Required fields are shown with yellow backgrounds and asterisks.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2024 - * 013
Amendment No. (req. for Amendments *)

Filing by Options Clearing Corporation

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

Initial * ☑ Amendment * ☐ Withdrawal ☐

Section 19(b)(2) * ☑ Section 19(b)(3)(A) * ☐ Section 19(b)(3)(B) * ☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐ Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed rule change to modify the Options Clearing Corporation's By-Laws and Rules primarily to discontinue certain outmoded or unused products and services

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * [redacted] Last Name * [redacted]

Title * [redacted]

E-mail * RuleFilings@theocc.com

Telephone * [redacted] Fax

Signature

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

Date 09/13/2024

By [redacted]
(Name *)

(Title *) [redacted]

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

[redacted] Digitally signed by [redacted]
Date: 2024.09.13 09:48:16 -05'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *

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SR-OCC-2024-013 19b-4_Renaissan

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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SR-OCC-2024-013 Ex 1A.doc

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2- Notices, Written Comments, Transcripts, Other Communications

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

☐ Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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SR-OCC-2024-013 Ex 3 - REDACTED

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

☐ Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add | Remove | View

SR-OCC-2024-013 Ex 5A ByLaws.doc
SR-OCC-2024-013 Ex 5B Rules.docx

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

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

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act" or "Act"),[1] and Rule 19b-4 thereunder,[2] The Options Clearing Corporation ("OCC" or the "Corporation") is filing with the Securities and Exchange Commission ("SEC" or "Commission") this proposed rule change to make modifications to its By-Laws and Rules primarily to discontinue certain outmoded or unused products and services.

Proposed changes to OCC's By-Laws are contained in Exhibit 5A that OCC provided as part of File No. SR-OCC-2024-013. Proposed changes to OCC's Rules are contained in Exhibit 5B that OCC provided as part of File No. SR-OCC-2024-013. Material proposed to be added is underlined and material proposed to be deleted is marked in strikethrough text.

All terms with initial capitalization that are not defined herein have the same meaning as set forth in the OCC By-Laws and Rules.[3]

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 October 15, 2020.

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

OCC is the sole clearing agency for standardized equity options listed on national securities exchanges registered with the Commission. OCC also clears certain stock loan and futures transactions. In its role as a clearing agency, OCC acts as a central counterparty ("CCP")

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 OCC's By-Laws and Rules can be found on OCC's public website: https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules.

guarantying all contracts it clears, meaning OCC becomes the buyer to every seller and the seller to every buyer (or the lender to every borrower and the borrower to every lender, in the case of stock loan transactions). As a CCP, OCC maintains a platform called ENCORE consisting of OCC's core clearing, risk management, and data management applications launched in 2000. Among other functions, ENCORE serves as OCC's real-time processing engine, receiving trade and post-trade data from a variety of sources on a transaction-by-transaction basis to facilitate OCC's clearance and settlement operations. OCC intends to retire ENCORE and implement a new, updated clearance and settlement system, known as "Ovation," that will leverage more current technology and enhanced security features. Ovation is designed to provide a more robust solution to meet market participants' needs and OCC's responsibilities, including in OCC's role as a systemically important financial market utility. As part of the transition to the Ovation system, OCC is considering which features of ENCORE should be carried over to Ovation and which should be retired, as well as other updates to its By-Laws and Rules to conform to current capability and support future requirements.

A. Purpose

This proposed change by OCC would modify the By-Laws and Rules to address certain outmoded or unused functions or products that OCC proposes to discontinue. OCC also proposes certain miscellaneous changes to provide greater clarity to its By-Laws and Rules.[4]

First, OCC proposes to no longer facilitate the settlement of commissions and fees owed between Clearing Members that are party to a Clearing Member Trade Assignment ("CMTA")

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4 OCC is also proposing these changes, with a view toward its planned transition to a new core clearing system, which OCC calls Ovation.

arrangement. OCC members have not used or expressed an interest in having OCC facilitate such settlement of commissions and fees. Second, OCC proposes to delete provisions related to OTC option products because these OTC option products are not currently traded.

Third, OCC proposes to no longer require that Clearing Members maintain records of both parties to a trade because trade counterparty information is not necessary for OCC's clearing and settlement purposes. Accordingly, OCC has not developed Ovation to aggregate such information and provide it to Clearing Members for purposes of compliance with this rule. Implementing this non-clearing data element in Ovation would require significant investment of resources to develop functionality that could impact Ovation's release timeline.

Fourth, OCC proposes to amend its Rules to provide that when a Clearing Member wants to "give-up" one or more positions in cleared contracts that are futures or futures options to another Clearing Member, it need not designate the specific account of the Given-Up Clearing Member to which such positions must be allocated. Rather, the Given-Up Clearing Member will be able to indicate the account to which it wishes the futures or futures options positions to be allocated in order to provide more flexibility to Clearing Members and better facilitate give-up allocations to the appropriate account.

Fifth, OCC proposes to clarify that, when an opening or closing indicator is not included on a trade for an options or a futures contract, OCC will default the trade to an opening position for all account types, including market makers. Defaulting to an open position when there is no indicator will help ensure that an existing position is not inadvertently closed out.

Sixth, OCC proposes to amend its Rules to reflect that when a particular class of exercised options is subject to broker-to-broker settlement, the settlement obligation will not be

considered discharged until both the Delivering and Receiving Clearing Member submit matching notices as to the number of units of the underlying security delivered (received). This change will better reflect the manner in which OCC currently handles broker-to-broker settlements.

Seventh, OCC also proposes to delete the "associated Market Maker" account subtype, which is not currently used by Clearing Members.

Proposed Rule Changes

As noted, this proposed change by OCC is primarily designed to modify the By-Laws and Rules to address certain outmoded or unused functions or products that OCC proposes to discontinue, particularly as OCC works toward its transition to a new core clearing system. ENCORE is OCC's existing clearing system, and it was launched in 2000. Since then, it has operated as OCC's real-time processing engine to receive trade and post-trade data from a variety of sources on a transaction-by-transaction basis, maintain clearing member positions, calculate margin and clearing fund requirements, and provide reporting to OCC staff, regulators, and Clearing Members. As stated in the Commission's notice of no objection to OCC's advance notice filing related to adoption of cloud infrastructure for new clearing, risk management and data management applications,[5] OCC's objective is the eventual retirement of ENCORE and its replacement with a resilient successor clearing system, which OCC calls Ovation. In connection with this transition by OCC to a successor clearing system and the related development work to design the successor system to support an appropriate scope of operations, OCC plans to

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5 See Securities Exchange Act Release No. 96113 (Oct. 20, 2022), 87 FR 64824 (Oct. 26, 2022) (File No. SR-OCC-2021-802).

discontinue certain existing functions or products that are outmoded or unused, as described in more detail below.

The proposed rule change would amend the By-Laws and Rules to: (i) discontinue OCC's facilitation of the settlement of commissions and fees owed between Clearing Members that are party to a CMTA arrangement; (ii) remove provisions related to OTC option products that are inoperative; (iii) no longer require that Clearing Members must maintain records of both parties to a trade; (iv) provide that a Giving-Up Clearing Member in connection with futures and futures options is not required to provide instructions that identify the designated account of the Given-Up Clearing member; (v) clarify and make uniform across all account types the default treatment of confirmed trades in futures and options as opening transactions; (vi) clarify its rules about the discharge of settlement obligations when OCC directs that exercise and assignment activity for a specific class of options will be subject to broker-to-broker settlement; and (vii) delete the Associated Market-Maker account type.

OCC to No Longer Facilitate Settlement of Commissions and Fees between CMTA Clearing Members

OCC's Rules 407 and 504 currently provide for a voluntary service at the election of Clearing Members that are parties to a CMTA arrangement whereby OCC will facilitate the settlement of fees and commissions between such Clearing Members, subject to certain conditions. OCC amended its Rules in 2010 to provide for this service.[6] The service has not been used by Clearing Members since 2016, and Clearing Members have not expressed an interest in using the settlement of commissions and fees service provided by OCC in the future.

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6 See Securities Exchange Act Release No. 63120 (Oct. 15, 2010), 75 FR 65538 (Oct. 25, 2010) (File No. SR-OCC-2010-017).

As a result of the lack of Clearing Member interest in this service, OCC proposes to decommission it such that it will also not need to be supported in OCC's successor clearing system. All other aspects of OCC's Rules related to CMTA arrangements would remain unchanged.

Accordingly, OCC proposes to renumber paragraph (a)(1) to (a) and to delete paragraph (a)(2) from Rule 407, which provides that Clearing Members that are parties to a CMTA arrangement may elect to authorize OCC to settle fees and commissions owed by the Carrying Clearing Member to the Executing Clearing Member in respect of transfers effected pursuant to that arrangement.[7] OCC also proposes to delete paragraph (e) of Rule 504, which corresponds to current Rule 407(a)(2), generally providing that OCC, as agent, is authorized to effect non-guaranteed settlement of fees and commissions owed by a Carrying Clearing Member to an Executing Clearing Member for transfers effected pursuant to their registered CMTA arrangement, provided that the CMTA registration authorizes OCC to effect such settlements.[8] OCC proposes to mark paragraph (e) of Rule 504 as reserved. In addition, OCC proposes to delete the final sentence of Rule 504(g), which provides that OCC shall have no obligation to effect settlement of fees and commissions as provided in Rule 407 if either the Executing Clearing Member or the Carrying Clearing Member has been suspended by OCC.

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7 Rule 407(a)(2) further provides, among other things, that Clearing Members making such election shall specifically register that aspect of their CMTA arrangement with OCC, sets forth the authority granted to OCC for Clearing Members making such an election, and specifies that any such election becomes effective once accepted by OCC's systems.

8 Rule 504(e) further provides, among other things, that aggregate amounts to be settled are calculated based on entries made by the Executing Clearing Member, that settlements of the fees/commissions will be effected on the business days first succeeding the business day on which the Executing Clearing Member entered the information into OCC's systems.

Over-the-Counter ("OTC") Options Provisions to Be Removed

OCC's By-Laws and Rules currently permit it to clear and settle certain OTC options products, specifically OTC index options on the S&P 500 index.[9] In connection with this service, OCC's By-Laws and Rules were modified in various places to provide for the clearance and settlement of such OTC index options. Although OCC has only ever cleared OTC index options on the S&P 500 index, OCC's By-Laws and Rules were designed to support the clearance and settlement of additional OTC options using the same legal and operational framework. However, OCC has not cleared and settled an OTC option since 2014 and there is no open interest in OTC options. Clearing Members have also not expressed interest in the OTC option clearance settlement services.

As a result, OCC proposes to remove all provisions from its By-Laws and Rules[10] related to the clearance and settlement of OTC options. These changes include the deletion of the entire definitions and references to the terms "OTC options," "OTC index option," "OTC Trade Source," "OTC Trade Source Rules", "Backloaded OTC option," and "OTC Option Auction," as well as text accompanying these terms that describe OCC's role in the clearance and settlement of OTC options in the following By-Law and Rule provisions: (i) Article I of the By-Laws (Definitions);[11] (ii) Article VI of the By-Laws, Section 1, Interpretation and Policies .01(a), the

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9 See Securities Exchange Act Release No. 68434 (December 14, 2012), 77 FR 75243 (December 19, 2012) (SR-OCC-2012-14).

10 OCC notes that it is not proposing in this proposed rule change to eliminate the reference to OTC options in Rule 805 (Expiration Exercise Procedure) because it is proposing to delete such reference in another rule filing with the Commission.

11 OCC proposes to delete references to OTC options and related terms throughout the definitions in Article I of the By-Laws, including "Backloaded OTC option," "OTC Index Option Clearing Member," "origination date," "OTC index option," "OTC option," "OTC Trade Source," "OTC Trade Source Rules." OCC also proposes to delete text from the definitions of the terms "Class", "Clearing Member", "Index Multiplier",

entirety of Section 3, Interpretations and Policies .09, Section 10(b) and (g), and Section 27(a) and (b); (iii) Article XVII of the By-Laws, Introduction, Section 1 (Definitions),[12] Section 3(h) and Interpretation and Policies .01 (deleted entirely), Section 4(a)(2), Section 5(a), and the entirety of Section 6 (relating to OTC Index options); (iv) Rule 201(b)(6) (deleted entirely); (v) Rules 401(a), (a)(1)(i), (b), (d), (e), (f) and (g); (vi) Rule 405; (vii) Rule 406; (viii) Rule 407(l) (deleted entirely); (ix) Rule 408(a); (x) Rule 611(a), (b), and (d) (deleted entirely); (xi) Rule 801(b); (xii) Rule 803 Interpretation and Policy .01; (xiii) Rule 804; (xiv) Rule 1003 Interpretation and Policy .02 (deleted entirely); (xv) Rule 1104 Interpretation and Policy .03 (deleted entirely); (xvi) Rule 1105; (xvii) Rule 1106(e)(2) (deleted entirely), and Interpretation and Policy .01; (xviii) Chapter XVIII of the Rules, Introduction; (xix) Rule 1804(b), (c),[13] and Interpretation and Policy .03 (deleted entirely). OCC is not proposing changes to these provisions (unless otherwise described in this proposed rule change) other than the removal of provisions that relate to OTC options. For example, OCC proposes to modify the definition of

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"Index Value Determinant", "Trade Date", and "Variable Terms" that define what those terms mean with respect to OTC options. In addition, OCC proposes to delete text from Interpretation and Policies .01 to Section C of Article I of the By-Laws providing that the term "'Exchange transaction' was removed from the By-Laws and Rules and replaced with the term 'confirmed trade' to reflect the expansion of the Corporation's clearing activities into OTC options" because such sentence is no longer necessary given the removal of provisions related to OTC options. OCC is not proposing to revert back to the use of "Exchange transaction" in its By-Laws and Rules because OCC believes that Clearing Members are familiar with the term "confirmed trade."

12 OCC proposes to delete OTC option related provisions in the following definitions in Article XVII, Section 1: (i) "class of options," (ii) "current underlying interest value," (iii) "expiration date," (iv) "expiration time" (deleted entirely), (v) "reporting authority," and (vi) "series of options."

13 OCC proposes to delete Rule 1804(c)(1) in its entirety because it relates solely to OTC options. OCC proposes to renumber current Rule 1804(c)(2) and (3) as (c)(1) and (2).

the term "confirmed trade" in the By-Laws only to delete the provision relating to OTC options.[14]

To the extent OCC may plan to support the clearance and settlement of OTC options again in the future based on Clearing Member demand for such services, OCC would submit a proposed rule change with the Commission pursuant to Section 19(b) of the Exchange Act to reincorporate changes to its By-Laws or Rules as may be necessary for that purpose.[15]

Records of Both Parties to a Transaction to No Longer Be Required

Rule 208 currently requires, among other things, that every Clearing Member must keep records showing all confirmed trade data required pursuant to the OCC's By-Laws and Rules, including confirmed trade information reported to OCC under Rule 401. Rule 401(a)(1)(i) requires that confirmed trade details include "the identity of the Purchasing Clearing Member and the Writing Clearing Member to the transaction." As a result, Clearing Members are currently required to maintain records of the identity of the Clearing Members who are parties to a confirmed trade. Prior to the adoption of electronic trading, these records were maintained to facilitate the efficient clearing and settlement of confirmed trades and reconcile counterparty settlement obligations to avoid settlement delays and disputes. OCC currently provides such information through Encore for purposes of compliance with this Rule.

However, with the widespread adoption of electronic trading and the development of supporting market infrastructure, OCC's clearing processes and capabilities have evolved to no longer require the identities of the counterparty Clearing Members for the purposes of clearing

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[14] Specifically, OCC proposes that the definition of "confirmed trade" would no longer include a cleared contract affirmed through the facilities of an OTC Trade Source and submitted to the OCC for clearance.

[15] 15 U.S.C. 78s(b).

and settlement. Therefore, OCC would no longer require that Clearing Members maintain such records in Ovation.[16] Implementing this non-clearing data element and developing this functionality would require OCC to invest significant resources that could have an impact on Ovation's release timeline. As a result, OCC proposes to modify Rule 208 to provide, with respect to parties to a transaction, that a Clearing Member must keep records showing all confirmed trade data required pursuant to OCC's By-Laws and Rules, including confirmed trade information reported to OCC under Rule 401 "except for the identity of the counterparty Clearing Member." This change would require Clearing Members to only record trade information relevant for clearing and settlement purposes. OCC notes that because all confirmed trades in option contracts that are accepted by OCC are novated such that OCC becomes the buyer to the seller and the seller to the buyer, it is not necessary or relevant for clearance and settlement purposes to require a Clearing Member to record the identity of another Clearing Member who was originally counterparty to the transaction.

Discontinue the Requirement to Identify Designated Accounts of Given-Up Clearing Members

Rule 408 provides that one or more positions in cleared contracts may be allocated from the designated account of a Giving-Up Clearing Member to the designated account of a Given-Up Clearing Member. Currently, this system for allocation of positions is only available in connection with positions in futures contracts and options on futures contracts that are cleared and settled by OCC. These allocations are post-trade instructions to OCC that are entered by one

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16 OCC notes that Clearing Members continue to debate whether the counterparty information should be maintained given past trading precedent when this information was required. Today, the trade counterparty information is no longer required for clearing purposes. However, OCC may reconsider providing this information in the future.

Clearing Member, called the Giving-Up Clearing Member, to direct OCC that a position in a cleared contract in one of the OCC accounts of that Giving-Up Clearing Member should be moved to the designated account of the Given-Up Clearing Member. Currently, the Rules allow the Giving-Up Clearing Member to designate the account of the Given-Up Clearing Member to which the position should be allocated.

OCC proposes to add rule text to the header for Rule 408 and elsewhere in Rule 408(a) to make clear that this allocation of positions functionality is only available for futures and options on futures. Currently, Rule 408 states that the allocation functionality is available for "cleared contracts," which could be read to include securities options contracts notwithstanding that the allocation functionality is currently only available for futures and options on futures, and OCC plans for the same to be true in connection with the successor Ovation system.[17]

OCC also proposes to remove reference to the term "designated account" within the provisions of Rule 408 (a) and (b) from certain instances that refer to the Given-Up Clearing Member to clarify that the Giving-Up Clearing Member would no longer be required to specify the designated account of the Given-Up Clearing Member to which the cleared contract position should be moved. OCC proposes to then add a sentence in Rule 408(b) that would require the Given-Up Clearing Member to designate an account to which the allocation will be made. OCC will then process allocation instructions for Cleared contract positions once the Given-Up Clearing Member has designated an account in which to accept the allocations.

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[17] OCC also proposes to make similar changes to Rule 408(e) to make clear that the Rule only applies to futures and options on futures contracts. This would be done by inserting the word "futures" before references to the word "options" in Rule 408(e).

