Required fields are shown with yellow backgrounds and asterisks.

OMB APPROVAL	
OMB Number:	3235-0045
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Estimated average burden hours per response	38

Page 1 of * 11

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

File No.* SR - 2010 - * 14

Proposed Rule Change 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 * ☐

Description

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

The proposed rule change would make a technical change to an interpretation under Rule 601 in connection with the expansion of the forms of collateral that are incorporated into OCC's risk management methodology, commonly referred to as STANS.

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 proposed rule change.

First Name * Jean
Last Name * Cawley
Title * SVP and Deputy General Counsel
E-mail * jcawley@theocc.com
Telephone * (312) 322-6269
Fax (312) 322-6280

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date 08/25/2010

By Jean M. Cawley (Name *)

SVP and Deputy General Counsel (Title *)

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

Jean Cawley, jcawley@theocc.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information (required) Add Remove View	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 (required) Add Remove View	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 Add Remove View 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 Add Remove View 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 Add Remove View	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	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 Add Remove View	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**

The Options Clearing Corporation ("OCC" or the "Corporation") proposes to amend its 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

RULES

***

CHAPTER VI

Margins

***

Margin Requirements

Rule 601. [no change]

...Interpretations and Policies:

.01 - .05 [no change]

.06 <u>The Corporation from time to time may designate those margin assets in the form of Government securities, GSE debt securities, common stock or fund shares which, if</u> **[**Margin**]** deposited in respect of any account **[**in the form of common stocks or fund shares**]** <u>of a Clearing Member,</u> will be included in the Monte Carlo simulations (as described in paragraph (c) of Rule 601) when calculating the minimum expected liquidating value of such account. Margin assets deposited in any other form shall continue to be valued as provided in Rule 604.

* * *

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, 2010.

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**

Purpose of Rule Change

The purpose of this proposed rule change is to make a technical change to Interpretation and Policy .06 under Rule 601 in connection with the expansion of the forms of collateral that are incorporated into the System for Theoretical Analysis and Numerical Simulations ("STANS") risk management methodology. Currently, OCC incorporates common stock and ETFs (defined as "fund shares" in Article I, Section 1 of OCC's by-laws) into the STANS margin calculation process.[1] When proposing to include common stock and ETFs within the STANS margin calculation process, OCC noted its belief that the procedure would more accurately measure the risk in clearing members' accounts and thereby permit OCC to set margin requirements to more precisely reflect that risk. For these same reasons, OCC now proposes to incorporate into STANS certain fixed income securities (i.e., Government and GSE

[1] File No. SR-OCC-2007-20; Securities Release No. 34-58158 (July 15, 2008).

debt securities; collectively, "government securities") for such purposes.

Proposed Rule Change

OCC proposes to incorporate government securities into the STANS margin calculation process in a phased approach, starting with U.S. Government securities other than Treasury Inflation Protected Securities and callable U.S Treasury Securities. Also excluded from the initial phase would be Canadian government securities and GSE Debt Securities.[2] Currently, these forms of collateral, when deposited to satisfy margin requirements, are priced on a nightly basis and are assigned a value equal to their current market value less the applicable haircut (based on term to maturity). While this method of valuing collateral has generally served OCC well in the past, OCC believes analyzing cleared positions and margin assets as a single portfolio using STANS provides for a more accurate valuation of securities deposited as collateral in relation to other positions in the account. As was the case with including common stocks and ETFs into the STANS calculation, this change would align risk management techniques utilized to manage market risk of cleared positions (e.g., Treasury futures contracts) with those used to value margin deposits.

The inclusion of government securities within STANS will be implemented using the same basic approach that was used for adding common stocks and ETFs into STANS. The value of the securities deposited in a clearing member's account will be determined with the risk

[2] The excluded forms of government securities will be evaluated under STANS as appropriate models are developed.

(haircut) on the margin assets being computed on a portfolio basis with reference to the volatility and correlation of each deposited security to the other positions in such account. Given the conservative nature of the current haircuts applied to deposits of government securities, OCC anticipates a modest increase in collateral valuation as a result of implementing this change.

