



October 18, 2012

VIA ELECTRONIC MAIL

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

Re: Rule Filing SR-OCC-2012-19 Rule Certification

Dear Secretary Stawick:

Enclosed is a copy of the above-referenced rule filing, which The Options Clearing Corporation ("OCC") is submitting pursuant to the self-certification procedures of Commodity Futures Trading Commission (the "CFTC" or "Commission") Regulation 40.6. The date of implementation of the rule is the later of 10 business days following receipt of the rule filing by the CFTC hereof 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. The text of the amended rule filing is set forth at Item 1 of the enclosed filing.

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

Explanation and Analysis

The purpose of this proposed rule change is to implement a minimum clearing fund size equal to 110% of the amount of committed credit facilities secured by the clearing fund to ensure that the amount of the clearing fund always exceeds the required collateral value that would be necessary for OCC to be able to draw in full on such credit facilities. OCC's clearing fund is primarily intended to provide a high degree of assurance that market integrity will be maintained in the event that one or more clearing members or other specified entities to which OCC has credit exposure fails to meet its obligations.¹ This includes the potential use of the clearing fund as a source of liquidity should it ever be the case that OCC is unable to obtain prompt delivery of, or convert promptly to cash, any asset credited to the account of a suspended clearing member.

¹ Under Article VIII, Section 1 of OCC's By-Laws, the clearing fund may be used to pay losses suffered by OCC: (1) as a result of the failure of a clearing member to perform its obligations with regard to any exchange transaction accepted by OCC; (2) as a result of a clearing member's failure to perform its obligations in respect of an exchange transaction or an exercised/assigned options contract, or any other contract or obligations in respect of which OCC is liable; (3) as a result of the failure of a clearing member to perform its obligations in respect of stock loan or borrow positions; (4) as a result of a liquidation of a suspended clearing member's open positions; (5) in connection with protective transactions of a suspended clearing member; (6) as a result of a failure of any clearing member to make any other required payment or to render any other required performance; or (7) as a result of a failure of any bank or securities or commodities clearing organization to perform its obligations to OCC.

On September 23, 2011, the SEC approved a proposed rule change by OCC to establish the size of OCC's clearing fund as the amount that is required, within a confidence level selected by OCC, to sustain the maximum anticipated loss under a defined set of scenarios as determined by OCC, subject to a minimum clearing fund size of \$1 billion.² OCC implemented this change in May 2012. Until that time, the size of OCC's clearing fund was calculated each month as a fixed percentage of the average total daily margin requirement for the preceding month, provided that the calculation resulted in a clearing fund of \$1 billion or more.³

Under the formula that is implemented for determining the size of the clearing fund as a result of the May 2012 change, OCC's Rules provide that the amount of the fund is equal to the larger of the amount of the charge to the fund that would result from (i) a default by the single "clearing member group"⁴ whose default would be likely to result in the largest draw against the clearing fund or (ii) an event involving the near-simultaneous default of two randomly-selected "clearing member groups" in each case as calculated by OCC with a confidence level selected by OCC.⁵ The size of the clearing fund continues to be recalculated monthly, based on a monthly averaging of daily calculations for the previous month, and it is subject to a requirement that its minimum size may not be less than \$1 billion.

This minimum dollar size for OCC's clearing fund is the subject of this proposed rule change. OCC maintains committed credit facilities that are secured by the clearing fund in order to provide a source of liquidity in the event of a default by a clearing member or one of OCC's settlement banks. The change arises out of a regular review that OCC conducts in order to determine the appropriate aggregate amount of such committed credit facilities. In addition to its liquidity exposure to the potential failure of a clearing member, OCC also evaluates its liquidity exposure to settlement banks in respect of their ability to wire net settlement proceeds in time for OCC to meet its settlement obligations at one or more of OCC's other settlement banks as well as OCC's credit exposure to banks that issue letters of credit on behalf of clearing members as a form of margin.