OCC proposes to also remove the last sentence of Rule 408(b) that generally describes OCC's posture in the absence of an allocation agreement,[18] which OCC believes is already addressed as part of paragraphs (b), and (d) of the Rule, and including the text would be duplicative and unnecessary. An allocation instruction, whether direct or provided through a confirmed trade, is a request by the Giving-Up Clearing Members to allocate positions to a Given-Up Clearing Member. Positions would remain in pending status awaiting the designation of an allocation account by the Given-Up Clearing Member to complete processing. Positions would move automatically if an account was designated, and an allocation agreement existed between the Giving-Up Clearing Member and the Given-Up Clearing Member. In all cases Rule 408 would provide that the Giving-Up Clearing Member would be required to allocate the cleared futures or options on futures contract position to a Given-Up Clearing Member. In turn, the Given-Up Clearing Member would be responsible for affirmatively confirming the account to which the cleared contract position should be transferred by OCC before the position would be moved by OCC from the designated account of the Giving-Up Clearing Member to the designated account of the Given-Up Clearing Member.

OCC proposes to also remove all references to "allocation agreement" in the text of Rule 408(b), and (d). OCC believes removing this text adds clarity to the rule because the text of Rule 408(c) addresses the registration of allocation agreements with OCC and declares that an allocation agreement would constitute notice of a pre-agreed instruction to OCC by the Given-

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[18] The last sentence of Rule 408(b) currently provides that If the Giving-Up Clearing Member and the Given-Up Clearing Member are not parties to an allocation agreement registered with the Corporation, then the Corporation shall adjust the positions in the respective designated accounts of the Giving-Up and Given-Up Clearing Member in accordance with the allocation instruction only upon receipt of notice from the Given-Up Clearing Member of its affirmative acceptance of the allocation.

Up and the Giving-Up Clearing Members for OCC to allocate positions to an account of the Given-Up Clearing Member without further action. If the Given-Up Clearing Member rejects the allocation or if it does not provide affirmative acceptance by the cut-off time, Rule 408 would continue to provide, as it currently does, that the positions will remain in the account of the Giving-Up Clearing Member. This proposed approach puts each Clearing Member, as applicable, in control of the account from which or to which the position in the cleared futures or futures option contract should be moved. OCC believes that this would help reduce the risk of positions being transferred to an account of the Given-Up Clearing Member that the Given-Up Clearing Member does not want to receive them.

Clarify the Default Treatment of Confirmed Trades in Options as Opening Transactions

Rule 401 addresses information that is required to be or that may be reported to OCC in connection with new confirmed trades in options, futures and BOUNDs.[19] For confirmed transactions in options that are transmitted to OCC by an options exchange, OCC does not require as a condition to OCC's acceptance and novation an indication of whether the transaction is an opening or closing transaction. Such information may be included in the confirmed trade information from the exchange, but if it is not included OCC treats the confirmed trade as an opening transaction – which has the effect of increasing the number of option contracts in the option series in the relevant account of the Clearing Member. To clarify this default treatment in Rule 401, OCC is proposing to amend current Interpretation and Policy .01 to Rule 401, which already states that this is the default treatment for confirmed trades that OCC receives in futures

[19] The term "BOUND" means a security issued by the Corporation pursuant to Article XXIV of the By-Laws and Chapter XXV of the Rules. See OCC By-Laws, Article 1.

for all Clearing Member accounts other than market-maker accounts. In revising Interpretation and Policy .01 to be applicable to confirmed trades in both options and futures, OCC is also proposing to delete the part of the provision that states that it applies the opening transaction default treatment to all accounts other than market-maker accounts. OCC believes that this revision is appropriate in respect of options and futures in Clearing Member market-maker accounts in addition to all other types of Clearing Member accounts because defaulting a trade without an open or close indicator to "open" is operationally safer and more prudent and prevents such trades from unintentionally closing an existing position. OCC believes that defaulting to open when there is no open or close indicator should also be consistent across all account types, including Market Makers.

Discharge of Settlement Obligations under Broker-to-Broker Settlement

Consistent with OCC Rule 901, settlement of exercise and assignment activity in stock options is typically made through the facilities of a correspondent clearing corporation, currently the National Securities Clearing Corporation ("NSCC"). However, in certain situations, including when a particular underlying security becomes ineligible at NSCC, OCC directs that settlement will occur on a broker-to-broker basis under Rule 903. Rule 909 then provides for the notices that the Delivering Clearing Member and Receiving Member must submit to advise OCC of the discharge of the settlement obligation.

Currently, Rule 909 provides that if one of the Clearing Members submits a notice of delivery, payment, or receipt of delivery or payment, and the contraparty fails to respond to such notice within two business days, that failure to respond constitutes the contraparty's acknowledgement that the obligation has been settled as indicated in the submitting Clearing

Member's notice, "provided that the designated delivery date has occurred."[20] However, in practice, when OCC directs broker-to-broker settlement, it also directs that if it is not possible for the Delivering Clearing Member to effect delivery of the underlying shares on the designated settlement date, then the settlement obligations of both the Delivering and Receiving Clearing Member will be delayed until such time as OCC designates a new exercise settlement date, settlement method or settlement value,[21] pursuant to OCC's authority under Section 19 of Article VI of the By-Laws (Shortage of Underlying Securities).[22] This directive allows Delivering Clearing Members the opportunity to effect settlement if they have the underlying securities and are able to effect delivery, but delays the settlement obligation when this is not possible. Under Article VI, Section 19 of the By-Laws, such settlement obligation remains delayed until either (i) OCC determines that a sufficient supply of the underlying security has become available to warrant the termination of such action and fixes a new delivery date for the contracts effected by the suspension,[23] or (ii) OCC determines that there is no reasonable likelihood that a sufficient supply of the underlying security will become available within the foreseeable future to permit the Clearing Members affected by such suspension to discharge their obligations by delivery or receipt of the underlying security. In this situation OCC will exercises its authority to fix a cash value to settle the obligation for exercised option contracts, and/or, in the event that the suspended security underlies matured, physically-settled stock futures, terminates all rights and

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20 OCC Rule 909(d).

21 See, e.g., Information Memo #53517, available at https://infomemo.theocc.com/infomemos?number=53517 (exemplative OCC Info Memo directing broker-to-broker settlement).

22 See By-Laws Article VI, Section 19(a)(2)-(3) (providing that OCC may suspend the settlement obligations of exercised options when Clearing Members are unable to deliver the underlying security).

23 See id. Section 19(b).

obligations to deliver or receive underlying securities and instead require payment and receipt of the final variation payment to fully discharge the rights and obligation for such matured, physically-settled stock futures.[24]

When such settlement obligation is delayed, the conditions under Rule 909(d) for considering a contraparty's failure to respond when the other Clearing Member marks an obligation settled is not satisfied. Accordingly, OCC proposes to amend Rule 909(d) to remove the provision directing that a contraparty's failure to respond to the other Clearing Member's settlement notice in OCC's system within two business days after such notice was made available to such Clearing Member may be treated as acknowledgement of settlement. In its place, OCC would provide that the contraparty's failure to respond would indicate that the obligation is unsettled and that OCC would maintain that status until such time as either (i) both Delivering and Receiving Clearing Members mutually agree to settle the obligation and notify OCC; or (ii) OCC settles the obligation on behalf of both Delivering and Receiving Clearing Members pursuant to OCC's policies and procedures. As amended, Rule 909(d) would clarify and better align Rule 909 with OCC's practices with respect to shortages of underlying securities under Article VI, Section 19 of the By-Laws.

OCC also proposes to make an associated clarifying change by removing text from the first paragraph of Rule 909 related to the amount received or paid for the underlying security. Currently when OCC directs broker-to-broker settlement, the Delivering and Receiving Clearing Members inform OCC of settlement by submitting notices that specify the number of units of the underlying security delivered or received and equivalent cash amounts received or paid. In

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[24] See id. Section 19(c).

practice, however, the cash amounts received or paid are systematically determined and not specified by either Delivering or Receiving Clearing Members. The practice of systematically calculating the cash amounts received or paid allows OCC to reduce operational risk and avoid processing any inaccurate notices entered by Clearing Members. OCC believes that the proposed change would clarify and conform Rule 909 with OCC's current practices.

Elimination of Associated Market Maker Sub-Account Type

Article VI, Section 3(c), of OCC's By-Laws currently allows Clearing Members to use a combined market makers' account to carry the positions of multiple proprietary Market Makers or to carry the positions of multiple associated Market Makers,[25] so long as such accounts are restricted to positions of proprietary Market Makers or associated Market Makers, respectively. Today, the associated Market Maker subaccount type is not used by Clearing Members. As a result, OCC proposes to eliminate the associated Market Maker sub-account type.

Accordingly, OCC proposes to delete the definition of an "associated Market Maker" from Article I of the By-Laws and remove provisions in the By-Laws related to associated Market Makers and the ability to establish a combined Market Maker account of associated Market Makers. Specifically, OCC proposes to delete references to an associated Market Maker and the ability to establish a combined Market Maker account from Article VI, Section 3(c) and Interpretation and Policies .03 and .06, and to revise the reference in the first sentence of Interpretations and Policies .06 to refer to Section 3(c). As amended, OCC's By-Laws would, in

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[25] An "associated Market Maker" is currently defined in Article I of OCC's By-Laws as a person maintaining an account with a Clearing Member as a Market-Maker, specialist, stock market-maker, stock specialist or Registered Trader that is a Related Person of the Clearing Member and shall include any participant, as such, in an account of which 10% or more is owned by an associated Market-Maker, or an aggregate of 10% or more of which is owned by one or more associated Market-Makers.

effect, provide for two, rather than three, combined Market Maker accounts: (i) a combined account limited to Market Makers that are not proprietary Market Makers; and (ii) a combined account limited to proprietary Market Makers.[26]

Implementation Timeframe

OCC will release and implement the proposed change described above into production concurrently with the release of Ovation and the attendant retirement of ENCORE, which is planned to launch no earlier than July of 2025. OCC will announce the implementation date of the proposed change by Information Memorandum posted to its public website at least four weeks prior to implementation. OCC plans to launch Ovation and implement the proposed change no later than December 31, 2025, and OCC will announce another intended implementation date by Information Memorandum posted to its public website if the changes will not be implemented by that date.

B. Statutory Basis

Section 17A(b)(3)(F) of the Exchange Act requires, among other things, that the rules of a clearing agency must be designed to promote the prompt and accurate clearance and settlement of securities transactions, safeguard securities and funds in its custody or control or for which it is responsible, remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, and, in general, to protect investors and the public interest; and are not designed to permit unfair discrimination among participants using the clearing agency.[27] In addition, Rule 17Ad-22(e)(21) requires OCC,

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[26] See proposed By-Law Article VI, Section 3(c), Interpretation and Policy .06.

[27] 15 U.S.C. 78q-1(b)(3)(F).

as a covered clearing agency, to establish, implement, maintain, and enforce written policies and procedures reasonably designed to be efficient and effective in meeting the requirements of its participants and the markets it serves, and have its management regularly review the efficiency and effectiveness of OCC's clearing and settlement arrangements, operating structure, and the scope of products cleared or settled.[28]

OCC believes that the proposed rule changes are consistent with these requirements because the proposed rule change is designed to decommission or render inoperative services that OCC no longer plans to provide based on the products and services demands of Clearing Members. For example, because OCC has not cleared any OTC options since 2014 and Clearing Members have not expressed an interest in using OCC to clear and settle OTC options going forward, OCC believes that removing all By-Law and Rule provisions related to OTC options promotes OCC being effective and efficient in meeting the requirements of Clearing Members with respect to the scope of products cleared and settled, consistent with Rule 17Ad-22(e)(21).[29] Similarly, OCC believes that decommissioning OCC's voluntary service for Clearing Members that are party to a CMTA to facilitate the settlement of commissions and fees, which service has not been used by Clearing Members since 2016, also promotes the efficient and effective satisfaction of the requirements of Clearing Members consistent with Rule 17Ad-22(e)(21).[30] As a third example, no Clearing Members currently use the associated Market Maker account subtype, so OCC proposes to eliminate such account type. By no longer supporting products or

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28 17 CFR 240.17Ad-22(e)(21).

29 Id.

30 Id.

services that have not been used by Clearing Members, OCC can free up resources to focus on products and services for which there is demand from Clearing Members, thereby promoting a more efficient and effective OCC to meet the requirements of Clearing Members. OCC also believes that specifying in its By-Laws and Rules which products and services are no longer available or that are currently inoperative generally serves to protect investors and the public interest who benefit from clear and transparent rulebooks, consistent with Section 17A(b)(3)(F) of the Exchange Act.[31]

Several other proposed changes would similarly promote a clear and transparent rulebook consistent with Section 17A(b)(3)(F) of the Exchange Act. [32] For example, the proposed change to Rule 408, which would make clear that the account allocation functionality is only available for futures and options on futures would eliminate any potential confusion that Clearing Members might have regarding the scope of this service. OCC's proposal to clarify that the default treatment of confirmed trades in futures and options as opening transactions in Rule 401 similarly promotes a clear and transparent rulebook and would reduce any potential concerns of a Clearing Member that a confirmed trade without having been marked as an opening position might inadvertently result in closing a Clearing Member's position.[33] For the same reasons, the proposed change to Rule 909(d) would make clear OCC's practices with respect to the discharge

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31 15 U.S.C. 78q-1(b)(3)(F).

32 Id.

33 This change would also make uniform such default treatment (as an opening transaction) across all account types (i.e., including market makers), which eliminates any potential unfair discrimination across different account types, consistent with the requirement under Section 17A(b)(3)(F) of the Exchange Act that OCC's rules not be designed to permit unfair discrimination in the use of OCC. 15 U.S.C. 78q-1(b)(3)(F).

of broker-to-broker obligations by specifying that OCC treats transactions as pending and would better align that Rule with By-Law Article VI, Section 19.[34]

OCC believes that no longer requiring that Clearing Members must maintain records of both parties to a trade (pursuant to the proposed changes to Rule 208) is consistent with Section 17A(b)(3)(I) because OCC would no longer provide the counterparty information of trades to Clearing Members party to those trades. Such information is not required for clearing and settlement purposes, and providing this information would result in OCC developing and supporting functionality that would impact OCC's implementation of Ovation. In turn, by not providing counterparty information, OCC would help ensure that its Rules do not inappropriately burden competition among its participants by forcing Clearing Members to develop and support functionality not necessary for the clearing and settlement of trades.[35]

OCC believes that the proposed changes to clarify that a Giving-Up Clearing Member is not required to provide instructions that identify the designated account of the Given-Up Clearing member serves the protection of investors and the public interest consistent with Section 17A(b)(3)(F) of the Exchange Act by providing more control to Clearing Members in allocating give-ups. For example, a Given-Up Clearing Member will have control to designate the account to which positions should be allocated and a Giving-Up Clearing Member will no longer be required to designate the specific account when it may or may not know the correct account. OCC believes that this would protect investors by reducing potential operational risk

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34 OCC also notes that all Clearing Members would continue to be treated the same under Rule 909(d) with respect to OCC's role in settling broker-to-broker transactions, which OCC believes promotes consistency with Section 17A(b)(3)(F) of the Exchange Act (prohibiting OCC's rules from being designed to permit unfair discrimination in the use of OCC).

35 15 U.S.C. 78q-1(b)(3)(I).

arising from a Giving-Up Clearing Member selecting the incorrect account of the Given-Up Clearing Member. This change would also provide a more efficient means for Giving-Up Clearing Members to ensure positions are allocated to the desired account, which efficiencies OCC believes helps removes impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions.[36]

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

Section 17A(b)(3)(I) of the Exchange Act[37] requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. OCC does not believe that the proposed rule changes related to discontinuing OCC's settlement of fees and commissions for Clearing Member CMTA arrangements, elimination of the unused associated Market Maker account subtype, and rendering OTC option services inoperative would impact or impose any burden on competition. Neither of these services have been used by Clearing Members for at least six years, and the proposed changes would apply equally to all Clearing Members. Regarding the proposed rule change to no longer require a Clearing Member to keep records of its counterparties to confirmed trades, OCC believes that this change will remove any burden on competition that could arise from Clearing Members developing solutions to support functionality not required for clearing and settlement purposes. In that regard, OCC believes that this proposed rule change promotes greater consistency with Section 17A(b)(3)(I) of the Exchange Act.[38]

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36 15 U.S.C. 78q-1(b)(3)(F)

37 15 U.S.C. 78q-1(b)(3)(I).

38 Id.

For the foregoing reasons, OCC believes that the proposed rule change is in the public interest, would be consistent with the requirements of the Exchange Act applicable to clearing agencies, and either would not impact or impose a burden on competition or would help alleviate potential burdens on competition.

Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

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

Item 6. Extension of Time Period for Commission Action

Not applicable.

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

Not applicable.

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

Not applicable.

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 Proposed Rule Change for publication in the Federal Register.

Exhibit 3. Excerpts of OCC's responses dated March 8, 2024, to questions 4 and 7 from Staff of the Commission's Office of Clearance and Settlement ("OSC") Request for Information ("RFI") dated January 23, 2024 concerning the proposed changes.

Exhibit 5A. Proposed changes to OCC's By-Laws.

Exhibit 5B. Proposed changes to OCC's Rules.

Exhibits 3 is omitted and filed separately with the Commission in connection with a request for confidential treatment pursuant to 17 CFR 240.24b-2.

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_____]; File No. SR-OCC-2024-013)

September 13, 2024

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change by The Options Clearing Corporation Concerning Modifications to its By-Laws and Rules Primarily to Discontinue Certain Outmoded or Unused Products and Services.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act" or "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on September 13, 2024, The Options Clearing Corporation ("OCC" or "Corporation") filed with the Securities and Exchange Commission ("SEC" or "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 would make modifications to its By-Laws and Rules primarily to discontinue certain outmoded or unused products and services.

Proposed changes to OCC's By-Laws are contained in Exhibit 5A that OCC provided as part of File No. SR-OCC-2024-013. Proposed changes to OCC's Rules are contained in Exhibit 5B that OCC provided as part of File No. SR-OCC-2024-013. Material proposed to be added is underlined and material proposed to be deleted is marked in strikethrough text.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

All terms with initial capitalization that are not defined herein have the same meaning as set forth in the OCC By-Laws and Rules.[3]

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, Uthe Proposed Rule Change.

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

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

OCC is the sole clearing agency for standardized equity options listed on national securities exchanges registered with the Commission. OCC also clears certain stock loan and futures transactions. In its role as a clearing agency, OCC acts as a central counterparty ("CCP") guarantying all contracts it clears, meaning OCC becomes the buyer to every seller and the seller to every buyer (or the lender to every borrower and the borrower to every lender, in the case of stock loan transactions). As a CCP, OCC maintains a platform called ENCORE consisting of OCC's core clearing, risk management, and data management applications launched in 2000. Among other functions, ENCORE serves as OCC's real-time processing engine, receiving trade and post-trade data from a variety of sources on a transaction-by-transaction basis to facilitate OCC's clearance and settlement operations. OCC intends to retire ENCORE and implement a new, updated clearance and settlement system, known as "Ovation," that

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[3] OCC's By-Laws and Rules can be found on OCC's public website: https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules.

will leverage more current technology and enhanced security features. Ovation is designed to provide a more robust solution to meet market participants' needs and OCC's responsibilities, including in OCC's role as a systemically important financial market utility. As part of the transition to the Ovation system, OCC is considering which features of ENCORE should be carried over to Ovation and which should be retired, as well as other updates to its By-Laws and Rules to conform to current capability and support future requirements.

