



January 2, 2014

VIA ELECTRONIC MAIL

Melissa Jurgens
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: Rule Filing SR-OCC-2014-01 Rule Certification

Dear Secretary Jurgens:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended ("Act"), and Commodity Futures Trading Commission Regulation ("CFTC") 40.6, enclosed is a copy of the above-referenced rule filing submitted by The Options Clearing Corporation ("OCC"). The date of implementation of the rule is at least 10 business days following receipt of the rule filing by the CFTC or the date the proposed rule is approved by the Securities and Exchange Commission (the "SEC") or otherwise becomes effective under the Securities Exchange Act of 1934 (the "Exchange Act"). This rule filing has been, or is concurrently being, submitted to the SEC under the Exchange Act.

In conformity with the requirements of Regulation 40.6(a)(7), OCC states the following:

Explanation and Analysis

This proposed rule change by The Options Clearing Corporation ("OCC") concerns amendments to the Charters for the Membership/Risk Committee ("MRC Charter"), Audit Committee ("AC Charter") and Performance Committee ("PC Charter") (collectively, the "Committee Charters") of OCC's Board of Directors ("Board").

On an annual basis, each OCC Board committee is required to review its charter and recommend changes, if any, to the Board for approval. This proposed rule change concerns proposed amendments to the MRC Charter, AC Charter and PC Charter and is a result of that review and approval process.¹ All of the proposed amendments have been approved by the Board.

¹ At its meeting on May 21, 2013, OCC's Board authorized formation of a Governance Committee ("GC") and approved the GC Charter at its September 24, 2013, meeting. As set forth in the GC Charter, the purpose of the GC is to review the overall corporate

Common Changes

Each Committee Charter² is proposed to be amended to more clearly set forth certain uniform administrative functions of the Membership/Risk Committee ("MRC"), Audit Committee ("AC") and Performance Committee ("PC") (collectively, "Committees"). Such functions include: 1) each Committee Chair is responsible for ensuring that important issues discussed at Committee meetings are timely reported to the Board, 2) each Committee Chair is allowed to determine if minutes of executive sessions will be maintained, 3) each Committee will annually confirm that all responsibilities outlined in its charter have been carried out, and 4) the Committees' and individual members' performance shall be evaluated on a regular basis and that the results of such assessment are provide to the Governance Committee ("GC") for review.

OCC also proposes to amend the MRC Charter, AC Charter and PC Charter to better reflect certain specific functions of MRC, AC and PC, respectively. Such proposed amendments are discussed in greater detail below.

Membership/Risk Committee

The MRC assists the Board in overseeing OCC's policies and processes for identifying and addressing strategic, operational and financial risks. The MRC has had longstanding authority to review OCC's risk management functions and practices, and consistent with that authority, OCC is proposing to amend the MRC Charter to more clearly provide for the MRC's oversight over the activities of the Chief Risk Officer ("CRO"). Specifically, the proposed amendments to the MRC Charter will expressly provide that: 1) the MRC will meet at least annually with the CRO in executive session, 2) the MRC has the authority to approve management's decision to appoint or replace the CRO, 3) the MRC will assess the performance of the CRO and OCC's Enterprise Risk Management ("ERM") Department as well as oversee the structure, staffing and resources of the ERM Department, and 4) the MRC shall approve the CRO's salary, the MRC Chair will participate in the PC meeting in which compensation for senior management is determined and the MRC Chair has delegated authority to modify the CRO's prior approved salary based on the discussions at such PC meeting.

governance of OCC and recommend improvements to OCC's Board. Changes to the GC Charter are not included in this rule filing because the GC was only recently formed. The GC work is ongoing and the MRC, the AC and the PC continue to discharge their obligations under their respective charters. The GC Charter was submitted as an Advance Notice filing on November 26, 2013. *See* Securities Exchange Act Release No. 71083 (December 11, 2013), 78 FR 76182 (December 16, 2013), (SR-OCC-2013-807).

² The current versions of the Committee Charters were approved on December 6, 2013. *See* Securities Exchange Act Release No. 71022 (December 6, 2013) 78 FR 75659 (December 12, 2013), (SR-OCC-2013-17).

In addition, OCC proposes to amend the MRC Charter to expressly state that the MRC has authority to review and recommend the OCC Risk Appetite Statement³ to the Board for approval, and to review and monitor OCC's risk profile for consistency with such statement.

Audit Committee

The AC assists the Board in overseeing OCC's financial reporting process, OCC's system of internal control and OCC's auditing, accounting and compliance processes. The AC has had longstanding authority to review OCC's independent accountant and, consistent with that authority, OCC proposes to amend the AC Charter to more clearly describe such authority. Specifically, OCC proposes to amend the AC Charter to expressly provide that the AC has the authority to pre-approve the appointment and dismissal of OCC's independent accountant as well as assess OCC's independent accountant's qualifications, performance and independence. These proposed changes align with best practices and reflect the AC's oversight of the external auditor to better assure independence in connection with the performance of the external auditors' function and services. In addition, OCC proposes to amend the AC Charter to reflect the AC's oversight role in the structure, staffing and resources of OCC's Internal Audit Department, to recognize that OCC's Internal Audit Department will utilize co-sourced resources⁴ and that OCC's Chief Audit Executive ("CAE") will recommend to the AC a co-sourced resource hour budget. The CAE is the head of OCC's Internal Audit Department and reports to OCC's Chairman and to the AC Chair. The CAE is a new title provided to the current senior staff person in OCC's Internal Audit Department.

If the budget is approved, it is proposed that the CAE will be delegated authority to 1) hire internal audit co-sourced service providers to augment OCC's Internal Audit Department, as necessary, or for any other practical purpose, 2) review the performance of the internal audit co-sourcing service providers, and exercise final approval on the appointment, retention and discharge of such service providers, and 3) approve the scope of services to be performed by internal audit co-sourcing service providers. OCC proposes that the AC will oversee any co-sourcing activity while delegating the administrative aspects of the arrangement to the CAE in order to efficiently manage the process while not overburdening the AC.

³ OCC's Risk Appetite Statement is a key component of its enterprise risk management program. The Risk Appetite Statement assists OCC management and its Board to more effectively communicate and monitor OCC's tolerance for risk taking. The Risk Appetite Statement sets the standards on which all of OCC's risk identification, measurement, monitoring, and testing are based.

