



THE OPTIONS CLEARING
CORPORATION

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June 7, 2004

VIA FEDERAL EXPRESS

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

Re: Rule Filing SR-OCC-2004-11 Rule Certification

Dear Secretary Webb:

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

In conformity with the requirements of Regulation 40.6(a)(3), OCC states the following: The text of the rule is set forth at Item 1 of the enclosed filing. The date of implementation of the rule is the date the proposed rule is approved by the SEC or otherwise becomes effective under the Exchange Act. Item 5 of the enclosed filing sets forth a description of any written comments on the rule filing, including any such comments expressing opposing views that were not incorporated into the proposed rule.

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

JEAN M. CAWLEY

FIRST VICE PRESIDENT AND DEPUTY GENERAL COUNSEL

ONE N. WACKER DRIVE, SUITE 600 CHICAGO, ILLINOIS 60606 TEL 312.322.6269 FAX 312.322.6280

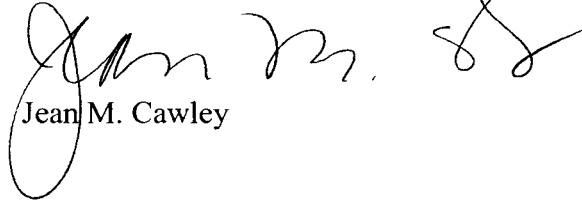
JCAWLEY@THEOCC.COM WWW.OPTIONSCLEARING.COM



- 2 -

Should you have any questions regarding this matter, please do not hesitate to contact the undersigned at (312) 322-6269.

Sincerely,



Jean M. Cawley

Enclosure

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

Jerry W. Carpenter
Assistant Director (SEC)

2004-11cftc.ltr



THE OPTIONS CLEARING
CORPORATION

June 7, 2004

VIA COURIER DELIVERY

Jerry W. Carpenter
Assistant Director
Division of Market Regulation
Mail Stop 10-1
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

**Re: The Options Clearing Corporation
File No. SR-OCC-2004-11**

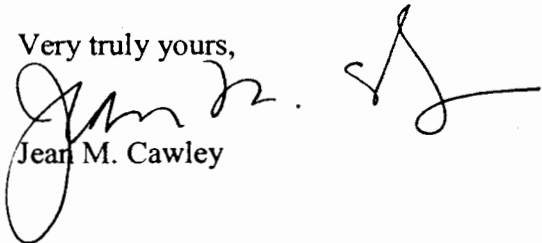
Dear Jerry:

The Options Clearing Corporation hereby files a manually signed original and eight copies of the referenced rule change. This rule change proposes to amend certain by-law provisions pertaining to yield-based Treasury options to conform those sections to corresponding by-law provisions governing index options.

This filing is being made pursuant to Section 19(b)(2) of the Securities Exchange Act of 1934, as amended, and Rule 19b-4 thereunder. The Federal Register notice for this filing will be emailed to you.

Please call me at (312) 322-6269 with any questions you may have on this filing.

Very truly yours,


Jean M. Cawley

cc: Jean A. Webb
Secretary (CFTC)

JC/sd
2004-11sec.ltr

JEAN M. CAWLEY

FIRST VICE PRESIDENT AND DEPUTY GENERAL COUNSEL

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JCAWLEY@THEOCC.COM WWW.OPTIONSCLEARING.COM

File No. SR-OCC-2004-11

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

Form 19b-4

**Proposed Rule Change
by**

THE OPTIONS CLEARING CORPORATION

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

Item 1. Text of the Proposed Rule Change

The Options Clearing Corporation (“OCC” or “the Corporation”) proposes to amend Article XVI of its By-Laws as set forth below. Material to be added to Article XVI is underlined. Material to be deleted is enclosed in bold brackets.

THE OPTIONS CLEARING CORPORATION

BY-LAWS

ARTICLE XVI

Yield-Based Treasury Options

* * *

Adjustments

SECTION 3. (a)-(b) [unchanged]

(c) If an exchange shall increase or decrease the multiplier for any class of yield-based Treasury option contracts, the Corporation shall proportionately subdivide each such option contract outstanding prior to the increase or decrease or shall make such other adjustments as the Corporation in its sole discretion deems fair to both the holders and the writers of such contracts.