1. Purpose

This proposed change by OCC would modify the By-Laws and Rules to address certain outmoded or unused functions or products that OCC proposes to discontinue. OCC also proposes certain miscellaneous changes to provide greater clarity to its By-Laws and Rules.[4]

First, OCC proposes to no longer facilitate the settlement of commissions and fees owed between Clearing Members that are party to a Clearing Member Trade Assignment ("CMTA") arrangement. OCC members have not used or expressed an interest in having OCC facilitate such settlement of commissions and fees. Second, OCC proposes to delete provisions related to OTC option products because these OTC option products are not currently traded.

Third, OCC proposes to no longer require that Clearing Members maintain records of both parties to a trade because trade counterparty information is not necessary for OCC's clearing and settlement purposes. Accordingly, OCC has not developed

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[4] OCC is also proposing these changes, with a view toward its planned transition to a new core clearing system, which OCC calls Ovation.

Ovation to aggregate such information and provide it to Clearing Members for purposes of compliance with this rule. Implementing this non-clearing data element in Ovation would require significant investment of resources to develop functionality that could impact Ovation's release timeline.

Fourth, OCC proposes to amend its Rules to provide that when a Clearing Member wants to "give-up" one or more positions in cleared contracts that are futures or futures options to another Clearing Member, it need not designate the specific account of the Given-Up Clearing Member to which such positions must be allocated. Rather, the Given-Up Clearing Member will be able to indicate the account to which it wishes the futures or futures options positions to be allocated in order to provide more flexibility to Clearing Members and better facilitate give-up allocations to the appropriate account.

Fifth, OCC proposes to clarify that, when an opening or closing indicator is not included on a trade for an options or a futures contract, OCC will default the trade to an opening position for all account types, including market makers. Defaulting to an open position when there is no indicator will help ensure that an existing position is not inadvertently closed out.

Sixth, OCC proposes to amend its Rules to reflect that when a particular class of exercised options is subject to broker-to-broker settlement, the settlement obligation will not be considered discharged until both the Delivering and Receiving Clearing Member submit matching notices as to the number of units of the underlying security delivered (received). This change will better reflect the manner in which OCC currently handles broker-to-broker settlements.

Seventh, OCC also proposes to delete the "associated Market Maker" account subtype, which is not currently used by Clearing Members.

Proposed Rule Changes

As noted, this proposed change by OCC is primarily designed to modify the By-Laws and Rules to address certain outmoded or unused functions or products that OCC proposes to discontinue, particularly as OCC works toward its transition to a new core clearing system. ENCORE is OCC's existing clearing system, and it was launched in 2000. Since then, it has operated as OCC's real-time processing engine to receive trade and post-trade data from a variety of sources on a transaction-by-transaction basis, maintain clearing member positions, calculate margin and clearing fund requirements, and provide reporting to OCC staff, regulators, and Clearing Members. As stated in the Commission's notice of no objection to OCC's advance notice filing related to adoption of cloud infrastructure for new clearing, risk management and data management applications,[5] OCC's objective is the eventual retirement of ENCORE and its replacement with a resilient successor clearing system, which OCC calls Ovation. In connection with this transition by OCC to a successor clearing system and the related development work to design the successor system to support an appropriate scope of operations, OCC plans to discontinue certain existing functions or products that are outmoded or unused, as described in more detail below.

The proposed rule change would amend the By-Laws and Rules to: (i) discontinue OCC's facilitation of the settlement of commissions and fees owed between Clearing Members that are party to a CMTA arrangement; (ii) remove provisions related to OTC

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5 See Securities Exchange Act Release No. 96113 (Oct. 20, 2022), 87 FR 64824 (Oct. 26, 2022) (File No. SR-OCC-2021-802).

option products that are inoperative; (iii) no longer require that Clearing Members must maintain records of both parties to a trade; (iv) provide that a Giving-Up Clearing Member in connection with futures and futures options is not required to provide instructions that identify the designated account of the Given-Up Clearing member; (v) clarify and make uniform across all account types the default treatment of confirmed trades in futures and options as opening transactions; (vi) clarify its rules about the discharge of settlement obligations when OCC directs that exercise and assignment activity for a specific class of options will be subject to broker-to-broker settlement; and (vii) delete the Associated Market-Maker account type.

OCC to No Longer Facilitate Settlement of Commissions and Fees between CMTA Clearing Members

OCC's Rules 407 and 504 currently provide for a voluntary service at the election of Clearing Members that are parties to a CMTA arrangement whereby OCC will facilitate the settlement of fees and commissions between such Clearing Members, subject to certain conditions. OCC amended its Rules in 2010 to provide for this service.[6] The service has not been used by Clearing Members since 2016, and Clearing Members have not expressed an interest in using the settlement of commissions and fees service provided by OCC in the future. As a result of the lack of Clearing Member interest in this service, OCC proposes to decommission it such that it will also not need to be supported in OCC's successor clearing system. All other aspects of OCC's Rules related to CMTA arrangements would remain unchanged.

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6 See Securities Exchange Act Release No. 63120 (Oct. 15, 2010), 75 FR 65538 (Oct. 25, 2010) (File No. SR-OCC-2010-017).

Accordingly, OCC proposes to renumber paragraph (a)(1) to (a) and to delete paragraph (a)(2) from Rule 407, which provides that Clearing Members that are parties to a CMTA arrangement may elect to authorize OCC to settle fees and commissions owed by the Carrying Clearing Member to the Executing Clearing Member in respect of transfers effected pursuant to that arrangement.[7] OCC also proposes to delete paragraph (e) of Rule 504, which corresponds to current Rule 407(a)(2), generally providing that OCC, as agent, is authorized to effect non-guaranteed settlement of fees and commissions owed by a Carrying Clearing Member to an Executing Clearing Member for transfers effected pursuant to their registered CMTA arrangement, provided that the CMTA registration authorizes OCC to effect such settlements.[8] OCC proposes to mark paragraph (e) of Rule 504 as reserved. In addition, OCC proposes to delete the final sentence of Rule 504(g), which provides that OCC shall have no obligation to effect settlement of fees and commissions as provided in Rule 407 if either the Executing Clearing Member or the Carrying Clearing Member has been suspended by OCC.

Over-the-Counter ("OTC") Options Provisions to Be Removed

OCC's By-Laws and Rules currently permit it to clear and settle certain OTC options products, specifically OTC index options on the S&P 500 index.[9] In connection with this service, OCC's By-Laws and Rules were modified in various places to provide

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7 Rule 407(a)(2) further provides, among other things, that Clearing Members making such election shall specifically register that aspect of their CMTA arrangement with OCC, sets forth the authority granted to OCC for Clearing Members making such an election, and specifies that any such election becomes effective once accepted by OCC's systems.

8 Rule 504(e) further provides, among other things, that aggregate amounts to be settled are calculated based on entries made by the Executing Clearing Member, that settlements of the fees/commissions will be effected on the business days first succeeding the business day on which the Executing Clearing Member entered the information into OCC's systems.

9 See Securities Exchange Act Release No. 68434 (December 14, 2012), 77 FR 75243 (December 19, 2012) (SR-OCC-2012-14).

for the clearance and settlement of such OTC index options. Although OCC has only ever cleared OTC index options on the S&P 500 index, OCC's By-Laws and Rules were designed to support the clearance and settlement of additional OTC options using the same legal and operational framework. However, OCC has not cleared and settled an OTC option since 2014 and there is no open interest in OTC options. Clearing Members have also not expressed interest in the OTC option clearance settlement services.

As a result, OCC proposes to remove all provisions from its By-Laws and Rules[10] related to the clearance and settlement of OTC options. These changes include the deletion of the entire definitions and references to the terms "OTC options," "OTC index option," "OTC Trade Source," "OTC Trade Source Rules", "Backloaded OTC option," and "OTC Option Auction," as well as text accompanying these terms that describe OCC's role in the clearance and settlement of OTC options in the following By-Law and Rule provisions: (i) Article I of the By-Laws (Definitions);[11] (ii) Article VI of the By-Laws, Section 1, Interpretation and Policies .01(a), the entirety of Section 3, Interpretations and Policies .09, Section 10(b) and (g), and Section 27(a) and (b); (iii)

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10 OCC notes that it is not proposing in this proposed rule change to eliminate the reference to OTC options in Rule 805 (Expiration Exercise Procedure) because it is proposing to delete such reference in another rule filing with the Commission.

11 OCC proposes to delete references to OTC options and related terms throughout the definitions in Article I of the By-Laws, including "Backloaded OTC option," "OTC Index Option Clearing Member," "origination date," "OTC index option," "OTC option," "OTC Trade Source," "OTC Trade Source Rules." OCC also proposes to delete text from the definitions of the terms "Class", "Clearing Member", "Index Multiplier", "Index Value Determinant", "Trade Date", and "Variable Terms" that define what those terms mean with respect to OTC options. In addition, OCC proposes to delete text from Interpretation and Policies .01 to Section C of Article I of the By-Laws providing that the term "'Exchange transaction' was removed from the By-Laws and Rules and replaced with the term 'confirmed trade' to reflect the expansion of the Corporation's clearing activities into OTC options" because such sentence is no longer necessary given the removal of provisions related to OTC options. OCC is not proposing to revert back to the use of "Exchange transaction" in its By-Laws and Rules because OCC believes that Clearing Members are familiar with the term "confirmed trade."

Article XVII of the By-Laws, Introduction, Section 1 (Definitions),[12] Section 3(h) and Interpretation and Policies .01 (deleted entirely), Section 4(a)(2), Section 5(a), and the entirety of Section 6 (relating to OTC Index options); (iv) Rule 201(b)(6) (deleted entirely); (v) Rules 401(a), (a)(1)(i), (b), (d), (e), (f) and (g); (vi) Rule 405; (vii) Rule 406; (viii) Rule 407(l) (deleted entirely); (ix) Rule 408(a); (x) Rule 611(a), (b), and (d) (deleted entirely); (xi) Rule 801(b); (xii) Rule 803 Interpretation and Policy .01; (xiii) Rule 804; (xiv) Rule 1003 Interpretation and Policy .02 (deleted entirely); (xv) Rule 1104 Interpretation and Policy .03 (deleted entirely); (xvi) Rule 1105; (xvii) Rule 1106(e)(2) (deleted entirely), and Interpretation and Policy .01; (xviii) Chapter XVIII of the Rules, Introduction; (xix) Rule 1804(b), (c),[13] and Interpretation and Policy .03 (deleted entirely). OCC is not proposing changes to these provisions (unless otherwise described in this proposed rule change) other than the removal of provisions that relate to OTC options. For example, OCC proposes to modify the definition of the term "confirmed trade" in the By-Laws only to delete the provision relating to OTC options.[14]

To the extent OCC may plan to support the clearance and settlement of OTC options again in the future based on Clearing Member demand for such services, OCC would submit a proposed rule change with the Commission pursuant to Section 19(b) of

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12 OCC proposes to delete OTC option related provisions in the following definitions in Article XVII, Section 1: (i) "class of options," (ii) "current underlying interest value," (iii) "expiration date," (iv) "expiration time" (deleted entirely), (v) "reporting authority," and (vi) "series of options."

13 OCC proposes to delete Rule 1804(c)(1) in its entirety because it relates solely to OTC options. OCC proposes to renumber current Rule 1804(c)(2) and (3) as (c)(1) and (2).

14 Specifically, OCC proposes that the definition of "confirmed trade" would no longer include a cleared contract affirmed through the facilities of an OTC Trade Source and submitted to the OCC for clearance.

the Exchange Act to reincorporate changes to its By-Laws or Rules as may be necessary for that purpose.[15]

Records of Both Parties to a Transaction to No Longer Be Required

Rule 208 currently requires, among other things, that every Clearing Member must keep records showing all confirmed trade data required pursuant to the OCC's By-Laws and Rules, including confirmed trade information reported to OCC under Rule 401. Rule 401(a)(1)(i) requires that confirmed trade details include "the identity of the Purchasing Clearing Member and the Writing Clearing Member to the transaction." As a result, Clearing Members are currently required to maintain records of the identity of the Clearing Members who are parties to a confirmed trade. Prior to the adoption of electronic trading, these records were maintained to facilitate the efficient clearing and settlement of confirmed trades and reconcile counterparty settlement obligations to avoid settlement delays and disputes. OCC currently provides such information through Encore for purposes of compliance with this Rule.

However, with the widespread adoption of electronic trading and the development of supporting market infrastructure, OCC's clearing processes and capabilities have evolved to no longer require the identities of the counterparty Clearing Members for the purposes of clearing and settlement. Therefore, OCC would no longer require that Clearing Members maintain such records in Ovation.[16] Implementing this non-clearing data element and developing this functionality would require OCC to invest significant

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15 15 U.S.C. 78s(b).

16 OCC notes that Clearing Members continue to debate whether the counterparty information should be maintained given past trading precedent when this information was required. Today, the trade counterparty information is no longer required for clearing purposes. However, OCC may reconsider providing this information in the future.

resources that could have an impact on Ovation's release timeline. As a result, OCC proposes to modify Rule 208 to provide, with respect to parties to a transaction, that a Clearing Member must keep records showing all confirmed trade data required pursuant to OCC's By-Laws and Rules, including confirmed trade information reported to OCC under Rule 401 "except for the identity of the counterparty Clearing Member." This change would require Clearing Members to only record trade information relevant for clearing and settlement purposes. OCC notes that because all confirmed trades in option contracts that are accepted by OCC are novated such that OCC becomes the buyer to the seller and the seller to the buyer, it is not necessary or relevant for clearance and settlement purposes to require a Clearing Member to record the identity of another Clearing Member who was originally counterparty to the transaction.

Discontinue the Requirement to Identify Designated Accounts of Given-Up Clearing Members

Rule 408 provides that one or more positions in cleared contracts may be allocated from the designated account of a Giving-Up Clearing Member to the designated account of a Given-Up Clearing Member. Currently, this system for allocation of positions is only available in connection with positions in futures contracts and options on futures contracts that are cleared and settled by OCC. These allocations are post-trade instructions to OCC that are entered by one Clearing Member, called the Giving-Up Clearing Member, to direct OCC that a position in a cleared contract in one of the OCC accounts of that Giving-Up Clearing Member should be moved to the designated account of the Given-Up Clearing Member. Currently, the Rules allow the Giving-Up Clearing

Member to designate the account of the Given-Up Clearing Member to which the position should be allocated.

OCC proposes to add rule text to the header for Rule 408 and elsewhere in Rule 408(a) to make clear that this allocation of positions functionality is only available for futures and options on futures. Currently, Rule 408 states that the allocation functionality is available for "cleared contracts," which could be read to include securities options contracts notwithstanding that the allocation functionality is currently only available for futures and options on futures, and OCC plans for the same to be true in connection with the successor Ovation system.[17]

OCC also proposes to remove reference to the term "designated account" within the provisions of Rule 408 (a) and (b) from certain instances that refer to the Given-Up Clearing Member to clarify that the Giving-Up Clearing Member would no longer be required to specify the designated account of the Given-Up Clearing Member to which the cleared contract position should be moved. OCC proposes to then add a sentence in Rule 408(b) that would require the Given-Up Clearing Member to designate an account to which the allocation will be made. OCC will then process allocation instructions for Cleared contract positions once the Given-Up Clearing Member has designated an account in which to accept the allocations.

OCC proposes to also remove the last sentence of Rule 408(b) that generally describes OCC's posture in the absence of an allocation agreement,[18] which OCC

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17 OCC also proposes to make similar changes to Rule 408(e) to make clear that the Rule only applies to futures and options on futures contracts. This would be done by inserting the word "futures" before references to the word "options" in Rule 408(e).

18 The last sentence of Rule 408(b) currently provides that If the Giving-Up Clearing Member and the Given-Up Clearing Member are not parties to an allocation agreement registered with the

believes is already addressed as part of paragraphs (b), and (d) of the Rule, and including the text would be duplicative and unnecessary. An allocation instruction, whether direct or provided through a confirmed trade, is a request by the Giving-Up Clearing Members to allocate positions to a Given-Up Clearing Member. Positions would remain in pending status awaiting the designation of an allocation account by the Given-Up Clearing Member to complete processing. Positions would move automatically if an account was designated, and an allocation agreement existed between the Giving-Up Clearing Member and the Given-Up Clearing Member. In all cases Rule 408 would provide that the Giving-Up Clearing Member would be required to allocate the cleared futures or options on futures contract position to a Given-Up Clearing Member. In turn, the Given-Up Clearing Member would be responsible for affirmatively confirming the account to which the cleared contract position should be transferred by OCC before the position would be moved by OCC from the designated account of the Giving-Up Clearing Member to the designated account of the Given-Up Clearing Member.

OCC proposes to also remove all references to "allocation agreement" in the text of Rule 408(b), and (d). OCC believes removing this text adds clarity to the rule because the text of Rule 408(c) addresses the registration of allocation agreements with OCC and declares that an allocation agreement would constitute notice of a pre-agreed instruction to OCC by the Given-Up and the Giving-Up Clearing Members for OCC to allocate positions to an account of the Given-Up Clearing Member without further action. If the Given-Up Clearing Member rejects the allocation or if it does not provide affirmative

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Corporation, then the Corporation shall adjust the positions in the respective designated accounts of the Giving-Up and Given-Up Clearing Member in accordance with the allocation instruction only upon receipt of notice from the Given-Up Clearing Member of its affirmative acceptance of the allocation.

acceptance by the cut-off time, Rule 408 would continue to provide, as it currently does, that the positions will remain in the account of the Giving-Up Clearing Member. This proposed approach puts each Clearing Member, as applicable, in control of the account from which or to which the position in the cleared futures or futures option contract should be moved. OCC believes that this would help reduce the risk of positions being transferred to an account of the Given-Up Clearing Member that the Given-Up Clearing Member does not want to receive them.