⁴ Co-sourced resources are consultants hired on a temporary basis to assist with a particular project when OCC's Internal Audit Department staff is otherwise fully engaged and requires additional resources or skill sets to complete a project on a timely basis.

Moreover, OCC proposes to amend the AC Charter to provide that the AC shall approve the CAE's salary, to require the AC Chair to participate in the PC meeting in which compensation for senior management is determined and to delegate authority to the AC Chair to modify the CAE's prior approved salary based on the discussion at such PC meeting.

Performance Committee

The PC assists the Board in (i) overseeing the overall performance of OCC in promptly and accurately delivering, clearance, settlement and other designated industry services, and the accomplishment of other periodically established corporate goals and objectives in light of OCC's role as a systemically important financial market utility; (ii) recommending the compensation of the Chairman, the Management Vice Chairman, and President to the Board and approving the compensation of certain other officers, and (iii) reviewing and approving the structure and design of employee compensation, incentive and benefit programs. In connection therewith, OCC proposes to amend the PC Charter to provide that 1) the PC Chair will meet at least annually in private sessions with the GC Chair to discuss the performance of key officers, and 2) the PC will meet annually to discuss compensation levels of key officers and that the Chairs of the AC and MRC will be invited to attend such meeting with respect to the compensations levels of the CAE and CRO, respectively.

OCC reviewed the derivatives clearing organization ("DCO") core principles ("Core Principles") as set forth in the Commodity Exchange Act. During this review, OCC identified the following Core Principles as potentially being impacted:

Risk Management. OCC believes that by implementing the proposed rule change it will be better able to manage the risks associated with discharging its responsibilities as set forth in the DCO Core Principles because it will provide the public with updated governance-related information so such parties may more accurately identify the risks of using OCC's services.

Public Information. OCC believes that by implementing the proposed rule change it will be better able to provide market participants with information to identify and evaluate OCC's governance structure. OCC will post the amended Committee Charters on its public website thereby providing the public with relevant information regarding OCC's operations.

Opposing Views

No opposing views were expressed related to the rule amendments.

Notice of Pending Rule Certification

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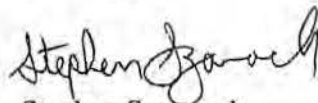
OCC hereby certifies that notice of this rule filing has been given to Clearing Members of OCC in compliance with Regulation 40.6(a)(2) by posting a copy of the submission on OCC's website concurrently with the filing of this submission.

Certification

OCC hereby certifies that the rule set forth at Item 1 of the enclosed filing complies with the Act and the CFTC's regulations thereunder.

Should you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,



Stephen Szarmack
Vice President & Associate General Counsel

Enclosure

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

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

This proposed rule change by The Options Clearing Corporation ("OCC") concerns amendments to the Charters for the Membership/Risk Committee ("MRC Charter"), Audit Committee ("AC Charter") and Performance Committee ("PC Charter") (collectively, the "Committee Charters") of OCC's Board of Directors ("Board"). The Committee Charters are attached hereto as Exhibits 5A, 5B and 5C, respectively.

Material proposed to be added is marked by underlining. Material proposed to be deleted is enclosed in bold brackets.

Item 2. Procedures of the Self-Regulatory Organization

The Board approved amendments to the Committee Charters at its meeting held on December 3, 2013.

Questions regarding the proposed rule change should be addressed to Stephen Szarmack, Vice President and Associate General Counsel, at (312) 322-4802.

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

On an annual basis, each Committee is required to review its charter and recommend changes, if any, to the Board for approval. This proposed rule change concerns proposed amendments to the MRC Charter, AC Charter and PC Charter and is a result of that review and approval process.¹ All of the proposed amendments have been approved by the Board.

¹ At its meeting on May 21, 2013, OCC's Board authorized formation of a Governance Committee ("GC") and approved the GC Charter at its September 24, 2013, meeting. As set forth in the GC Charter, the purpose of the GC is to review the overall corporate governance of OCC and recommend improvements to OCC's Board. Changes to the GC

Common Changes

Each Committee Charter² is proposed to be amended to more clearly set forth certain uniform administrative functions of the Membership/Risk Committee ("MRC"), Audit Committee ("AC") and Performance Committee ("PC") (collectively, "Committees"). Such functions include: 1) each Committee Chair is responsible for ensuring that important issues discussed at Committee meetings are timely reported to the Board, 2) each Committee Chair is allowed to determine if minutes of executive sessions will be maintained, 3) each Committee will annually confirm that all responsibilities outlined in its charter have been carried out, and 4) the Committees' and individual members' performance shall be evaluated on a regular basis and that the results of such assessment are provide to the Governance Committee ("GC") for review.

OCC also proposes to amend the MRC Charter, AC Charter and PC Charter to better reflect certain specific functions of MRC, AC and PC, respectively. Such proposed amendments are discussed in greater detail below.

Membership/Risk Committee

The MRC assists the Board in overseeing OCC's policies and processes for identifying and addressing strategic, operational and financial risks. The MRC has had longstanding authority to review OCC's risk management functions and practices, and consistent with that authority, OCC is proposing to amend the MRC Charter to more clearly provide for the MRC's oversight over the activities of the Chief Risk Officer ("CRO"). Specifically, the

Charter are not included in this rule filing because the GC was only recently formed. The GC work is ongoing and the MRC, the AC and the PC continue to discharge their obligations under their respective charters. The GC Charter was submitted as an Advance Notice filing on November 26, 2013. *See* Securities Exchange Act Release No. 71083 (December 11, 2013), 78 FR 76182 (December 16, 2013), (SR-OCC-2013-807).
² The current versions of the Committee Charters were approved on December 6, 2013. *See* Securities Exchange Act Release No. 71022 (December 6, 2013) 78 FR 75659 (December 12, 2013), (SR-OCC-2013-17).

proposed amendments to the MRC Charter will expressly provide that: 1) the MRC will meet at least annually with the CRO in executive session, 2) the MRC has the authority to approve management's decision to appoint or replace the CRO, 3) the MRC will assess the performance of the CRO and OCC's Enterprise Risk Management ("ERM") Department as well as oversee the structure, staffing and resources of the ERM Department, and 4) the MRC shall approve the CRO's salary, the MRC Chair will participate in the PC meeting in which compensation for senior management is determined and the MRC Chair has delegated authority to modify the CRO's prior approved salary based on the discussions at such PC meeting.

