THE OPTIONS CLEARING
CORPORATION

June 24, 2011

VIA E-MAIL

Mr. David Stawick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: Rule Filing SR-OCC-2011-06 Rule Certification

Dear Mr. Stawick:

Attached is a copy of the above-referenced rule filing, which The Options Clearing Corporation ("OCC") is submitting pursuant to the self-certification of Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.6. This rule filing has been, or is currently being, submitted to the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (the "Exchange Act").

In conformity with the requirements of CFTC Regulation 40.6(a)(3), OCC states the following: The text of the rules and by-laws are set forth at Item 1 of the enclosed filing. The date of implementation of the rules and by-laws is when the proposed rule filing has been approved by the SEC. No substantive opposing views were expressed to OCC by the governing board or committee members, clearing members of OCC, or market participants that were not incorporated into the rules and by-laws.

OCC hereby certifies that the rules and by-laws set forth at Item 1 of the enclosed filing comply with the Commodity Exchange Act and the Commission's Regulations.

Should you have any questions regarding this matter, please do not hesitate to contact the undersigned at (312) 322-4802.

Sincerely,

Stephen Szarmack

Stephen Szarmack

Attachments

cc: CFTC Central Region (w/enclosure)
525 West Monroe Street, Suite 1100
Chicago, IL 60661
Attn: Heidi Rauh

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

The Options Clearing Corporation ("OCC" or the "Corporation") proposes to amend its By-Laws and Rules as set forth below to accommodate the proposed introduction by ELX Futures L.P. of a transaction type called Price Differential Spread ("Price Differential Spread") for purposes of effecting exchange transactions in futures contracts. An OCC proposed rule change is necessary because of certain unique features of this type of transactions that are described below.

The text of the proposed amendments to OCC's By-Laws and Rules is set forth below. Material proposed 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 I

Definitions

Section 1. Unless the context requires otherwise (or except as otherwise specified in the By-Laws), the terms defined herein shall, for all purposes of these By-Laws and the Rules of the Corporation, have the meanings herein specified.

A. – O. [No change]

P.

(1) – (8) [No change]

<u>Price Differential Spread</u>

<u>(9) The term "Price Differential Spread" has the meaning given to it in Rule 1301A(a).</u>

(9) – (16) [Renumbered as (10) – (17); otherwise no change]

Q. – Z. [No change]

RULES

* * *

CHAPTER XIII

Futures, Futures Options and Commodity Options

* * *

Variation Payments

RULE 1301. (a) At each settlement time for variation payments as set forth below, the Corporation shall determine the amount of the variation payment to be paid or received by buyers and sellers in respect of each outstanding contract in each series of futures. The amount of the variation payment for each such contract shall be equal to the relevant unit of trading (in the case of stock futures, physically-settled commodity futures, cash-settled foreign currency futures, and other cash-settled futures for which there is a unit of trading) or multiplier (in the case of index futures, variance futures, interest rate futures, or other cash-settled futures for which there is no unit of trading) multiplied by: (i) in the case of a contract that was opened since the most recent variation settlement, the current interim settlement price less the contract price at which such contract was opened <u>(as such price may have been modified pursuant to Rule 1301A in the case of a contract that is part of a Price Differential Spread)</u>; (ii) in the case of a contract that was closed since the most recent settlement of variation payments was effected, the contract price at which such contract was closed less the previous interim settlement price, (iii) in the case of a contract that was neither opened nor closed since the most recent variation settlement, the current interim settlement price less the previous interim settlement price, and (iv) in the case of a contract that was both opened and closed since the most recent variation settlement, the contract price at which such contract was closed less the contract price at which it was opened <u>(as such price may have been modified pursuant to Rule 1301A in the case of a contract that is part of a Price Differential Spread)</u>. If the result of the foregoing calculation is positive, the variation payment shall be owed by the Clearing Member that is, or represents, the seller to the Corporation, and by the Corporation to the Clearing Member that is, or represents, the buyer <u>(subject to any rounding adjustment in the case of a contract that is part of a Price Differential Spread)</u>. If the result is negative, the variation payment shall be owed by the Clearing Member that is, or represents, the buyer to the Corporation, and by the Corporation to the Clearing Member that is, or represents, the seller <u>(subject to any rounding adjustment in the case of a contract that is part of a Price Differential Spread)</u>.