Clarify the Default Treatment of Confirmed Trades in Options as Opening Transactions

Rule 401 addresses information that is required to be or that may be reported to OCC in connection with new confirmed trades in options, futures and BOUNDs.[19] For confirmed transactions in options that are transmitted to OCC by an options exchange, OCC does not require as a condition to OCC's acceptance and novation an indication of whether the transaction is an opening or closing transaction. Such information may be included in the confirmed trade information from the exchange, but if it is not included OCC treats the confirmed trade as an opening transaction – which has the effect of increasing the number of option contracts in the option series in the relevant account of the Clearing Member. To clarify this default treatment in Rule 401, OCC is proposing to amend current Interpretation and Policy .01 to Rule 401, which already states that this is the default treatment for confirmed trades that OCC receives in futures for all Clearing Member accounts other than market-maker accounts. In revising Interpretation and

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[19] The term "BOUND" means a security issued by the Corporation pursuant to Article XXIV of the By-Laws and Chapter XXV of the Rules. See OCC By-Laws, Article 1.

Policy .01 to be applicable to confirmed trades in both options and futures, OCC is also proposing to delete the part of the provision that states that it applies the opening transaction default treatment to all accounts other than market-maker accounts. OCC believes that this revision is appropriate in respect of options and futures in Clearing Member market-maker accounts in addition to all other types of Clearing Member accounts because defaulting a trade without an open or close indicator to "open" is operationally safer and more prudent and prevents such trades from unintentionally closing an existing position. OCC believes that defaulting to open when there is no open or close indicator should also be consistent across all account types, including Market Makers.

Discharge of Settlement Obligations under Broker-to-Broker Settlement

Consistent with OCC Rule 901, settlement of exercise and assignment activity in stock options is typically made through the facilities of a correspondent clearing corporation, currently the National Securities Clearing Corporation ("NSCC"). However, in certain situations, including when a particular underlying security becomes ineligible at NSCC, OCC directs that settlement will occur on a broker-to-broker basis under Rule 903. Rule 909 then provides for the notices that the Delivering Clearing Member and Receiving Member must submit to advise OCC of the discharge of the settlement obligation.

Currently, Rule 909 provides that if one of the Clearing Members submits a notice of delivery, payment, or receipt of delivery or payment, and the contraparty fails to respond to such notice within two business days, that failure to respond constitutes the contraparty's acknowledgement that the obligation has been settled as indicated in the

submitting Clearing Member's notice, "provided that the designated delivery date has occurred."[20] However, in practice, when OCC directs broker-to-broker settlement, it also directs that if it is not possible for the Delivering Clearing Member to effect delivery of the underlying shares on the designated settlement date, then the settlement obligations of both the Delivering and Receiving Clearing Member will be delayed until such time as OCC designates a new exercise settlement date, settlement method or settlement value,[21] pursuant to OCC's authority under Section 19 of Article VI of the By-Laws (Shortage of Underlying Securities).[22] This directive allows Delivering Clearing Members the opportunity to effect settlement if they have the underlying securities and are able to effect delivery, but delays the settlement obligation when this is not possible. Under Article VI, Section 19 of the By-Laws, such settlement obligation remains delayed until either (i) OCC determines that a sufficient supply of the underlying security has become available to warrant the termination of such action and fixes a new delivery date for the contracts effected by the suspension,[23] or (ii) OCC determines that there is no reasonable likelihood that a sufficient supply of the underlying security will become available within the foreseeable future to permit the Clearing Members affected by such suspension to discharge their obligations by delivery or receipt of the underlying security. In this situation OCC will exercises its authority to fix a cash value to settle the obligation for exercised option contracts, and/or, in the event that the suspended security underlies

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20 OCC Rule 909(d).

21 See, e.g., Information Memo #53517, available at https://infomemo.theocc.com/infomemos?number=53517 (exemplative OCC Info Memo directing broker-to-broker settlement).

22 See By-Laws Article VI, Section 19(a)(2)-(3) (providing that OCC may suspend the settlement obligations of exercised options when Clearing Members are unable to deliver the underlying security).

23 See id. Section 19(b).

matured, physically-settled stock futures, terminates all rights and obligations to deliver or receive underlying securities and instead require payment and receipt of the final variation payment to fully discharge the rights and obligation for such matured, physically-settled stock futures.[24]

When such settlement obligation is delayed, the conditions under Rule 909(d) for considering a contraparty's failure to respond when the other Clearing Member marks an obligation settled is not satisfied. Accordingly, OCC proposes to amend Rule 909(d) to remove the provision directing that a contraparty's failure to respond to the other Clearing Member's settlement notice in OCC's system within two business days after such notice was made available to such Clearing Member may be treated as acknowledgement of settlement. In its place, OCC would provide that the contraparty's failure to respond would indicate that the obligation is unsettled and that OCC would maintain that status until such time as either (i) both Delivering and Receiving Clearing Members mutually agree to settle the obligation and notify OCC; or (ii) OCC settles the obligation on behalf of both Delivering and Receiving Clearing Members pursuant to OCC's policies and procedures. As amended, Rule 909(d) would clarify and better align Rule 909 with OCC's practices with respect to shortages of underlying securities under Article VI, Section 19 of the By-Laws.

OCC also proposes to make an associated clarifying change by removing text from the first paragraph of Rule 909 related to the amount received or paid for the underlying security. Currently when OCC directs broker-to-broker settlement, the Delivering and Receiving Clearing Members inform OCC of settlement by submitting

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[24] See id. Section 19(c).

notices that specify the number of units of the underlying security delivered or received and equivalent cash amounts received or paid. In practice, however, the cash amounts received or paid are systematically determined and not specified by either Delivering or Receiving Clearing Members. The practice of systematically calculating the cash amounts received or paid allows OCC to reduce operational risk and avoid processing any inaccurate notices entered by Clearing Members. OCC believes that the proposed change would clarify and conform Rule 909 with OCC's current practices.

Elimination of Associated Market Maker Sub-Account Type

Article VI, Section 3(c), of OCC's By-Laws currently allows Clearing Members to use a combined market makers' account to carry the positions of multiple proprietary Market Makers or to carry the positions of multiple associated Market Makers,[25] so long as such accounts are restricted to positions of proprietary Market Makers or associated Market Makers, respectively. Today, the associated Market Maker subaccount type is not used by Clearing Members. As a result, OCC proposes to eliminate the associated Market Maker sub-account type.

Accordingly, OCC proposes to delete the definition of an "associated Market Maker" from Article I of the By-Laws and remove provisions in the By-Laws related to associated Market Makers and the ability to establish a combined Market Maker account of associated Market Makers. Specifically, OCC proposes to delete references to an

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[25] An "associated Market Maker" is currently defined in Article I of OCC's By-Laws as a person maintaining an account with a Clearing Member as a Market-Maker, specialist, stock market-maker, stock specialist or Registered Trader that is a Related Person of the Clearing Member and shall include any participant, as such, in an account of which 10% or more is owned by an associated Market-Maker, or an aggregate of 10% or more of which is owned by one or more associated Market-Makers.

associated Market Maker and the ability to establish a combined Market Maker account from Article VI, Section 3(c) and Interpretation and Policies .03 and .06, and to revise the reference in the first sentence of Interpretations and Policies .06 to refer to Section 3(c). As amended, OCC's By-Laws would, in effect, provide for two, rather than three, combined Market Maker accounts: (i) a combined account limited to Market Makers that are not proprietary Market Makers; and (ii) a combined account limited to proprietary Market Makers.[26]

Implementation Timeframe

OCC will release and implement the proposed change described above into production concurrently with the release of Ovation and the attendant retirement of ENCORE, which is planned to launch no earlier than July of 2025. OCC will announce the implementation date of the proposed change by Information Memorandum posted to its public website at least four weeks prior to implementation. OCC plans to launch Ovation and implement the proposed change no later than December 31, 2025, and OCC will announce another intended implementation date by Information Memorandum posted to its public website if the changes will not be implemented by that date.

2. Statutory Basis

Section 17A(b)(3)(F) of the Exchange Act requires, among other things, that the rules of a clearing agency must be designed to promote the prompt and accurate clearance and settlement of securities transactions, safeguard securities and funds in its custody or control or for which it is responsible, remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities

[26] See proposed By-Law Article VI, Section 3(c), Interpretation and Policy .06.

transactions, and, in general, to protect investors and the public interest; and are not designed to permit unfair discrimination among participants using the clearing agency.[27] In addition, Rule 17Ad-22(e)(21) requires OCC, as a covered clearing agency, to establish, implement, maintain, and enforce written policies and procedures reasonably designed to be efficient and effective in meeting the requirements of its participants and the markets it serves, and have its management regularly review the efficiency and effectiveness of OCC's clearing and settlement arrangements, operating structure, and the scope of products cleared or settled.[28]

OCC believes that the proposed rule changes are consistent with these requirements because the proposed rule change is designed to decommission or render inoperative services that OCC no longer plans to provide based on the products and services demands of Clearing Members. For example, because OCC has not cleared any OTC options since 2014 and Clearing Members have not expressed an interest in using OCC to clear and settle OTC options going forward, OCC believes that removing all By-Law and Rule provisions related to OTC options promotes OCC being effective and efficient in meeting the requirements of Clearing Members with respect to the scope of products cleared and settled, consistent with Rule 17Ad-22(e)(21).[29] Similarly, OCC believes that decommissioning OCC's voluntary service for Clearing Members that are party to a CMTA to facilitate the settlement of commissions and fees, which service has not been used by Clearing Members since 2016, also promotes the efficient and effective satisfaction of the requirements of Clearing Members consistent with Rule 17Ad-

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27 15 U.S.C. 78q-1(b)(3)(F).

28 17 CFR 240.17Ad-22(e)(21).

29 Id.

22(e)(21).[30] As a third example, no Clearing Members currently use the associated Market Maker account subtype, so OCC proposes to eliminate such account type. By no longer supporting products or services that have not been used by Clearing Members, OCC can free up resources to focus on products and services for which there is demand from Clearing Members, thereby promoting a more efficient and effective OCC to meet the requirements of Clearing Members. OCC also believes that specifying in its By-Laws and Rules which products and services are no longer available or that are currently inoperative generally serves to protect investors and the public interest who benefit from clear and transparent rulebooks, consistent with Section 17A(b)(3)(F) of the Exchange Act.[31]

Several other proposed changes would similarly promote a clear and transparent rulebook consistent with Section 17A(b)(3)(F) of the Exchange Act. [32] For example, the proposed change to Rule 408, which would make clear that the account allocation functionality is only available for futures and options on futures would eliminate any potential confusion that Clearing Members might have regarding the scope of this service. OCC's proposal to clarify that the default treatment of confirmed trades in futures and options as opening transactions in Rule 401 similarly promotes a clear and transparent rulebook and would reduce any potential concerns of a Clearing Member that a confirmed trade without having been marked as an opening position might

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30 Id.

31 15 U.S.C. 78q-1(b)(3)(F).

32 Id.

inadvertently result in closing a Clearing Member's position.[33] For the same reasons, the proposed change to Rule 909(d) would make clear OCC's practices with respect to the discharge of broker-to-broker obligations by specifying that OCC treats transactions as pending and would better align that Rule with By-Law Article VI, Section 19.[34]

OCC believes that no longer requiring that Clearing Members must maintain records of both parties to a trade (pursuant to the proposed changes to Rule 208) is consistent with Section 17A(b)(3)(I) because OCC would no longer provide the counterparty information of trades to Clearing Members party to those trades. Such information is not required for clearing and settlement purposes, and providing this information would result in OCC developing and supporting functionality that would impact OCC's implementation of Ovation. In turn, by not providing counterparty information, OCC would help ensure that its Rules do not inappropriately burden competition among its participants by forcing Clearing Members to develop and support functionality not necessary for the clearing and settlement of trades.[35]

OCC believes that the proposed changes to clarify that a Giving-Up Clearing Member is not required to provide instructions that identify the designated account of the Given-Up Clearing member serves the protection of investors and the public interest consistent with Section 17A(b)(3)(F) of the Exchange Act by providing more control to

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33 This change would also make uniform such default treatment (as an opening transaction) across all account types (i.e., including market makers), which eliminates any potential unfair discrimination across different account types, consistent with the requirement under Section 17A(b)(3)(F) of the Exchange Act that OCC's rules not be designed to permit unfair discrimination in the use of OCC. 15 U.S.C. 78q-1(b)(3)(F).

34 OCC also notes that all Clearing Members would continue to be treated the same under Rule 909(d) with respect to OCC's role in settling broker-to-broker transactions, which OCC believes promotes consistency with Section 17A(b)(3)(F) of the Exchange Act (prohibiting OCC's rules from being designed to permit unfair discrimination in the use of OCC).

35 15 U.S.C. 78q-1(b)(3)(I).

Clearing Members in allocating give-ups. For example, a Given-Up Clearing Member will have control to designate the account to which positions should be allocated and a Giving-Up Clearing Member will no longer be required to designate the specific account when it may or may not know the correct account. OCC believes that this would protect investors by reducing potential operational risk arising from a Giving-Up Clearing Member selecting the incorrect account of the Given-Up Clearing Member. This change would also provide a more efficient means for Giving-Up Clearing Members to ensure positions are allocated to the desired account, which efficiencies OCC believes helps removes impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions.[36]

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

Section 17A(b)(3)(I) of the Exchange Act[37] requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. OCC does not believe that the proposed rule changes related to discontinuing OCC's settlement of fees and commissions for Clearing Member CMTA arrangements, elimination of the unused associated Market Maker account subtype, and rendering OTC option services inoperative would impact or impose any burden on competition. Neither of these services have been used by Clearing Members for at least six years, and the proposed changes would apply equally to all Clearing Members. Regarding the proposed rule change to no longer require a Clearing Member to keep records of its counterparties to confirmed trades, OCC believes that this

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36 15 U.S.C. 78q-1(b)(3)(F)

37 15 U.S.C. 78q-1(b)(3)(I).

change will remove any burden on competition that could arise from Clearing Members developing solutions to support functionality not required for clearing and settlement purposes. In that regard, OCC believes that this proposed rule change promotes greater consistency with Section 17A(b)(3)(I) of the Exchange Act.[38]

For the foregoing reasons, OCC believes that the proposed rule change is in the public interest, would be consistent with the requirements of the Exchange Act applicable to clearing agencies, and either would not impact or impose a burden on competition or would help alleviate potential burdens on competition.

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

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

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

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 such proposed rule change, or

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

The proposal shall not take effect until all regulatory actions required with respect to the proposal are completed.

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38 Id.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-OCC-2024-013 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-OCC-2024-013. 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 Room, 100 F Street, NE, 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 https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules.

Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to File Number SR-OCC-2024-013 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.[39]

Secretary

[39] 17 CFR 200.30-3(a)(12).

Exhibit 3

This Exhibit contains one electronic file embedded in this cover page for filing efficiency, as identified below. OCC has omitted the embedded file pursuant to 17 CFR 240.24b-2. OCC has separately filed and requested confidential treatment of the cover page containing the embedded file as protected from public disclosure by Exemptions 4 and 8 of the Freedom of Information Act ("FOIA"), 5 U.S.C. 552(b)(4), (b)(8), and 15 U.S.C. 78x(e) because the information it contains concerns (i) OCC's trade secrets and commercial information not customarily released to the public and is, and always has been, treated as the private information of OCC, the release of which is likely to cause foreseeable harm to OCC's commercial or financial interests; and (ii) the supervision of OCC, a financial institution regulated by the Commission. OCC believes the Form 19b-4 Information and Exhibit 1A provide a clear and adequate description of the relevant substance of the embedded file to facilitate meaningful public comment.

Embedded File: **[Redacted Pursuant to Rule 24b-2]**

- RFI Responses for Renaissance Clearing Changes; 2 pages.

EXHIBIT 5A

BY-LAWS

Underlined text indicates new text
~~Strikethrough~~ text indicates deleted text

THE OPTIONS CLEARING CORPORATION
BY-LAWS

* * *

ARTICLE I – DEFINITIONS

* * *

A.

* * *

~~**Associated Market-Maker**~~
~~(14) The term "associated Market-Maker" means a person maintaining an account with a Clearing Member as a Market-Maker, specialist, stock market-maker, stock specialist or Registered Trader that is a Related Person of the Clearing Member and shall include any participant, as such, in an account of which 10% or more is owned by an associated Market-Maker, or an aggregate of 10% or more of which is owned by one or more associated Market-Makers.~~

~~*Adopted January 19, 1994.*~~

B.

~~**Backloaded OTC Option**~~

~~(1) The term "Backloaded OTC option" means an OTC option for which the premium payment date communicated to the Corporation by the OTC Trade Source is prior to the business day on which such OTC option is submitted to the Corporation for clearing.~~

(2) – (8) [Renumbered as 1. - 7.; otherwise no change]

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C.

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Class
(11) The term "class" means, when applied to options, all option contracts of the same type and style covering the same underlying interest; provided, however, that ~~OTC options and~~ listed options that would otherwise constitute a single class of options shall constitute separate classes. When applied to futures, the term "class" means all futures covering the same underlying interest.

* * *

Clearing Member
(15) The term "Clearing Member" means a person or organization that has been admitted to membership in the Corporation pursuant to the provisions of the By-Laws and Rules. References in the By-Laws or Rules to the term "Clearing Member" preceded by a capitalized reference to an underlying interest or a cleared contract, e.g., a "Stock Clearing Member," or a "Security Futures Clearing Member," shall be deemed to be to a Clearing Member approved in accordance with Chapter II of the Rules to clear transactions in options on the specified underlying interest, or in the cleared contract, as applicable, provided that the term "Stock Clearing Member" shall be deemed to include a Clearing Member approved to clear transactions in BOUNDs as well as stock options, the term "Treasury Securities Clearing Member" shall mean a Clearing Member approved to clear transactions in Treasury Securities options excluding yield-based Treasury options and the term "Index Clearing Member" shall mean a Clearing Member approved to clear transactions in cash-settled options other than ~~OTC options and~~ flexibly structured options on fund shares that are cash settled. ~~The term "OTC Index Option Clearing Member" means a person that has been approved to clear OTC index options.~~

* * *

(27) The term "confirmed trade" means a transaction for the purchase, writing, or sale of a cleared contract, or for the closing out of a long or short position in a cleared contract, that is ~~(i)~~ effected on or through the facilities of an Exchange and submitted to the Corporation for clearance ~~or (ii) affirmed through the facilities of an OTC Trade Source and submitted to the Corporation for clearance~~.

. . . Interpretations and Policies:

.01 The term ~~"Exchange transaction" was removed from the By-Laws and Rules and replaced with the term "confirmed trade" to reflect the expansion of the Corporation's clearing activities into OTC options.~~ "Confirmed trade" is a successor term to the term "Exchange transaction." Any reference to the term "Exchange transaction" or "exchange transaction" in any agreement to which the Corporation is a party should be interpreted to refer instead to the term "confirmed trade."

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I.

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Index Multiplier
(3) The term "index multiplier" (i) as used in reference to an index option contract ~~other than an OTC index option contract,~~ means the dollar amount (as specified by the Exchange on which such contract is traded) by which the current index value is to be multiplied to obtain the aggregate current index value, ~~(ii) as used in reference to an OTC index option contract, means the dollar amount (as agreed upon by the parties to such transaction) by which the current index value is to be multiplied to obtain the aggregate current index value,~~ and (ii~~i~~) as used in reference

to index futures of any series, means the dollar amount (as specified by the Exchange on which such series is traded) by which the final settlement price in respect of such futures is to be multiplied to obtain the final variation payment. Such term replaces the term "unit of trading," used in reference to other kinds of options.

