



SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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**Form 19b-4 Information**

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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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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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Exhibit Sent As Paper Document

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 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

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 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**

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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**

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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”) proposes to amend its by-laws and rules as set forth below. Material proposed to be added is marked by underlining. Material proposed to be deleted is enclosed in bold brackets.

**THE OPTIONS CLEARING CORPORATION**

**BY-LAWS**

\*\*\*

**ARTICLE XXI**

**STOCK LOAN/HEDGE PROGRAM**

\*\*\*

**Definitions**

**SECTION 1.**

A. - L. [unchanged]

M.

**Marking Price**

(1) The term "marking price, as used in respect of any Loaned Stock [and any day,] shall have the meaning given to it in Article I of the By-Laws[mean the closing price for such stock on the primary market for such stock on the preceding trading day or, if such stock was not traded in the primary market on such preceding day, the highest reported asked quotation for such stock at or about the close of trading on such preceding day. Notwithstanding the foregoing, the Corporation may fix the marking price of any Loaned Stock for any at such amount as it deems necessary or appropriate in the circumstances to protect the respective interests of Clearing Members, the Corporation and the public, provided that any marking price fixed by the Corporation shall be at least equal to the market value of the stock, computed as of the close of trading on the preceding trading day, according to the best information available to the Corporation].

(2) [unchanged]

N. - Z. [unchanged]

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## RULES

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### CHAPTER XXIIA

#### Market Loan Program

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#### Initiation of Market Loans

**RULE 2202A.** (a) (i) [unchanged]

(ii) A Loan Market may instruct the Corporation to disregard a previously reported matched transaction that is pending settlement at the Depository. In accordance with such instruction, the Corporation shall create and send appropriate instructions to the Depository to cancel the previously issued delivery orders. Upon confirmation that the Depository has processed such cancellation instructions, the related matched transaction shall be deemed null and void and given no effect and the Corporation shall have no obligation to any Market Loan Clearing Member in acting pursuant to a Loan Market's instruction to disregard a previously reported transaction.

(b) – (f) [unchanged]

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#### Dividends and Distributions; Rebates

**RULE 2206A.** (a) (i) [unchanged]

(ii) Dividend equivalent payments shall be effected primarily through the facilities of the Depository, utilizing its Dividend Service. However, dividend equivalent payments in respect of a Market Loan shall be effected through the Corporation's cash settlement system on the business day following the expected dividend or distribution payment date if (1) the Loan Market has advised the Corporation that the dividend or distribution for such Market Loan is not tracked by the Depository's Dividend Service or (2) the Corporation, in its discretion, [is authorized] has determined to remove a Market Loan from the Depository's Dividend Service

and/or void and nullify any obligation to effect dividend equivalent payments through the Depository's facilities[, in which case dividend equivalent payments for such Market Loan shall be effected through the Corporation's cash settlement system on the business day following the expected dividend or distribution payment date]. Notwithstanding the preceding provisions of this Rule, the Corporation shall guarantee a dividend equivalent payment only to the extent that the Corporation has collected margin equal to such dividend equivalent payment from the responsible Borrowing Clearing Member(s) prior to the time that any such Borrowing Clearing Member defaults. The amount of margin that the Corporation collects in respect of dividend equivalent payments shall be solely based on calculations provided by the Loan Market. The Corporation shall have no responsibility to verify the accuracy of the Loan Market's calculations and shall not be liable to Clearing Members for any errors in such calculations. In the event that the Loan Market subsequently confirms that dividend equivalent payments were not distributed on the expected payment date, the Loan Market shall instruct the Corporation to reverse the payments.

(iii) [unchanged]

(b) [unchanged]

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**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 December 8, 2009.

Questions regarding the proposed rule change should be addressed to Jean M. Cawley, Senior 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**

As described below, OCC is proposing three technical changes to certain by-laws and rules relating to the Stock Loan/Hedge Program and/or the Market Loan Program (collectively, "Programs").