(b) – (d) [No change]

Price Differential Spreads

RULE 1301A. (a) A "Price Differential Spread" is a pair of Exchange transactions resulting from a type of order where the party placing the order seeks to simultaneously buy and sell futures contracts on the same underlying interest but with different contract months (each such transaction referred to as a "leg" of the Price Differential Spread), provided that the price at which contracts are bought in one leg less the price at which contracts are sold in the other leg (the "price differential") is no greater than the limit specified by such party. The party placing the order may choose to (i) record the contract prices of both legs of a Price Differential Spread at the prices at which the contracts are matched on the Exchange ("Spread Engine Prices"), or (ii) record the contract price of the contracts with the nearer contract month (the leg in which such contracts are bought or sold referred to as the "front leg") at the Exchange-reported closing price for such contracts on the trading day immediately preceding the day on which such contracts are executed, and record the contract price of the contracts with the more distant contract month (the leg in which such contracts are bought or sold referred to as the "back leg") at (A) the contract price of the front leg plus the price differential, if the front leg is the sale of futures contracts, or (B) the contract price of the front leg less the price differential, if the front leg is the purchase of futures contracts ("Spread Settle Prices").

(b) For purposes of Rule 401.(a)(2), the matched trade report for an Exchange transaction in futures contracts that is part of a Price Differential Spread shall (i) include both the Spread Engine Price and the Spread Settle Price, identifying which of these two prices is to be initially recorded as the contract price; and (ii) include the Exchange-assigned identification number (the "Price Differential Spread ID") which links the two legs of a Price Differential Spread to each other. In the case where each counterparty to the trade has entered into the trade as part of its own Price Differential Spread, the matched trade report shall identify separately with respect to each counterparty the price to be initially recorded as the contract price and the Price Differential Spread ID.

(c) A Clearing Member that has entered into a Price Differential Spread may, prior to such deadline as the Corporation may specify from time to time, modify the contract prices of the two legs of the Price Differential Spread as initially recorded on the Corporation's books and records by changing its initial election as between the Spread Engine Prices and the Spread Settle Prices.

(d) When a Clearing Member elects to record the contract prices of both legs of a Price Differential Spread using the Spread Settle Prices, rounding the Spread Settle Prices to the nearest applicable adjustment increment in accordance with the Corporation's By-Laws and Rules for purposes of calculating the initial variation payments on the trades may result in the Clearing Member paying slightly more, or receiving slightly less, than it would have paid or received if it had elected to record the trades using the Spread Engine Prices.

. . . Interpretations and Policies:

.01 Price Differential Spread transactions are available only with respect to futures contracts within the exclusive jurisdiction of the Commodity Futures Trading Commission that are traded on designated contract markets having rules that provide for such transactions.

.02 A Clearing Member may modify contract prices only with respect to Exchange transactions in futures contracts for which a Price Differential Spread ID has been reported by the Exchange.

* * *

Item 2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by OCC's Board of Directors at a meeting held on September 28, 2010.

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

The purpose of this proposed rule change is to amend OCC's By-Laws and Rules to accommodate the proposed introduction by ELX Futures L.P. ("ELX"), an electronic futures market that is designated as a contract market by the Commodity Futures Trading Commission ("CFTC"), of a transaction type called Price Differential Spread ("Price Differential Spread") for purposes of effecting exchange transactions in futures contracts.[1] A Price Differential Spread is a pair of transactions resulting from a type of order where the party placing the order seeks to simultaneously buy and sell futures contracts on the same underlying interest but with different contract months (each such transaction referred to herein as a "leg" of the Price Differential Spread), provided that the price at which contracts are bought in one leg less the price at which contracts are sold in the other leg (the "price differential") is no greater than the limit specified by such party (such limit referred to herein as the "maximum price differential"). Price

[1] It is OCC's understanding that similar transactions are used by at least one other futures exchanges.