In addition, OCC proposes to amend the MRC Charter to expressly state that the MRC has authority to review and recommend the OCC Risk Appetite Statement³ to the Board for approval, and to review and monitor OCC's risk profile for consistency with such statement.

Audit Committee

The AC assists the Board in overseeing OCC's financial reporting process, OCC's system of internal control and OCC's auditing, accounting and compliance processes. The AC has had longstanding authority to review OCC's independent accountant and, consistent with that authority, OCC proposes to amend the AC Charter to more clearly describe such authority. Specifically, OCC proposes to amend the AC Charter to expressly provide that the AC has the authority to pre-approve the appointment and dismissal of OCC's independent accountant as well as assess OCC's independent accountant's qualifications, performance and independence. These proposed changes align with best practices and reflect the AC's oversight of the external auditor to better assure independence in connection with the performance of the external auditors'

³ OCC's Risk Appetite Statement is a key component of its enterprise risk management program. The Risk Appetite Statement assists OCC management and its Board to more effectively communicate and monitor OCC's tolerance for risk taking. The Risk Appetite Statement sets the standards on which all of OCC's risk identification, measurement, monitoring, and testing are based.

function and services. In addition, OCC proposes to amend the AC Charter to reflect the AC's oversight role in the structure, staffing and resources of OCC's Internal Audit Department, to recognize that OCC's Internal Audit Department will utilize co-sourced resources⁴ and that OCC's Chief Audit Executive ("CAE") will recommend to the AC a co-sourced resource hour budget. The CAE is the head of OCC's Internal Audit Department and reports to OCC's Chairman and to the AC Chair. The CAE is a new title provided to the current senior staff person in OCC's Internal Audit Department.

If the budget is approved, it is proposed that the CAE will be delegated authority to 1) hire internal audit co-sourced service providers to augment OCC's Internal Audit Department, as necessary, or for any other practical purpose, 2) review the performance of the internal audit co-sourcing service providers, and exercise final approval on the appointment, retention and discharge of such service providers, and 3) approve the scope of services to be performed by internal audit co-sourcing service providers. OCC proposes that the AC will oversee any co-sourcing activity while delegating the administrative aspects of the arrangement to the CAE in order to efficiently manage the process while not overburdening the AC.

Moreover, OCC proposes to amend the AC Charter to provide that the AC shall approve the CAE's salary, to require the AC Chair to participate in the PC meeting in which compensation for senior management is determined and to delegate authority to the AC Chair to modify the CAE's prior approved salary based on the discussion at such PC meeting.

Performance Committee

The PC assists the Board in (i) overseeing the overall performance of OCC in promptly and accurately delivering, clearance, settlement and other designated industry services,

⁴ Co-sourced resources are consultants hired on a temporary basis to assist with a particular project when OCC's Internal Audit Department staff is otherwise fully engaged and requires additional resources or skill sets to complete a project on a timely basis.

and the accomplishment of other periodically established corporate goals and objectives in light of OCC's role as a systemically important financial market utility; (ii) recommending the compensation of the Chairman, the Management Vice Chairman, and President to the Board and approving the compensation of certain other officers, and (iii) reviewing and approving the structure and design of employee compensation, incentive and benefit programs. In connection therewith, OCC proposes to amend the PC Charter to provide that 1) the PC Chair will meet at least annually in private sessions with the GC Chair to discuss the performance of key officers, and 2) the PC will meet annually to discuss compensation levels of key officers and that the Chairs of the AC and MRC will be invited to attend such meeting with respect to the compensations levels of the CAE and CRO, respectively.

* * *

OCC believes that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Securities Exchange Act of 1934, as amended, ("Act")⁵ and the rules and regulations thereunder because the proposed amendments to the Committee Charters clarify the roles of the Committees and will help ensure that OCC's governance structure is designed to protect investors and the public interest. By adopting certain proposed clarifying amendments to the MRC Charter, AC Charter and PC Charter that specify the duties and operations of such Committees, OCC will further ensure, as required under Rule 17Ad-22(d)(8), a clear and transparent governance structure that will fulfill the public interests requirements in Section 17A of the Act, support the objectives of OCC's owners and participants, and promote the effectiveness of OCC's risk management procedures.⁶ The proposed rule change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

⁵ 15 U.S.C. 78q-1(b)(3)(F).

⁶ 17 CFR 240.17Ad-22(d)(8).

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 that is not necessary or appropriate in furtherance of the purposes of the Act.⁷ This proposed rule change will help ensure that OCC meets regulatory requirements that it has a clear and transparent governance structure, as well as clarify the duties and operation of the Committees, through the amendment of the Committee Charters. To the extent OCC's clearing members are affected by the proposed rule change, OCC believes that, by clarifying the terms of the Committee Charters, OCC will not disadvantage or favor any particular user in relationship to another user because all of its participants will equally have greater certainty and visibility concerning OCC's governance arrangements and that such clarification will facilitate the prompt and accurate settlement of securities transactions. Accordingly, OCC does not believe that the proposed rule will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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 Act.

⁷ 15 U.S.C. 78q-1(b)(3)(I).

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

The proposed rule change is filed for accelerated effectiveness pursuant to Section 19(b)(2)(C)(iii) of the Act.⁸ The Commission may approve a proposed rule change on an accelerated basis earlier than thirty days after the date of publication if it finds that the proposed rule change is consistent with the applicable requirements of the Act and regulations thereunder and also finds good cause for accelerated effectiveness and publishes the reason therefore.⁹

OCC believes the proposed rule change is consistent with the Act as described in Item 3 above and that good cause exists for accelerated effectiveness because the proposed changes to the Committee Charters will provide for a more transparent governance structure, clarify the duties and operation of the Committees and the proposed changes are in the public interest. Such proposed changes will promote better governance of OCC, and the Commission's accelerated approval of the proposed changes will allow OCC to continue to facilitate the prompt and accurate clearance and settlement of contracts for which it is responsible in the most clear and transparent manner possible.

