

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-52010; File No. SR-OCC-2005-06)

July 12, 2005

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change to Amend By-Laws and Rules to Accommodate Short-Term Options Proposed for Trading by the Chicago Board Options Exchange, Inc., the American Stock Exchange, LLC, the International Securities Exchange, Inc., and the Pacific Exchange, Inc.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on May 10, 2005, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) and on June 13, 2005, amended the proposed rule change described in Items I, II, and III below, which items have been prepared primarily by OCC. The Commission is publishing this notice to solicit comments from interested parties and to grant accelerated approval of the proposal.

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

The purpose of this proposed rule change is to amend OCC’s By-Laws and Rules to accommodate short-term options proposed for trading by the American Stock Exchange, LLC, (“Amex”), the Chicago Board Options Exchange, Inc. (“CBOE”), the International Securities Exchange, Inc. (“ISE”), and the Pacific Exchange, Inc. (“PCX”) (collectively referred to as “Exchanges”).

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 and basis for the proposed rule change and discussed any comments it received on the proposed rule

¹ 15 U.S.C. 78s(b)(1).

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.²

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

The purpose of the proposed rule change is to amend OCC's By-Laws and Rules to accommodate short-term options proposed for trading by the Exchanges. On February 9, 2005, the Commission published notice of CBOE's proposal to amend its rules to permit the listing of options series that expire one week after being opened for trading.³ The Amex, ISE, and PCX also have submitted proposals to amend their rules to permit the listing of short-term options.⁴ Under this proposal, a short-term option series could be opened in any class of options that otherwise satisfies the applicable listing criteria of any participant exchange having rules for the trading of short-term options. Short-term option series could be American style or European style. Short-term option series typically would open on Friday and expire the following Friday. If Friday were not a business day, the short-term option series would be opened or would expire on the first business day immediately prior to that Friday.

Under the Exchanges' proposals, short-term option series with an underlying on which monthly contracts are A.M.-settled will be A.M.-settled, and short-term option series with an

² The Commission has modified the text of the summaries prepared by OCC.

³ Securities Exchange Act Release No. 51172 (February 9, 2005), 70 FR 7979 (February 16, 2005) [File No. SR-CBOE-2004-63].

⁴ File No.'s SR-Amex-2005-035, SR-PCX-2005-32, SR-ISE-2005-17.

underlying on which monthly contracts are P.M.-settled will be P.M.-settled.⁵ No short-term option series on an option class will expire in the same week in which monthly option series of the same class expire.

Under the Exchanges' proposals, short term options would be traded initially under a one-year pilot program. Under the terms of the pilot program, the Exchanges will select up to five option classes on which short-term option series may be opened on any short-term option opening date. The Exchanges also will be permitted to list those short-term option series on any option class that is selected by other securities exchanges that use a similar pilot program under their respective rules. Limiting the number of new options series created under this pilot program should help prevent a significant impact on system capacities of the Exchanges and of the Options Price Reporting Authority.

OCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act⁶ and the rules and regulations thereunder applicable to OCC because it is designed to promote the prompt and accurate clearance and settlement of securities transactions, foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions, 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, protect investors and the public interest. The proposed rule achieves these objectives by applying to short-term options the same By-Laws and Rules that are applicable to other classes of options.

⁵ S&P 100 Index Options ("OEX") and iShares S&P 100 Index Fund ("OEF") currently are the only P.M.-settled monthly options series.

⁶ 15 U.S.C. 78q-1.

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

OCC does not believe that the proposed rule change will have any impact or 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 were not and are not intended to be solicited with respect to the proposed rule changes and none have been received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder and particularly with the requirements of Section 17A(b)(3)(F).⁷ Section 17A(b)(3)(F) requires that the rules of a clearing agency remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions and protect investors and the public interest. The Commission finds that the approval of OCC's rule change is consistent with this section because it will allow OCC to apply the same By-Laws and Rules to short-term options as it does other options classes.

OCC has requested that the Commission approve the proposed rule prior to the thirtieth day after publication of the notice of the amended filing. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the publication of notice because such approval will allow the Exchanges proposing to trade short-term options to commence doing so without any unnecessary delay.

⁷ 15 U.S.C. 78q-1(b)(3)(F).

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-2005-06 on the subject line.

Paper comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-9303.

All submissions should refer to File Number SR-OCC-2005-06. 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 Web site (<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 inspection and copying in the Commission's Public Reference Section, 100 F Street, NE, Washington, DC 20549. Copies of such filings also will be available for inspection and copying at the principal office of OCC and on OCC's Web site, www.optionsclearing.com. 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-2005-06 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (File No. SR-OCC-2005-06) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁹

Jill M. Peterson
Assistant Secretary

⁸ 15 U.S.C. 78s(b)(2).

⁹ 17 CFR 200.30-3(a)(12).