Differential Spreads are principally used to roll futures positions forward into futures with the same underlying interest but a further out delivery date. In such a transaction, the cost to the party rolling the positions forward is determined solely by the difference between the prices at which the two legs of the Price Differential Spread are executed and the price of either leg alone is not relevant. As discussed below, by allowing a Clearing Member to use contract prices that are based on the previous day's exchange-reported closing price, the actual price differential is highlighted and allocation of equivalent transactions among different customers is facilitated. For purposes of illustration, assume that the "front leg" of a Price Differential Spread (*i.e.*, the leg in which contracts with the nearer contract month are bought or sold) is the sale of futures contracts and the "back leg" (*i.e.*, the leg in which contracts with the more distant contract month are bought or sold) is the purchase of futures contracts.

When submitting a Price Differential Spread order to ELX, the trader will specify the maximum price differential and ELX will attempt to match the two legs of the Price Differential Spread based on available orders (not limited to Price Differential Spread orders) from other traders. Assume that a Clearing Member submits a Price Differential Spread order (such Clearing Member referred to herein as the "Price Differential Spread Executor") to sell a March SYM contract and buy a June SYM contract with a maximum price differential of $1.00 and ELX matches the front leg to counterparty A, who buys the March SYM contract at $118.00, and the back leg to counterparty B, who sells the June SYM contract at $118.95. In this case, the price differential between the two legs, based on matched trade prices, is $0.95 (which is lower than the $1.00 maximum price differential that the Price Differential Spread Executor has specified).

Price Differential Spreads are differentiated from other futures transactions cleared by OCC in that the Price Differential Spread Executor may choose, at the time it submits the order, to (i) record the contract prices of both legs of a Price Differential Spread at the prices at which the contracts are matched on the exchange ("Spread Engine Prices"), or (ii) record the contract price of the front leg at the exchange-reported closing price on the immediately preceding trading day for the contracts bought or sold in the front leg (the "prior day closing price"), and record the contract price of the back leg at (A) the contract price of the front leg plus the price differential, if the front leg is the sale of futures contracts, or (B) the contract price of the front leg less the price differential, if the front leg is the purchase of futures contracts ("Spread Settle Prices"). After matching both legs of a Price Differential Spread, ELX will send a pair of matched trade reports to OCC, each of which will identify the buyer, the seller, the futures contract traded, the exchange-assigned identification number (the "Price Differential Spread ID") connecting the two legs of the Price Differential Spread, the Spread Engine Price and the Spread Settle Price. The matched trade report also will indicate the price type (*i.e.*, the Spread Engine Price or the Spread Settle Price) that OCC should use to record the trade on behalf of the Price Differential Spread Executor.[2] Continuing the example, assume that the prior day closing price for the March SYM contract was $117.90. If the Price Differential Spread Executor elects to use the Spread Engine Prices at the time it submits the order, OCC will initially record the front leg at $118.00 and the back leg at $118.95. Alternatively, if the Price Differential Spread Executor elects to use the Spread Settle Prices at the time it submits the order, OCC will initially record the front leg at $117.90 and the back leg at $118.85 (which is the sum of the $117.90 contract price for the front

[2] In the case where each counterparty to the trade has entered into the trade as part of its own Price Differential Spread, the matched trade report will identify separately with respect to each counterparty the price to be initially recorded as the contract price and the Price Differential Spread ID.

leg plus the price differential of $0.95 because the front leg is the sale of a futures contract).[3] In addition, after the two legs of the Price Differential Spread have been accepted by OCC for clearance and prior to a deadline established by OCC, which deadline would occur before the initial variation payment, the Price Differential Spread Executor may access OCC's systems to change its initial election with respect to such trades as between using the Spread Engine Prices and using the Spread Settle Prices. ELX has informed OCC that Price Differential Spread traders require the flexibility to choose between the prices being used for clearing their Price Differential Spreads for purposes of allowing them to allocate trades among multiple customers at an equitable price similar to the average pricing functionality that already exists in OCC's trade allocation process, and that the implementation of this new post-trade process will be consistent with existing practices in the futures industry. ELX also has informed OCC that Price Differential Spread transactions will not affect the prices at which trades are publicly reported.