* * *

Index Value Determinant
(4) The term "index value determinant," used in respect of settlement of flexibly structured index option contracts and futures ~~and OTC options~~, means the method for determining the current index value on the expiration date or maturity date as that method is reported to the Corporation by the applicable Exchange ~~or OTC Trade Source~~.

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O.

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~~**Origination Date**~~
~~(5) The term "origination date" means the date when the bilateral option was entered into by the parties to such bilateral option, as communicated to the Corporation by the OTC Trade Source.~~

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~~**OTC Index Option**~~
~~(6) The term "OTC index option" means an "OTC option," as defined in this Article I, that is an index option.~~

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~~**OTC Option**~~
~~(7) The term "OTC option" means an "option contract," as defined in this Article I, with variable terms that are negotiated bilaterally between the parties to such transaction (subject to any specific requirements applicable to such products as set forth in the By-Laws and Rules), and that is affirmed through the facilities of an OTC Trade Source and submitted to the Corporation for clearing as a confirmed trade.~~

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~~**OTC Trade Source**~~
~~(8) The term "OTC Trade Source" means any electronic messaging system approved by the Corporation through which transactions in OTC options may be affirmed by the parties to such transactions and submitted to the Corporation for clearance.~~

* * *

~~**OTC Trade Source Rules**~~
~~(9) The term "OTC Trade Source Rule," when used in respect of any OTC Trade Source, means the rules, agreements, policies and procedures of the OTC Trade Source applicable to users or participants of the OTC Trade Source.~~

* * *

T.

Trade Date
(1) The term "trade date" in respect of any confirmed trade effected on or through the facilities of an Exchange means the day on which such transaction occurred except that the trade date in respect of confirmed trades in cleared contracts that are effected in trading sessions beginning on one calendar day and ending on the next calendar day shall be deemed to be the calendar day on which such trading ends. ~~The term "trade date" in respect of any confirmed trade in OTC options means the day on which such transaction is accepted by the Corporation for clearance.~~

* * *

V.

Variable Terms
(1) The term "variable terms" in respect of a series of option contracts ~~other than OTC options~~ means the name of the underlying interest, the exercise price (or, in respect of a series of delayed start options that does not yet have a set exercise price, the exercise price setting formula and exercise price setting date), the index value determinant and the index multiplier (in the case of a flexibly structured index option), the cap interval (in the case of a capped option) and the expiration date of such option contract. In addition to these variable terms, flexibly structured options on fund shares may settle physically or settle in cash. The term "variable terms" ~~in respect of a series of OTC options means the terms of such options that are permitted to be negotiated bilaterally between the parties within the range of values specified by the Corporation therefor as set forth in the By-Laws and Rules. "Variable terms,"~~ when used in respect of a series of futures means the name of the underlying interest, the maturity date, the method of determining the final settlement price, and the series marker, if any, and in the case of a flexibly structured index future, the index value determinant and the index multiplier.

* * *

ARTICLE VI – CLEARANCE OF CONFIRMED TRADES

General Clearance Rule

SECTION 1. All confirmed trades shall be cleared through the Corporation, and no other transaction shall be cleared through the Corporation without its consent.

. . . Interpretations and Policies:

.01 (a) Subject to paragraph (c) below, it is the policy of the Corporation to permit a Clearing Member to submit adjustments to its positions with the Corporation to (1) effect a transfer of accounts between Clearing Members; (2) effect a Return, (3) effect a CMTA Retransfer; (4) correct a bona fide error or omission regarding a confirmed trade previously submitted to the Corporation by the Exchange, security futures market, futures market, futures market, or international market ~~or OTC Trade Source~~ on which such confirmed trade occurred or was affirmed; (5) grant a request for offset pursuant to Rule 1306; and (6) effect a retender in connection with the settlement of a physically-settled commodity future pursuant to Rule 1307. Such data shall be submitted in such form and within such times as the Corporation shall prescribe. Such adjustments shall be treated as confirmed trades for the purposes of Sections 15 and 16 of Article VI of the By-Laws and for the purposes of other sections of Article VI except where the context otherwise requires. ~~Notwithstanding the foregoing, adjustment of positions in OTC Options shall be a manual process and subject to such procedures as the Corporation may specify from time to time.~~

* * *

SECTION 3. Every Clearing Member may establish and maintain with the Corporation one or more of the following accounts:

(a) – (b) [No change]

(c) A combined Market-Makers' account, which shall be confined to the confirmed trades of the Market-Makers for which it is established. No confirmed trades of the Clearing Member or proprietary Market-Makers shall be included in a combined Market-Makers' account that is used for the confirmed trades of Market-Makers that are not proprietary Market-Makers~~. Likewise, no confirmed trades of associated Market-Makers shall be included in a combined Market-Makers' account that is used for the confirmed trades of Market-Makers that are not associated Market-Makers~~. The Clearing Member agrees, and represents to the Corporation that it has obtained the agreement of each Market-Maker on whose behalf positions may be maintained in a combined Market-Makers' account, that (i) the positions of such Market-Maker may be commingled in a combined Market-Makers' account with the positions of the Clearing Member acting as Market-Maker or of other proprietary Market-Makers if such Market-Maker is a proprietary Market-Maker; ~~with the positions of other associated Market-Makers if such Market-Maker is an associated Market Maker~~, or with other Market-Makers that are not proprietary ~~or associated Market-Makers~~ if such Market-Maker is not a proprietary ~~or associated~~ Market-Maker; (ii) the Corporation shall have a restricted lien on all long positions in securities options and on other securities (including security futures) in such combined Market-Makers' account and the proceeds thereof and a general lien on all other funds and property in such combined Market-Makers' account, (iii) the Corporation shall have the right to net all writing transactions against all purchase transactions effected in such account in accordance with the Rules, (iv) the Corporation may close out the positions in the account, and apply the proceeds thereof, at any time without prior notice to the Clearing Member or Market-Maker, and (v) notwithstanding the provisions of clause (i) hereof, if a combined Market-Makers' account is confined to the confirmed trades of the Clearing Member and proprietary Market-Makers, the Corporation shall have a general lien on all positions and on all other securities, margin, and other funds and property in such account, and the account shall be a "firm lien account."

* * *

. . . Interpretations and Policies:

* * *

.03 The fact that a Clearing Member may have accounts under more than one Clearing Member number shall have no significance for purposes of a liquidation of a Clearing Member's accounts under Chapter XI of the Rules, and all such accounts—whether or not representing separate business segments or divisions—shall be treated as accounts of the same suspended Clearing Member. Although a Clearing Member may maintain more than one firm lien account with the Corporation, all of the Clearing Member's firm lien accounts established under paragraphs (a), (b)(iv), (c)(v), and (k) of this Section 3 shall be treated as a single firm lien account in the event of such a liquidation. Similarly, in such an event, all of the Clearing Member's firm non-lien accounts established under paragraph (a) of this Section 3 shall be treated as a single firm non-lien account, ~~all of the Clearing Member's combined Market-Makers' accounts established under paragraph (c) of this Section 3 for associated Market-Makers will be treated as a single combined Market-Makers' Account,~~ all of the Clearing Member's combined Market-Makers' accounts established under paragraph (c) of this Section 3 for Market-Makers that are not proprietary ~~or associated~~ Market-Makers will be treated as a single combined Market-Makers' Account, all of the Clearing Member's customers' accounts established under paragraph (e) of this Section 3 shall be treated as a single customers' account, all of the Clearing Member's segregated futures accounts established under paragraphs (f) and (j) of this Section 3 shall be treated as a single segregated futures account, all of the Clearing Member's JBO Participants' accounts established under paragraph (e) of this Section 3 shall be treated as a single JBO Participants' account, and all of the Clearing Member's customers' lien accounts established under paragraph (i) of this Section 3 shall be treated as a single customers' lien account. Each separate account maintained by a Clearing Member under paragraph (b) or (d) of this Section 3, with the exception of a proprietary Market-Maker account, shall be treated in a liquidation as a separate account.

Whenever a group of restricted lien accounts is treated as a single account in accordance with this Interpretation .02, all assets subject to the restricted lien shall secure obligations arising in any of the accounts within such group of accounts.

* * *

.06 Paragraph ~~I~~(c) of this Section 3 provides, in effect, for ~~three~~ two separate types of combined Market-Maker accounts: (i) a combined account limited to Market-Makers that are not ~~neither~~ proprietary Market-Makers ~~nor associated Market-Makers (as defined in Article I of the By-Laws)~~; and (ii) a combined account limited to proprietary Market-Makers~~; and (iii) a combined account limited to associated Market-Makers~~. Each of these is a separate account for purposes of holding positions and collateral and determining margin requirements, and each such account type would be liquidated separately under the provisions of Chapter XI of the Rules. The Corporation may use its system sub-accounting function, with each account margin, collateral and settlement enabled, in order to maintain these three separate account types under the same Clearing Member number, and each account would nevertheless be treated as a separate account for all purposes under the By-Laws and Rules. If these separate account types are maintained

under the same Clearing Member number, in addition to depositing collateral in respect of a specific account type, the Clearing Member may deposit collateral in respect of all three combined Market-Maker account types, provided that collateral deposited in respect of all three account types must be limited to proprietary collateral, and shall be so treated for all purposes under the By-Laws and Rules, including, without limitation, for purposes of a liquidation of a Clearing Member's accounts under Chapter XI of the Rules and for purposes of close-out netting under Article VI, Section 27 of the By-Laws.

* * *

~~**.09** Notwithstanding anything to the contrary in this Section 3, confirmed trades in OTC options shall be effected, and positions in OTC options shall be maintained, only in a Clearing Member's firm account, separate Market-Maker's account, combined Market-Makers' account or securities customers' account, as applicable. Confirmed trades in certain classes of OTC options, as specified by the Corporation from time to time, for which resulting positions are to be carried in a securities customers' account must be submitted to the Corporation with a customer ID assigned by the OTC Trade Source for the limited purpose of identifying whether a transaction in an OTC Option was an opening transaction or a closing transaction.~~

.10 [renumbered .09; otherwise no change]

* * *

Terms of Cleared Contracts

SECTION 10. (a) The applicable provisions of the By-Laws and the Rules, including, without limitation, the liens on cleared contracts and the liquidation rights of the Corporation provided for therein, shall constitute part of the terms of each cleared contract issued by the Corporation.

(b) Except to the extent provided otherwise in the next sentence with respect to delayed start options and except to the extent provided otherwise in the By-Laws and Rules with respect to transactions in flexibly structured options ~~or OTC options~~, the expiration date and exercise price and, (i) in the case of capped option contracts, the cap interval (as defined, in the case of capped cash-settled option contracts, in Article XVII of the By-Laws), and (ii) in the case of packaged spread options, the base exercise price and spread interval (as defined in Article XXVI of the By-Laws), of option contracts of each series of options shall be determined by each Exchange at the time such series of options is first opened for trading on that Exchange, provided that the expiration date is not a date specified by the Corporation as ineligible to be an expiration date. In the case of delayed start options, the exercise price setting date and the exercise price setting formula of option contracts of each series shall be determined by the Exchange at or before the time such series of options is first opened for trading on that Exchange. The unit of trading of option contracts of each series of options shall be designated by the Corporation prior to the time such series of options is first opened for trading, and in the absence of such designation for a series of options in which the underlying security is a common stock, the unit of trading shall be 100 shares. The unit of trading and exercise price established for an option contract are subject to adjustment in accordance with the By-Laws.

* * *

(g) New series of cleared contracts may generally be opened on a same day or next day basis; provided, however, that no series of cleared contracts shall be opened for trading without the consent of the Corporation unless the Corporation shall have received prior notice thereof from the Exchange not later than the applicable deadline for new series established from time to time by the Corporation. The Corporation may require a longer notice period for new series of cleared contracts having as a contract month, maturity date or expiration month a calendar month that is not then, or was not during the prior calendar year, in use for any other series of cleared contract. Series of flexibly structured cleared contracts may be subject to different notice periods than those applicable to other cleared contracts. ~~Notwithstanding any other provision of this Section 10, a new series of OTC options may be opened on the date a confirmed trade in OTC options is accepted by the Corporation for clearing and all OTC options covering the same underlying interest and having identical terms shall be considered to be in the same series.~~

* * *

Close-Out Netting

SECTION 27. (a) *Default or Insolvency of the Corporation.* If at any time the Corporation: (i) fails to comply with an undisputed obligation to pay money or deliver property to a Clearing Member under the By-Laws or Rules for a period of thirty days from the date that OCC receives notice from the Clearing Member of the past due obligation, (ii) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding up or liquidation, and, in the case of any such proceeding or petition presented against it, such proceeding or petition results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for the Corporation's winding-up or liquidation, or (iii) takes corporate action to authorize any proceeding or petition described in clause (ii) above, the Corporation or its representative shall promptly notify the Securities and Exchange Commission, the Commodity Futures Trading Commission, all Clearing Members, any clearing organizations with which the Corporation has cross-margining or cross-guarantee arrangements, and all Exchanges, futures markets and security futures markets for which the Corporation clears confirmed trades ~~and all OTC Trade Sources from which OCC accepts confirmed trades for clearance~~.

(b) *Notice of Termination.* Upon the occurrence of any event described in clause (i) through (iii) of paragraph (a), a Clearing Member that is neither suspended nor in default with respect to any obligation owing to the Corporation may notify the Corporation in writing of its intention to terminate all cleared contracts and stock loan and borrow positions in all accounts of such Clearing Member; provided that a notice based on the Corporation's failure to comply with an obligation described in clause (i) may only be made by the Clearing Member to whom such obligation is owed. The Corporation shall promptly forward any such notice, specifying the date of receipt thereof, to the Securities and Exchange Commission, the Commodity Futures Trading Commission, all Clearing Members, any clearing organizations with which the Corporation has cross-margining or cross-guarantee arrangements, and all Exchanges, futures markets and security futures markets for which the Corporation clears confirmed trades ~~and all OTC Trade Sources from which OCC accepts confirmed trades for clearance~~. Such notice shall have the effects hereinafter described in this Section with respect to all Clearing Members, without the

necessity of a similar notice being sent by any other Clearing Member. As of the close of business on the third business day following the Corporation's receipt of such notice or such other termination time as may be established by the United States Bankruptcy Code in the case of a proceeding governed by such Code (the "Termination Time"), the Corporation shall accept no more confirmed trades for clearing, and all pending transactions, positions in cleared contracts and stock loan and borrow positions remaining in all accounts of all Clearing Members at the Termination Time shall be valued as of the Termination Time and liquidated in accordance with this Section. Such liquidated positions shall be netted to the maximum extent permitted by law and the By-Laws and Rules, and settlement of the net amounts shall be effected in the manner provided by this Section in satisfaction of all obligations owing between the Corporation and Clearing Members in respect of such positions. The provisions of this Section, other than paragraph (l) below, shall not apply to the disposition of assets and liabilities in any X-M account provided for in Article VI, Section 24 of the By-Laws. From and after the Termination Time the rights of Clearing Members against the Corporation shall be limited to those set forth in this Section. In the event that a Clearing Member is suspended by the Corporation pursuant to Chapter 11 of the Rules or the Corporation suffers a loss from any cause that is chargeable against the Clearing Fund in accordance with the By-Laws and Rules, whether such suspension or loss occurs before or after the Corporation gives a notice under this paragraph (a), the provisions of paragraph (m) below shall apply.

* * *

ARTICLE XVII – INDEX OPTIONS AND CERTAIN OTHER CASH-SETTLED OPTIONS

Introduction

By-Laws in this Article are applicable only to cash-settled options that are not specifically addressed elsewhere in these By-Laws, including flexibly structured options that cash settle, Exchange-listed index options, ~~OTC index options~~ and cash-settled commodity options other than binary options or range options (which are governed by the provisions of Article XIV). Section 1 of Article XII is also applicable to cash-settled commodity options. By-Laws in Articles I-XI are also applicable to cash-settled options, in some cases supplemented by one or more By-Laws in this Article, except for By-Laws that have been replaced in respect of such options by one or more By-Laws in this Article and except where the context otherwise requires. Whenever a By-Law in this Article supplements or, for purposes of this Article, replaces one or more By-Laws in Articles I-XI, that fact is indicated in brackets following the By-Law in this Article.

* * *

Definitions

SECTION 1.

A. – B. [No change]

C.

* * *

Class of Options
(4) The term "class of options" used in respect of cash-settled options means all such options of the same type and style (and, in addition, in the case of flexibly structured index options ~~and OTC index options,~~ having the same index value determinant) and having the same underlying interest, provided that ~~OTC index options shall constitute a separate class of options from other cash-settled options of the same type and style and having the same underlying interest and~~ flexibly structured options that cash settle shall constitute a different class of options from physically settled options on the same underlying interest.

* * *

Current Underlying Interest Value; Current Index Value
(5) The term "current underlying interest value" when used in respect of cash-settled options means the current value or level of the underlying interest at a point in time as reported by the reporting authority. The current underlying interest value in respect of an index option is sometimes also referred to as the "current index value." Subject to the provisions of Section 5 of this Article, the term "current index value," in respect of any underlying index on a given day, means the level of such index at the close of trading on such day, or if such day is not a trading day, on the immediately preceding trading day, or, in the case of an index option ~~other than an OTC index option,~~ any multiple or fraction thereof specified by the Exchange, as such value is reported by the reporting authority. Notwithstanding the foregoing, but subject to the provisions of Section 4 of this Article, the current index value for an index underlying a flexibly structured index option ~~or an OTC index option~~ on the expiration date shall be determined in accordance with the index value determinant.

* * *

E.

(1) – (2) [No change]

Expiration Date
(3) The term "expiration date" in respect of cash-settled options expiring prior to February 1, 2015, other than flexibly structured options ~~or OTC index options~~, means the Saturday following the third Friday of the expiration month, and in respect of cash-settled options expiring on or after February 1, 2015, other than flexibly structured options ~~or OTC index options~~, means the third Friday of the expiration month, or if such Friday is a day on which the Exchange on which such option is listed is not open for business, the preceding day on which such Exchange is open for business, except that in respect of a class or series of option contracts that is identified by an Exchange as having an expiration date that is a business day other than the third Friday of the expiration month, the term "expiration date" shall mean such date as identified by the Exchange at or prior to the time of inception of trading of the class or series provided that such date is not a date specified by the Corporation as ineligible to be an expiration date. ~~The expiration date of an OTC index option shall be determined as set forth in Section 6 of this Article.~~

* * *

~~Expiration Time~~
~~(4) The term "expiration time" in respect of an OTC index option contract means 7:00 P.M. Central Time (8:00 P.M. Eastern Time).~~

* * *

R.

