of Treasury securities that may be delivered in settlement of futures on Treasury securities will be as set forth in the relevant exchange rules and reflected in OCC's procedures. This amendment will clarify the applicability of Rule 1302B to Ultra-Long Treasury Futures, as well as accommodate futures on other Treasury securities that may be introduced by an exchange at a later date that allow for delivery of Treasury securities with different maturity dates than those currently listed in Interpretation and Policy .02.

OCC believes that the proposed rule change is consistent with the purposes and requirements of Section 17A of the Securities Exchange Act of 1934, because they are designed to permit OCC to perform clearing services for products that are subject to the jurisdiction of the Commodity Futures Trading Commission ("CFTC") without adversely affecting OCC's obligations with respect to the prompt and accurate clearance and settlement of securities transactions or the protection of investors and the public interest. The proposed rule change is not inconsistent with any rules of OCC, including any that are proposed to be amended.

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

OCC does not believe 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 on the proposed rule change 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)(iii)<sup>7</sup> of the Act and Rule 19b-4(f)(4)(ii)<sup>8</sup> thereunder because it affects a change in an existing service of a registered clearing agency that primarily affects the futures clearing operations of the clearing agency with respect to futures that are not security futures and it does not significantly affect any securities clearing operations of the clearing agency or any related rights or obligations of the clearing agency or persons using such service. OCC will delay the implementation of the rule change until it is deemed certified under CFTC Regulation § 40.6. At any time within 60 days of the filing of such rule change, the Commission summarily may temporarily suspend 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](mailto:rule-comments@sec.gov). Please include File Number SR-OCC-

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<sup>7</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>8</sup> 17 CFR 240.19b-4(f)(4)(ii).

2012-20 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-OCC-2012-20. 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 website (<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 website viewing and printing in the Commission's Public Reference Section, 100 F Street, N.E., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of OCC and on OCC's website at [http://www.theocc.com/components/docs/legal/rules\\_and\\_bylaws/sr\\_occ\\_12\\_20.pdf](http://www.theocc.com/components/docs/legal/rules_and_bylaws/sr_occ_12_20.pdf).

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-2012-20 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>9</sup> 17 CFR 200.30-3(a)(12).