First, OCC would amend the definition of the term “marking price” as used in relation to loaned stock under both Programs. For stock loan purposes, marking price means the closing price for a loaned stock on its primary market on the preceding trading day or, if the stock has not traded, the highest reported asked quotation for such stock at or about the close on the preceding trading day. OCC recently determined its pricing vendor for marking prices does not report the highest asked quotation for stocks that have not traded on a particular business day. Instead, a price at the mid-point between the bid and ask for such stocks is reported. To address this and other potential price reporting issues, OCC would apply to stock loans the general definition of marking price found in Article I, Section 1 of the by-laws (i.e., the most recent market value [for the loaned stock] reasonably ascertainable as determined by OCC in its discretion).

Second, with respect to the Market Loan Program, Automated Equity Finance Markets, Inc. (“AQS”) asked OCC to develop functionality to accept its instructions to cancel transactions pending settlement at The Depository Trust Company (the “Depository”). (AQS is a Loan Market as defined in the Market Loan Program rules.) AQS has advised that this functionality will facilitate its market operations, including implementation of procedures designed to address obvious error situations. OCC already has authority to process AQS instructions to unwind settled Market Loans that were erroneously executed, making this a minor extension of current authority. (See Rule 2207A.) Accordingly, OCC would amend Rule 2204A to process instructions issued by a Loan Market to cancel a previously reported transaction that is pending settlement at the Depository.

Third, and also with respect to the Market Loan Program, AQS has asked OCC to process dividend equivalent payments that are not covered by the automatic dividend tracking services (“Dividend Service”) provided by the Depository, but without removing Market Loans from the Dividend Service. In October, 2009, OCC amended its rules to provide that dividend equivalent payments would be principally effected through the Depository’s Dividend Service, while retaining authority to effect such payments through its cash settlement system, but only if the Market Loans were removed by OCC from the Dividend Service.<sup>1</sup> Since then, AQS has determined that certain dividend equivalent payments are not tracked by the Depository and therefore are not covered by its Dividend Service. AQS has asked OCC to use OCC’s cash settlement system to transfer these “non-tracked” dividend equivalent payments (as instructed by AQS) from a borrower to a lender without removing the Market Loans from the Depository’s Dividend Services. To accommodate this request, OCC would amend Rule 2206A. As is currently the case, OCC’s guaranty of dividend equivalent payments is limited to the amount for which OCC has collected margin from the responsible borrowing clearing member(s) prior to the expected payment date.

\* \* \*

The proposed changes are consistent with Section 17A of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), because they designed to promote the prompt and accurate clearance and settlement of stock loan transactions by (i) clarifying the definition of the term “marking price” used in respect of loaned stocks, (ii) permitting cancellation of Market Loan transactions before they are settled at the Depository, and (iii) clarifying the ability of OCC

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<sup>1</sup> See File No. SR-OCC-2009-16, 34-60881, October 26, 2009.

to settle dividend equivalent payments that are not tracked through services the Depository through its cash settlement system without also having to remove a Market Loan from the Depository's Dividend Service. The proposed rule change is not inconsistent with the existing rules of OCC, including any rules proposed to be amended.

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

OCC does not believe that the proposed rule change would 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 for Commission action on the proposed rule change.

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

Pursuant to Section 19(b)(3)(A), the proposed rule change is filed for immediate effectiveness inasmuch as it affects a change in existing services of a registered clearing agency that: (i) does not adversely affect the safeguarding of securities or funds in the custody or control

of the clearing agency or for which it is responsible; and (ii) does not significantly affect the respective rights or obligations of the clearing agency or the persons using the service. OCC will implement these changes immediately, other than for the cancellation of pending transactions at the Depository, which will be implemented when the necessary system changes have been installed. Installation is expected to occur on or about March 25, 2010.

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

Not applicable.