Except in the case where the counterparty to a leg of a Price Differential Spread enters into the trade as part of its own Price Differential Spread and elects to record the trade using the Spread Settle Price, the counterparty sees the trade as an ordinary stand-alone futures transaction and OCC will record the trade on behalf of the counterparty using the Spread Engine Price. Therefore, continuing the example, in a case where the Price Differential Spread Executor chooses to use the Spread Settle Prices for clearing a Price Differential Spread, the trades as recorded on OCC's books and records for the Price Differential Spread Executor will use a different set of prices (*i.e.*, $117.90 and $118.85) from those recorded for counterparty A and

[3] Assume instead that the front leg is the purchase of a futures contract at $118.95 and the back leg is the sale of a futures contract at $118.00. The price differential is still $0.95. If the Price Differential Spread Executor elects to use the Spread Settle Prices at the time it submits the order, OCC will initially record the front leg at $117.90 and the back leg at $116.95 (which is the $117.90 contract price minus the price differential of $0.95 because the front leg is the purchase of a futures contract).

counterparty B (*i.e.*, \$118.00 and \$118.95). However, the aggregate amount of the variation payments that the Price Differential Spread Executor will pay to or collect from OCC will be the same (except for very small discrepancies due to rounding differences as further described below) regardless of which set of prices is used to calculate variation payments because the price differential between the two legs of the Price Differential Spread is the same (*i.e.*, \$0.95). Accordingly, and subject to the treatment of rounding differences as described in the following paragraphs, OCC's clearing system will be in balance because the variation payments due to or from the Price Differential Spread Executor on the futures contracts executed as part of the Price Differential Spread will equal the amount due to or from the counterparties to those transactions on an aggregate basis even if not on a contract-by-contract basis.

When the Price Differential Spread Executor records the trades using the Spread Settle Prices, rounding the Spread Settle Prices to the nearest applicable minimum price increment when the initial variation payments on the trades are calculated may result in the Price Differential Spread Executor paying slightly more, or receiving slightly less, than it would have paid or received if it had elected to record the trades using the Spread Engine Prices. In either case the amount will be no more than one cent per contract. The amount by which the Price Differential Spread Executor receives slightly less, or pays slightly more, than it would have otherwise paid or received with respect to the trades will fund the amount by which other Price Differential Spread Executors are entitled to receive more, or pay less, as a result of OCC's rounding procedures.

While all such discrepancies in variation payments due to OCC's rounding procedures should net to zero when averaged over time, they may not net to precisely zero on any business day. Any net excess received by OCC on any business day will be contributed to a

"Rounding Fund" and will be carried forward to fund any net amount that OCC may be required to pay on subsequent days. In order to ensure that there is always a sufficient positive balance in the Rounding Fund to fund any such net amount that may be owed by OCC, a cushion is needed. Accordingly, ELX has agreed in an amendment to the Clearing Agreement between OCC and ELX to provide OCC an initial amount of $5,000 as a contribution to the Rounding Fund and to contribute additional amounts as reasonably required by OCC to provide a larger cushion should growth in product volume deem such additional amounts to be required. The Rounding Fund will be held by OCC in one or more bank accounts used by OCC to make daily cash settlements with Clearing Members so that it will be automatically available to fund variation payments as needed, and so as to eliminate the expense and operational risk of unnecessary funds transfers. OCC will maintain a record of the amount held in the Rounding Fund on OCC's own books and records. If at any time ELX ceases to clear transactions through OCC or ceases to permit Price Differential Spread transactions, OCC will pay any amount left in the Rounding Fund to ELX.

