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File No. SR-OCC-2005-15

**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**Form 19b-4**

**Proposed Rule Change**  
by

**THE OPTIONS CLEARING CORPORATION**

**Pursuant to Rule 19b-4 under the  
Securities Exchange Act of 1934**

**Item 1. Text of the Proposed Rule Change**

The Options Clearing Corporation (“OCC” or “the Corporation”) wishes to amend Article VI, Section 1 of its By-Laws and Rule 403 of its Rules as set forth below in order to provide the Corporation with the authority to reject post-trade transactions, such as Clearing Member Trade Assignment (“CMTA”) transfers and position adjustments, when it appears that erroneous data has been entered that would result in a settlement that is unreasonable under the circumstances. Material to be added to OCC’s By-Laws and Rules as currently in effect is underlined, and material proposed to be deleted is enclosed in bold brackets.

**THE OPTIONS CLEARING CORPORATION**

**BY-LAWS**

\* \* \*

**Article VI – Clearance of Exchange Transactions**

\* \* \*

**General Clearance Rule**

**SECTION 1.** [unchanged]

**... Interpretations and Policies:**

**.01** (a) Subject to paragraph (c) below, [I]it is the policy of the Corporation to permit a Clearing Member to submit adjustments to its positions with the Corporation to (1) effect a transfer of accounts between Clearing Members; (2) effect a Return, (3) effect a CMTA Retransfer; and (4) correct a bona fide error or omission regarding an Exchange transaction previously submitted to the Corporation by the Exchange, security futures market, futures market, futures market or international market on which such Exchange transaction occurred. Such data shall be submitted in such form and

within such times as the Corporation shall prescribe. Such adjustments shall be treated as Exchange transactions for the purposes of Sections 15 and 16 of Article VI of the By-Laws and for the purposes of other sections of Article VI except where the context otherwise requires.

(b) Subject to paragraph (c) below, [I]it is the policy of the Corporation to accept adjustments submitted by the correspondent clearing corporation on behalf of a Clearing Member to effect a transfer of accounts between Clearing Members. Such data shall be submitted in such form and within such times as the Corporation shall prescribe. Notwithstanding the foregoing, the Corporation may be unable to accept such adjustments from the correspondent clearing corporation if the account of the Clearing Member includes positions or pending transactions in classes of options cleared through ICS.

(c) Notwithstanding paragraphs (a) and (b) above, the Corporation shall have the right to reject adjustments to Clearing Members' positions and accounts contemplated by paragraphs (a) and (b), as well as any other post-trade transactions permitted by the Corporation's By-Laws and Rules, under circumstances where the Corporation, in its sole discretion, determines that the input regarding the adjustment or other transaction contains an error or omission.

.02 [unchanged]

\* \* \*

## RULES

\* \* \*

## CHAPTER IV

### Trade Reporting and Matching

\* \* \*

#### Clearing Member Trade Assignment ("CMTA")

**Rule 403.** (a) [unchanged]

(b) Before transferring an Exchange transaction to a Carrying Clearing Member as specified in the matching trade information reported to the Corporation, the Corporation shall first

determine whether a CMTA registration is in effect between the Executing Clearing Member and the Carrying Clearing Member. If such a registration is in effect, the Corporation shall transfer the Exchange transaction to the designated account of the Carrying Clearing Member unless such matching trade information additionally includes a Customer CMTA Indicator. In that event, the Corporation shall further determine whether such matching trade information also includes a CMTA Customer Identifier and IB Identifier. If the matching trade information includes a CMTA Customer Identifier and an IB Identifier and each such identifier matches a CMTA Customer Identifier and an IB Identifier registered for purposes of the CMTA arrangement between the Carrying Clearing Member and the Executing Clearing Member, the Corporation shall transfer the Exchange transaction to the Carrying Clearing Member. If, however, (i) a CMTA registration is not in effect, [or] (ii) the Corporation, in its sole discretion, determines that the information submitted in connection with the CMTA transaction contains an error or omission as provided in paragraph (c) of Interpretation .01 to Article VI, Section 1 of the By-Laws, or (iii) the matching trade information reported in respect of an Exchange transaction includes a Customer CMTA Indicator, but incorrect, incomplete, or missing information as to either identifier, the transaction shall be deemed to be a failed CMTA transaction and shall not be transferred to an account of the Carrying Clearing Member. A failed CMTA transaction will instead be transferred to a designated account of the Executing Clearing Member, which shall be responsible for the clearance and settlement of such transaction. In the absence of such designation, the Corporation shall transfer the failed CMTA transaction to the customers' or segregated futures account, as applicable, of the Executing Clearing Member.

(c) – (k) [unchanged]

**Item 2. Procedures of the Self-Regulatory Organization**

The proposed rule change was approved by the Board of Directors of OCC at a meeting held on May 24, 2005.

Questions regarding the proposed rule change should be addressed to Jean M. Cawley, First Vice President and Deputy General Counsel, at (312) 322-6269.

