Securities Industry Association
120 Broadway - 35 Fl. • New York, NY 10271-0080 • (212) 608-1500, Fax (212) 968-0703 • www.sia.com, info@sia.com

March 24, 2006

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

Re: *Self-Regulatory Organizations; Options Clearing Corporation; Notice of Filing of a Proposed Rule Change To Revise Option Adjustment Methodology, File Number SR-OCC-2006-01.*

Dear Ms. Morris:

The Options Committee of the Securities Industry Association[1] ("SIA") appreciates the opportunity to comment on the Options Clearing Corporation ("OCC") proposal to change the methodology for calculating cash dividend adjustment policies for extraordinary dividends.

SIA applauds the OCC for initiating steps towards improving the methodology for adjusting options to account for extraordinary dividends, which SIA believes will result in greater transparency. SIA recognizes that the OCC's proposal represents a significant departure from long-standing practice, under what has become known as the "10% Rule."

SIA commends the OCC for recognizing that the 10% Rule predated a number of significant developments; namely, the introduction of LEAPs, the sizeable open interest seen today, the spike in large contract volume associated with trading and spreading strategies, the recent tax incentives, and the modern option pricing models that now take dividends into account. Moreover, SIA would also like to note the recent and significant increase in investor market awareness and increased interest for U.S. listed and OTC option products on a global scale. SIA

[1] The Securities Industry Association brings together the shared interests of approximately 600 securities firms to accomplish common goals. SIA's primary mission is to build and maintain public trust and confidence in the securities markets. SIA members (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 nearly 800,000 individuals, and its personnel manage the accounts of nearly 93-million investors directly and indirectly through corporate, thrift, and pension plans. In 2004, the industry generated $236.7 billion in domestic revenue and an estimated $340 billion in global revenues. (More information about SIA is available at: www.sia.com.)

strongly encourages innovation in the options marketplace and believes that a regulatory approach that fosters increased transparency can only benefit the investing public.

SIA is pleased that the OCC proposal discusses the need to conduct appropriate education and ascertain supplements to the options disclosure document, *Characteristics and Risks of Standardized Options*. SIA cautions that the changes described within the proposal will be changes to long-standing policies that will require member firms to update their procedures, program for the inclusion of decimals, and to ascertain revised copies of the documentation and educate accordingly. SIA respectfully requests that the OCC provide a minimum of six (6) months after approval for the implementation of the revised adjustment methodology, versus the four (4) to five (5) suggested by the OCC to allow sufficient time for firms to program and provide for education of the changes.

* * * *

The goal of both the SIA and OCC is to develop innovative solutions that enhance transparency, competition, consistency and fairness across an exponentially expanding global market landscape. SIA appreciates the opportunity to present an alternative methodology for the future calculation of extraordinary adjustments, which is not only more equitable to market participants, but also consistent with Eurex and other global exchanges. The basic concept of this methodology is to adjust the strike price of an option to be the same percentage of the spot price before and after the ex-date of a special dividend and to increase the share deliverable so that the notional value of the contract remains the same. Please note that under SIA's alternative methodology the new practice of adjusting for extraordinary dividends greater than $12.50 would still be used. The widespread global usage of this methodology as a formidable means to mitigate risk and uncertainty in the world marketplace should be considered an important factor considered by the OCC with regards to the methodology utilized to calculate extraordinary dividend adjustments.

Moreover, as investors move towards global market portfolios, competition has dramatically increased across all global exchange market platforms, in accordance; SIA has noted increased market pressure towards exchange mergers on a global level. In this respect, SIA notes that the methodology used by the OCC to calculate extraordinary dividends both currently and under the new proposal is not consistent with the methodology used globally. SIA respectively encloses as Exhibit I recent Eurex circulars on Extraordinary Dividends.

* * * *

SIA's proposal aside, the Committee would like to reiterate our support of the direction of the OCC's current proposal. As the option markets continue to evolve, the Committee appreciates the OCC's efforts to consistently reengineer new methodologies to stay at the forefront of the options marketplace.

SIA appreciates the opportunity to submit our views on the issues raised by the current proposal. If you have any questions, please do not hesitate to contact me at (402) 970-5656, or Eileen Ryan, Vice President and Associate General Counsel, at (212) 618-0508. Thank you again for the opportunity to comment.

Sincerely,

Christopher Nagy
Chairman
SIA Options Committee

cc: Chairman Christopher Cox, Securities and Exchange Commission
Commissioner Cynthia A. Glassman, Securities and Exchange Commission
Commissioner Paul S. Atkins, Securities and Exchange Commission
Commissioner Roel C. Campos, Securities and Exchange Commission
Commissioner Annette L. Nazareth, Securities and Exchange Commission
Robert L.D. Colby, Securities and Exchange Commission
Elizabeth King Securities and Exchange Commission
Eileen Ryan, Securities Industry Association

X-pand into the **Future**

eurex *circular 029/06*

Date: Frankfurt, February 14, 2006
Recipients: All Eurex members and vendors
Authorized by: Peter Reitz

Fortum Oyj: Extraordinary Dividend

Contact: Functional Helpdesk Equity/Equity Index Products, tel. +49-69-211-1 12 10

Content may be most important for:	Attachments:
➲ Front Office / Trading ➲ Middle + Back Office ➲ Auditing / Security Coordination	none

Summary:

On March 16, 2006, the company's annual general meeting will suggest to its shareholders the payment of an extraordinary dividend of EUR 0.54 in addition to the ordinary dividend of EUR 0.58. You were already informed on February 3, 2006 via the **Market Supervision Messages** window that an adjustment to the existing series of Eurex options on shares of Fortum Oyj (FOT) would be required.