In addition, the proposed rule change is designed to promote the effectiveness of OCC's risk management procedures, and the Commission's accelerated approval of the proposed rule change will allow OCC to provide its participants and the public with most current governance-related information available so that such parties may more accurately identify the risks of using OCC's services. Moreover, OCC believes this proposed rule change does not pose significant policy considerations because it is intended to clarify existing Committee Charters and ensure that OCC has a clear and transparent governance structure that will fulfill the public interests requirements in Section 17A of the Act.

⁸ 15 U.S.C. 78s(b)(2)(C)(iii).

⁹ 15 U.S.C. 78s(b)(2)(C)(i), (iii).

Item 8. Proposed Rule Change Based on Rules for Another Regulatory Organization or of the Commission

The proposed rule change is not based on a rule change of another self-regulatory organization.

Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

Item 11. Exhibits

Exhibit 1A. Completed notice of the proposed rule change for publication in the Federal Register.

Exhibit 5A. Membership/Risk Committee Charter

Exhibit 5B. Audit Committee Charter

Exhibit 5C. Performance Committee Charter

SIGNATURES

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

THE OPTIONS CLEARING CORPORATION

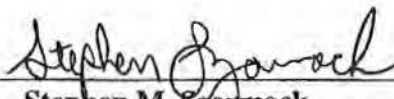
By:  _____
Stephen M. Szarmack
Vice President and
Associate General Counsel

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_____]; File No. SR-OCC-2014-01)

January 2, 2014

Clearing Agency; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change Concerning Amendments to the Charters for the Membership/Risk Committee, Audit Committee and Performance Committee of OCC's Board of Directors

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder² notice is hereby given that on January 2, 2014, 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. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

This proposed rule change concerns amendments to the Charters for the Membership/Risk Committee ("MRC Charter"), Audit Committee ("AC Charter") and Performance Committee ("PC Charter") (collectively, the "Committee Charters") of OCC's Board of Directors ("Board").

II. Clearing Agency'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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 these statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

On an annual basis, each Committee is required to review its charter and recommend changes, if any, to the Board for approval. This proposed rule change concerns proposed amendments to the MRC Charter, AC Charter and PC Charter and is a result of that review and approval process.³ All of the proposed amendments have been approved by the Board.

Common Changes

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allowed to determine if minutes of executive sessions will be maintained, 3) each Committee will annually confirm that all responsibilities outlined in its charter have been carried out, and 4) the Committees' and individual members' performance shall be evaluated on a regular basis and that the results of such assessment are provide to the Governance Committee ("GC") for review.

OCC also proposes to amend the MRC Charter, AC Charter and PC Charter to better reflect certain specific functions of MRC, AC and PC, respectively. Such proposed amendments are discussed in greater detail below.

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In addition, OCC proposes to amend the MRC Charter to expressly state that the MRC has authority to review and recommend the OCC Risk Appetite Statement⁵ to the Board for approval, and to review and monitor OCC's risk profile for consistency with such statement.

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Chairman and to the AC Chair. The CAE is a new title provided to the current senior staff person in OCC's Internal Audit Department.

If the budget is approved, it is proposed that the CAE will be delegated authority to 1) hire internal audit co-sourced service providers to augment OCC's Internal Audit Department, as necessary, or for any other practical purpose, 2) review the performance of the internal audit co-sourcing service providers, and exercise final approval on the appointment, retention and discharge of such service providers, and 3) approve the scope of services to be performed by internal audit co-sourcing service providers. OCC proposes that the AC will oversee any co-sourcing activity while delegating the administrative aspects of the arrangement to the CAE in order to efficiently manage the process while not overburdening the AC.

Moreover, OCC proposes to amend the AC Charter to provide that the AC shall approve the CAE's salary, to require the AC Chair to participate in the PC meeting in which compensation for senior management is determined and to delegate authority to the AC Chair to modify the CAE's prior approved salary based on the discussion at such PC meeting.

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least annually in private sessions with the GC Chair to discuss the performance of key officers, and 2) the PC will meet annually to discuss compensation levels of key officers and that the Chairs of the AC and MRC will be invited to attend such meeting with respect to the compensations levels of the CAE and CRO, respectively.

OCC believes that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act⁷ and the rules and regulations thereunder because the proposed amendments to the Committee Charters clarify the roles of the Committees and will help ensure that OCC's governance structure is designed to protect investors and the public interest. By adopting certain proposed clarifying amendments to the MRC Charter, AC Charter and PC Charter that specify the duties and operations of such Committees, OCC will further ensure, as required under Rule 17Ad-22(d)(8), a clear and transparent governance structure that will fulfill the public interests requirements in Section 17A of the Act, support the objectives of OCC's owners and participants, and promote the effectiveness of OCC's risk management procedures.⁸ The proposed rule change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

(B) Clearing Agency's Statement on Burden on Competition

OCC does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.⁹ This proposed rule change will help ensure that OCC meets regulatory requirements that it has a clear

⁷ 15 U.S.C. 78q-1(b)(3)(F).

⁸ 17 CFR 240.17Ad-22(d)(8).

⁹ 15 U.S.C. 78q-1(b)(3)(I).

and transparent governance structure, as well as clarify the duties and operation of the Committees, through the amendment of the Committee Charters. To the extent OCC's clearing members are affected by the proposed rule change, OCC believes that, by clarifying the terms of the Committee Charters, OCC will not disadvantage or favor any particular user in relationship to another user because all of its participants will equally have greater certainty and visibility concerning OCC's governance arrangements and that such clarification will facilitate the prompt and accurate settlement of securities transactions. Accordingly, OCC does not believe that the proposed rule will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments on the proposed rule change 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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

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 Commissions 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-2014-01 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-OCC-2014-01. 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 website (<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 website viewing and printing in the Commission's Public Reference Section, 100 F Street, N.E., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m.

Copies of such filing also will be available for inspection and copying at the principal office of OCC and on OCC's website at <http://www.theocc.com/about/publications/bylaws.jsp>

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-2014-01 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Trading and Markets, pursuant to delegated Authority.¹⁰

Kevin M. O'Neill
Deputy Secretary

Action as set forth recommended herein
APPROVED pursuant to authority delegated by
the Commission under Public Law 87-592.
For: Division of Trading and Markets

By: _____

Print Name: _____

Date: _____

¹⁰ 17 CFR 200.30-3(a)(12).

