

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-71751; File No. SR-OCC-2014-04)

March 19, 2014

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Make Administrative and Conforming Changes to Rename the Membership/Risk Committee to Risk Committee, Reflect the Renaming of the Chairman Title to Executive Chairman, and Reflect that Two Management Directors are on the Board of Directors

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 March 6, 2014, 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)³ of the Act and Rule 19b-4(f)(3)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 parties.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

OCC proposes to amend its By-Laws and Rules (collectively, “Rules”) to make administrative and/or conforming rule changes to reflect a proposal that (i) the “Membership/Risk Committee” would be renamed to “Risk Committee,” (ii) the title of

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(3).

“Chairman” has been replaced with the title of “Executive Chairman” and, (iii) two Management Directors are members of OCC’s Board of Directors (“Board”).⁵

OCC also proposes to make conforming amendments to reflect the renaming of the Membership/Risk Committee and the current title of Executive Chairman, as applicable, to the following documents: the Membership/Risk Committee Charter (“RC Charter”), the Performance Committee Charter (“PC Charter”) and the Charter of OCC’s Board of Directors (“Board Charter”) as well as the Fitness Standards for Directors, Clearing Members and Others (“Fitness Standards”) attached thereto.⁶ Additional conforming amendments are being made to the RC Charter, the PC Charter and the Board Charter (including the Fitness Standards) to further reflect the governance changes described in footnote 5.

II. Clearing Agency’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

⁵ OCC filed, and the Commission approved, a proposed rule change concerning the creation of the role of Executive Chairman. *See* Securities Exchange Act Release No. 70076 (July 30, 2013), 78 FR 47449 (August 5, 2013), (SR-OCC-2013-09). As part of SR-OCC-2013-09, OCC (1) separated the powers and duties previously combined in the office of Chairman into two offices, Executive Chairman and President; and (2) provided that the President, by virtue of such office, would be a Management Director. As a result, effective January 1, 2014, two Management Directors (i.e., the Executive Chairman and the President) are on the Board and the Board increased in size by one member to a total of 19 directors.

⁶ OCC filed, and the Commission approved, certain clarifying amendments to the RC Charter and the PC Charter. *See* Securities Exchange Act Release No. 71627 (February 27, 2014), 79 FR 12538 (March 5, 2014), (SR-OCC-2014-01). The RC Charter, PC Charter and Board Charter were initially approved by the Commission on December 6, 2013. *See* Securities Exchange Act Release No. 71022 (December 6, 2013), 78 FR 75659 (December 12, 2013), (SR-OCC-2013-17).

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.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(1) Purpose

As discussed below, the purpose of this rule filing is to make administrative and/or conforming amendments to the Rules and to the charters of the Board and certain of its committees. These technical amendments reflect that: (1) the Membership/Risk Committee of the Board is proposed to be renamed to the Risk Committee; (2) the title of "Executive Chairman" has replaced the title of "Chairman;" and (3) two Management Directors are members of the Board. Other conforming amendments are proposed as well.

Risk Committee Name Change

OCC's Membership/Risk Committee is a committee of OCC's Board. The purpose of this committee, as stated in its charter, is to assist the Board in overseeing OCC's policies and processes for identifying and addressing strategic, operational and financial risks. OCC believes that the name "Risk Committee" more accurately reflects this purpose and is more commonly used for this type of committee by other organizations in the financial industry. The role the committee plays in assisting the Board in fulfilling its responsibilities, as described in OCC's Rules and the RC Charter, as well as the specific policies and procedures governing the membership and organization, scope of authority and specific functions and responsibilities of the committee has not changed. Accordingly, OCC proposes that existing references to

Membership/Risk Committee would be replaced with Risk Committee in its Rules, the RC Charter and Board Charter (including the Fitness Standards).

