

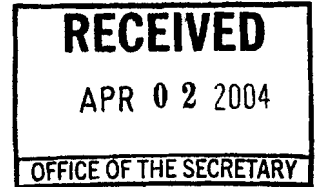


Securities Industry Association

120 Broadway • New York, NY 10271-0080 • (212) 608-1500 • Fax (212) 968-0703

March 22, 2004

Jerry W. Carpenter
Assistant Director
Office of Risk Management & Control
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington D.C. 20549-1001



Re: Proposed Rule Change by The Options Clearing Corporation Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934; SEC File No. SR-OCC-2003-11

Dear Mr. Carpenter:

The Ad Hoc CMTA Committee of the Securities Industry Association¹ (the "Committee") appreciates the opportunity to comment on the proposed rule changes (the "Proposed Rules") by The Options Clearing Corporation (the "OCC") relating to CMTA (Clearing Member Trade Assignment).

The Committee strongly supports the Proposed Rules. We commend the OCC for providing, in the Proposed Rules, definitional clarity regarding the CMTA process and appropriate procedures to protect against systemic risk in connection with options clearing.

We believe that the Proposed Rules are an important first step in providing legal certainty in a forum that is in need of additional clarity and certainty. We urge the OCC and the options exchanges to continue their efforts to improve the CMTA process by making the operational changes necessary to provide intra-day transparency (so that a clearing broker can see transactions as they are submitted and reconcile the trades more quickly and accurately) and require customer and introducing broker identifiers on options trade reports (to facilitate timely correction of errors and returns of erroneous trades).

The Committee endorses all of the key elements of the OCC Proposed Rules, namely, the requirement that the arrangements be registered with the OCC, a recognition of a unilateral right by a party to a CMTA arrangement to terminate the arrangement, the recognition of a right by the clearing broker to return a transaction for specified reasons, such as a mistaken transfer, and a requirement that participants enter into agreements defining their responsibilities. We also

¹ The Securities Industry Association, established in 1972 through the merger of the Association of Stock Exchange Firms and the Investment Banker's Association, brings together the shared interests of nearly 600 securities firms to accomplish common goals. SIA member-firms (including investment banks, broker-dealers, and mutual fund companies) are active in all U.S. and foreign markets and in all phases of corporate and public finance. According to the Bureau of Labor Statistics, the U.S. securities industry employs 780,000 individuals. Industry personnel manage the accounts of nearly 93-million investors directly and indirectly through corporate, thrift, and pension plans. In 2003, the industry generated an estimated \$209 billion in domestic revenue and \$278 billion in global revenues. (More information about SIA is available on its home page: www.sia.com.)

support the OCC's proposal to raise applicable net capital requirements for clearing members generally, including in the CMTA context.

In our view, the OCC's Proposed Rules as well as the additional systems changes that the OCC, working in concert with the options exchanges and the industry, is pursuing should improve the CMTA process by:

- Reducing risk through streamlining the settlement process;
- Reducing trade errors by facilitating prompt and accurate trade reconciliation;
- Facilitating more accurate trade reporting to customers and to exchanges;
- Minimizing post-trade date adjustments, thereby facilitating accurate margin calls, option exercises and trade assignments;
- Minimizing billing errors through centralization and facilitating collection;
- Improving the timeliness of trade data; and
- Paving the way for expansion of CMTA by making it a safer and sounder process.

We support the proactive regulatory focus on options clearing and the work to strengthen the existing framework. While the system has not experienced a significant breakdown, we believe that the current CMTA process can and should be strengthened so as to lessen further the possibility of causing widespread losses and imposing significant risks on participants and the system generally. Thus, it is important to act -- as the OCC has done -- to revamp the system, provide a clearer definition of the responsibilities of all participants, strengthen the mechanism for dealing with clearing and trading errors, enhance transparency, facilitate prompt reconciliation within a T+1 settlement cycle, and provide a right for parties to unilaterally terminate CMTA rights in a timely fashion. The Proposed Rules, as well as the additional systems changes being worked on by the OCC, address each of these areas and, in our view, sufficiently improve the system so as to ensure that the CMTA process is robust and sound for all participants and remains so for years to come.

We are thankful for the effort that the OCC has given to formulating a clear and workable framework for the CMTA process. We urge the Commission to act promptly to approve the Proposed Rules.

We appreciate the opportunity to comment on the Proposed Rules. Should you have any questions, please feel free to contact John Berton, of Goldman Sachs, at (212) 902-7248, Georgia Bullitt, of Morgan Stanley, at (212) 762-6859, or Jerry Quinn, of the SIA, at (212) 618-0507.

Sincerely yours,

/s/John Berton; Georgia Bullitt