OCC's committed credit facilities are secured by assets in the clearing fund and certain margin deposits of suspended clearing members. In light of the uncertainty regarding the amount of margin assets of a suspended clearing member that might be eligible at any given point to support borrowing under the secured credit facilities, OCC has considered the availability of funds based on a consideration of the amount of the clearing fund deposits available as collateral. To draw on the full amount of its credit facilities secured by the clearing fund, the size of the clearing fund would need to be approximately \$2.2 billion. The \$2.2 billion figure reflects a 10%

² Securities Exchange Act Release No. 34-65386 (September 23, 2011), 76 FR 60572 (September 29, 2011) (SR-OCC-2011-10).

³ If the calculation did not result in a clearing fund size of \$1 billion or more, then the percentage of the average total daily margin requirement for the preceding month that resulted in a fund level of at least \$1 billion would be applied. However, in no event was the percentage permitted to exceed 7%. With the rule change approved in September 2011, this 7% limiting factor on the minimum clearing fund size was eliminated.

⁴ The term "clearing member group" is defined in OCC's By-Laws to mean a clearing member and any member affiliates of the clearing member.

⁵ Initially, the confidence levels employed by OCC in calculating the charge likely to result from a default by OCC's largest "clearing member group" and the default of two randomly-selected "clearing member groups" were approved by the SEC at 99% and 99.9%, respectively. However, the SEC approval order notes that OCC retains discretion to employ different confidence levels in these calculations provided that OCC will not employ confidence levels of less than 99% without first filing a proposed rule change.

increase above the total size of such credit facilities, which is meant to account for the percentage discount applied to collateral pledged by OCC in determining the amount available for borrowing.

Based on monthly recalculation information, the size of OCC's clearing fund during the period from July 2011 to July 2012 was less than \$2.2 billion on eight occasions. Therefore, to address the risk that the assets in the clearing fund might at any time be insufficient to enable OCC to meet potential liquidity needs by fully accessing its committed credit facilities that are secured by the clearing fund, the proposed rule change would amend the requirement that the minimum size of the clearing fund cannot be less than \$1 billion by providing instead that the minimum clearing fund size would be equal to the greater of either \$1 billion or 110% of the amount of such committed credit facilities. OCC proposes to denote the credit facility component of the minimum clearing fund requirement as a percentage of the total amount of the credit facilities that OCC actually secures with clearing fund assets because OCC negotiates these credit facility agreements, including size and other terms, on an annual basis and the total size is therefore subject to change.

The proposed rule change is designed to implement a minimum clearing fund size to permit OCC to draw in full on its committed credit facilities that are secured by the clearing fund and is consistent with DCO Core Principle B (Financial Resources), which, in relevant part, requires each DCO to possess financial resources that, at a minimum, exceed the total amount that would enable the DCO to "meet its financial obligations to its members and participants notwithstanding a default by the member or participant creating the largest financial exposure for that [DCO] in extreme but plausible market conditions ... "

Deletions are indicated by bold brackets.

Opposing Views

No opposing views were expressed related to the rule amendments.

Notice of Pending Rule Certification

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.

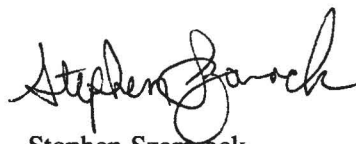
Certification

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.

David Stawick
October 18, 2012
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Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Szarmack". The signature is written in a cursive, flowing style with a large initial 'S'.

Stephen Szarmack

Enclosure

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

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. The purpose of the proposed rule change and advance notice filing is to implement a minimum clearing fund size designed to permit OCC to draw in full on its committed credit facilities that are secured by the clearing fund.

**THE OPTIONS CLEARING CORPORATION
RULES**

* * *

**Chapter X
Clearing Fund Contributions****Amount of Contribution**

RULE 1001. (a) – (c) [no change]

...Interpretations and Policies:

.01 Notwithstanding the foregoing provisions of Rule 1001, in no event shall the total size of the clearing fund be set at less than the greater of either \$1 billion or 110% of the size of the committed credit facilities of the Corporation that are secured by the clearing fund on the date of the calculation.

