

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-70502; File No. SR-OCC-2013-13)

September 25, 2013

Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving Proposed Rule Change Relating to the Use of Manual Signatures, Reduction of Segregated Long Positions in Accounts with Aggregated Long Positions, Requirements to be Physically Present, and Other Technical Changes to OCC's By-Laws and Rules to Better Reflect Current Operational Practices

I. Introduction

On August 5, 2013, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-OCC-2013-13 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder.² The proposed rule change was published for comment in the Federal Register on August 22, 2013.³ The Commission received no comment letters. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

II. Description

OCC is amending a number of provisions in its By-Laws and Rules to update and better reflect OCC's current operational practices.

First, OCC is amending certain rules to remove references to manual signatures. OCC is removing references to manual signatures within Rule 201 because OCC has

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Exchange Act Release No. 34-70225 (August 16, 2013), 78 FR 52227 (August 22, 2013).

adopted and implemented electronic processes and controls within its clearance and settlement systems to allow authorized individuals to electronically verify and validate information such as trade data and banking instructions.⁴ Similarly, OCC is amending Rule 202 to remove certain references to manual signatures on certain documents (e.g. certificates, checks, receipts, and orders) but will continue to require clearing members to provide OCC with a list of individuals authorized to act on behalf of a clearing member, who will in turn be provided with appropriate electronic access to its clearance and settlement systems.⁵

Second, OCC is amending Rule 611(c) to better reflect the current practice that, in the event of a closing transaction or exercise in an account with aggregate long positions, segregated long positions are reduced before unsegregated long positions, and that clearing members may not choose an alternative reduction method.

Third, in order to better reflect technological advancements as well as the decentralized operational structures and remote access adopted to address business continuity and disaster recovery, OCC is amending Rule 201 which currently requires that an authorized representative of a clearing member be present in such clearing member's office during specific hours each day. Instead, OCC will require an authorized representative of a clearing member to be available during such times as OCC may specify from time to time. OCC is also amending Rule 204 to add Rule 204.01 in order

⁴ See OCC Rule 205, which requires clearing members to electronically submit items to OCC, and Rule 212, which allows OCC to assign clearing members access codes for electronic data entry.

⁵ OCC will also make conforming changes to the forms required by OCC to list the individuals authorized to act on behalf of a clearing member.

to clarify that, each clearing member shall be deemed to have designated OCC's primary processing facility (or, if in operation, OCC's back-up processing) as the office through which it shall clear confirmed trades and otherwise conduct all of its business with OCC on any given day.

Fourth, OCC is amending Rules 207, 208, and 611(b) to reflect changes to the names of, information contained within, and manner in which clearing members may amend various reports. Additional amendments are being made to Rule 611(b) to clarify that clearing members may electronically submit instructions to OCC regarding their segregated long positions.

Fifth, OCC is amending Articles I and VI of the By-Laws as well as Rule 801 in order to remove references to the clearing international transactions and the International Clearing System, a system which is now dormant. OCC is further amending Article VI of the By-Laws and Rule 801 to remove reference to XMI index options, which are no longer traded. An additional amendment is being made to Rule 801 so that OCC, not OCC's Board of Directors, may choose exercise notices that are not eligible for late processing.

Finally, OCC will add language to Rule 211.01 to reflect that OCC satisfies the notification requirements of Rule 211 to provide notice of rule changes to clearing members and other registered clearing agencies by posting proposed rule change filings on OCC's website.

III. Discussion

Section 19(b)(2)(C) of the Act⁶ directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act⁷ requires that the rules of a clearing agency that is registered with the Commission be designed to, among other things, promote the prompt and accurate clearance and settlement of securities transactions, to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, and in general, to protect investors and the public interest.

The Commission finds that the rule change is consistent with Section 17A(b)(3)(F) of the Act.⁸ Advances in technology and certain regulatory changes have made certain requirements within OCC's Rules and By-Laws unnecessary. Therefore, by updating OCC Rules and By-Laws so that they are better tailored to the current operational and technological environment in which OCC and its clearing members operate and by eliminating those provisions that may impose unnecessary costs and inefficiencies related to outdated processing and staffing, the rule change should help promote the prompt and accurate clearance and settlement of securities transactions and

⁶ 15 U.S.C. 78s(b)(2)(C).

⁷ 15 U.S.C. 78q-1(b)(3)(F).

⁸ Id.

remove impediments to the national system.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act⁹ and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (File No. SR-OCC-2013-13) be and hereby is APPROVED.¹¹

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.¹²

Kevin M. O'Neill
Deputy Secretary

⁹ 15 U.S.C. 78q-1.

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 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).

¹² 17 CFR 200.30-3(a)(12).