

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-68531; File No. SR-OCC-2012-26)

December 21, 2012

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Interpretative Guidance Relating to the Adjustment of Stock Options and Single Stock Futures for Cash Dividends and Distributions on Underlying Securities

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 19, 2012, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) the rule change described in Items I, II and III below, which items have been prepared primarily by OCC. OCC filed the proposal pursuant to Section 19(b)(3)(A)(i) of the Act,³ and Rule 19b-4(f)(1)⁴ 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 persons.

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

OCC is amending interpretative guidance relating to the adjustment of stock options and single stock futures for cash dividends and distributions on underlying securities.

II. Self-Regulatory Organization’s Statement of 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 rule change and discussed any comments it received on the rule change. The

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(i).

⁴ 17 CFR 240.19b-4(f)(1).

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 such statements.⁵

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

1. Background

In 2008,⁶ OCC adopted interpretative guidance (“Interpretative Guidance”) developed by the OCC’s Securities Committee regarding the administration and application of an adjustment method for cash dividends and distributions (“Adjustment Methodology”).⁷ The purpose of this rule change is to add certain clarifications to the Interpretative Guidance regarding how OCC applies the Adjustment Methodology and to incorporate the contents of OCC Information Memos 31714 and 31806, which OCC recently published and posted on its public website.⁸

2. Amendment to Interpretative Guidance

In addition to several technical revisions to the Interpretative Guidance, OCC is making two clarifications. First, OCC is amending the Interpretative Guidance in response to requests for clarification from clearing members and market participants regarding whether a company’s acceleration of its regular dividend would cause such dividend to be deemed “non-ordinary” and occasion an adjustment to the overlying option or security future. These questions have been

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

⁶ Release No. 34-58059 (June 30, 2008), 73 FR 39367 (July 9, 2008).

⁷ The Adjustment Methodology was approved by the Commission in Release No. 34-55258 (February 8, 2007), 72 FR 7701 (February 16, 2007). It was further amended by SR-OCC-2008-16 and approved by the Commission in Release No. 34-58586 (September 18, 2008), 73 FR 55582 (September 25, 2008). The Interpretative Guidance was amended to reflect amendments to the Adjustment Methodology by SR-OCC-2009-01 (Release No. 34-59442 (February 24, 2009), 74 FR 9654 (March 5, 2009)).

⁸ www.theocc.com

prompted by the prospect of tax increases in the new year that have caused some issuers of underlying equity securities to accelerate the payment of regularly scheduled dividends into the current year. Pursuant to the exercise of its discretionary authority under Article VI, Sections 11 and 11A of OCC's By-Laws, OCC's Securities Committee has determined that cash dividends or distributions that are paid pursuant to a company's regular dividend payment program but that are subject to accelerated payment shall be deemed "ordinary" dividends. Under Article VI, Section 11A(c)(ii) of OCC's By-Laws, ordinary dividends generally do not occasion adjustment. Therefore, OCC is amending the Interpretative Guidance to incorporate a reference to the previously announced determination of the Securities Committee that such accelerated dividends are generally considered to be "ordinary" and do not occasion an adjustment.

Second, OCC is amending the Interpretative Guidance in response to requests for clarification from clearing members and market participants regarding the application of the \$.125 per share adjustment threshold to capital gains and other distributions made by exchange-traded funds ("Fund Share Distributions"). These distributions, when considered individually, may be less than \$.125 per share but greater than \$.125 per share when considered in aggregate. Pursuant to Article VI, Sections 11 and 11A of the OCC By-Laws, OCC's Securities Committee has determined that the \$.125 per share adjustment threshold will generally be applied to the aggregate of capital gains and other non-ordinary Fund Share Distributions that have the same ex-date. OCC is amending the Interpretative Guidance to incorporate a reference to these previously announced determinations that such non-ordinary distributions are aggregated for purposes of determining whether the \$.125 per share adjustment threshold is met. Notwithstanding this Interpretive Guidance, all adjustment decisions are made on a case-by-case basis and are within the sole discretion of OCC's Securities Committee.

OCC believes the rule change is consistent with Section 17A of the Act because it fosters cooperation and coordination among persons engaged in the clearance and settlement of securities transactions and contributes to the protection of investors⁹ by providing market participants with interpretative guidance on the application of the Adjustment Methodology. The rule change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

B. Self-Regulatory Organization's Statement on Burden on Competition

OCC does not believe the 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 pursuant to Section 19(b)(3)(A)(ii)¹⁰ of the Act and Rule 19b-4(f)(1)¹¹ thereunder because it establishes or changes a due, fee, or other charge applicable only to a member. At any time within 60 days of the filing of the 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.¹²

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning

⁹ 15 U.S.C. 78s(b)(3)(F).

¹⁰ 15 U.S.C. 78s(b)(3)(A)(ii).

¹¹ 17 CFR 240.19b-4(f)(1).

¹² 15 U.S.C. 78s(b)(3)(C).

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. Please include File No. SR-OCC-2012-26 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, D.C., 20549-1090.

All submissions should refer to File Number SR-OCC-2012-26. 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 Room, 100 F Street, NE, 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_26.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-2012-26 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.¹³

Kevin M. O'Neill
Deputy Secretary

¹³ 17 CFR 200.30-3(a)(12).