(1) – (2) [No change]

Reporting Authority
(3) The term "reporting authority" in respect of cash-settled options other than ~~OTC index options and~~ flexibly structured options on fund shares that are cash settled means the institution or reporting service designated by an Exchange as the official source for the current value of a particular underlying interest or reference variable. Unless another reporting authority is identified by the listing Exchange for a class of cash-settled options, the listing Exchange will be the reporting authority. ~~In respect of OTC index options, the reporting authority shall be the institution or reporting service designated by the Corporation as the official source for the current value of a particular underlying interest or reference variable.~~ In respect of flexibly structured options on fund shares that are cash settled, the reporting authority shall be the institution or reporting service used by the Corporation for the value of the underlying interest for physically settled equity options.

* * *

S.

Series of Options
(1) The term "series of options" used in respect of cash-settled options ~~other than OTC index options~~ means all such options of the same class with the same exercise price (or, in the case of delayed start options that do not yet have a set exercise price, the same exercise price setting formula and exercise price setting date), cap price (if any), unit of trading (if any), expiration date, and multiplier; provided that if an Exchange shall adopt a rule superseding Section 1 C.(5) of this Article, index options ~~(other than OTC index options)~~ to which such Exchange rule applies shall be deemed to be of a different series than otherwise identical index options to which such rule does not apply. ~~In respect of OTC index options, the term "series of options" means all such options of the same class and having identical variable terms.~~

* * *

Adjustments

SECTION 3.

(a) – (g) [No change]

(h) Except in the case of ~~OTC index options or~~ any of the events described in paragraphs (f) and (g) of this Section 3, determinations with respect to adjustments pursuant to this Section shall be made by the Corporation. The provisions of Article VI, Section 11 of the By-Laws shall apply equally to adjustments made by the Corporation pursuant to this Article XVII, Section 3 and to adjustments made by the Corporation pursuant to Article VI, Section 11A for flexibly structured options on fund shares that are cash settled.

~~***. . . Interpretations and Policies:***~~

~~**.01** For the elimination of doubt, all adjustments to the terms of outstanding cleared contracts in OTC index options shall be made by the Corporation in its sole discretion, based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to holders and writers (or purchasers and sellers) of the affected contracts, the maintenance of a fair and orderly market in the affected contracts, consistency of interpretation and practice (including consistency with adjustments to Exchange-listed index options on the same underlying interest), and efficiency of exercise settlement procedures.~~

* * *

Unavailability or Inaccuracy of Current Underlying Interest Value

Effective for Series of Options Opened for Trading After September 16, 2000

SECTION 4. (a) If the Corporation shall determine that the primary market(s) (as determined by the Corporation) for one or more index components did not open or remain open for trading (or that any such components did not open or remain open for trading on such market(s)) on a trading day at or before the time when the current index value for that trading day would ordinarily be determined, or that a current index value or other value or price to be used as, or to determine, the exercise settlement amount (a "required value") for a trading day is otherwise unreported, inaccurate, unreliable, unavailable or inappropriate for purposes of calculating the exercise settlement amount, then, in addition to any other actions that the Corporation may be entitled to take under the By-Laws and Rules, the Corporation shall be empowered to do any or all of the following with respect to any series of options on such index ("affected series"):

(1) [No change]

(2) The Corporation may fix the exercise settlement amount for exercised contracts of an affected series. In the case of flexibly structured options on fund shares that are cash settled, the exercise settlement amount will be determined by using the last reported sale price for the underlying security during regular trading hours, consistent with the expiration closing price determination procedures of Rule 805. In the case of cash-settled securities options other than flexibly structured cash settled options on fund shares that are cash settled ~~and OTC index options~~, the exercise settlement amount shall be fixed by a panel consisting of two designated representatives of each Exchange on which the affected series is open for trading and the Chief Executive Officer. In the case of ~~OTC index options or~~ cash-settled commodity options, unless the By-Laws or Rules specifically provide otherwise in respect of a particular class of such options, the exercise settlement amount shall be fixed by the Corporation. The Corporation will consult with the Risk Committee when appropriate to obtain any additional or supplemental

market information or data from the members of such committee that the Corporation believes will be useful in setting such exercise settlement value. The panel (or the Corporation, as the case may be) shall fix the exercise settlement amount based on its judgment as to what is appropriate for the protection of investors and the public interest, taking into account such factors as fairness to holders and writers of options of the affected series, the maintenance of a fair and orderly market in such affected series of options, consistency of interpretation and practice, and consistency with actions taken in related futures or other markets. Without limiting the generality of the foregoing, the panel (or the Corporation) may fix the exercise settlement amount using: (i) the reported price or value for the relevant security(ies), commodity(ies) or underlying interest at the close of regular trading hours (as determined by the Corporation) on the last preceding trading day for which such a price or value was reported by the reporting authority; (ii) the reported price or value for the relevant security(ies), commodity(ies) or underlying interest at the opening of regular trading hours (as determined by the Corporation) on the next trading day for which such an opening price or value is reported by the reporting authority; or (iii) a price or value for the relevant security(ies), commodity(ies) or underlying interest at such other time, or representing a combination or average of prices or values at such time or times, as the Corporation deems appropriate. The provisions of Article VI, Section 11(c) of the By-Laws with respect to the vote required to constitute the determination of a panel, the voting rights of members of such panels, the ability of such panels to conduct their business by telephone or other designated means, and the ability of the Chief Executive Officer and Exchange representatives to designate others to serve in their place on such panels shall apply equally to panels convened pursuant to this Section. Every determination pursuant to this Section shall be within the sole discretion of the Corporation or the panel making such determination, as the case may be, and shall be conclusive and binding on all investors and not subject to review.

* * *

Time for Determination of Current Index Value

SECTION 5. (a) An Exchange may provide by rule that the current index value for the index underlying any class of index options traded on such Exchange, either generally or on particular trading days, shall be determined by reference to the reported level of such index at a time or times other than the close of trading. ~~Similarly, the parties to a transaction in OTC index options may elect to base the current index value of the underlying index on a given day on the reported level of the underlying index at either the open or close of trading on such day.~~ Any such Exchange rule ~~or election by the parties to a transaction in OTC index options~~ shall supersede any contrary provision in Section 1 C.(5) of this Article.

(b) For purposes of settling each flexibly structured index option contract exercised on the expiration date, an Exchange shall provide the Corporation with a current index value for the expiration date as calculated pursuant to the index value determinant reported to the Corporation by the Exchange.

* * *

~~**OTC Index Options**~~

SECTION 6. (a) Variable Terms. The variable terms that are negotiated bilaterally between the parties to a transaction in OTC index options shall include (i) the type of option; (ii) the style of option; (iii) the underlying index, selected only from among those underlying indices approved by the Corporation and which the By-laws and Rules specifically allow to be selected as an underlying index for an OTC index option; (iv) the expiration date; (v) the exercise price (stated in U.S. dollars and cents); (vi) the index multiplier; and (vii) the index value determinant; subject in each case to the limitations generally applicable to such variable terms as set forth in paragraph (b) below and any additional specific requirements applicable to OTC index options on a particular underlying index as set forth in the interpretations and polices following this Section 6 or as otherwise published by the Corporation on its website.

(b) *General Limitations on Variable Terms*. In respect of an OTC index option contract: (i) the type of option may be either a put or a call; (ii) the style of option may be either American-style or European-style; (iii) the underlying index may be any index identified by the Corporation as a permissible underlying index; (iv) the expiration date shall be a business day that is, at the maximum, no more than fifteen years from the trade date of the contract series provided that such date is not a date specified by the Corporation as ineligible to be an expiration date; (v) the exercise price shall be stated in U.S. dollars and cents; and (vi) the current index value at expiration may be determined based on either the opening index value or closing index value.

(c) *Acceptance of Confirmed Trades in OTC Index Options for Clearing*. If the confirmed trade information in respect of a transaction in OTC index options reported by an OTC Trade Source to the Corporation passes the Corporation's validation process, the Corporation shall accept such confirmed trade for clearing. The Corporation shall reject the transaction if the Corporation determines that: (i) any variable term of the contract does not comply with any applicable limitations established by the Corporation; (ii) the transaction would violate any applicable restrictions imposed on any of the Clearing Members for whose accounts the transaction is submitted to the Corporation for clearing (including, but not limited to, one or both of such Clearing Members are not approved to clear OTC index options); (iii) the information in the confirmed trade report submitted by the OTC Trade Source to the Corporation contains unresolved errors or omissions; or (iv) the information in the confirmed trade does not meet any other applicable criteria set forth in the By-Laws and Rules or procedures of the Corporation. Any transactions in OTC index options submitted to the Corporation for clearing that are rejected by the Corporation shall have no further effect as regards the Corporation and shall be deemed null and void and given no effect for purposes of the By-Laws and Rules.

(d) *The Role of the Corporation*. Commencing at the time at which the Corporation accepts a confirmed trade in OTC index options for clearing, the Corporation shall be substituted through novation as the seller to the Purchasing Clearing Member and the buyer to the Selling Clearing Member, and shall be the obligor to the extent set forth in the By-Laws and Rules with respect to obligations owing to persons having positions in such cleared contract. Each Clearing Member agrees with the Corporation that (i) it shall be bound, in accordance with the By-Laws and Rules, by all transactions in OTC index options submitted for its account through an OTC Trade Source and accepted by the Corporation for clearing; and (ii) it shall be bound by the terms of each transaction as reported by the OTC Trade Source to the Corporation and the Corporation shall not be responsible or liable to the Clearing Member for any error or omission in the variable terms or other information reported by the OTC Trade Source in connection with such

~~transaction or for any acts or omission taken or made by the Corporation in reliance on such information.~~

~~(e) *Fungibility*. OTC index options of the same series shall be fungible. Positions in OTC index options created in a transaction between two counterparties may be closed out through a closing transaction between one of the parties to the original transaction and a different counterparty.~~

~~(f) *Clearing Members' Representations and Warranties*. Upon the submission of a confirmed trade in OTC index options to the Corporation for clearing, each Clearing Member for whose account the transaction is submitted shall be deemed to represent and warrant to the Corporation that: (i) the offer and sale of the OTC index options that are the subject of such transaction are exempt from the registration requirements of the Securities Act of 1933; (ii) such transaction has been effected by the Clearing Member in accordance with, the Clearing Member's participation in such transaction is in compliance with, and the Clearing Member will continue with respect to such transaction to comply with, all applicable laws and regulations including, without limitation, all applicable rules and regulations of the Securities and Exchange Commission, and the rules of the Financial Industry Regulatory Authority, Inc. and any other regulatory or self-regulatory organization to which the Clearing Member is subject; (iii) in respect of OTC index options on any S&P Index, the Clearing Member has read and understands the disclaimer language set forth below in item .03 of the Interpretations and Policies following this Section 6; (iv) in the case where the transaction is effected for the account of a customer, the customer is an "Eligible Contract Participant" as defined in Section 3a(65) of the Securities Exchange Act of 1934, as amended; (v) unless the Corporation notifies Clearing Members that the OTC Options will no longer be offered and sold pursuant to Rule 506 of Regulation D under the Securities Act of 1933, as amended, the Clearing Member has not offered or sold the OTC Options to any person that is not an "accredited investor," as defined in Rule 501(a) under Regulation D and has otherwise complied with applicable conditions to the exemption set forth in Rule 506; and (vi) unless the Corporation notifies Clearing Members that such restriction no longer applies, the Clearing Member has not offered or sold the OTC Options by any form of general solicitation or general advertising that, at the time of such activities, is or may be deemed to constitute general solicitation or general advertising, as described in Rule 502(c) of Regulation D. The Clearing Member shall indemnify and hold the Corporation harmless from any claim, liability or expense, including reasonable attorneys' fees, which may arise or be asserted as a result of any such representation and warranty being false or of any action brought against OCC alleging that any such representation and warranty is false, other than any claim, liability or expense that (a) results primarily from the gross negligence or willful misconduct of the Corporation or (b) results from conduct of the Corporation that causes the offer or sale of the OTC Options to become subject to the registration provisions of Section 5 of the Securities Act of 1933, as amended.~~

~~(g) Except as expressly provided in this paragraph or elsewhere in the By-Laws and Rules, and except to the extent inconsistent with the provisions of this Section 6, OTC index options shall be subject to all provisions of the By-Laws and Rules to the extent such provisions are applicable by their terms.~~

~~. . . Interpretations and Policies:~~

.01 Only the S&P 500 Index has been approved by the Corporation as an underlying index for OTC index options, as described in Section 6(a)(iii) of this Article XVII. In respect of an OTC index option contract on the S&P 500 Index: (i) the index multiplier shall be fixed at 1, (ii) the expiration date must be within 5 years of the date on which a transaction in such OTC index option is accepted by the Corporation for clearance, and (iii) unless one or the other of the parties to the transaction is entering into the transaction as a closing purchase transaction or a closing sale transaction (provided, in either case, that such closing transaction does not constitute an opening purchase transaction or opening sale transaction for a nonproprietary account of one Clearing Member and a closing sale transaction or closing purchase transaction, respectively, for any proprietary account of the other Clearing Member), the expiration date must be at least 125 days, and no more than 15 years, from the origination date. In addition, unless one or more of the parties to the transaction is entering into the transaction as a closing purchase transaction or a closing sale transaction (provided, in either case, that such closing transaction does not constitute an opening purchase transaction or opening sale transaction for a non-proprietary account of one Clearing Member and a closing sale transaction or closing purchase transaction, respectively, for any proprietary account of the other Clearing Member), the minimum "notional value" of a transaction in OTC index options on the S&P 500 Index submitted to the Corporation for clearing shall be: (x) for options with an expiration date that is 275 or fewer days from its origination date, $500,000 times the value of the S&P 500 Index at the opening of business in New York on the first business day of the calendar year in which the Corporation accepted the transaction for clearing; or (y) for options with an expiration date that is more than 275 but less than 1,101 days from its origination date, at least $100,000 times the value of the S&P 500 Index at the opening of business in New York, New York on the first business day of the calendar year in which the Corporation accepted the transaction for clearing. The "notional value" of a transaction in an OTC index option on the S&P 500 Index shall equal the quantity of contracts multiplied by the closing value of the S&P 500 index on the business day prior to the date the transaction is accepted by the Corporation for clearing.

.02 For purposes of paragraph (c) of this Section 6, any transaction in OTC index options submitted to the Corporation for clearing that is rejected by the Corporation shall remain subject to any applicable agreement between the original parties to the transaction which, for the avoidance of doubt, may provide, among other things, that such rejected transaction shall remain a bilateral transaction between the parties subject to such agreement or other documentation as the parties have entered into for that purpose or may be terminated. The offer and sale of any such option or other security entered into bilaterally would not be covered by any exemption from the registration or other requirements of the Securities Act of 1933 that is specifically applicable, and limited, to OTC index options issued by the Corporation, and parties that may be deemed offerors or sellers of any such bilateral option contract or other security should satisfy themselves that the offer and sale would not be in violation of any applicable provision of the Securities Act of 1933.

.03 For purposes of clause (iii) of paragraph (f) of this Section 6, the S&P disclaimer reads as follows:

"S&P SHALL OBTAIN INFORMATION FOR INCLUSION IN OR FOR USE IN THE CALCULATION OF THE S&P INDEXES FROM SOURCES WHICH S&P CONSIDERS RELIABLE, BUT S&P DOES NOT GUARANTEE THE ACCURACY AND/OR THE

~~COMPLETENESS OF THE S&P INDEXES OR ANY DATA INCLUDED THEREIN AND S&P SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. S&P MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY ANY PERSON OR ANY ENTITY FROM THE USE OF THE S&P INDEXES OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING OF THE CONTRACTS, OR FOR ANY OTHER USE. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE S&P INDEXES OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL S&P HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.”~~

* * *

EXHIBIT 5B

Rules

Underlined text indicates new text
~~Strikethrough~~ text indicates deleted text

THE OPTIONS CLEARING CORPORATION
RULES

* * *

RULE 201

(a) [No change]

(b) Clearing Members must be in compliance with all registration and other regulatory requirements applicable to clearing a particular product type. In that regard, the following specific requirements will ordinarily apply:

(1) – (5) [No change]

~~(6) To clear OTC Index Options, a Clearing Member must:~~

~~(i) be a broker-dealer registered under Section 15(b)(1) or (2) of the Securities Exchange Act of 1934, a Canadian Investment Dealer or other Non-U.S. Securities Firm, or an eligible bank;~~

~~(ii) execute and maintain in effect such agreements and other documents as the Corporation may prescribe (including, for purposes of clearing OTC index options on indices published by the Standard & Poor's Financial Services LLC ("S&P"), a short-form index license agreement in the form specified from time to time by S&P);~~

~~(iii) be a user of or participant in an OTC Trade Source for the purpose of affirming and submitting confirmed trades to the Corporation for clearance; and~~

~~(iv) meet such other requirements as the Corporation may specify.~~

~~A Clearing Member will continue to comply with all conditions described above until the Clearing Member has closed out all open positions in OTC index options.~~

* * *

RULE 208 – Records

Every Clearing Member shall keep records showing all confirmed trade data required pursuant to the Corporation's By-Laws and Rules, including confirmed trade information reported to the Corporation under Rule 401 except for the identity of the counterparty Clearing Member. Such records, and all other records required by the By-Laws and Rules, must be retained readily accessible for at least five years in such form as the Corporation may authorize and will be deemed the joint property of the Corporation and the Clearing Member maintaining them. The Corporation is entitled to inspect or take temporary possession of any such records at any time upon demand.

* * *

RULE 401 – Reporting of Confirmed Trades and Novation

(a) Each business day each Exchange ~~or OTC Trade Source~~ shall report to the Corporation information with respect to each confirmed trade made on such Exchange ~~or affirmed on such OTC Trade Source~~ during said business day (or on a previous day and reconciled on said business day) and as to which confirmed trade information has been submitted by or on behalf of the Purchasing Clearing Member and the Writing or Selling Clearing Member. The acceptance of every confirmed trade and the issuance of every cleared contract by the Corporation as provided in this rule shall be subject to the conditions that this reported trade information (i) passes the Corporation's trade validation process, (ii) is provided to the Corporation during such times as the Corporation shall prescribe, and (iii) satisfies certain criteria, as specified in paragraphs (a)(1) and (a)(2) of this Rule 401.