EXHIBIT 5A

**THE OPTIONS CLEARING CORPORATION
MEMBERSHIP/RISK COMMITTEE CHARTER**

I. PURPOSE

The Board of Directors of OCC (the "Board") has established a Membership/Risk Committee (the "Committee") to assist the Board in overseeing the Corporation's policies and processes for identifying and addressing strategic, operational and financial (i.e., credit, market, liquidity and systemic) risks. The Committee is responsible for overseeing the overall enterprise risk management framework implemented by management, including reviewing material policies and processes relating to (i) membership criteria and financial safeguards, (ii) member and other counterparty risk exposure assessments, (iii) liquidity requirements and maintenance of financial resources, (iv) risk modeling and assessments, and (v) default management planning. The Committee is also responsible for performing those functions delegated to the Committee under the Corporation's By-Laws and Rules.

II. MEMBERSHIP AND ORGANIZATION

- A. Composition. The Committee shall consist of the Chairman, the Member Vice Chairman, and three or more [other] Member Directors appointed annually by the Board. At least one member of the Committee shall be a Public Director. The Board may remove or replace any member of the Committee at any time. The Committee shall be chaired by a Public Director. In the absence of the Chair at any meeting of the Committee, those members of the Committee present shall designate a Committee member to serve as the Acting Chair.
- B. Meetings. Generally, the Committee will meet at least seven times a year. Other meetings may be called by the Chair as circumstances dictate. The Committee Chair or its designee, in consultation with management as well as the Corporate Secretary, shall establish the agenda for Committee meetings. The members of the Committee may ask members of management or others to attend the meeting and provide pertinent information as is necessary. The Committee may call executive sessions from which guests of the Committee may be excluded. The Chair shall determine whether minutes of executive sessions are to be maintained, taking into consideration the sensitivity of the matters to be discussed and the possibility that candor might be limited if minutes are maintained.

Members of the Committee may participate in meetings by means of a conference telephone call or other means of communication that allows all participants in the meeting to hear each other.

The Committee shall meet at least annually with the Chief Risk Officer and any other corporate officers the Committee deems appropriate in separate executive sessions to discuss any matters that either side believes should be discussed privately.

A Committee member shall recuse himself from any matter in which his firm has an interest, other than a common interest shared with Clearing Members generally or a particular class of Clearing Members.

- C. Quorum. A majority of the Committee members shall constitute a quorum for the transaction of business.
- D. Minutes and Reports. [The] Except as otherwise noted above, the Committee shall maintain minutes of all Committee meetings and shall make such reports to the Board as deemed necessary or advisable. Copies of Committee minutes shall be circulated to the Board. On an annual basis, the Committee shall provide a report to the Board summarizing its activities during the previous year. The Committee Chair is responsible for ensuring that important issues discussed at the Committee meetings are reported timely to the full Board.

III. AUTHORITY

- A. Scope. Subject to the direction of the Board, the Committee is authorized to act on behalf of the Board with respect to any matter necessary or appropriate to the accomplishment of the purpose and responsibilities set forth in this Charter. In discharging its role, the Committee may inquire into any matter it considers appropriate to carry out its purpose and responsibilities. The Committee shall confer with management and other employees of the Corporation to the extent it may deem necessary or appropriate to fulfill its duties.

Subject to the approval of the Board, the Committee shall have the authority to hire specialists or rely upon other outside advisors or specialists to assist it in carrying out its activities. The Committee also shall have the authority to approve the fees and retention terms applicable to such advisors and specialists.

- B. Delegation. The Committee may form and delegate authority to subcommittees and may delegate authority to one or more designated members of the Committee.

- C. Authority of the Chair. The Chair of the Committee may act on behalf of the Committee in such circumstances when immediate action is required and it is impractical to convene the Committee. In such instances, the Chair shall report on any actions taken as soon as practicable to the Committee for its ratification.

IV. FUNCTIONS AND RESPONSIBILITIES

The Committee's role is one of oversight. Management is responsible for identifying, addressing and reporting on strategic, operational and financial risks arising from the Corporation's clearance, settlement and other business activities in light of the Corporation's role as an important financial market utility.

The Membership/Risk Committee shall have the following functions and responsibilities in discharging its oversight role:

- To review applications for Clearing Membership and recommend approval or disapproval thereof to the Board on such conditions as the Committee may deem appropriate.
- To conduct hearings, as required by the By-Laws, if requested by applicants whose applications are proposed to be disapproved by the Committee.
- To approve or disapprove continued Clearing Membership by (i) Clearing Members that propose to become managed Clearing Members and (ii) managed Clearing Members after termination of their facilities management agreements, and to ratify, modify or reverse temporary approvals of such requests by the Chairman, the Management Vice Chairman, or the President.
- To review and approve or disapprove requests by Clearing Members to expand clearing activities to include additional account types and/or products, and to ratify, modify, or reverse temporary approvals of such requests by the Chairman, the Management Vice Chairman, or the President.
- To review and approve or disapprove requests by Clearing Members to participate in the Stock Loan Programs.
- To periodically review the Corporation's initial and ongoing requirements for Clearing Membership and to recommend to the Board such changes therein as the Committee deems appropriate.
- If required, to develop and recommend to the Board membership requirements and standards for entities other than broker-dealers.

- To periodically review the inputs to the Corporation's margin formula and modify them to the extent that the Committee deems such action consistent with the protection of the Corporation, Clearing Members, or the general public.
- To increase the amount of margin required in respect of any contract or position if the Committee deems such increase advisable for the protection of the Corporation, Clearing Members, or the general public.
- To establish and periodically review guidelines for requiring the deposit of additional margin for the purpose of protecting the Corporation, Clearing Members, or the general public.
- To periodically review the methodologies used for determining margin and clearing fund requirements and to recommend to the Board such changes therein as the Committee deems appropriate.
- To periodically review Clearing Member surveillance criteria and make such changes therein as the Committee deems appropriate.
- To review, as appropriate, the adequacy and effectiveness of the Corporation's contingency plan for Clearing Member failures and to approve or recommend to the Board such changes therein as the Committee deems appropriate.
- To review the financial and operational condition of Clearing Members that are subject to closer than normal surveillance (Watch Levels III and IV) and impose such restrictions on their activities, consistent with the By-Laws and Rules, as the Committee deems appropriate.
- To advise management regarding actions to be taken with respect to Clearing Members that are subject to closer than normal surveillance or are otherwise in or approaching financial or operational difficulty.
- To review in accordance with the Rules, if timely requested by a Clearing Member, and to modify or reverse, restrictions and/or requirements imposed on the Clearing Member by the Chairman, the Management Vice Chairman, or the President pursuant to Rule 305.
- To approve classes of GSE debt securities for deposit as margin.
- To prescribe intervals for revaluing debt securities deposited as margin or clearing fund deposits as provided in the Rules.

