FINANCIAL INFORMATION FORUM

New York, New York 10004

212-422-8568

May 2, 2006

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Financial Information Forum Comments on SR-OCC-2006-01

Dear Ms. Morris:

The Financial Information Forum (FIF) welcomes the opportunity to comment on the proposed changes to the Option Adjustment Methodology. FIF (www.fif.com) was formed in 1996 to provide a centralized source of information regarding events and issues that affect the securities processing and market data communities. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

Our FIF Service Bureau Committee was formed to address the implementation of industry changes from a multi-client perspective. Given that many U.S. broker/dealer firms are using service bureaus for back office processing and order routing services, it is important to consider these entities when designing and implementing rules or processes that impact these functions. FIF's roster of U.S. securities processing vendors includes Automatic Data Processing (ADP), ADP/SIS, Computer Research Inc. (CRI), Comprehensive Software Systems (CSS), GL/Davidge, SunGard Trading Systems/BRASS, SunGard Securities Processing/Phase 3, Thomson BETA Systems.

Impact on Back Office Processing & Front-End Systems

The proposed rule change will have a significant impact on back office systems specifically Margin Systems and Option Expiration Products due to the methodologies employed to achieve option optimization and the use of strike price for in-and-out of the money calculations.

Public displays of option contracts will also be impacted. Quote displays and client facing web applications where customers enter orders, view portfolios and view activity such as open orders will need to be modified to display the explicit representation of the underlying security. These displays will have to be modified so that it is clear that a contract represents "old" shares, or shares with a strike price prior to the corporate action.

Currently, when a corporate action takes place, the strike price and the underlying shares are changed and the result in equivalent value (e.g., if a stock splits 3-for-2, an option contract that was for 100 shares at 60 will now be adjusted to 150 shares at 40). However, the strike price of an option is part of the public display of option information such as quotes. The adjusted strike price immediately indicates to the investor that the option has been adjusted and therefore more information may be required to evaluate the quote. If the OCC proposal is implemented and the strike price does not change, some other indicator in the display must be changed to somehow alert the investor that the option represents "old" (pre-corporate action) shares.

We question, too, whether customer statements and confirms should be affected. Should there be mandatory changes in the descriptions of option contracts?

While we understand the motivation of the OCC and the options exchanges to eliminate arbitrage opportunities as a result of rounding issues, we question whether a new adjustment methodology is the best implementation alternative especially given the intent of the OCC to eventually introduce decimal strike prices. Rather than potentially confusing investors and mandating a significant development effort that will be unnecessary when decimal strike pricing is in place, we recommend waiting for the move to decimal strike prices. If the OCC and the Commission believe the problem is critical enough to require immediate attention, we respectfully suggest that the move to decimal strike pricing be considered a high priority initiative separate from other OCC initiatives (e.g., new symbology).

In the event that the Commission decides to approve the new adjustment methodology we recommend that the compliance date be set based on a thorough understanding of the system modifications required. Upon review of the technical specifications and additional implementation guidance, we will be in a better position to accurately assess the impact to security master, margin and options expiration functional components. Based on the information currently available, we would ask the SEC to consider the following in establishing implementation times:

- Review of technical specifications is an iterative process and is required before development schedules can be initiated. Effective date should be based off the release of the technical specifications rather than the notice of the approved filing with 180 days provided for development and testing.
- Sufficient time for testing within a robust testing environment should be incorporated into the implementation schedule. For a project of this magnitude, a robust test environment should be available 60 days prior to implementation date.
- Development resources allocated to regulatory or mandatory initiatives are currently engaged in implementation of other regulatory or mandatory initiatives (e.g., NASD OATS Phase 3, DTCC Corporate Actions Re-engineering, etc.)

As the SEC addresses the issue of arbitrage trading associated with rounding splits, the FIF Service Bureau Committee asks that the SEC consider not only the development resources and time required to implement this alternative but also the possibility of alternative implementations that may be more cost-effective and lasting.

Sincerely,

Robert C. Linville | Deborah Mittelman

Bob Linville, ADP/SIS
Service Bureau Committee Co-Chair

Deborah Mittelman, SunGard
Service Bureau Committee Co-Chair