(1) Options. (i) If the relevant transaction is in options, the Corporation's acceptance of the confirmed trade shall be subject to the condition that the trade information submitted by participant Exchanges for such transaction includes: (A) the identity of the Purchasing Clearing Member and the Writing Clearing Member to the transaction; (B) the clearing date; (C) the transaction time; (D) the trade source; (E) the trade quantity; (F) the trade price; (G) the product type; (H) the ticker symbol; (I) the series/contract date; (J) whether the trade is a put or call; (K) the strike price; (L) whether the trade is a purchase or sale; (M) the account type; (N) the allocation indicator, if applicable; (O) the CMTA indicator, if applicable; (P) the Given-Up Clearing Member, if applicable; and (Q) the trade type, including, in the case of futures options, whether the transaction is a block trade, exchange-for-physical, or any other trade designated by the futures market or security futures market reporting the trade as a non-competitively executed trade~~; (R) in the case of OTC options transactions in a securities customers' account, a unique customer ID for the customer for whom the trade was executed; and (S) in the case of OTC options, such other variable terms as provided in Section 6 of Article XVII of the By-Laws~~.

(ii) In addition to the foregoing information that is required as a condition to the Corporation's acceptance of the confirmed trade, the Corporation may also request certain optional trade information that is not required as a condition for acceptance.

(iii) If the relevant transaction is in securities options for a customer or non-customer other than a Market Maker, the trade information submitted by participant Exchanges for such transaction shall include an Actionable Identifier from the Purchasing Clearing Member and an Actionable Identifier from the Writing Clearing Member, as described in Interpretation and Policy .06 to this rule. Notwithstanding the foregoing, an Actionable Identifier is not required as a condition to the Corporation's acceptance of the confirmed trade.

(2) Futures. (i) If the relevant transaction is in futures, the Corporation's acceptance of the confirmed trade shall be subject to the condition that the trade information submitted by participant Exchanges for such transaction includes: (A) the identity of the Purchasing Clearing Member and the Selling Clearing Member to the transaction; (B) the clearing date, (C) the transaction time; (D) the trade source; (E) the trade quantity; (F) the trade price; (G) the product type; (H) the ticker symbol; (I) the series/contract date; (J) whether the trade is a purchase or a sale; (K) the account type; (L) the allocation indicator, if applicable; (M) the CMTA indicator, if applicable; (N) the Given-Up Clearing Member, if applicable; and (O) whether the trade is an exchange-for-physical or block trade or any other trade designated by the futures market or security futures market reporting the trade as a non-competitively executed trade.

(ii) In addition to the foregoing information that is required as a condition to the Corporation's acceptance of the confirmed trade, the Corporation may also request certain optional trade information that is not required as a condition for acceptance.

(3) BOUNDs. If the relevant transaction is in BOUNDs, the matching trade information for such transaction shall include (A) the identity of the Purchasing Clearing Member and the Writing Clearing Member and of the accounts in which the transaction was effected, (B) the series, (C) the number of BOUNDs, (D) the trade price per single BOUND, (E) except for a transaction in a Market-Maker's account, whether an opening or closing transaction, and (F) such other information as may be required by the Corporation.

(b) Subject to Rule 407, each Clearing Member shall be responsible to the Corporation in respect of each confirmed trade in which such Clearing Member is identified as a Purchasing Clearing Member or Writing or Selling Clearing Member in confirmed trade information reported to the Corporation by an Exchange ~~or OTC Trade Source~~ upon the acceptance of such confirmed trade by the Corporation pursuant to the provisions of this Rule 401.

(c) As used in this Rule in respect of a particular Exchange, the term "business day" shall ordinarily mean any day on which such Exchange is open for trading in cleared contracts. Notwithstanding the foregoing, when an international market is open for trading on a day when Exchanges in the United States are closed, the Corporation may agree with such international market that confirmed trade information regarding confirmed trades effected on such international market on such day shall be reported to the Corporation on the following business day.

(d) The Corporation shall prescribe the times during which confirmed trade information is to be reported to the Corporation and the format of such reporting~~. The cut-off time on each business day for an OTC Trade Source to submit confirmed trades in OTC options to the Corporation for premium settlement on the next business day shall be 4:00 p.m. Central Time or such other time as the Corporation may establish with prior notice to Clearing Members. Premium settlement for confirmed trades in OTC options submitted after 4:00 p.m. on any business day or on a day other than a business day shall be effected on the second following business day. The Corporation shall prescribe the format of reporting of Confirmed Trades in OTC options.~~

(e) The Corporation shall have no obligation to any purchaser, writer, buyer, or seller for any loss resulting from the untimely reporting by an Exchange~~,~~ or market~~, or OTC Trade Source~~ of any confirmed trade information or from any error in confirmed trade information furnished to the Corporation.

(f) An Exchange ~~or OTC Trade Source~~ may instruct the Corporation to disregard a transaction previously reported by such Exchange ~~or OTC Trade Source~~ as a confirmed trade because of a subsequent determination that (i) the trade information was not correct as originally submitted by the Exchange ~~or OTC Trade Source,~~ or (ii) new or revised trade information was required to properly clear the transaction. In accordance with such instruction, the Corporation shall disregard the previously reported transaction and such transaction shall be deemed null and void and given no effect for purposes of the By-Laws and Rules. The Corporation shall have no

obligation to any purchaser, writer, buyer, or seller in acting pursuant to an Exchange's ~~or OTC Trade Source's~~ instruction to disregard a previously reported transaction.

(g) Upon the acceptance of a confirmed trade by the Corporation, the Corporation shall be substituted through novation as the buyer to the seller and the seller to the buyer, the rights of the parties to such transaction shall be solely against the Corporation and the Corporation shall be obligated to the parties in accordance with the provisions of the By-Laws and the Rules. A confirmed trade shall be deemed to have been accepted for clearing by the Corporation at such time that the confirmed trade meets the conditions specified in this Rule 401 and Rule 406, as applicable, and the related position information has been recorded in OCC's clearing system; except as provided ~~(i)~~ in Section 7 of Article XII of the By-Laws with respect to a Confirmed Trade in a future issued in an exchange-for-physical transaction, block trade, or other non-competitively executed trade~~, and (ii) in this paragraph (g) of Rule 401 with respect to a confirmed trade in a Backloaded OTC option~~. ~~In the case of a confirmed trade in a Backloaded OTC option, such a confirmed trade shall not be deemed accepted, and may be rejected, by the Corporation until the Selling Clearing Member has met its regular morning cash settlement obligations to the Corporation on the following business day. A Backloaded OTC option will not be accepted for clearing by the Corporation if the Corporation receives such Backloaded OTC option from the relevant OTC Trade Source after 4:00 P.M. Central Time (5:00 P.M. Eastern Time on the business day that is four business days prior to the expiration date of the Backloaded OTC option.~~

. . . Interpretations and Policies:

.01 In the case of futures and options, trade information submitted by an Exchange need not identify a transaction as opening or closing if the Exchange elects not to include such information in reporting its matching trade information. In that case, the Corporation will initially treat all purchase and sale transactions in futures and options in any account~~s other than Market Maker accounts~~ as opening transactions. Each Clearing Member having such transactions in such accounts shall submit gross position adjustment information to the Corporation as necessary to identify the actual open interest in each such account at the end of each trading day based upon the day's trading activity and any applicable rules of an Exchange. In the event an account contains an insufficient number of futures contracts in a particular series to effect a gross position adjustment in accordance with such information, the adjustment shall be applied up to the number of available contracts in such series and the remainder of the adjustment shall be given no effect.

.02 A Clearing Member may, through the systems of the Corporation, update certain non-critical trade information with respect to such transaction, provided that such updates are not in contravention of any rule of the Exchange on which a confirmed trade was executed.

.03 Under procedures established from time to time in its discretion, the Corporation may review the reasonableness of prices for transactions reported as confirmed trades and identify certain of them to the reporting Exchange for its consideration of whether new or revised trade information is required to properly clear the transaction.

.04 The Corporation will accept for clearing confirmed trades in flexibly structured options and flexibly structured security futures, provided that the variable terms of the contract comply with any limitations on such variable terms published by the Corporation from time to time by notice to the Exchanges that have clearing agreements with the Corporation.

.05 The Corporation will not treat an EFP or block trade as a noncompetitively executed trade subject to Article XII, Section 7 of the By-Laws if the Exchange on which such trade is executed has made representations satisfactory to the Corporation that the Exchange has rules, policies or procedures that require each EFP and block trade that is submitted to the Corporation to be executed at a reasonable price and that such price is validated by the Exchange.

.06 *Actionable Identifier*. Each Actionable Identifier that is required to be submitted pursuant to paragraph (a)(1)(iii) of this rule by the Purchasing Clearing Member shall consist of either the name, series of numbers, or other identifying information assigned by the Purchasing Clearing Member to the customer account or non-customer account (other than a Market-Maker account) held at the Purchasing Clearing Member that originated the purchase transaction. Each Actionable Identifier that is required to be submitted pursuant to paragraph (a)(1)(iii) of this rule by the Writing Clearing Member shall consist of either the name, series of numbers, or other identifying information assigned by the Writing Clearing Member to the customer account or non-customer account (other than a Market-Maker account) held at the Writing Clearing Member that originated the sale transaction. In the event an Actionable Identifier is transmitted to another Clearing Member to clear a purchase or sale transaction, the Purchasing Clearing Member in the case of a purchase transaction, and Writing Clearing Member in the case of a sale transaction, shall establish and maintain policies and procedures reasonably designed to include sufficient information in the Actionable Identifier field to allow the Clearing Member receiving such Actionable Identifier to promptly clear the transaction. Each Clearing Member that has adopted such policies and procedures shall annually certify to the Corporation, in a form and manner specified by the Corporation, that such policies and procedures are reasonably designed to provide that sufficient information is included in the Actionable Identifier fields to allow the Clearing Member(s) receiving such Actionable Identifiers to promptly clear the transactions.

* * *

RULE 405 – Issuance of Cleared Contracts

The Corporation shall be the issuer of all cleared contracts purchased in confirmed trades. Subject to the provisions of Rule 401 and 406, a cleared contract shall be issued by the Corporation in every opening purchase transaction at the time the Corporation accepts such transaction for clearing. Any such cleared contract shall carry the rights and obligations set forth in the By-Laws and Rules applicable to the particular cleared contract and shall contain the variable terms as agreed upon by the Purchasing Clearing Member and Selling Clearing Member (or by Exchange Members authorized to give up the names of such Clearing Members), as shown on the trade information filed by them with the Exchange on which such opening purchase transaction occurred and ~~or the OTC Trade Source through which such transaction was affirmed and which is transmitted to the Corporation~~ in a report of confirmed trades submitted by such Exchange ~~or OTC Trade Source~~. In the event of a discrepancy between the trade information filed with the Exchange ~~or OTC Trade Source~~ and the information reported to the

Corporation, the latter shall govern as between the Clearing Member and the Corporation. Unless and until a cleared contract is issued as provided by the By-Laws, the Corporation shall have no obligation in respect thereof.

* * *

RULE 406 – Payments to Corporation

Except as provided in Section 7 of Article XII with respect to futures issued in exchange-for-physical transactions, block trades, or other trades designated by a futures market or security futures market reporting the trades as non-competitively executed trades ~~and Rule 401(g) with respect to Backloaded OTC options~~, the Corporation shall have no right to reject any confirmed trade or to refuse to issue any cleared contract as a consequence of the failure of the Purchasing Clearing Member to pay any amount due to the Corporation at or before the settlement time for such transaction; provided, however, that ~~(i)~~ notwithstanding any other provision the Corporation shall have no obligation to accept any confirmed trade of a suspended Clearing Member that was effected after the time at which the Clearing Member was suspended ~~and (ii) in the case of any confirmed trade for any Backloaded OTC option, the Corporation may reject such confirmed trade if the Selling Clearing Member fails to meet its initial margin obligations to the Corporation in respect of such Backloaded OTC option when due~~.

* * *

RULE 407 – Clearing Member Trade Assignment ("CMTA")

(a)~~(1)~~ Clearing Members that are parties to a CMTA arrangement shall register their arrangement with the Corporation and provide such information regarding the arrangement as the Corporation shall require. The registration of a CMTA arrangement shall be effective when the Clearing Members have supplied to the Corporation confirmed information regarding the arrangement. Such registration shall: (i) constitute notice to the Corporation that the Executing Clearing Member has been authorized by the Carrying Clearing Member to direct the transfer of confirmed trades to a designated account or accounts of the Carrying Clearing Member; (ii) constitute the continuing representation and warranty of each Clearing Member to the Corporation that they have entered into a CMTA Agreement which, if the Corporation has specified an approved form, is in substantially the form approved by the Corporation; and (iii) remain in effect until terminated as specified herein.

~~(2) In addition to the foregoing registrations, Clearing Members that are parties to a CMTA arrangement may elect to authorize the Corporation to settle fees and commissions owed by the Carrying Clearing Member to the Executing Clearing Member in respect of transfers effected pursuant to that arrangement. Clearing Members making such election shall specifically register that aspect of their CMTA arrangement with the Corporation. Such registration shall authorize (i) the Executing Clearing Member to enter into the Corporation's systems fee and commission information with respect to transfers effected pursuant to the CMTA arrangement between the Clearing Members, subject to such system checks as may be established by the Corporation from time to time, and (ii) the Corporation to calculate and settle, in accordance with the applicable provisions of Rule 504, the aggregate of such entered amounts on the next following business~~

~~day without any further authorization or consent of the Carrying Clearing Member. Registration of this aspect of the Clearing Members' CMTA arrangement shall be effective when the Corporation's systems have accepted such registration. Any entries made pursuant to such registration shall be solely for fees and commissions related to transfers effected pursuant to the Clearing Members' CMTA arrangement and for no other purposes.~~

(b) – (k) [No change]

~~(l) Until such time as the Corporation shall provide otherwise, CMTA transactions in OTC options shall not be permitted. Transfers of OTC options between accounts of the same Clearing Member or between accounts of different Clearing Members is a manual process and may be effected only with the consent of the Corporation and for such purposes and subject to such procedures as the Corporation may provide.~~

* * *

RULE 408 – Allocations of Positions for Futures and Futures Options

(a) One or more positions in cleared contracts that are futures or futures options may be allocated from a designated account of a Giving-Up Clearing Member to a ~~designated account of a~~ Given-Up Clearing Member through the processes provided for in this Rule~~; provided, however, that this Rule 408 shall have no application to positions in OTC options~~.

(b) If (i) the confirmed trade information submitted to the Corporation in respect of a confirmed trade instructs that the position resulting therefrom is to be allocated from a designated account of the Giving-Up Clearing Member to a ~~designated account of the~~ Given-Up Clearing Member, or (ii) the Giving-Up Clearing Member has submitted an instruction to the Corporation that one or more positions are to be allocated from a designated account of the Giving-Up Clearing Member to a ~~designated account of the~~ Given-Up Clearing Member~~, and (ii) the Giving-Up Clearing Member and the Given-Up Clearing Member are parties to an allocation agreement registered with the Corporation at the time the Corporation processes the instruction~~, then the Given-Up Clearing Member may designate an account to which the allocation will be made and thereafter the Corporation shall adjust the positions in the respective designated accounts of the Giving-Up and Given-Up Clearing Member in accordance with the allocation instruction. ~~If the Giving-Up Clearing Member and the Given-Up Clearing Member are not parties to an allocation agreement registered with the Corporation, then the Corporation shall adjust the positions in the respective designated accounts of the Giving-Up and Given-Up Clearing Member in accordance with the allocation instruction only upon receipt of notice from the Given-Up Clearing Member of its affirmative acceptance of the allocation.~~

(c) For purposes of this Rule, Clearing Members may register their allocation agreements with the Corporation by providing such information regarding the agreement as the Corporation shall require. The registration of an allocation agreement shall be effective when both parties have supplied the required information to the Corporation. The registration of an allocation agreement shall: (i) constitute notice to the Corporation that the Giving-Up Clearing Member has been authorized by the Given-Up Clearing Member to allocate positions to an account of the Given-

Up Clearing Member without further action by the Given-Up Clearing Member, and (ii) remain in effect until terminated in accordance with this Rule.

(d) The Given-Up Clearing Member shall be responsible for all settlement and other obligations in respect of each position that has been allocated to one of its accounts pursuant to ~~a registered allocation agreement or pursuant to~~ its acceptance of an allocation instruction. If ~~(i) there is not a registered allocation agreement on file with the Corporation or (ii)~~ the Given-Up Clearing Member has rejected or not provided the Corporation with notice of its affirmative acceptance of an allocation at or before the deadline prescribed by the Corporation, the position(s) that is (are) the subject of such allocation instruction shall remain in the account of the Giving-Up Clearing Member, which shall be responsible for all settlement and other obligations in respect thereof, unless the position is transferred or adjusted pursuant to other provisions of the By-Laws and Rules.

(e) Allocation instructions may be submitted for a single position (i.e., a position in a given series established at a single contract price (in the case of futures) or premium (in the case of futures options) or a group of positions (i.e., positions of the same series established at different contract prices (in the case of futures) or premiums (in the case of futures options). If an allocation instruction is for a single position, then the allocation instruction shall identify the contracts comprising the position by quantity, series, and the contract price (in the case of futures) or the premium (in the case of futures options) at which such allocation is to be effected, which shall be the price or premium at which the position was established. If the allocation instruction is for a group of positions, the allocation instruction shall provide the foregoing information for each of the positions comprising the group position, provided that the contract price (in the case of futures) or premium (in the case of futures options) may be an average price to the extent not prohibited by Exchange rules or applicable law. The submission of an allocation instruction using an average price constitutes the Giving-Up Clearing Member's representation and warranty to the Corporation that the use of such average price is not prohibited by Exchange rules or applicable law, and the Corporation will accept such average price as the contract price (in the case of futures contracts) or premium (in the case of futures options) for all purposes under the By-Laws and Rules.

(f) – (j) [No change]

* * *

RULE 504 – Non Guaranteed Settlement Service

(a) A Clearing Member may use the Corporation's non-guaranteed settlement service to settle money differences arising in connection with cleared contracts or other transactions cleared by the Corporation, subject to such further limitations as may be described in procedures prescribed by the Corporation from time to time. The non-guaranteed settlement system shall be used solely for the purposes described herein, and shall not be used for any other purpose.

(b) A Clearing Member may initiate a non-guaranteed settlement by transmitting a non-guaranteed settlement instruction (an "Instruction") to the recipient Clearing Member in accordance with the procedures established by the Corporation. Instructions transmitted on a

particular business day must be approved on the same business day by such deadline as shall be specified by the Corporation from time to time. If the recipient Clearing Member does not approve the Instruction by such deadline, the Instruction shall be deemed null and void. If the Instruction is approved by the recipient Clearing Member by such deadline, the Corporation shall act as agent for each Clearing Member in effecting such nonguaranteed settlement in accordance with this Rule.

(c) On or before such time as shall be specified by the Corporation, each Clearing Member that is a paying Clearing Member in respect of Instructions approved in accordance with paragraph (b) shall be obligated to pay the Corporation, as agent, and the Corporation shall be authorized to withdraw from such Clearing Member's bank account established with respect to its firm account, any non-guaranteed settlement amounts shown to be due other Clearing Members in such Instructions.