- To specify "haircuts" for securities deposited as margin as provided in the Rules.
- To make the determinations regarding approval of non-U.S. institutions to issue letters of credit provided for in the Interpretations under Rule 604.
- To review and recommend the OCC Risk Appetite Statement for approval by the Board annually.
- To review and monitor the risk profile of OCC for consistency with OCC's Risk Appetite Statement.
- To review periodic reports from the Enterprise Risk Management program.
- To review and assess OCC's Enterprise Risk Management program annually.
- Approve management's recommendation to appoint or replace the Chief Risk Officer. The Chief Risk Officer shall report functionally to the Committee and administratively to the Chief Executive Officer (effective January 1, 2014 to the Executive Chairman).
- Assess the performance of the Chief Risk Officer and the Enterprise Risk Management department. Also approve any Chief Risk Officer annual compensation or salary adjustments, but delegate to the Chair the ability to modify the approved amount as a result of the Chair's participation in the annual meeting of the Performance Committee at which the compensation for senior management is determined.
- Oversee the structure, staffing and resources of the Enterprise Risk Management department.
- Confirm annually that all responsibilities outlined in this Charter have been carried out.
- Evaluate the Committee's and individual members' performance on a regular basis and provide results of such assessment to the Governance Committee for review.
- To perform such other functions as shall from time to time be assigned to it by the By-Laws and Rules or delegated to it by the Board.

V. REVIEW CYCLE

The Committee will review this Charter annually. The Committee shall submit this Charter to the Board for reapproval, with such changes, if any, as the Committee deems advisable.

EXHIBIT 5B

**THE OPTIONS CLEARING CORPORATION
AUDIT COMMITTEE CHARTER**

I. PURPOSE

The Board of Directors of OCC (the "Board") has established an Audit Committee (the "Committee") to assist the Board of Directors in overseeing the Corporation's financial reporting process, the Corporation's system of internal control, and the Corporation's auditing, accounting, and compliance processes. The Committee's role is that of oversight and its primary duties and responsibilities are to:

- Serve as an independent and objective party to oversee (i) the Corporation's financial reporting process, including the integrity of its financial statements, (ii) the Corporation's system of internal control, and (iii) the Corporation's compliance environment and processes.
- Oversee the audit efforts of the Corporation's independent accountants and the internal audit department.
- Facilitate open communication among the independent accountants, financial and senior management, the internal audit department, the compliance department, and the Board of Directors.

In fulfilling their responsibilities, it is recognized that the members of the Committee are not full-time employees of the Corporation and are not, and do not represent themselves to be, accountants or auditors of the Corporation. It is not the duty or responsibility of the Committee or its members to conduct field work or other types of auditing, accounting, or compliance reviews or procedures. Management of the Corporation is responsible for maintaining appropriate accounting, compliance and financial reporting principles and policies and internal controls and procedures that comply with accounting standards and applicable laws. The independent accountants and the internal audit department of the Corporation are responsible for planning and carrying out a proper audit.

II. MEMBERSHIP AND ORGANIZATION

- A. Composition. The Committee shall be comprised of three or more directors as appointed annually by the Board. At least one Committee member shall be a Public Director. The Board may remove or replace any member of the Committee at any time. All members of the Committee shall have a working familiarity with basic finance and accounting practices, and if possible, at least one member of the Committee shall have accounting or related

financial management expertise. Unless a Chair is elected by the full Board, the members of the Committee should designate a Chair by majority vote of the full Committee membership. In the absence of the Chair at any meeting of the Committee, those members of the Committee present shall designate a Committee member to serve as Acting Chair.

- B. Meetings. The Committee will meet at least four times a year. Other meetings may be called by the Chair as circumstances dictate. The Committee Chair or its designee, in consultation with management as well as the Corporate Secretary, shall establish the agenda for Committee meetings. The members of the Committee may ask members of management or others to attend the meeting and provide pertinent information as is necessary. The Committee may call executive sessions from which guests of the Committee may be excluded. The Chair shall determine whether minutes of executive sessions are to be maintained, taking into consideration the sensitivity of the matters to be discussed and the possibility that candor might be limited if minutes are maintained. Members of the Committee may participate in meetings by means of a conference telephone call or other means of communication that allows all participants in the meeting to hear each other.

The Committee will meet at least annually with management, the Chief Compliance Officer, the Chief Audit Executive and the independent accountants in separate executive sessions to discuss any matters that either side believes should be discussed privately.

- C. Quorum. A majority of the Committee members shall constitute a quorum for the transaction of business.
- D. Minutes and Reports. [The] Except as otherwise noted above, the Committee shall maintain minutes of all Committee meetings and shall make such reports to the Board as deemed necessary or advisable. Minutes of Committee meetings shall be circulated to the Board. On an annual basis, the Committee shall provide a report to the Board summarizing its activities during the previous year.

The Committee Chair is responsible for ensuring that important issues discussed at the Committee meetings are reported timely to the full Board.

III. AUTHORITY

- A. Scope. Subject to the direction of the Board, the Committee is authorized to act on behalf of the Board with respect to any matter necessary or appropriate to the accomplishment of the purpose and responsibilities set forth in this Charter. In discharging its role, the Committee may inquire into any matter it considers appropriate to carry out its purpose and

responsibilities. The Committee shall confer with management and other employees of the Corporation to the extent it may deem necessary or appropriate to fulfill its duties.