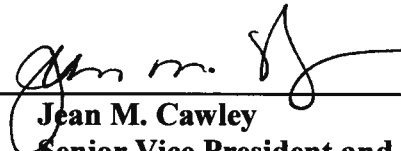
**Item 9. Exhibits**

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:   
\_\_\_\_\_  
**Jean M. Cawley**  
**Senior Vice President and**  
**Deputy General Counsel**

**EXHIBIT 1**

**SECURITIES AND EXCHANGE COMMISSION**

(Release No. 34-\_\_\_\_\_ ; File No. SR-OCC-2010-06

**SELF-REGULATORY ORGANIZATION**

Proposed Rule Change By  
The Options Clearing Corporation

Relating to Technical Changes to  
Certain Stock Loan By-Laws and Rules

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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 \_\_\_\_\_, 2010, 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 the Substance of the Proposed Rule Change**

The proposed rule change would allow OCC to propose three technical changes to certain by-laws and rules relating to the Stock Loan/Hedge Program and/or the Market Loan Program (collectively, "Programs").

## **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**

As described below, OCC is proposing three technical changes to certain by-laws and rules relating to the Stock Loan/Hedge Program and/or the Market Loan Program (collectively, "Programs").

First, OCC would amend the definition of the term "marking price" as used in relation to loaned stock under both Programs. For stock loan purposes, marking price means the closing price for a loaned stock on its primary market on the preceding trading day or, if the stock has not traded, the highest reported asked quotation for such stock at or about the close on the preceding trading day. OCC recently determined its pricing vendor for marking prices does not report the highest asked quotation for stocks that have not traded on a particular business day. Instead, a price at the mid-point between the bid and ask for such stocks is reported. To address this and other potential price reporting issues, OCC would apply to stock loans the general definition of marking price found in Article I, Section 1 of the by-laws (i.e., the most recent market value [for the loaned stock] reasonably ascertainable as determined by OCC in its discretion).

Second, with respect to the Market Loan Program, Automated Equity Finance Markets, Inc. (“AQS”) asked OCC to develop functionality to accept its instructions to cancel transactions pending settlement at The Depository Trust Company (the “Depository”). (AQS is a Loan Market as defined in the Market Loan Program rules.) AQS has advised that this functionality will facilitate its market operations, including implementation of procedures designed to address obvious error situations. OCC already has authority to process AQS instructions to unwind settled Market Loans that were erroneously executed, making this a minor extension of current authority. (See Rule 2207A.) Accordingly, OCC would amend Rule 2204A to process instructions issued by a Loan Market to cancel a previously reported transaction that is pending settlement at the Depository.

Third, and also with respect to the Market Loan Program, AQS has asked OCC to process dividend equivalent payments that are not covered by the automatic dividend tracking services (“Dividend Service”) provided by the Depository, but without removing Market Loans from the Dividend Service. In October, 2009, OCC amended its rules to provide that dividend equivalent payments would be principally effected through the Depository’s Dividend Service, while retaining authority to effect such payments through its cash settlement system, but only if the Market Loans were removed by OCC from the Dividend Service.<sup>1</sup> Since then, AQS has determined that certain dividend equivalent payments are not tracked by the Depository and therefore are not covered by its Dividend Service. AQS has asked OCC to use OCC’s cash settlement system to transfer these “non-tracked” dividend equivalent payments (as instructed by AQS) from a borrower to a lender without removing the Market Loans from the Depository’s Dividend Services. To accommodate this request, OCC would amend Rule 2206A. As is

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\* \* \*

The proposed changes are consistent with Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), because they designed to promote the prompt and accurate clearance and settlement of stock loan transactions by (i) clarifying the definition of the term "marking price" used in respect of loaned stocks, (ii) permitting cancellation of Market Loan transactions before they are settled at the Depository, and (iii) clarifying the ability of OCC to settle dividend equivalent payments that are not tracked through services the Depository through its cash settlement system without also having to remove a Market Loan from the Depository's Dividend Service. The proposed rule change is not inconsistent with the existing rules of OCC, including any rules proposed to be amended.

**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**

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and paragraph (f) of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

### **IV. 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](mailto:rule-comments@sec.gov). Please include File Number SR-OCC-2010-06 on the subject line.

#### *Paper Comments:*

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

All submissions should refer to File Number SR-OCC-2010-06. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the

proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 100F Fifth Street, N.E., Washington, D.C. 20549-1090. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-OCC-2010-06 in the caption above and should be submitted on or before [insert date 21 days from publication in the Federal Register.] \_\_\_\_\_.

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

Secretary

Dated: \_\_\_\_\_