As a part of this proposal, OCC will apply a portfolio specific adjustment factor (haircut) when determining whether sufficient margin excess resides in an account to enable OCC to release margin collateral to a clearing member on an intraday basis. The adjustment factor is account and security specific, and is determined by approximating the change in margin requirement that would result when either depositing or withdrawing a particular security from the clearing member's account by assessing the value of the security and its risk characteristics. OCC believes this process provides a more accurate projection of the margin impact of collateral withdrawals and substitutions with respect to an account. It is currently used to analyze the impact of substitutions and withdrawals of equity collateral within the STANS Monte Carlo simulations.[3]

OCC's Rule 601, "Margin Requirements", already provides (in paragraph (c)) that margin assets in the form of securities may be incorporated into the Monte Carlo calculations as an alternative to valuing such assets under Rule 604. In connection with incorporating common

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[3] OCC believes the approach currently used to assess the impact of collateral substitutions and withdrawals represents an improvement over that outlined in File No. SR-OCC-2007-20. Interpretation and Policy .01 under Rule 608 generally provides that OCC may specify procedures from time to time to assess the impact of collateral withdrawals and substitutions.

stocks and ETFs into the STANS calculation, OCC adopted Interpretation and Policy .06 under Rule 601 clarifying that margin assets in the form of common stocks and ETFs would be included in the Monte Carlo simulations described in Rule 601 for purposes of determining the minimum expected liquidating value of an account with other margin assets being valued as provided for under Rule 604.[4] OCC proposes to broaden this interpretation to provide that OCC may designate those margin assets which, if deposited into a clearing member's account, will be valued as provided in Rule 601 versus Rule 604. This change is intended to accommodate OCC's proposal to incorporate government securities into the STANS margin calculation process on a phased-in basis.

* * *

The proposed change is consistent with Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), because it is designed to promote accuracy in the clearance and settlement of cleared contracts, and the risk assessments relative thereto, and to promote efficiency and eliminate unnecessary costs to investors by determining margin requirements with better precision, and, in general, to protect investors and the public interest. The change accomplishes these purposes by more accurately valuing collateral deposits. The proposed rule change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

[4] Rule 604(f) provides that, in lieu of the valuations provided for in Rule 604, OCC may elect to value any or all margin assets in the form of securities pursuant to Rule 601.

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)(2), OCC requests that the Commission find good cause to accelerate the approval of this rule filing before the thirtieth day of publication of the notice of filing in the Federal Register to the extent necessary so that it is approved on or before September 30, 2010. Good cause exists for such acceleration because OCC believes the proposed inclusion of government securities within the STANS margin process will more accurately measure the risk in clearing members' accounts and permit OCC to set margin requirements to more precisely reflect that risk. Approval by such date will allow OCC to implement the scheduled system changes related to this rule change.

OCC's proposal to value certain government securities deposits under STANS and Rule 601 is consistent with existing rule authority and with the separately approved process for evaluating common stocks and ETF deposits using the STANS methodology. Rule 601 provides that in calculating the minimum expected liquidating value of an account, OCC may either value margin assets as provided in Rule 604 or may include such margin assets consisting of securities in the Monte Carlo simulations on the same basis as cleared contracts and underlying interests. Rule 604(f) provides that notwithstanding valuation methods provided for in that Rule, OCC may elect to value any or all margin assets pursuant to Rule 601. The proposed change to Interpretation and Policy .06 is technical in nature in that it clarifies that OCC will designate those securities which will be valued under Rule 601 versus Rule 604 to accommodate the incorporation of government securities into the STANS risk management methodology on a phased-in basis.

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

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-2010-14

SELF-REGULATORY ORGANIZATION

Proposed Rule Change By
The Options Clearing Corporation

Relating to Valuing Deposits of
Government Securities

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 make a technical change to Interpretation and Policy .06 under Rule 601 in connection with the expansion of the forms of collateral that are incorporated into the System for Theoretical Analysis and Numerical Simulations ("STANS") risk management methodology.

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

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. <u>Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change</u>

<u>Purpose of Rule Change</u>

The purpose of this proposed rule change is to make a technical change to Interpretation and Policy .06 under Rule 601 in connection with the expansion of the forms of collateral that are incorporated into the System for Theoretical Analysis and Numerical Simulations ("STANS") risk management methodology. Currently, OCC incorporates common stock and ETFs (defined as "fund shares" in Article I, Section 1 of OCC's by-laws) into the STANS margin calculation process.[1] When proposing to include common stock and ETFs within the STANS margin calculation process, OCC noted its belief that the procedure would more accurately measure the risk in clearing members' accounts and thereby permit OCC to set margin requirements to more precisely reflect that risk. For these same reasons, OCC now proposes to incorporate into STANS certain fixed income securities (<u>i.e.,</u> Government and GSE debt securities; collectively, "government securities") for such purposes.

