

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56845; File No. SR-OCC-2007-14]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Descriptions of OCC's Assignment Procedures

November 27, 2007.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on October 9, 2007, 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)(iii) of the Act² and Rule 19b-4(f)(4) thereunder,³ so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change would update the descriptions of OCC's assignment procedures to reflect the expanded use of sub-accounts at OCC.

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 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 such statements.⁴

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

OCC currently maintains two separate procedures for assigning exercise notices to clearing members. One is the

standard assignment procedure, which is commonly referred to as "random" assignment and is applied to most options classes.⁵ The other is the pro rata procedure which is applied to options on the S&P 500 Index as well as all flexibly structured foreign currency and cross-rate foreign currency options.⁶ The purpose of this filing is to modify the descriptions of both procedures to account for the expanded use of sub-accounts as described in File No. SR-OCC-2007-11. Specifically, the modified descriptions reflect that OCC will assign exercise notices directly to short positions held in a sub-account established by a clearing member for a single beneficial owner.

The proposed change is consistent with Section 17A of the Act because it promotes the prompt and accurate clearance and settlement of securities transactions and fosters cooperation and coordination with persons engaged in the clearance and settlement of securities transactions by updating the descriptions of OCC's assignment procedures. The proposed rule change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

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

OCC does not believe that the proposed rule change would 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 change, and none have been received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act⁷ and Rule 19b-4(f)(4)⁸ promulgated thereunder because the proposal effects a change in an existing service of OCC that (A) does not adversely affect the safeguarding of securities or funds in the custody or control of OCC or for which it is responsible and (B) does not

significantly affect the respective rights or obligations of OCC or persons using the service. At any time within sixty days of the filing of the proposed rule change, the Commission could summarily abrogate such rule change if it appears to the Commission that such action was necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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-2007-14 on the subject line.

Paper Comments

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

All submissions should refer to File Number SR-OCC-2007-14. 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 Room, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of OCC. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You

⁵ Securities Exchange Act Release No. 46735 (October 28, 2002), 67 FR 67434 (November 5, 2002) (File No. SR-OCC-2002-19).

⁶ Securities Exchange Act Release Nos. 48908 (December 11, 2003), 68 FR 74689 (December 24, 2003) (File No. SR-OCC-2003-05) and 38165 (January 14, 1997), 62 FR 3070 (January 21, 1997) (File No. SR-OCC-96-19).

⁷ 15 U.S.C. 78s(b)(3)(A)(iii).

⁸ 17 CFR 240.19b-4(f)(4).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78s(b)(3)(iii).

³ 17 CFR 240.19b-4(f)(4).

⁴ The Commission has modified parts of these statements.

should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–OCC–2007–14 and should be submitted on or before December 21, 2007.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹

Nancy M. Morris,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–56846; File No. SR–OCC–2007–11]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Expanding Sub-Accounts

November 27, 2007.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on September 28, 2007, 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)(iii) of the Act² and Rule 19b–4(f)(4) thereunder,³ so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change would expand the functions associated with sub-accounts.

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 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 such statements.⁴

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

The proposed rule change allows clearing members to maintain sub-accounts for certain types of accounts for position reporting, margin, collateral, and settlement purposes.⁵ These sub-accounts would be gradually rolled out to interested clearing members and would be available for firm lien accounts, customers’ accounts, customers’ lien accounts, and customer segregated funds accounts. Clearing members could continue to be allowed to maintain sub-accounts for combined market-makers’ accounts only for position reporting purposes although, as described below, OCC’s system sub-accounting function would also be used to enable clearing members to maintain three separate combined market-maker account types under the same clearing member number and to have each account treated as a separate account for all purposes under OCC’s By-laws and Rules. Sub-accounting would not be available for separate market-maker’s accounts, firm non-lien accounts, or cross-margin accounts other than the OCC internal cross-margin accounts, which are segregated funds accounts in which OCC-cleared securities options may be cross-margined with OCC-cleared futures products.

All sub-accounts for eligible accounts would be enabled to carry positions in OCC-cleared contracts. However, as described in more detail below, margin, collateral, and settlement functions could be turned on or off at the clearing member’s election except in combined market-makers’ accounts. A sub-account would have to be margin-enabled in order to be collateral enabled and collateral-enabled in order to be settlement-enabled.

If a sub-account is not “margin enabled,” the positions in the sub-account will simply be included in the parent account for purposes of calculating the margin requirement except that if a short option position in the sub-account is covered by an escrow

deposit or a specific deposit or if the short position has been properly identified in a spread instruction, the short position will not be included in the margin calculation for the parent account. If a sub-account is margin enabled, OCC will calculate and report to the clearing member a separate margin requirement considering only the positions in the sub-account. However, if the account is not collateral enabled or settlement enabled, any margin deficiency will be added to the margin requirement of the parent account. Any excess long option or other asset value in a margin enabled sub-account will not be applied against a margin deficit in the parent account. The provision of OCC Rule 604(b)(4), under which equity and debt issues of a single issuer may not be valued in excess of 10% of the margin requirement of the account in which the securities are deposited, will be separately applied to sub-accounts that are margin enabled.

If a sub-account is “margin and collateral enabled,” collateral deposited by a clearing member to satisfy its margin requirements can be identified as being in the particular sub-account at the direction of the clearing member. If the account lacks sufficient excess collateral or has no excess, any margin deficiency will be added to the margin requirement of the parent account. Accordingly, a clearing member may withdraw collateral from the sub-account even if it has a margin deficiency or a margin deficiency would be created provided that the parent account has sufficient excess.

If a sub-account is “margin, collateral, and settlement enabled,” OCC will make separate daily cash settlement with respect to the sub-account. The clearing member may but does not have to designate a bank account for such settlements that is different from the bank accounts used for other settlements. If there is a margin deficiency in the sub-account, OCC will draft the clearing member’s bank account for the deficit without regard to any margin excess in the parent account. Escrow deposits and specific deposits with respect to positions in a sub-account must specify the sub-account regardless of whether the sub-account is margin enabled. Similarly, spread instructions with respect to any position carried in a sub-account must identify the sub-account and will be given no effect unless both legs of the spread are in the same sub-account regardless of whether the sub-account is margin enabled.

The new sub-accounts are not intended as a mechanism for identifying

⁴ The Commission has modified parts of these statements.

⁵ In File No. SR–OCC–2005–14, OCC established an interpretation to Article VI, Section 3 of OCC’s By-Laws under which clearing members may maintain sub-accounts with respect to any account for position reporting purposes. However, this functionality is currently available only with respect to combined market makers’ accounts.

⁹ 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78s(b)(3)(iii).

³ 17 CFR 240.19b–4(f)(4).