This circular contains a description of the adjustment procedure.

eurex

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Management Board:
Daniel Gisler, Thomas Lenz,
Peter Reitz, Jürg Spillmann

Fortum Oyj: Extraordinary Dividend

On March 16, 2006, the company's annual general meeting will suggest to its shareholders the payment of an extraordinary dividend of EUR 0.54 in addition to the ordinary dividend of EUR 0.58. You were already informed on February 3, 2006 via the **Market Supervision Messages** window that an adjustment to the existing series of Eurex options on shares of Fortum Oyj (FOT) would be required.

Ex-day will be March 17, 2006.

As a result of this extraordinary dividend, an adjustment to the Eurex option on shares of Fortum Oyj pursuant to Section to 2.6.10.1 (1) of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich will be required.

The procedure will be as follows:

The closing auction price of the Fortum Oyj share at OMHEX on the last cum trading day, March 16, 2006, will be the basis for the adjustment. First, this price will be reduced by the ordinary dividend. The resulting price will serve for determining the adjustment factor (R-Factor):

S1 = Closing auction price of the Fortum Oyj share

S2 = S1 minus ordinary dividend

S3 = S2 minus extraordinary dividend

R-factor = S3/S2

Adjustment of strike prices will be made by multiplying by the R-factor. The contract size will be increased accordingly, so that the original contract value is maintained.

C1 = old contract size

C2 = new contract size

X1 = old strike price

X2 = new strike price

C2 = (C1*X1)/X2

Strike prices and contract sizes resulting from the adjustment will be published immediately after close of trading on the last cum trading day, March 16, 2006, via the **Market Supervision Messages** window. The version number of existing series will be increased by 1. New series with the standard contract size of 100 and version number 0 will be introduced with effect from the ex-day. All outstanding orders and quotes will be deleted after close of trading on March 16, 2006.

On exercise of an adjusted series, a cash payment will be made for the number of shares in excess of the standard contract size.

On the days prior to the corporate action the **Contract Cover Assignment Entry** window should be used to delete all allocations of shares covering short call positions for the FOT product.

Please contact the Functional Helpdesk Equity/Equity Index Products at tel. +49-69-211-1 12 10, should you have any further questions.

Frankfurt, February 14, 2006

X-pand into the **Future**

eurex *circular 181/05*

Date: Frankfurt, September 29, 2005
Recipients: All Eurex members and vendors
Authorized by: Peter Reitz

Extraordinary Dividend in ENEL (ENL5)

Contact: Functional Helpdesk Equity Products, tel. +49-(0) 69-211-1 12 10

Content may be most important for:	Attachments:
➲ Front Office / Trading ➲ Middle + Back Office ➲ Auditing / Security Coordination	None

Summary:

On September 8, 2005, the company ENEL has announced their decision to let shareholders take part in the sale of the participation in Terna SpA by means of paying them an extraordinary dividend of between EUR 0.17 and EUR 0.20. Dividend payment will take place in November 2005. As a result of the extraordinary dividend, an adjustment to the Eurex option on ENEL stocks (ENL5) will be required. This circular contains a description of the adjustment procedure.

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Extraordinary Dividend in ENEL (ENL5)

On September 8, 2005, the company ENEL has announced their decision to let shareholders take part in the sale of the participation in Terna SpA by means of paying them an extraordinary dividend of between EUR 0.17 and EUR 0.20. Dividend payment will take place in November 2005. As a result of the extraordinary dividend, an adjustment to the Eurex option on ENEL stocks (ENL5) will be required. This circular contains a description of the adjustment procedure.

As a result of this extraordinary dividend, an adjustment to the Eurex option on ENEL shares pursuant to Section 2.6.10.1 of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich will be required.

The share's closing auction price on the last cum trading day on the home exchange is the basis for the adjustment:

S1 = Closing auction price of the ENEL stock
S2 = S1 minus extraordinary dividend

R-factor = S2/S1

Adjustment to the strike prices will be made by multiplying with the R-factor. The contract size will be increased in a way so that the original contract value is maintained.

C1 = old contract size
C2 = new contract size
X1 = old strike price
X2 = new strike price

C2 = (C1*X1)/X2

The strike prices and contract sizes resulting from the adjustment will be published immediately after close of trading on the last cum trading day via the **Market Supervision Messages** window. The version number of the adjusted series will be increased by 1. New series with version number 0 and the standard contract size of 500 will be introduced with effect from the ex day. All outstanding orders and quotes will be deleted after close of trading on the last cum trading day.

On exercise of an adjusted series, a cash payment will be made for the number of shares in excess of the standard contract size.

On the days before payment of the extraordinary dividend the **Contract Cover Assignment Entry** window should be used to delete all allocations of shares covering short call positions for the ENL5 product.

Further information on the extraordinary dividend of ENL5, particularly the exact date at which the corporate action will take place, will be published via the **Market Supervision Messages** window in due time.

Please contact the Functional Helpdesk on +49-69-211-1 12 10, should you have any further questions.

Frankfurt, September 29, 2005