



8011-01p
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-66266; File No. SR-OCC-2012-01)

January 27, 2012

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to Public Directors

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder² notice is hereby given that on January 20, 2012, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change 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. Self-Regulatory Organization’s Statement of Terms of Substance of the Proposed Rule Change

The proposed rule change would modify the corporate governance structure of OCC by (i) increasing the number of public directors on the Board from one to three and (ii) adding a public director to the Nominating Committee.

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

In its filing with the Commission, OCC included statements concerning the purpose 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

aspects of such statements.

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

The purpose of this proposed rule change is to modify the corporate governance structure of OCC by (i) increasing the number of public directors on the Board from one to three and (ii) adding a public director to the Nominating Committee. OCC believes that the proposed changes will be beneficial as a matter of good corporate governance. In addition, OCC is proposing a nonsubstantive amendment to both the By-Laws and the Certificate of Incorporation to remove obsolete provisions relating to Directors elected prior to 1999 that no longer have any effect.

I. Background

The OCC Board currently has 16 members consisting of nine Clearing Member directors ("Member Directors"), five directors nominated by the stockholder exchanges ("Exchange Directors"), one director who is not affiliated with any national securities exchange, national securities association or broker or dealer in securities ("Public Director"), and the Chairman of the Board, who is the Management Director. See Article II, Section 7 of OCC's By-Laws. Member Directors are divided into three equal classes elected for staggered three-year terms and are nominated by the Nominating Committee. Each Exchange Director serves a one-year term and is nominated by one of the five stockholder exchanges although a single Exchange Director may represent more than one exchange. The Public Director serves a three-year term and is nominated by the Chairman with the approval of the Board. The Management Director serves a one-year term. Section 1 and Section 3 of Article III of the By-Laws generally provide that if the combined number of Exchange Directors and the Public Director exceeds eight, the number of Member Directors will be increased to exceed the combined number of Exchange Directors and the Public Director by at least two Member Directors.

The Nominating Committee is composed of six members who are divided into two equal classes elected for staggered two-year terms. Prior to each annual meeting of stockholders, the Nominating Committee nominates a slate of nominees for election to the class of Member Directors and to the class of Nominating Committee members whose terms expire at that meeting. In selecting such nominees, the Nominating Committee seeks to achieve balanced representation among Clearing Members, giving due consideration to the various business activities of different categories of Clearing Members and their geographical distribution.

This governance structure was carefully designed to meet the statutory requirements of “fair representation” of OCC stockholders and Clearing Members in the selection of directors and administrators of OCC’s affairs, and to facilitate the performance of the Corporation’s role as a market utility.

2. Proposed By-Law Changes

Article III of OCC’s By-Laws governs the composition of the Board, the qualifications of directors and the procedures for nominating and electing directors. OCC proposes to amend Article III such that, beginning with OCC’s 2012 annual meeting, the number of Public Directors on the Board will be increased from one to three. The Public Directors will be divided into three equal classes, will be elected for staggered three-year terms, and will continue to be nominated by the Chairman with the approval of the Board of Directors. Accordingly, OCC proposes to remove reference to the two-year term of office for Public Directors elected prior to 1999, which references will no longer be applicable to any Public Director. OCC proposes to amend Section 1 and Section 3 of Article III of the By-Laws to provide that the number of Member Directors will generally exceed the combined number of Exchange Directors and Public Directors by one Member Director (presently by two Member Directors) if the combined number of Exchange

Directors and Public Directors exceeds nine (presently eight) in order to accommodate the increased number of Public Directors without automatically requiring a further increase in the number of Member Directors. Additionally, OCC proposes to increase the number of members of the Nominating Committee from six to seven by adding a Public Director member. The Public Director member of the Nominating Committee will be nominated by the Chairman with the approval of a majority of the Board and will serve a three-year term. A vacancy in the position of Public Director member of the Nominating Committee will be filled with another Public Director by a majority vote of the directors then in office.

3. Proposed Amendment to OCC's Certificate of Incorporation

OCC also intends to make amendments to the provision of OCC's Certificate of Incorporation governing Directors to (i) remove reference to the term of office of Public Directors elected prior to 1999 and (ii) provide that Public Directors may only be removed from office for cause. The proposed amendments to OCC's Certificate of Incorporation are included as Exhibit 5 to OCC's filing.

Effectiveness of Proposed Rule Change

OCC will delay effectiveness of the proposed rule change following Commission approval until the proposed amendments to OCC's Certificate of Incorporation are filed with the Secretary of State of Delaware.

* * *

The proposed changes to OCC's By-Laws are consistent with the purposes and requirements of Section 17A of the Act because by enhancing the corporate governance structure of OCC through the addition of two Public Directors and the addition of a Public Director to the Nominating Committee they are designed to better protect investors and the public interest. The proposed rule change is not inconsistent with any rules of OCC, including any 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

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 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, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

- Electronic comments may be submitted by using 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 No. SR-OCC-2012-01 on the subject line.

- Paper comments should be sent in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, D.C., 20549-1090.

All submissions should refer to File Number SR-OCC-2012-01. 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 http://www.theocc.com/components/docs/legal/rules_and_bylaws/sr_occ_12_01.pdf. 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-2012-01 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.³

Kevin M. O'Neill
Deputy Secretary

[FR Doc. 2012-2288 Filed 02/01/2012 at 8:45
am; Publication Date: 02/02/2012]

³ 17 CFR 200.30-3(a)(12).