- B. Delegation. The Committee may form and delegate authority to subcommittees, and may delegate authority to one or more designated members of the Committee, including the approval of non-audit services performed by the independent accountant as set forth below.
- C. Authority of the Chair. The Chair of the Committee may act on behalf of the Committee in such circumstances when immediate action is required and it is impractical to convene the Committee. In such instances, the Chair shall report on any actions taken as soon as practicable to the Committee for its ratification.

IV. ACTIVITIES

The following shall be the common recurring activities of the Committee in carrying out its oversight function. These activities are set forth as a guide with the understanding that the Committee may modify this guidance as appropriate given the circumstances.

The Committee shall:

Financial Statements and Independent Accountants

- Have a clear understanding with management and the independent accountants that the independent accountants are ultimately accountable to the Board and the Committee.
- [Appoint] Monitor and [oversee the independent accountant or discharge] evaluate the independent accountant's qualifications, performance and independence and based upon such evaluations recommend the appointment or dismissal of the independent accountants, determine appropriate compensation for their services, and pre-approve all audit services provided, subject to annual approval by the Board.
- Review and approve the scope and approach of the annual audit plan and the annual internal control attestation engagement with the independent accountants.
- Review the Corporation's annual audited financial statements with management and the independent accountants prior to issuance.

- Review reports of the independent accountants issued in connection with the annual audit and the annual internal control attestation engagement, as well as any other special reports, and inquire of management regarding steps taken to deal with items raised.
- Discuss with the independent accountants any significant issues that may be required in accordance with generally accepted auditing standards relating to the conduct of the financial statement audit.
- Resolve any disagreements between management and the independent accountants regarding financial reporting.
- Obtain and review annually reports prepared by the independent accountant describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review or peer review, or by any inquiry or investigation conducted by governmental or professional authorities during the preceding five years with respect to independent audits carried out by the firm, and any steps taken to deal with any such issues; and all relationships between the independent accountant and the Corporation that could be thought to bear on its independence, as well as its independence status within the meaning of the Securities Acts administered by the Securities and Exchange Commission. These reports should be used to evaluate the independent accountant's qualifications, performance, and independence.
- Pre-approve non-audit services with the independent accountants.
- Review fees paid to the independent accountants.

Internal Audit

- Review and approve the Internal Audit Department Charter [and the Compliance Charter]. Ensure there are no unjustified scope restrictions or limitations placed on the Internal Audit Department.
- Approve management's recommendation to appoint or replace the Chief Audit Executive.
- Review the internal audit department process for establishing the risk-based annual internal audit plan and monitor progress against the annual internal audit plan.

- Review reports and other communications prepared by the internal audit department and inquire of management regarding steps taken to deal with items raised.
- Assess the performance of the Chief Audit Executive and the internal audit department, including review of periodic external assessment reports regarding compliance of the internal audit department with standards published by the Institute of Internal Auditors.
- Approve the Chief Audit Executive's annual compensation, but delegate to the Chair the ability to modify the approved amount as a result of the Chair's participation in the annual meeting of the Performance Committee at which the compensation for senior management is determined.
- Oversee the structure, staffing and resources of the Internal Audit Department.
- Have the ability to delegate to the Chief Audit Executive the authority to approve, within the external audit hour limits of the approved annual audit plan, the following:
- Hire internal audit co-sourcing service providers whenever it is determined a specialist is needed to review particular areas of the Corporation, to augment the resources available internally within OCC's Internal Audit Department or for any other practical purpose.
- Review the performance of the internal audit co-sourcing service providers, and exercise final approval on the appointment, retention or discharge of the audit firm.
- Approve the scope of services to be performed by the internal audit co-sourcing service provider.

Compliance

- Review and approve the Compliance Charter.
- Approve management's [decision] recommendation to appoint or replace the [senior internal audit executive] Chief Compliance Officer.
- Assess the performance and the effectiveness of the compliance program, including monitoring, testing and issue resolution processes.

- Review the Corporation's system to communicate and monitor compliance with and enforcement of its Code of Conduct.
- Review periodic regulatory inspection reports, management's responses thereto, and the compliance department's tracking of remediation by the Corporation of noted items.
- Review the investigation and enforcement outcomes of disciplinary actions taken by the Corporation through its established processes.
- Review and evaluate any Annual Compliance Report certified by the Chief Compliance Officer as required by regulation.

Other

- Review periodic reports on the Corporation's enterprise risk management program and the corporate security program.

V. GENERAL

The Committee shall:

- Approve management's decision to hire employees or former employees of the independent accountants who were engaged on the Corporation's account.
- Have the authority to obtain advice, at the Corporation's expense, from independent counsel, accountants, or others to assist it in fulfilling its duties.
- Have the ability to delegate authority to one of its members to approve non-audit services performed by the independent accountant, with such decisions communicated regularly to the Committee.
- Establish "whistleblower procedures" for the reporting by personnel of any concerns regarding unethical or illegal conduct; questionable accounting, internal controls, or auditing matters; or fraudulent, deliberate errors or misrepresentations in financial reporting.
- Confirm annually that all responsibilities outlined in this Charter have been carried out.
- Evaluate the Committee's and individual members' performance on a regular basis and provide results of such assessment to the Governance Committee for review.

- The Committee shall also have the authority to perform any other duties consistent with this Charter, as the Committee or Board deems necessary.

VI. REVIEW CYCLE

The Committee will review this Charter annually. The Committee shall submit this Charter to the Board for reapproval, with such changes, if any, as the Committee deems advisable.

EXHIBIT 5C**THE OPTIONS CLEARING CORPORATION
PERFORMANCE COMMITTEE CHARTER****I. PURPOSE**

The Board of Directors (the "Board") has established a Performance Committee (the "Committee") to assist the Board in (i) overseeing the overall performance of the Corporation in promptly and accurately delivering clearance, settlement and other designated industry services, and the accomplishment of other periodically established corporate goals and objectives in light of the Corporation's role as an important financial market utility; (ii) recommending the compensation of the [Management Director] Chairman, the Management Vice Chairman, and the President to the Board and approving the compensation of certain other officers; and (iii) reviewing and approving the structure and design of employee compensation, incentive and benefit programs.