(d) [unchanged]

Unavailability or Inaccuracy of Settlement Value of Underlying Yield

SECTION 4. (a) If the Corporation shall determine that the settlement value of the underlying yield for any series of yield-based Treasury options (the “affected series”) is unreported, inaccurate, unreliable, [or otherwise] unavailable, or inappropriate for purposes of calculating the settlement amount for exercised contracts of the affected series, 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:

(1) [unchanged]

(2) The Corporation may fix a settlement value of the underlying yield for purposes of calculating the exercise settlement amount for exercised contracts of an affected series. The settlement value shall be fixed by a panel consisting of two designated representatives of each Exchange on which the affected series is open for trading (one of whom shall be such Exchange's representative on the Securities Committee provided for in Article VI, Section 11 of the By-Laws) and the Chairman of the Corporation. The panel shall fix the settlement value [in accordance with the best information available as to the correct settlement value of the underlying yield] 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 may fix the settlement value using: (i) the reported value of the underlying yield at the close of regular trading hours (as determined by the Corporation) on the last preceding trading day for which such a value was reported by the reporting authority; (ii) the reported value of the underlying yield at the opening of regular trading hours (as determined by the Corporation) on the next trading day for which such an opening value is reported by the reporting authority; or (iii) a value for the underlying yield at such other time, or representing a combination or average of values at such time or times, as the Corporation deems appropriate. The provisions of Article VI, Section 11(k) of the By-Laws with respect to the vote required to constitute the determination of an adjustment panel, the voting rights of members of adjustment panels, the ability of such panels to conduct their business by telephone, and the ability of the Chairman of the Corporation 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 of a panel convened pursuant to this Section shall be within the sole discretion of such panel and shall be conclusive and binding on all investors and not subject to review.

(3) If an adjustment panel acting pursuant to subsection (2) above delays fixing a settlement value for a series of options past the last trading day before expiration of that series, the expiration date exercise procedures of Rules 805 and 1704 shall not apply to expiring options of the affected series, and each Clearing Member shall be deemed to have properly and irrevocably tendered to the Corporation prior to the Expiration Time an exercise notice with respect to each expiring contract of the affected series carried in a long position in each account of the Clearing Member if, and only if, the settlement value fixed by the panel for options of that series results in an exercise settlement amount of \$1.00 or more. The exercise settlement date for such options shall be postponed until the business day next following the day on which the settlement value is fixed. Options for which the resulting exercise settlement amount is less than \$1.00 shall be deemed to have expired unexercised.

(b) Unless the Corporation directs otherwise, the settlement value of the underlying yield as initially reported by the reporting authority shall be conclusively presumed to be accurate and shall be deemed final for the purpose of calculating exercise settlement amounts, even if such value is subsequently revised or determined to have been inaccurate.

...Interpretations and Policies:

.01 [unchanged]

Item 2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors of OCC at a meeting held on May 25, 2004.

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

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

The purpose of this proposed rule change is to update two sections of OCC's By-Laws pertaining to yield-based Treasury options. The proposed changes would conform those sections to the corresponding By-Law provisions governing index options.

Article XVI, Section 3(c) currently provides OCC with the authority to adjust outstanding options in a class of yield-based Treasury options in the event that an exchange decreases the multiplier. The proposed changes to Section 3(c) simply provide for the possibility that an exchange might increase (rather than decrease) the multiplier, and grant OCC the flexibility to adjust any outstanding options accordingly. The proposed change is similar to a previously approved OCC rule change pertaining to the adjustment of index option contracts. See SEC Release No. 34-44184 (April 16, 2001) (approving SR-OCC-99-12).

Article XVI, Section 4, currently provides OCC with the authority to fix the

exercise settlement amount for exercised yield-based Treasury option contracts “in accordance with the best information available as to the correct settlement value of the underlying yield” if OCC determines that the settlement value of the underlying yield is unreported or otherwise unavailable for purposes of calculating the settlement amount for exercised contracts. Until recently, the Chicago Board Options Exchange (“CBOE”), on which yield-based Treasury options are traded, had a rule setting forth a specific method for determining the settlement value of the yield in the event the reporting authority failed to supply a settlement value. The CBOE rule setting forth that method—a random poll of a minimum of ten primary government bond dealers—was eliminated on December 2, 2003, when the Commission accepted for immediate effectiveness a CBOE rule filing deleting it. In that filing, CBOE adopted a provision stating that the settlement value would be determined in accordance with OCC’s By-Laws and Rules. *See* SEC Release No. 34-48865 (December 2, 2003) (providing notice of effectiveness of SR-CBOE-2003-48).