**Item 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

OCC occasionally receives instructions from Clearing Members attempting to effect post-trade transactions, such as CMTA transfers and position adjustments, that appear to be erroneous and, if implemented, would create large settlement obligations that could pose substantial credit risk for OCC. For example, some months ago a Clearing Member submitted a CMTA transfer instruction specifying a premium value of \$6,500 instead of \$1.65, which would have produced a \$5 billion settlement requirement. Such mistakes are ordinarily corrected by communicating with the Clearing Member or Clearing Members involved. However, OCC may not always be able to contact the affected parties or to obtain a timely agreement as to the appropriate corrective measure. Currently, the By-Laws and Rules do not expressly authorize OCC to reject post-trade transactions where OCC determines that the input regarding such transactions contains an error or omission. Unlike Exchange transactions, which it is OCC's general policy not to reject, post-trade transactions have not been vetted for errors through the trade matching process and, therefore, are more vulnerable to errors and omissions. Existing Rules 614(c) and (e) give OCC the authority to reject erroneous instructions to pledge positions and to release pledged positions, and Rule 2202 gives OCC the authority to reject erroneous stock loan transactions. The proposed changes to Article VI, Section 1, Interpretation .01 would expressly authorize OCC to reject all types of post-trade transactions that OCC determines to be erroneous.

The proposed changes to OCC's By-laws are consistent with the purposes and requirements of Section 17A of the Securities Exchange Act of 1934, as amended, because such

changes are designed to promote the prompt and accurate clearance and settlement of securities transactions and to protect investors and the public interest. The proposed rule change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

**Item 4. Self-Regulatory Organization's Statement on Burden on Competition**

OCC does not believe that the proposed rule change would impose any burden on competition.

**Item 5. 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.

**Item 6. Extension of Time Period for Commission Action**

OCC does not consent to an extension of the time period specified in Section 19(b)(2) of the Securities Exchange Act of 1934.

**Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

The proposed rule change will take effect upon filing pursuant to Section 19(b)(3)(A) of the Securities Exchange Act of 1934 because it constitutes a stated policy, practice, or interpretation with respect to the administration of OCC's existing rules.

**Item 8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission**

Not applicable.

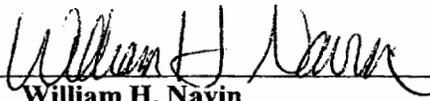
**Item 9. Exhibits**

Exhibit 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, The Options Clearing Corporation has caused this filing to be signed on its behalf by the undersigned hereunto duly authorized.

**THE OPTIONS CLEARING CORPORATION**

By:   
William H. Navin  
Executive Vice President and  
General Counsel

**EXHIBIT 1**

**SECURITIES AND EXCHANGE COMMISSION**

(Release No. 34-\_\_\_\_\_; File No. SR-OCC-2005-15)

**SELF-REGULATORY ORGANIZATION**

Proposed Rule Change By  
The Options Clearing Corporation

Relating to Rejection of Erroneous  
Post-Trade Instructions

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Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1), notice is hereby given that on \_\_\_\_\_, 2005, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. 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 the Substance of the Proposed Rule Change**

The proposed rule change would amend Article VI, Section 1 of its By-Laws and Rule 403 of its Rules in order to provide the Corporation with the authority to reject post-trade transactions, such as Clearing Member Trade Assignment ("CMTA") transfers and position adjustments, when it appears that erroneous data has been entered that would result in a settlement that is unreasonable under the circumstances.

**II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, the self-regulatory organization 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. The self-regulatory organization has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

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

OCC occasionally receives instructions from Clearing Members attempting to effect post-trade transactions, such as CMTA transfers and position adjustments, that appear to be erroneous and, if implemented, would create large settlement obligations that could pose substantial credit risk for OCC. For example, some months ago a Clearing Member submitted a CMTA transfer instruction specifying a premium value of \$6,500 instead of \$1.65, which would have produced a \$5 billion settlement requirement. Such mistakes are ordinarily corrected by communicating with the Clearing Member or Clearing Members involved. However, OCC may not always be able to contact the affected parties or to obtain a timely agreement as to the appropriate corrective measure. Currently, the By-Laws and Rules do not expressly authorize OCC to reject post-trade transactions where OCC determines that the input regarding such transactions contains an error or omission. Unlike Exchange transactions, which it is OCC's general policy not to reject, post-trade transactions have not been vetted for errors through the trade matching process and, therefore, are more vulnerable to errors and omissions. Existing Rules 614(c) and (e) give OCC the authority to reject erroneous instructions to pledge positions and to release pledged positions, and Rule 2202 gives OCC the authority to reject erroneous

stock loan transactions. The proposed changes to Article VI, Section 1, Interpretation .01 would expressly authorize OCC to reject all types of post-trade transactions that OCC determines to be erroneous.

\* \* \*

The proposed changes to OCC's By-laws are consistent with the purposes and requirements of Section 17A of the Securities Exchange Act of 1934, as amended, because such changes are designed to promote the prompt and accurate clearance and settlement of securities transactions and to protect investors and the public interest. 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) of the Act and paragraph (f) of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule if it appears to the Commission that such action is 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](mailto:rule-comments@sec.gov). Please include File Number SR-OCC-2005-15 on the subject line.

*Paper Comments:*

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.

All submissions should refer to File Number SR-OCC-2005-15. 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, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. 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-2005-15 and should be submitted on or before [insert date 21 days from publication in the Federal Register.] \_\_\_\_\_.

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

Secretary

Dated: \_\_\_\_\_