II. MEMBERSHIP AND ORGANIZATION

- A. Composition. The Committee shall consist of the Chairman, the Member Vice Chairman, and three or more other directors appointed annually by the Board [of Directors]. At least one member of the Committee shall be a Public Director. The Board may remove or replace any member of the Committee at any time. The Committee shall be chaired by the Member Vice Chairman. In the absence of the Chair at any meeting of the Committee, those members of the Committee present shall designate a Committee member to serve as the Acting Chair.
- B. Meetings. Generally, the Committee will meet in advance of each regularly scheduled Board meeting. Other meetings may be called by the Chair as circumstances dictate. The Committee Chair or its designee, in consultation with management as well as the Corporate Secretary, shall establish the agenda for Committee meetings. The members of the Committee may ask members of management or others to attend the meeting and provide pertinent information as is necessary. The Committee may call executive sessions from which guests of the Committee may be excluded. The Chair shall determine whether minutes of executive sessions are to be maintained, taking

into consideration the sensitivity of the matters to be discussed and the possibility that candor might be limited if minutes are maintained. Members of the Committee may participate in meetings by means of a conference telephone call or other means of communication that allows all participants in the meeting to hear each other.

The Chair shall meet at least annually in private session with the Chair of the Governance Committee to discuss the performance of key officers.

The Committee shall meet at least annually with the Chief Executive Officer and any other corporate officers the Committee deems appropriate to discuss and review the performance and compensation levels of key officers.

The Committee shall meet annually to determine the compensation levels of certain key officers. The Chairs of the Audit and Risk Committees shall be invited to attend such meeting in order to discuss the performance of the CAE and CRO, respectively, as well as to advise on the compensation levels approved for such officers as provided for in each such Committee's Charter.

Except as otherwise requested by the other members of the Committee, the Chairman shall recuse himself from any discussion of his individual compensation, benefits, or perquisites.

- C. Quorum. A majority of the Committee members shall constitute a quorum for the transaction of business.
- D. Minutes and Reports. [The] Except as otherwise noted above, the Committee shall maintain minutes of all Committee meetings and shall make such reports to the Board as deemed necessary or advisable. On an annual basis, the Committee shall provide a report to the Board summarizing its activities during the previous year. The Committee Chair is responsible for ensuring that important issues discussed at the Committee meetings are reported timely to the full Board.

III. AUTHORITY

- A. Scope. Subject to the direction of the Board, the Committee is authorized to act on behalf of the Board with respect to any matter necessary or appropriate to the accomplishment of the purpose and responsibilities set forth in this Charter. In discharging its role, the Committee may inquire into any matter it considers appropriate to

carry out its purpose and responsibilities. The Committee shall confer with management and other employees of the Corporation to the extent it may deem necessary or appropriate to fulfill its duties.

Subject to the approval of the Board, the Committee shall have the authority to hire specialists or rely upon other outside advisors or specialists to assist it in carrying out its activities. The Committee also shall have the authority to approve the fees and retention terms applicable to such advisors and specialists.

- B. Delegation. The Committee may form and delegate authority to subcommittees, including the Administrative Committee, and may delegate authority to one or more designated members of the Committee.
- C. Authority of the Chair. The Chair of the Committee may act on behalf of the Committee in such circumstances when immediate action is required and it is impractical to convene the Committee. In such instances, the Chair shall report on any actions taken as soon as practicable to the Committee for its ratification.

IV. FUNCTIONS AND RESPONSIBILITIES

The Committee's role is one of oversight. Management is responsible for identifying, organizing, and managing the operational, systems, technology, financial, human, and other resources necessary to support the Corporation's clearance, settlement and other business activities in light of its role as an important financial market utility.

The Committee shall have the following functions and responsibilities in discharging its oversight role:

- To review the Corporate Plan and Budget for each fiscal year [at the beginning of the year] and make recommendations to the Board regarding the adoption and revision thereof.
- To review anticipated capital expenditures included in the annual Budget and to review and approve significant unanticipated capital expenditures or, where appropriate, recommend approval thereof to the Board.
- To review the Corporation's performance under the approved Corporate Plan [and Budget] at each regularly scheduled meeting.

- At the end of each year, to review [executive] performance and compensation of key employees and make recommendations to the Board regarding the compensation of the Chairman, the Management Vice Chairman, and the President.
- To oversee the administration of the Corporation's compensation plans, including but not limited to the Incentive Compensation Program, the Capital Accumulation Plan, the Discretionary Bonus Program, the Special Retention Program, the Executive Deferred Compensation Plan, and any other deferred compensation plans.
- To oversee the administration of the Corporation's retirement and retiree benefit plans, including but not limited to the Retirement Plan, the Supplemental Executive Retirement Plan, the Retirement Savings Plan, and the Retiree Welfare Plan.
- To oversee the administration of the Corporation's welfare benefit plans, including but not limited to the Flexible Benefit Plan.
- To appoint (and remove) members of the Administrative Committee and oversee the Administrative Committee with respect to any duties and responsibilities delegated to the Administrative Committee by the Committee, including but not limited to the power to administer and amend the Flexible Benefit Plan.
- To adopt new compensation, retirement and welfare benefit plans and to amend or terminate existing plans other than the Capital Accumulation Plan (which by its terms requires Board action to amend or terminate).
- To review employment contracts and approve the same, or, in the case of contracts with the Chairman, the Management Vice Chairman, or the President, to make recommendations to the Board with respect to the approval thereof.
- In general, to oversee the compensation, benefits, and perquisites of the Corporation's executive and management personnel, provided that decisions with respect to the individual compensation of the Chairman, the Management Vice Chairman, and the President and any special benefits or perquisites for those officers shall be made in the form of recommendations to the Board.
- To review and recommend to the Board, as necessary, changes in the Corporation's fee structure.
- To review special financial matters as requested by the Board.

- To periodically assess, as deemed necessary or appropriate, succession plans for key executives.
- To perform such other activities consistent with the Charter, as the Committee or the Board may deem necessary or appropriate.
- Confirm annually that all responsibilities outlined in this Charter have been carried out.
- Evaluate the Committee's and individual members' performance on a regular basis and provide results of such assessment to the Governance Committee for review.

V. REVIEW CYCLE

The Committee will review this Charter annually. The Committee shall submit this Charter to the Board for reapproval, with such changes, if any, as the Committee deems advisable.