(d) Subject to the provisions of this Rule, on or before such deadline as shall be specified by the Corporation from time to time, the Corporation, as agent, shall pay to each Clearing Member that is a collecting Clearing Member in respect of Instructions approved in accordance with paragraph (b), any non-guaranteed settlement amounts shown to be due from other Clearing Members in such Instructions.

(e) Reserved. ~~As provided in Rule 407 and not withstanding any other provision of this Rule, the Corporation, as agent, shall be authorized to effect non-guaranteed settlement of fees and commissions owed by a Carrying Clearing Member to an Executing Clearing Member for transfers effected pursuant to their registered CMTA arrangement, provided that such registration authorizes the Corporation to effect such settlements. Aggregate amounts to be settled shall be calculated based on the entries made by the Executing Clearing Member into the Corporation's systems and the Corporation shall have no obligation to validate the correctness of such entries. Settlement of such amounts will be effected on the business day first succeeding the business day on which the Executing Clearing Member entered the applicable information into the Corporation's systems. No further authorization or consent of the Carrying Clearing Member shall be required in connection therewith and the Corporation shall have no role in resolving any disputes between the Carrying Clearing Member and the Executing Clearing Member regarding such settlements.~~

(f) The Corporation shall not be obligated to make payment to a Clearing Member pursuant to this Rule unless the Clearing Member has satisfied all payment obligations then owing to the Corporation. Any nonguaranteed settlement amounts withheld by the Corporation as a result of a Clearing Member's failure to satisfy such obligations shall be retained by the Corporation and used to satisfy any such obligations.

(g) Anything else herein to the contrary notwithstanding, non-guaranteed settlement payments are not guaranteed by the Corporation, and in facilitating non-guaranteed settlements between Clearing Members pursuant to this Rule 504, the Corporation shall act solely as agent for such Clearing Members, and shall have no obligation to pay or credit to any Clearing Member non-guaranteed settlement amounts not theretofore collected from other Clearing Members. If a Clearing Member is suspended by the Corporation pursuant to Chapter XI, any pending Instructions initiated by or transmitted to such suspended Clearing Member shall be deemed null

and void to the extent that such suspended Clearing Member is the paying Clearing Member. ~~The Corporation shall have no obligation to effect settlement of fees and commissions as provided in Rule 407 if either the Executing Clearing Member or the Carrying Clearing Member has been suspended by the Corporation.~~

(h) Non-guaranteed settlement processing will not be performed until the settlements described in Rule 502 and in Rule 605 have been completed. If the Corporation deems it advisable not to process non-guaranteed settlements on any business day, the Corporation will inform Clearing Members with pending settlements of its determination and of the business day on which non-guaranteed settlement processing will be resumed.

* * *

RULE 611 – Segregation of Long Positions

(a) Subject to the provisions of Rule 403, ~~and except as provided in paragraph (d) hereof in the case of long positions in OTC options,~~ all long positions (other than long positions in futures) in securities customers' accounts and firm non-lien accounts shall be deemed to be segregated long positions unless the Corporation receives contrary instructions from a Clearing Member in accordance with the following provisions of this Rule 611. All segregated long positions shall be held by the Corporation free of any charge, lien or claim of any kind in favor of the Corporation or any person claiming through it, until such positions shall be closed or exercised in accordance with the By-Laws and Rules or until the Clearing Member shall file with the Corporation written instructions, in such form as the Corporation may from time to time prescribe, directing that such positions be released from segregation. All positions in futures shall be deemed to be unsegregated for purposes of this Rule 611. All positions in cleared securities that are carried in a customers' lien account shall be deemed to be unsegregated for purposes of this Rule 611.

(b) Each business day, during such hours as the Corporation may from time to time establish, a Clearing Member may file with the Corporation instructions, in such form as the Corporation may from time to time prescribe, designating any segregated long position in such Clearing Member's customers' account or firm non-lien account which the Clearing Member desires the Corporation to release from segregation. On the following business day, and each business day thereafter while such instructions remain in effect, such instructions shall be reflected on a report to be made available by the Corporation to such Clearing Member. The Corporation shall have a lien on each unsegregated long option carried in a customers' account (including any exercised option contracts) as provided in the applicable provisions of Article VI, Section 3 of the By-Laws. The Corporation's lien on any long position which the Corporation has been directed to release from segregation as provided herein shall continue until (i) the Corporation receives instructions, in such form as the Corporation may from time to time prescribe, directing that such long position be segregated and held free of lien, and (ii) the Clearing Member duly pays to the Corporation in accordance with these Rules, all amounts payable by such Clearing Member on the business day following the Corporation's receipt of such instructions. ~~Notwithstanding the foregoing, Clearing Members shall not be permitted to file instructions to release any long position in an OTC options from segregation, and all such long positions shall be segregated except as provided in paragraph (d) of this Rule 611.~~

(c) [No change]

~~(d) In the case of a long position in OTC options carried in the securities customers' account of a Clearing Member and for which the Corporation has received a customer ID, to the extent permitted under all applicable laws and regulations (including the rules of the Financial Industry Regulatory Authority, Inc. and any other regulatory or self-regulatory organization to which the Clearing Member is subject), the Corporation shall automatically unsegregate such long position to the extent that the Corporation identifies a qualifying spread position where the short leg of the spread is carried under the same customer ID. The Clearing Member shall not carry a qualifying spread position for a customer unless the customer's margin requirement has been reduced in recognition of the spread, and the carrying of a qualifying spread position for the account of a customer shall constitute a representation to the Corporation that the customer's margin has been so reduced.~~

* * *

CHAPTER VIII – EXERCISE AND ASSIGNMENT

RULE 801 – Exercise of Options

Issued and unexpired option contracts may, subject to Exchange Rules and the By-Laws, be exercised as follows:

(a) [No change]

(b) Any expiring American option contract may be exercised on its expiration date in accordance with Rule 805. Any capped or European option contract may be exercised (other than automatically exercised in the case of a capped option) only on its expiration date in accordance with Rule 805. Any binary options that meet the exercise parameters set forth in Rule 1501 will be automatically exercised in accordance with that rule. Notwithstanding the foregoing, any expiring flexibly structured index option contract, quarterly index option contract, monthly index option contract, weekly index option contract, or short term index option contract ~~or OTC index option contract~~ that meets the exercise parameters set forth in Rule 1804(c) will be automatically exercised on its expiration date in accordance with that Rule. No option contract expiring on a day that is not a business day may be exercised on the business day immediately preceding its expiration date.

* * *

RULE 803 – Assignment of Exercise Notices to Clearing Members

(a) – (b) [No change]

. . . Interpretations and Policies:

.01 Under the Corporation's assignment procedures the Corporation will assign exercise notices to Clearing Members in respect of positions in a particular account of such Clearing Member or, in the case of an account divided into sub-accounts, a particular sub-account. ~~In the case of short~~

~~positions in OTC options in a Clearing Member's securities customers' account for which the Corporation has a customer ID, the Corporation will assign exercise notices to specific customer IDs.~~

* * *

RULE 804 – Allocation of Exercises

Except as provided in the last sentence of this Rule 804, each Clearing Member shall establish fixed procedures for the allocation of exercises assigned in respect of short positions in the Clearing Member's accounts to specific option contracts included in such short positions. The allocation shall be made in accordance with the requirements set forth in Exchange Rules and any applicable rules of any self-regulatory organization of which the Clearing Member is a member. During the term of any restriction imposed on a Clearing Member pursuant to Rule 305, the Chief Executive Officer or Chief Operating Officer, or, if it is not feasible for the Chief Executive Officer or Chief Operating Officer to take such action, then a Designated Officer may require the Clearing Member to report to the Corporation, not later than 8:00 A.M. Central Time (9:00 A.M. Eastern Time) on each business day, the name and address of each writer to whom the Clearing Member allocated an exercise assigned to the Clearing Member on the preceding business day. Such reports shall indicate, for each writer, the series of options for which an exercise was allocated and the number of contracts included in the allocation, and shall state whether any specific deposit or escrow deposit has been made in respect of such writer's short position in such series of options. ~~The foregoing provisions of this Rule 804 shall not apply to the allocation of exercises of OTC options; and in the case of short positions in OTC options in respect of which the Corporation has assigned exercises to a particular customer ID, the Clearing Member shall allocate the exercise only to the customer associated with such customer ID.~~

* * *

RULE 909 – Notice of Delivery and Payment

Unless settlement is made through the correspondent clearing corporation pursuant to Rule 901, the Delivering Clearing Member and the Receiving Clearing Member shall each promptly submit notices to the Corporation, in accordance with the procedures and within the timeframes periodically specified by the Corporation, as to the number of units of the underlying security delivered (received) ~~and the amount received (paid)~~ therefor.

(a) - (c), and (e) [No change]

(d) In the event a Delivering Clearing Member or a Receiving Clearing Member (as applicable) submits to the Corporation notice of a delivery, payment, or receipt of delivery or payment, and the contra Clearing Member to the settlement obligation does not respond to such notice ~~two business days~~ after such notice was made available to such Clearing Member, the Corporation will construe the contraparty's failure to respond to indicate ~~shall constitute its acknowledgment to the Corporation~~ that ~~particular~~ the obligation is ~~has been~~ unsettled and will maintain this status ~~as indicated in the notice furnished by the submitting Clearing Member, provided that the designated delivery date has occurred.~~ until such time as either (i) both Delivering and Receiving Clearing Members mutually agree to settle the obligation and notify the Corporation; or (ii) the

Corporation settles the obligation on behalf of both Delivering and Receiving Clearing Members pursuant to the Corporation's policies and procedures.

* * *

RULE 1003 – Clearing Fund Allocation Methodology

(a) – (b) [No change]

. . . Interpretations and Policies:

.01 [No change]

~~**.02** For purposes of Rule 1003(b)(ii) and (iii), the numerator and denominator of the relevant fractions shall include OTC options contracts and the number of such OTC options contracts shall be adjusted as needed to ensure that the number of such OTC options contracts, as adjusted, is approximately equal to the number of options contracts other than OTC options contracts that would cover the same notional value or units of the same underlying interest.~~

.03 [Renumbered .02; otherwise no change]

* * *

RULE 1104 – Creation of Liquidating Settlement Account

(a) – (g) [No change]

. . . Interpretations and Policies:

.01 – .02 [No change]

~~**.03** See Rule 1106(e)(2) for a description of the alternative private auction process by which OCC may close out a suspended Clearing Member's open positions in OTC options and related positions and margin assets in certain circumstances.~~

.04 [Renumbered .03; otherwise no change]

* * *

RULE 1105 – Pending Transactions and Variation Payments

Notwithstanding any other provision of the By-Laws and Rules, the Corporation shall have no obligation to accept any confirmed trade of a suspended Clearing Member that was effected after the time at which the Clearing Member was suspended. In the event a confirmed trade of a suspended Clearing Member is rejected by the Corporation, such transaction shall be closed by the other party thereto in accordance with the Exchange Rules of the Exchange on which the transaction was effected~~, or, in the case of a confirmed trade in OTC options, as provided in any agreement between the parties~~. Confirmed trades of a suspended Clearing Member that are accepted by the Corporation shall be treated in the following manner:

(a) – (g) [No change]

* * *

RULE 1106 – Open Positions

(a) – (e)(1) [No change]

~~(2) The Corporation may conduct a private auction in accordance with the procedures summarized below (an "OTC Options Auction") to close out open positions in OTC index options and related positions in other cleared contracts and margin assets (including any securities underlying a stock loan or borrow position in which the Corporation has a security interest but not the stock loan or borrow positions themselves) that the Corporation determines in its discretion are hedging, or are hedged by, positions in OTC index options as determined in the discretion of the Corporation ("hedge positions"). The Corporation intends that these OTC Options Auction procedures will be invoked only in unusual circumstances where the Corporation determines in its discretion that it is not feasible in light of the circumstances existing at the time to close out such positions through any of the other means provided under this Chapter XI of the Rules. The summary of the OTC Options Auction procedures set forth in this Rule 1106(e)(2) is subject to the specific procedures set forth in a document entitled "OTC Options Auction Procedures," which is incorporated herein by reference and which is available from the Corporation upon request and posted on the Corporation's website.~~

~~(A) All non-suspended OTC Index Option Clearing Members ("Participants") are required to participate in the OTC Options Auction by submitting competitive bids for all or a portion of the suspended Clearing Member's portfolio of OTC Index Options and hedge positions. Each Participant shall be subject to a minimum participation level based on the proportion such Participant's risk margin requirement (calculated as the sum of the average daily margin requirement, consisting of the amount of margin held by the Corporation with respect to an OTC Index Option Clearing Member's accounts eligible to hold OTC positions ("OTC Eligible Accounts") in excess of the net asset value of the positions held in such OTC Eligible Accounts, for each OTC Index Option Clearing Member for the previous month across all positions in all OTC Eligible Accounts of such Clearing Member) represents in relation to the total amount of such margin posted by all Participants. The Corporation shall rank the submitted bids from best to worst and the auction portfolio shall be allocated among the bidding Participants accordingly until the entire auction portfolio is exhausted. The bid price that is sufficient to clear the entire auction portfolio shall be the single price to be used for all winning bids (the "Clearing Price").~~

~~(B) In the event the Clearing Price is set by an outlier bid, as determined by the Corporation, the Corporation may choose an alternative clearing price that clears at least 80% of the auction portfolio. The remaining auction portfolio shall then be re-auctioned pursuant to the OTC Auction Procedures.~~

~~(C) If the liquidation of the suspended Clearing Member's business with the Corporation pursuant to this Chapter XI results in a deficiency that would result in a proportionate charge against the Clearing Fund contributions of all other Clearing Members pursuant to Rule 1006, then each Participant that failed to purchase or assume a percentage of the auction portfolio at~~

~~least equal to its minimum participation level shall be subject to a priority charge ("Priority Charge") against such Participant's Clearing Fund contribution. The amount of the Priority Charge shall be determined in accordance with a formula set forth in the OTC Options Auction Procedures; provided that the Priority Charge shall not exceed the amount of the Clearing Member's required Clearing Fund deposit at the time the Priority Charge is made. If a deficiency remains after application of such Priority Charges, the Corporation shall then make a proportionate charge against the Clearing Fund contributions of all Clearing Members, including Participants, pursuant to Rule 1006; provided, however, that if a Participant notifies the Corporation within the specified time following such proportionate charge that it will terminate its status as a Clearing Member as permitted, and in satisfaction of the conditions imposed, under Rule 1006(h), then the amount of any Priority Charge to which such Participant was subject shall be treated as if it had been a part of the proportionate charge and shall not be construed to increase the maximum liability of the Participant to make additional contributions to the Clearing Fund pursuant to Rule 1006(h).~~

(f) – (g) [No change]

. . . Interpretations and Policies:

.01 See Interpretation and Policy .02 following Rule 1104 for a description of the private auction process by which OCC may close out a suspended Clearing Member's open positions in cleared contracts generally. ~~See Rule 1106(e)(2) for a description of the alternative private auction process by which OCC may close out a suspended Clearing Member's open positions in OTC options, related positions and margin assets in certain circumstances.~~

* * *

CHAPTER XVIII – INDEX OPTIONS AND CERTAIN OTHER CASH-SETTLED OPTIONS

Introduction

The Rules in this Chapter are applicable only to cash-settled options that are not specifically addressed elsewhere in the By-Laws and Rules, including index options (as defined in the By-Laws ~~and which also include OTC index options~~) and cash-settled commodity options other than those that are binary options or range options (which are governed by the provisions of Article XIV of the By-Laws and Chapter XV of the Rules). The provisions of Chapter XIII of the Rules, other than Rule 1303, are not applicable to cash settled commodity options. The Rules in Chapters I through XII are also applicable to cash-settled options, in some cases supplemented by one or more Rules in this Chapter, except for Rules that have been replaced in respect of such options by one or more Rules in this Chapter and except where the context otherwise requires. Whenever a Rule in this Chapter supplements or, for purposes of this Chapter, replaces one or more of the By-Laws or Rules in Chapters I through XII, that fact is indicated in brackets following the Rule in this Chapter.

* * *

RULE 1804 – Expiration Exercise Procedure for Cash-Settled Options

(a) [No change]

(b) A Clearing Member shall be deemed to have properly and irrevocably tendered to the Corporation, immediately prior to the expiration time on each expiration date, an exercise notice with respect to every expiring cash-settled option contract identified in the Clearing Member's Expiration Exercise Report, other than a flexibly structured option on fund shares that is cash settled, a flexibly structured index option contract, quarterly index option contract, monthly index option contract, weekly index option contract, or short term index option contract ~~or OTC index option contract~~, if:

(1) for cash settled option contracts with a multiplier other than one, each option contract that has an exercise settlement value of $1.00 or more per contract, or such other amount as the Corporation may from time to time establish on not less than 30 days prior notice to all Index Clearing Members, unless the Clearing Member shall have duly instructed the Corporation, in accordance with Rule 805(b), to exercise none, or fewer than all, of such contracts. If a Clearing Member desires that any such option contract not be exercised, it shall be the responsibility of the Clearing Member to give appropriate instructions to the Corporation in accordance with Rule 805(b), and

(2) for cash settled option contracts with a multiplier of one, each option contract that has an exercise settlement amount of $0.01 or more per contract or such other amount as the Corporation may from time to time establish on not less than 30 days prior notice to all Index Clearing Members, unless the Clearing Member shall have duly instructed the Corporation, in accordance with Rule 805(b), to exercise none, or fewer than all, of such contracts. If a Clearing Member desires that any such option contract not be exercised, it shall be the responsibility of the Clearing Member to give appropriate instructions to the Corporation in accordance with Rule 805(b).

(c) A Clearing Member shall be automatically deemed to have exercised, immediately prior to the expiration time on each expiration date, every expiring ~~OTC index option contract,~~ flexibly structured index option contract, quarterly index option contract, monthly index option contract, weekly index option contract, and short term index option contract identified in the Clearing Member's Expiration Exercise Report if:

~~(1) for OTC index option contracts, each option contract has an exercise settlement amount of $0.01 or more per contract;~~

(1~~2~~) for all other types of index option contracts referenced in this Rule 1804(c) with a multiplier other than one, each option contract has an exercise settlement amount of $1.00 or more per contract or such other amount as the Corporation may from time to time establish on not less than 30 days prior notice to all Index Clearing Members; and

(2~~3~~) for all other types of index option contracts referenced in this Rule 1804(c) with a multiplier of one, each option contract that has an exercise settlement amount of $0.01 or more per contract or such other amount as the Corporation may from time to time establish on not less than 30 days prior notice to all Index Clearing Members.

(d) [No change]

[Rule 1804 supplements Rules 805 and, together with Rule 1802, replaces Rule 802.]

. . . Interpretations and Policies:

.01 -- .02 [No change]

~~**.03** The Corporation has determined that, for purposes of paragraph (c) of this Rule 1804, an OTC index option will be automatically exercised at expiration if the exercise settlement amount is any positive amount.~~

.04 [Renumbered .03; otherwise no change]

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