[1] File No. SR-OCC-2007-20; Securities Release No. 34-58158 (July 15, 2008).

Proposed Rule Change

OCC proposes to incorporate government securities into the STANS margin calculation process in a phased approach, starting with U.S. Government securities other than Treasury Inflation Protected Securities and callable U.S Treasury Securities. Also excluded from the initial phase would be Canadian government securities and GSE Debt Securities.[2] Currently, these forms of collateral, when deposited to satisfy margin requirements, are priced on a nightly basis and are assigned a value equal to their current market value less the applicable haircut (based on term to maturity). While this method of valuing collateral has generally served OCC well in the past, OCC believes analyzing cleared positions and margin assets as a single portfolio using STANS provides for a more accurate valuation of securities deposited as collateral in relation to other positions in the account. As was the case with including common stocks and ETFs into the STANS calculation, this change would align risk management techniques utilized to manage market risk of cleared positions (e.g., Treasury futures contracts) with those used to value margin deposits.

The inclusion of government securities within STANS will be implemented using the same basic approach that was used for adding common stocks and ETFs into STANS. The value of the securities deposited in a clearing member's account will be determined with the risk (haircut) on the margin assets being computed on a portfolio basis with reference to the volatility and correlation of each deposited security to the other positions in such account. Given the conservative nature of the current haircuts applied to deposits of government securities, OCC anticipates a modest increase in collateral valuation as a result of implementing this change.

As a part of this proposal, OCC will apply a portfolio specific adjustment factor

[2] The excluded forms of government securities will be evaluated under STANS as appropriate models are developed.

(haircut) when determining whether sufficient margin excess resides in an account to enable OCC to release margin collateral to a clearing member on an intraday basis. The adjustment factor is account and security specific, and is determined by approximating the change in margin requirement that would result when either depositing or withdrawing a particular security from the clearing member's account by assessing the value of the security and its risk characteristics. OCC believes this process provides a more accurate projection of the margin impact of collateral withdrawals and substitutions with respect to an account. It is currently used to analyze the impact of substitutions and withdrawals of equity collateral within the STANS Monte Carlo simulations.[3]

OCC's Rule 601, "Margin Requirements", already provides (in paragraph (c)) that margin assets in the form of securities may be incorporated into the Monte Carlo calculations as an alternative to valuing such assets under Rule 604. In connection with incorporating common stocks and ETFs into the STANS calculation, OCC adopted Interpretation and Policy .06 under Rule 601 clarifying that margin assets in the form of common stocks and ETFs would be included in the Monte Carlo simulations described in Rule 601 for purposes of determining the minimum expected liquidating value of an account with other margin assets being valued as provided for under Rule 604.[4] OCC proposes to broaden this interpretation to provide that OCC may designate those margin assets which, if deposited into a clearing member's account, will be valued as provided in Rule 601 versus Rule 604. This change is intended to accommodate OCC's proposal to incorporate government securities into the STANS margin calculation

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[3] OCC believes the approach currently used to assess the impact of collateral substitutions and withdrawals represents an improvement over that outlined in File No. SR-OCC-2007-20. Interpretation and Policy .01 under Rule 608 generally provides that OCC may specify procedures from time to time to assess the impact of collateral withdrawals and substitutions.

[4] Rule 604(f) provides that, in lieu of the valuations provided for in Rule 604, OCC may elect to value any or all margin assets in the form of securities pursuant to Rule 601.

process on a phased-in basis.

* * *

The proposed change is consistent with Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), because it is designed to promote accuracy in the clearance and settlement of cleared contracts, and the risk assessments relative thereto, and to promote efficiency and eliminate unnecessary costs to investors by determining margin requirements with better precision, and, in general, to protect investors and the public interest. The change accomplishes these purposes by more accurately valuing collateral deposits. The proposed rule change is not inconsistent with the existing rules of OCC, including any other 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

Pursuant to Section 19(b)(2) of the Exchange Act, OCC has requested the Commission to accelerate the effectiveness of the proposed rule change. The Commission finds good cause for approving the rule change on an accelerated basis.

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-2010-14 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-2010-14. 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-2010-14 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:__________________