Executive Chairman Name Change; Number of Management Directors

On January 1, 2014, OCC implemented an approved change in its governance structure that: (1) split the role of Chairman into two offices, the Executive Chairman and President; and (2) provided that the President, by virtue of election to that office, became a Management Director.⁷ OCC's Rules and the charters of the Board (including the Fitness Standards) and certain of its committees contain numerous references to the term "Chairman."⁸ OCC proposes to replace existing references to Chairman with Executive Chairman in its Rules, the RC Charter, the PC Charter and the Board Charter (including the Fitness Standards). In connection with making such updates, OCC identified instances in which additional conforming changes to the Rules and charters of the Board and certain of its committees were necessary to reflect that there are now two Management Directors serving on OCC's Board.⁹ (As defined in OCC's By-Laws, the Executive Chairman and the President both are Management Directors.) The division of responsibility between the Executive Chairman and the President, as set forth in the By-Laws, is not affected by any of the proposed changes, which OCC believes increases the

⁷ See *supra* note 5.

⁸ These provisions typically define the Chairman's authority to take certain actions in certain circumstances. For example, Article III, Section 14 of OCC's By-Laws provides the Chairman with authority to call special Board meetings and OCC Rule 505 provides that the Chairman can extend the times that OCC is obligated to pay settlement amounts to clearing members.

⁹ *supra* note 5. The proposed changes to OCC By-Laws Article VIIA, Section 3 will correct an administrative oversight in filing SR-OCC-2013-09.

transparency of its governance arrangements by appropriately reflecting the title of the Executive Chairman and the number of Management Directors on its Board.

(2) Statutory Basis

OCC believes that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act¹⁰ because it will help ensure that OCC's governance structure is designed to protect investors and the public interest. The name "Risk Committee" more accurately reflects the role and function of the Membership/Risk Committee and the title "Executive Chairman" more accurately reflects OCC's current governance structure. All other changes are made for comparable reasons. The proposed, administrative, rule change will promote, as required under Rule 17Ad-22(d)(8), a clear and transparent governance structure that will fulfill the public interests requirements in Section 17A of the Act, support the objectives of OCC's owners and participants, and promote the effectiveness of OCC's risk management procedures.¹¹ The proposed rule change will also ensure that OCC's Rules, the RC Charter, the PC Charter and the Board Charter (including the Fitness Standards) remain accurate. The proposed rule change is not inconsistent with any rules of OCC, including those proposed to be amended.

(B) Clearing Agency's Statement on Burden on Competition

OCC does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.¹² This proposed rule change will help ensure that OCC meets regulatory

¹⁰ 15 U.S.C. 78q-1(b)(3)(F).

¹¹ 17 CFR 240.17Ad-22(d)(8).

¹² 15 U.S.C. 78q-1(b)(3)(I).

requirements that it has a clear and transparent governance structure by updating its Rules to reflect the adoption of a name for the Membership/Risk Committee that more accurately reflects its role and function at OCC as well as update OCC's Rules to reflect its current governance structure. To the extent OCC's clearing members are affected by the proposed rule change, OCC believes that, by adopting a more descriptive name for the Membership/Risk Committee and updating OCC's Rules to reflect its current governance structure, all of its participants will have greater certainty concerning OCC's governance arrangements and that such clarifications will facilitate the prompt and accurate settlement of securities transactions because OCC's Rules will be more accurate, transparent and readable. Accordingly, OCC does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

(C) Clearing Agency'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

Pursuant to Section 19(b)(3)(A) of the Act¹³ and Rule 19b-4(f)(3)¹⁴ thereunder, the proposed rule change is filed for immediate effectiveness as it solely concerns the administration of OCC. As described above, both the proposal to rename the Membership/Risk Committee to "Risk Committee" as well as the proposal to update

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(3).

OCC's Rules to reflect the title of Executive Chairman and the number of Management Directors on its Board are administrative in nature. Notwithstanding the foregoing, implementation of this rule change will be delayed until this rule change 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.¹⁵

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. Please include File Number SR-OCC-2014-04 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-OCC-2014-04. This file number should be included on the subject line if e-mail is used. To help the Commission process

¹⁵ 15 U.S.C. 78s(b)(3)(C).

and review your comments more efficiently, please use only one method of submission. 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_14_04.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-2014-04 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.¹⁶

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Deputy Secretary

¹⁶ 17 CFR 200.30-3(a)(12).