OCC proposes to make the following amendments to its By-Laws and Rules in order to accommodate clearance of Price Differential Spreads. OCC proposes to add a new Rule 1301A. to (i) define Price Differential Spreads,[4] (ii) require the listing exchange to include the Spread Engine Price and the Spread Settle Price, as well as to identify (separately with respect to each counterparty to the trade, if applicable) which of the two prices is to be initially recorded as the contract price and the Price Differential Spread ID, in each of the matched trade reports that the listing exchange sends to OCC with respect to Price Differential Spreads, (iii) permit a Clearing Member to choose, post trade, the contract prices to be used for clearing its Price

[4] OCC also proposes to add the term "Price Differential Spread" to Article I of its By-Laws as a cross reference to Rule 1301A., where the term is actually defined.

Differential Spread trades, and (iv) highlight the rounding issue described above. OCC would also make a minor conforming amendment to Rule 1301.

In addition, OCC and ELX propose to enter into Amendment 1 to the Agreement for Clearing and Settlement Services dated December 5, 2008, between OCC and ELX to accommodate Price Differential Spreads. A copy of proposed Amendment 1 is attached hereto as Exhibit 5.

* * *

The proposed changes to OCC's By-Laws and Rules are consistent with the purposes and requirements of Section 17A of the Securities Exchange Act of 1934, as amended, because they effect a change in an existing service of OCC that does not adversely affect the safeguarding of securities or funds in OCC's custody or control or for which OCC is responsible or significantly affect the respective rights or obligations of OCC or persons using its securities clearing services. The proposed rule change is not inconsistent with any rules of OCC, including any 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 have any material adverse impact 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 has 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.

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

OCC is filing the proposed rule change for immediate effectiveness pursuant to Section 19(b)(3) of the Exchange Act and Rule 19b-4(f)(4) thereunder. Pursuant to Rule 19b-4(f)(4), a rule change may take effect upon filing with the Commission if it effects a change in an existing service of OCC that does not (i) adversely affect the safeguarding of securities or funds in OCC's custody or control or for which OCC is responsible or (ii) significantly affect the respective rights or obligations of OCC or persons using the service. Price Differential Spreads are limited to exchange transactions in futures contracts within the CFTC's exclusive jurisdiction, and OCC will therefore clear Price Differential Spreads in its capacity as a registered derivatives clearing organization under the CFTC's regulatory jurisdiction. This rule change will not affect the safeguarding of funds or securities in OCC's possession because OCC will apply the same procedures and safeguards to the clearing of these contracts that it does to the clearing of securities options and security futures over which the Commission has direct regulatory authority. The respective rights and obligations of OCC and Clearing Members with respect to matters within the Commission's jurisdiction will be unaffected.

Item 8. Proposed Rule Change Based on Rules of 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. Exhibits

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

Exhibit 5 Amendment 1 to the Agreement for Clearing and Settlement Services.

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 Szarmack

Stephen Szarmack
Vice President and
Associate General Counsel

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-___________; File No. SR-OCC-2011-06

SELF-REGULATORY ORGANIZATION

Proposed Rule Change By
The Options Clearing Corporation

Provides OCC with the Ability
To Clear and Settle a Price
Differential Spread Futures
Transaction

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 ___________________________, 2011, 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. <u>Self-Regulatory Organization's Statement of the Terms of the Substance of the Proposed Rule Change</u>

The proposed rule change would accommodate the clearing and settling of a transaction type called a Price Differential Spread for purposes of effecting exchange transactions in futures contracts.

III. 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

The purpose of this proposed rule change is to amend OCC's By-Laws and Rules to accommodate the proposed introduction by ELX Futures L.P. ("ELX"), an electronic futures market that is designated as a contract market by the Commodity Futures Trading Commission ("CFTC"), of a transaction type called Price Differential Spread ("Price Differential Spread") for purposes of effecting exchange transactions in futures contracts.[1] A Price Differential Spread is a pair of transactions resulting from a type of order where the party placing the order seeks to simultaneously buy and sell futures contracts on the same underlying interest but with different contract months (each such transaction referred to herein as a "leg" of the Price Differential Spread), provided that the price at which contracts are bought in one leg less the price at which contracts are sold in the other leg (the "price differential") is no greater than the limit specified by such party (such limit referred to herein as the "maximum price differential"). Price Differential Spreads are principally used to roll futures positions forward into futures with the same underlying interest but a further out delivery date. In such a transaction, the cost to the

