

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

The foregoing proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A) of the Act⁴ and Rule 19b-4(f)⁵ thereunder because it does not significantly affect the respective rights or obligations of the clearing agency or persons using the service and does not adversely affect the safeguarding of securities or funds in the custody or control of NSCC or for which it is responsible. At any time within sixty days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change 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. Please include File Number SR-NSCC-2005-06 on the subject line.

Paper comments

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-9303.

All submissions should refer to File Number SR-NSCC-2005-06. 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, 100 F Street, NE, Washington, DC 20549. Copies of such filings also will be available for inspection and copying at the principal office of NSCC and on NSCC's Web site at <http://www.nsc.com>. 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-NSCC-2005-06 and should be submitted on or before July 18, 2005.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Jill M. Peterson,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-51861 No. SR-OCC-2005-07]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 to Update Its By-Laws and Rules Pertaining to the Settlement of Exercised Cross-Rate Foreign Currency Options

June 16, 2005.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on May 13, 2005, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") and on June 14, 2005, amended² 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 rule change from interested parties.

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

The rule change updates OCC's By-Laws and Rules pertaining to the

settlement of exercised cross-rate foreign currency options ("Cross-Rate Options") in connection with the recent installation of that portion of OCC's ENCORE clearing system that processes those settlements.

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.³

(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 update OCC's By-Laws and Rules pertaining to the settlement of Cross-Rate Options in connection with the recent installation of OCC's ENCORE clearing system that processes those settlements. The installation, which occurred in April, 2005, converted existing Cross-Rate Options processing to the ENCORE technology with only a few variations. OCC also wishes to update its Rules by eliminating detail that is more appropriately included in operational procedures than in OCC's rulebook and by making a few other changes described below to reflect OCC's experience and certain developments since the Cross-Rate Options rules initially were adopted. As proposed to be amended, these provisions of the By-Laws and Rules apply equally to processing under both ENCORE and its predecessor system.

Overview of the Exercise Settlement Process for Cross-Rate Options

As set forth in revised Rules 2105 and 2106, following the assignment of exercise notices with respect to Cross-Rate Options, the gross settlement obligations for each currency arising from obligations to pay and rights to receive trading currencies and underlying currencies are calculated for all accounts with a particular clearing number. Those gross amounts are netted down to a single pay or collect amount for each currency for all such accounts.

³ The Commission has modified the text of the summaries prepared by OCC.

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(f).

⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² The amendment corrected an erroneous cross-reference in the proposed rule.

In the event that two or more settlements in a currency arising from different exercise/assignment dates settle on the same date, those settlements are also netted. If such processing nets out all settlement obligations for a currency then such obligations are deemed discharged. Settlement obligations arising from multiple clearing numbers controlled by the same clearing member are not netted against each other.

To the extent a settlement obligation remains, OCC makes available to each clearing member that is obligated to pay a currency ("Paying Clearing Member") and each clearing member that is entitled to receive a currency payment ("Collecting Clearing Member") a report showing the net amount of the currency they are obligated to pay or entitled to receive.

On the exercise settlement date, OCC drafts the bank account of each Paying Clearing Member in the amount of the foreign currency there are obligated to pay ("Payment Amount") and then pays the Payment Amount to each Collecting Clearing Member in such amounts as they are entitled to receive.

Description of the Specific Rule Changes

The principal changes are to Rules 2105 through 2107. Rules 2105 and 2106 have been substantially redrafted to provide for the settlement process described above. Rule 2107, which described an alternate settlement procedure known as Delivery versus Payment ("DVP"), is removed because there are no systems or banking mechanisms to support DVP settlements for Cross-Rate Options.

Rule 2104(b) is being amended to grant the Chairman, Management Vice Chairman, President, and any delegate of such officers the authority to advance or postpone the settlement date for exercises of Cross-Rate Options. This change is being implemented because it may be impractical to convene a Board meeting in time to take action on the day that unusual conditions arise and because OCC needs the flexibility to respond quickly to events affecting the exercise settlement date for Cross-Rate Options.⁴

Certain non-substantive changes are made to Rules 602(f)(2), 2102, 2108–10, and 2112 and to Article XX, Section 1

of the By-laws to correct cross-references and to conform to terminology used elsewhere in the revised rules.

OCC believes the rule change is consistent with Section 17A of the Act,⁵ as amended, because the changes are designed to promote the prompt and accurate clearance and settlement of transactions in and exercises of cross-rate foreign currency options and to assure safeguarding of securities and funds in the custody and control of OCC.

(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.

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Paper Comments

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-9303.

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For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁸

Jill M. Peterson,

Assistant Secretary.

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⁴ Similar changes were recently implemented to Rule 903(b) ("Obligations to Deliver") and Rule 1604(b) ("Exercise Settlement Date for Foreign Currency Options"). Securities Exchange Act Release Nos. 34-47629 (Apr. 3, 2003), 68 FR 17715 (Apr. 10, 2003) [File No. SR-OCC-2002-21] and 34-49987 (July 8, 2004), 69 FR 42490 (July 15, 2004) [File No. SR-OCC-2004-07].

⁵ 15 U.S.C. 78q-1.

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4(f)(4).

⁸ 17 CFR 200.30-3(a)(12).