Item 2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors of OCC at a meeting held on July 24, 2012.

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 implement a minimum clearing fund size equal to 110% of the amount of committed credit facilities secured by the clearing fund to ensure

that the amount of the clearing fund always exceeds the required collateral value that would be necessary for OCC to be able to draw in full on such credit facilities. OCC's clearing fund is primarily intended to provide a high degree of assurance that market integrity will be maintained in the event that one or more clearing members or other specified entities to which OCC has credit exposure fails to meet its obligations.¹ This includes the potential use of the clearing fund as a source of liquidity should it ever be the case that OCC is unable to obtain prompt delivery of, or convert promptly to cash, any asset credited to the account of a suspended clearing member.

On September 23, 2011, the Commission approved a proposed rule change by OCC to establish the size of OCC's clearing fund as the amount that is required, within a confidence level selected by OCC, to sustain the maximum anticipated loss under a defined set of scenarios as determined by OCC, subject to a minimum clearing fund size of \$1 billion.² OCC implemented this change in May 2012. Until that time, the size of OCC's clearing fund was

¹ Under Article VIII, Section 1 of OCC's By-Laws, the clearing fund may be used to pay losses suffered by OCC: (1) as a result of the failure of a clearing member to perform its obligations with regard to any exchange transaction accepted by OCC; (2) as a result of a clearing member's failure to perform its obligations in respect of an exchange transaction or an exercised/assigned options contract, or any other contract or obligations in respect of which OCC is liable; (3) as a result of the failure of a clearing member to perform its obligations in respect of stock loan or borrow positions; (4) as a result of a liquidation of a suspended clearing member's open positions; (5) in connection with protective transactions of a suspended clearing member; (6) as a result of a failure of any clearing member to make any other required payment or to render any other required performance; or (7) as a result of a failure of any bank or securities or commodities clearing organization to perform its obligations to OCC.

² Securities Exchange Act Release No. 34-65386 (September 23, 2011), 76 FR 60572 (September 29, 2011) (SR-OCC-2011-10).

calculated each month as a fixed percentage of the average total daily margin requirement for the preceding month, provided that the calculation resulted in a clearing fund of \$1 billion or more.³

Under the formula that is implemented for determining the size of the clearing fund as a result of the May 2012 change, OCC's Rules provide that the amount of the fund is equal to the larger of the amount of the charge to the fund that would result from (i) a default by the single "clearing member group"⁴ whose default would be likely to result in the largest draw against the clearing fund or (ii) an event involving the near-simultaneous default of two randomly-selected "clearing member groups" in each case as calculated by OCC with a confidence level selected by OCC.⁵ The size of the clearing fund continues to be recalculated monthly, based on a monthly averaging of daily calculations for the previous month, and it is subject to a requirement that its minimum size may not be less than \$1 billion.

This minimum dollar size for OCC's clearing fund is the subject of this proposed rule change. OCC maintains committed credit facilities that are secured by the clearing fund in order to provide a source of liquidity in the event of a default by a clearing member or one of OCC's settlement banks. The change arises out of a regular review that OCC conducts in order to

³ If the calculation did not result in a clearing fund size of \$1 billion or more, then the percentage of the average total daily margin requirement for the preceding month that resulted in a fund level of at least \$1 billion would be applied. However, in no event was the percentage permitted to exceed 7%. With the rule change approved in September 2011, this 7% limiting factor on the minimum clearing fund size was eliminated.

⁴ The term "clearing member group" is defined in OCC's By-Laws to mean a clearing member and any member affiliates of the clearing member.