[1] OCC understands that similar transactions are used by at least one other futures exchange.

party rolling the positions forward is determined solely by the difference between the prices at which the two legs of the Price Differential Spread are executed and the price of either leg alone is not relevant. As discussed below, by allowing a Clearing Member to use contract prices that are based on the previous day's exchange-reported closing price, the actual price differential is highlighted and allocation of equivalent transactions among different customers is facilitated. For purposes of illustration, assume that the "front leg" of a Price Differential Spread (*i.e.*, the leg in which contracts with the nearer contract month are bought or sold) is the sale of futures contracts and the "back leg" (*i.e.*, the leg in which contracts with the more distant contract month are bought or sold) is the purchase of futures contracts.

When submitting a Price Differential Spread order to ELX, the trader will specify the maximum price differential and ELX will attempt to match the two legs of the Price Differential Spread based on available orders (not limited to Price Differential Spread orders) from other traders. Assume that a Clearing Member submits a Price Differential Spread order (such Clearing Member referred to herein as the "Price Differential Spread Executor") to sell a March SYM contract and buy a June SYM contract with a maximum price differential of $1.00 and ELX matches the front leg to counterparty A, who buys the March SYM contract at $118.00, and the back leg to counterparty B, who sells the June SYM contract at $118.95. In this case, the price differential between the two legs, based on matched trade prices, is $0.95 (which is lower than the $1.00 maximum price differential that the Price Differential Spread Executor has specified).

Price Differential Spreads are differentiated from other futures transactions cleared by OCC in that the Price Differential Spread Executor may choose, at the time it submits the order, to (i) record the contract prices of both legs of a Price Differential Spread at the prices at which the contracts are matched on the exchange ("Spread Engine Prices"), or (ii) record the contract price of the front leg at the exchange-reported closing price on the immediately preceding trading day for the contracts bought or sold in the front leg (the "prior day closing price"), and record the contract price of the back leg at (A) the contract price of the front leg plus the price differential, if the front leg is the sale of futures contracts, or (B) the contract price of the front leg less the price differential, if the front leg is the purchase of futures contracts ("Spread Settle Prices"). After matching both legs of a Price Differential Spread, ELX will send a pair of matched trade reports to OCC, each of which will identify the buyer, the seller, the futures contract traded, the exchange-assigned identification number (the "Price Differential Spread ID") connecting the two legs of the Price Differential Spread, the Spread Engine Price and the Spread Settle Price. The matched trade report also will indicate the price type (*i.e.*, the Spread Engine Price or the Spread Settle Price) that OCC should use to record the trade on behalf of the Price Differential Spread Executor.[2] Continuing the example, assume that the prior day closing price for the March SYM contract was $117.90. If the Price Differential Spread Executor elects to use the Spread Engine Prices at the time it submits the order, OCC will initially record the front leg at $118.00 and the back leg at $118.95. Alternatively, if the Price Differential Spread Executor elects to use the Spread Settle Prices at the time it submits the order, OCC will initially record the front leg at

[2] In the case where each counterparty to the trade has entered into the trade as part of its own Price Differential Spread, the matched trade report will identify separately with respect to each counterparty the price to be initially recorded as the contract price and the Price Differential Spread ID.

\$117.90 and the back leg at \$118.85 (which is the sum of the \$117.90 contract price for the front leg plus the price differential of \$0.95 because the front leg is the sale of a futures contract).[3] In addition, after the two legs of the Price Differential Spread have been accepted by OCC for clearance and prior to a deadline established by OCC, which deadline would occur before the initial variation payment, the Price Differential Spread Executor may access OCC's systems to change its initial election with respect to such trades as between using the Spread Engine Prices and using the Spread Settle Prices. ELX has informed OCC that Price Differential Spread traders require the flexibility to choose between the prices being used for clearing their Price Differential Spreads for purposes of allowing them to allocate trades among multiple customers at an equitable price similar to the average pricing functionality that already exists in OCC's trade allocation process, and that the implementation of this new post-trade process will be consistent with existing practices in the futures industry. ELX also has informed OCC that Price Differential Spread transactions will not affect the prices at which trades are publicly reported.