The repeal of the CBOE rule prompted OCC to review its own rules governing the setting of exercise settlement values for yield-based Treasury options. OCC now proposes to amend Article XVI, Section 4 to give OCC substantially the same discretion in fixing exercise settlement values for yield-based Treasury options as it has under Article XVII, Section 4 (governing index options), approved by the Commission under file number SR-OCC-2002-09.¹ As noted in that rule filing, OCC’s authority to fix exercise settlement values in unusual market

¹ A draft supplement to the Options Disclosure Document that describes the substance of the by-law changes proposed herein will be shortly filed with the Commission pursuant to Rule 9b-1 under the Securities Exchange Act of 1934. Implementation of this rule change will be coordinated with the distribution of the related ODD supplement.

conditions should be sufficiently broad to ensure that such values are consistent with the settlement values established for related products in other markets whenever that result is deemed, on balance, to be in the best interest of investors. While Article VI, Section 4(a)(2) as currently drafted is also broad, OCC believes that its authority should be expressed in language parallel to other By-Law provisions that expressly acknowledge that a settlement price may be fixed based either on the last reported price before a market disruption or the next reported price following the disruption or by some other method.

As with index options, under revised Article XVI, Section 4(a)(2), the settlement value of yield-based Treasury options would be fixed by an adjustment panel consisting of representatives of the exchange or exchanges on which the affected series of options is traded. Additionally, under Section 4(a)(3), in the event the adjustment panel delays fixing a settlement value beyond the expiration date of the affected series, the normal “exercise-by-exception” procedures would not apply. Instead, options that are in-the-money by \$1.00 or more would be deemed to have been irrevocably exercised prior to the expiration time.

* * *

The proposed changes to OCC’s By-Laws are consistent with the purposes and requirements of Section 17A of the Securities Exchange Act of 1934, as amended, because they are designed to promote the prompt and accurate clearance and settlement of securities transactions, to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions, to 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. The proposed changes promote these objectives by providing OCC with flexibility in responding to unanticipated events.

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

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

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

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

Item 6. Extension of Time Period for Commission Action

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

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

Not applicable.

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

Not applicable.

Item 9. Exhibits

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

SIGNATURE

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

THE OPTIONS CLEARING CORPORATION

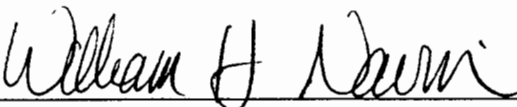
By: 
William H. Navin
Executive Vice President and
Executive General Counsel

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-OCC-2004-11

SELF-REGULATORY ORGANIZATION

Proposed Rule Change By
The Options Clearing Corporation

Relating to Yield-Based
Treasury Options

Comments requested within ___ days
after the date of this publication.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C.

'78s(b)(1), notice is hereby given that on _____, 2004, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

**I. Self-Regulatory Organization's Statement of the
Terms of Substance of the Proposed Rule Change**

The proposed rule change would update two sections of OCC's By-Laws pertaining to yield-based Treasury options to conform those sections to the corresponding By-Law provisions governing index options.

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

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

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

The purpose of this proposed rule change is to update two sections of OCC's By-Laws pertaining to yield-based Treasury options. The proposed changes would conform those sections to the corresponding By-Law provisions governing index options.

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* * *

The proposed changes to OCC’s By-Laws are consistent with the purposes and requirements of Section 17A of the Securities Exchange Act of 1934, as amended, because they are designed to promote the prompt and accurate clearance and settlement of securities transactions, to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions, to 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. The proposed changes promote these objectives by

providing OCC with flexibility in responding to unanticipated events.

B. Self-Regulatory Organization's Statement on Burden on Competition

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

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

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

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date 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 the proposed rule change; or,
- (b) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary,

Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted by _____.

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

Secretary

Dated: _____