⁵ Initially, the confidence levels employed by OCC in calculating the charge likely to result from a default by OCC's largest "clearing member group" and the default of two randomly-selected "clearing member groups" were approved by the Commission at 99% and 99.9%, respectively. However, the Commission approval order notes that OCC retains discretion to employ different confidence levels in these calculations provided that OCC will not employ confidence levels of less than 99% without first filing a proposed rule change.

determine the appropriate aggregate amount of such committed credit facilities. In addition to its liquidity exposure to the potential failure of a clearing member, OCC also evaluates its liquidity exposure to settlement banks in respect of their ability to wire net settlement proceeds in time for OCC to meet its settlement obligations at one or more of OCC's other settlement banks as well as OCC's credit exposure to banks that issue letters of credit on behalf of clearing members as a form of margin.

OCC's committed credit facilities are secured by assets in the clearing fund and certain margin deposits of suspended clearing members. In light of the uncertainty regarding the amount of margin assets of a suspended clearing member that might be eligible at any given point to support borrowing under the secured credit facilities, OCC has considered the availability of funds based on a consideration of the amount of the clearing fund deposits available as collateral. To draw on the full amount of its credit facilities secured by the clearing fund, the size of the clearing fund would need to be approximately \$2.2 billion. The \$2.2 billion figure reflects a 10% increase above the total size of such credit facilities, which is meant to account for the percentage discount applied to collateral pledged by OCC in determining the amount available for borrowing.

Based on monthly recalculation information, the size of OCC's clearing fund during the period from July 2011 to July 2012 was less than \$2.2 billion on eight occasions. Therefore, to address the risk that the assets in the clearing fund might at any time be insufficient to enable OCC to meet potential liquidity needs by fully accessing its committed credit facilities that are secured by the clearing fund, the proposed rule change would amend the requirement that the minimum size of the clearing fund cannot be less than \$1 billion by providing instead that the minimum clearing fund size would be equal to the greater of either \$1 billion or 110% of the amount of such committed credit facilities. OCC proposes to denote the credit facility

component of the minimum clearing fund requirement as a percentage of the total amount of the credit facilities that OCC actually secures with clearing fund assets because OCC negotiates these credit facility agreements, including size and other terms, on an annual basis and the total size is therefore subject to change.

* * *

OCC believes that the proposed rule change is consistent with Section 17A of the Securities Exchange Act of 1934 (“Act”)⁶ and the rules and regulations thereunder because the proposed modifications would help ensure that the Rules of OCC are designed to promote the prompt and accurate clearance and settlement of securities transactions⁷ by requiring a minimum clearing fund size that would enable OCC to draw in full on its committed credit facilities that are secured by the clearing fund.

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

OCC does not believe that the proposed rule change would impose a 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.

⁶ 15 U.S.C. 78q-1.

⁷ 15 U.S.C. 78q-1(b)(3)(F).

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

Not applicable.

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. 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

OCC is filing this proposed rule change as an “advance notice” pursuant to Section 806(e)(2) of the Payment, Clearing, and Settlement Supervision Act of 2010 because the proposed change to define the minimum amount of clearing fund as the greater of either \$1 billion or 110% of the amount of committed credit facilities secured by the clearing fund could be deemed to materially affect the nature or level of risks presented by OCC.

OCC believes this proposed change to the method of determining the minimum size of the clearing fund would reduce OCC’s liquidity risk by helping to ensure that if OCC were ever unable to obtain prompt delivery of, or convert promptly to cash, any asset credited to the account of a suspended clearing member, OCC would, at minimum, maintain sufficient assets in its clearing fund to be able to fully collateralize and draw on its committed lines of credit. OCC believes that the proposed rule change would also help mitigate the credit risk that OCC poses to its clearing members through its central counterparty and guaranteed settlement services by helping to ensure that OCC may access the full amount of its committed credit facilities secured by the clearing fund to meet its settlement obligations.

OCC proposes to manage the risk that a minimum clearing fund size of 110% of the credit facilities secured by the clearing fund would ever result in a clearing fund size that is otherwise inadequate to support OCC's operations as a registered clearing agency by preserving the existing requirement that the minimum clearing fund size shall in no event be set at less than \$1 billion.


Item 11. Exhibits

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

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