Except in the case where the counterparty to a leg of a Price Differential Spread enters into the trade as part of its own Price Differential Spread and elects to record the trade using the Spread Settle Price, the counterparty sees the trade as an ordinary stand-alone futures transaction and OCC will record the trade on behalf of the counterparty using the Spread Engine Price. Therefore, continuing the example, in a case where the Price Differential Spread Executor chooses to use the Spread Settle Prices for clearing a Price Differential Spread, the trades as

[3] Assume instead that the front leg is the purchase of a futures contract at \$118.95 and the back leg is the sale of a futures contract at \$118.00. The price differential is still \$0.95. If the Price Differential Spread Executor elects to use the Spread Settle Prices at the time it submits the order, OCC will initially record the front leg at \$117.90 and the back leg at \$116.95 (which is the \$117.90 contract price minus the price differential of \$0.95 because the front leg is the purchase of a futures contract).

recorded on OCC's books and records for the Price Differential Spread Executor will use a different set of prices (*i.e.*, \$117.90 and \$118.85) from those recorded for counterparty A and counterparty B (*i.e.*, \$118.00 and \$118.95). However, the aggregate amount of the variation payments that the Price Differential Spread Executor will pay to or collect from OCC will be the same (except for very small discrepancies due to rounding differences as further described below) regardless of which set of prices is used to calculate variation payments because the price differential between the two legs of the Price Differential Spread is the same (*i.e.*, \$0.95). Accordingly, and subject to the treatment of rounding differences as described in the following paragraphs, OCC's clearing system will be in balance because the variation payments due to or from the Price Differential Spread Executor on the futures contracts executed as part of the Price Differential Spread will equal the amount due to or from the counterparties to those transactions on an aggregate basis even if not on a contract-by-contract basis.

When the Price Differential Spread Executor records the trades using the Spread Settle Prices, rounding the Spread Settle Prices to the nearest applicable minimum price increment when the initial variation payments on the trades are calculated may result in the Price Differential Spread Executor paying slightly more, or receiving slightly less, than it would have paid or received if it had elected to record the trades using the Spread Engine Prices. In either case the amount will be no more than one cent per contract. The amount by which the Price Differential Spread Executor receives slightly less, or pays slightly more, than it would have otherwise paid or received with respect to the trades will fund the amount by which other Price

Differential Spread Executors are entitled to receive more, or pay less, as a result of OCC's rounding procedures.

While all such discrepancies in variation payments due to OCC's rounding procedures should net to zero when averaged over time, they may not net to precisely zero on any business day. Any net excess received by OCC on any business day will be contributed to a "Rounding Fund" and will be carried forward to fund any net amount that OCC may be required to pay on subsequent days. In order to ensure that there is always a sufficient positive balance in the Rounding Fund to fund any such net amount that may be owed by OCC, a cushion is needed. Accordingly, ELX has agreed in an amendment to the Clearing Agreement between OCC and ELX to provide OCC an initial amount of $5,000 as a contribution to the Rounding Fund and to contribute additional amounts as reasonably required by OCC to provide a larger cushion should growth in product volume deem such additional amounts to be required. The Rounding Fund will be held by OCC in one or more bank accounts used by OCC to make daily cash settlements with Clearing Members so that it will be automatically available to fund variation payments as needed, and so as to eliminate the expense and operational risk of unnecessary funds transfers. OCC will maintain a record of the amount held in the Rounding Fund on OCC's own books and records. If at any time ELX ceases to clear transactions through OCC or ceases to permit Price Differential Spread transactions, OCC will pay any amount left in the Rounding Fund to ELX.

OCC proposes to make the following amendments to its By-Laws and Rules in order to accommodate clearance of Price Differential Spreads. OCC proposes to add a new Rule 1301A.

to (i) define Price Differential Spreads,[4] (ii) require the listing exchange to include the Spread Engine Price and the Spread Settle Price, as well as to identify (separately with respect to each counterparty to the trade, if applicable) which of the two prices is to be initially recorded as the contract price and the Price Differential Spread ID, in each of the matched trade reports that the listing exchange sends to OCC with respect to Price Differential Spreads, (iii) permit a Clearing Member to choose, post trade, the contract prices to be used for clearing its Price Differential Spread trades, and (iv) highlight the rounding issue described above. OCC would also make a minor conforming amendment to Rule 1301.

