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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-67917; File No. SR-OCC-2012-16)

September 24, 2012

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change to Accommodate Recently Proposed Equity Options That Have a Unit of Trading of 10 Shares

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that, on September 12, 2012, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“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. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

OCC proposes to change its rules in order to accommodate recently proposed equity options that have a unit of trading of 10 shares (“Mini 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, 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.<sup>3</sup>

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> The Commission has modified the text of the summaries prepared by OCC.

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

The purpose of the proposed rule change is to accommodate Mini Options, which are recently proposed equity options that have a unit of trading of 10 shares.<sup>4</sup> OCC proposes to amend its By-Law provision that sets forth the minimum amount of a cash dividend or distribution (“Distribution”) on an underlying equity security that will result in an adjustment of outstanding options on that underlying equity security.

The International Securities Exchange and NYSE Arca recently filed proposed rule changes with the Commission to list and trade Mini Options on a select number of liquid, high-priced and actively traded securities.<sup>5</sup> Mini Options are intended to expand the choices available to participants in the options markets. Other than the difference in the unit of trading, Mini Options would have the same terms, use, and characteristics as standard equity options (“Standard Options”), which cover 100 shares.

Under OCC’s By-Laws, equity options may be adjusted upon the occurrence of certain corporate actions, including Distributions. Currently, OCC’s By-Laws stipulate that a Distribution must be in excess of \$12.50 *per contract* in order for OCC to consider adjusting any type of option contract. Some Distributions, however, would exceed the adjustment threshold in the case of Standard Options but would not exceed the adjustment threshold in the case of a Mini Option because the per contract Distribution

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<sup>4</sup> No other changes to OCC’s rules are needed to clear Mini Options, as the definition of “unit of trading” in Article I of OCC’s By-Laws is sufficiently flexible to permit OCC to designate a unit of trading other than the standard 100 shares for particular series or classes of options. Similarly, OCC’s risk management systems will take the number of underlying shares into consideration.

<sup>5</sup> Securities Exchange Act Release Nos. 67284 (June 27, 2012), 77 FR 39545 (July 3, 2012) (SR-ISE-2012-58); 67283 (June 27, 2012), 77 FR 39535 (July 3, 2012) (SR-NYSE Arca-2012-64). For example, Mini Options are proposed to be listed on SPY (SPDR S&P 500), GLD (SPDR Gold Trust) and AAPL (Apple, Inc.).

on the Mini Option would be only 1/10<sup>th</sup> of the Distribution on the Standard Option and the adjustment threshold is stated on a *per contract* basis rather than a *per share* basis. OCC does not believe that this result is appropriate given that Mini Options are intended to be identical to Standard Options, but for the unit of trading.

Instead, OCC believes that it is appropriate to design an adjustment policy such that a Distribution that would result in an adjustment on a Standard Option would also result in an adjustment on a Mini Option. Moreover, the exchanges proposing to list Mini Options, as well as OCC clearing members, have expressed a preference for OCC to design an adjustment policy under which OCC makes consistent and parallel adjustments to both Mini Options and Standard Options. Therefore, OCC is proposing to amend the adjustment threshold in Article VI, Section 11A of OCC's By-Laws to \$.125 *per share* from \$12.50 *per contract*.

Furthermore, OCC does not intend for the rule change to affect options contracts that were originally listed with units of trading in excess of 100 shares. This determination was made by the Securities Committee<sup>6</sup> because using a threshold of \$.125 per share for all option contracts would mean that OCC might not adjust an option contract that has a unit of trading of 1,000 shares for certain Distributions even though such a Distribution may represent a significant dollar amount on a per contract basis.<sup>7</sup> For example, in the case of an option contract with a unit of trading of 1,000 shares, a

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<sup>6</sup> The Securities Committee is authorized under OCC By-Law Article VI Section 11(a) to determine contract adjustments in particular cases and to formulate adjustment policy or interpretations having general applicability. The Securities Committee is comprised of representatives of OCC's participant options exchanges and authorized representatives of OCC.

<sup>7</sup> OCC has rules to accommodate options with a unit of trading of 1,000 shares, although no such options currently trade.

Distribution of \$.12 per share would not trigger an adjustment even though the amount of the Distribution would be \$120 on a single 1,000 share contract—far in excess of the existing \$12.50 per contract *de minimis* threshold. To address this adjustment issue, OCC is proposing to retain the existing adjustment threshold of \$12.50 per contract in Article VI, Section 11A of its By-Laws for options contracts that were originally listed in share amounts greater than 100 shares.

OCC believes the proposed rule change is consistent with the purposes and requirements of Section 17A of the Act<sup>8</sup> and the rules and regulations thereunder applicable to OCC because the proposed modification would help assure that the By-Laws and Rules of OCC are designed to perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions.<sup>9</sup> The proposed change will achieve this by allowing options with a unit of trading that is less than 100 shares to be adjusted in response to any Distribution that would result in an adjustment of Standard Options, while also maintaining an appropriate *de minimis* threshold for options with units of trading that are larger than Standard Options.

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

OCC does not believe 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

No written comments were solicited or received with respect to the proposed rule change.

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<sup>8</sup> 15 U.S.C. 78q-1.

<sup>9</sup> 15 U.S.C. 78q-1(b)(3)(F).

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 by sending an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-OCC-2012-16 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., 20549-0609.

All submissions should refer to File Number SR-OCC-2012-16. To help the Commission process and review your comments more efficiently, please use only one method of submission. 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, N.E., 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\\_16.pdf](http://www.theocc.com/components/docs/legal/rules_and_bylaws/sr_occ_12_16.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-2012-16 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.<sup>10</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>10</sup> 17 CFR 200.30-3(a)(12).