In addition, OCC and ELX propose to enter into Amendment 1 to the Agreement for Clearing and Settlement Services dated December 5, 2008, between OCC and ELX to accommodate Price Differential Spreads. A copy of proposed Amendment 1 is attached hereto as Exhibit 5.

* * *

The proposed changes to OCC's By-Laws and Rules are consistent with the purposes and requirements of Section 17A of the Securities Exchange Act of 1934, as amended, because they effect a change in an existing service of OCC that does not adversely affect the safeguarding of securities or funds in OCC's custody or control or for which OCC is responsible or significantly affect the respective rights or obligations of OCC or persons using its securities clearing services. The proposed rule change is not inconsistent with any rules of OCC, including any rules proposed to be amended.

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[4] OCC also proposes to add the term "Price Differential Spread" to Article I of its By-Laws as a cross reference to Rule 1301A., where the term is actually defined.

B. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

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

C. <u>Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others</u>

Written comments were not and are not intended to be solicited with respect to the proposed rule change and none have been received.

III. <u>Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action</u>

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. <u>Solicitation of Comments</u>

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-2011-06 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-OCC-2011-06. 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, 100F Fifth Street, N.E., Washington, D.C. 20549-1090. 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-2011-06 in the caption above 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:__________________

File No. SR-OCC-2011-06
Exhibit 5

AMENDMENT NO. 1
TO THE AGREEMENT FOR CLEARING AND SETTLEMENT SERVICES

This Amendment No. 1 to the Agreement for Clearing and Settlement Services dated December 5, 2008 (the "Agreement") is entered into this ___ day of June, 2011, by The Options Clearing Corporation (the "Corporation") and ELX Futures L.P. (the "Market"). Capitalized terms used but not defined herein have the meanings given them in the Agreement.

WHEREAS, the Agreement provides for the engagement of the Corporation by the Market to provide clearing and settlement services for futures contracts that are traded on the Market;

WHEREAS, the parties desire to amend the Agreement to set forth the Market's obligations to fund the "Rounding Fund" established by the Corporation in connection with providing clearing and settlement services for transactions in futures contracts that are executed by Clearing Members through the Market as Price Differential Spreads;

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the parties agree as follows:

1. **The following paragraph is added as a new Section 13(e):**

   (e) With respect to transactions in futures contracts that are executed by Clearing Members through the Market as Price Differential Spreads, the Market shall contribute an initial amount of $5,000 to the "Rounding Fund" established by the Corporation in connection with providing clearing and settlement services for such transactions. Rounding differences resulting from the determination of "Settle Prices" shall be debited from and credited to the Rounding Fund as provided in the Corporation's Rules. If at any time the balance in the Rounding Fund falls below $3,000, the Market shall contribute the amount necessary to increase the balance of the Rounding Fund to $5,000. In addition, the Market shall contribute additional amounts to the Rounding Fund as reasonably required by the Corporation as a result of growth in transaction volume or other factors. The Corporation shall maintain on its books a daily record of the amount held in the Rounding Fund. If at any time the Corporation ceases to clear transactions executed through the Market as Price Differential Spreads or the Rounding Fund becomes, in the reasonable judgment of the Corporation, unnecessary for any reason, the Corporation shall promptly pay any amount left in the Rounding Fund to the Market.

2. **In Section 13(d), the reference to "Section 13(b)" shall be corrected to "Section 13(d)."**

3. This Amendment No. 1 to the Agreement shall be effective on the execution hereof by all parties. Except as specifically amended herein, the Agreement is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed. The parties

agree that this Amendment No. 1 may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

Agreed to:

The Options Clearing Corporation	**ELX Futures L.P.**
By:____________________________	**By:**____________________________
Its:____________________________	**Its:**____________________________