#32204

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DATE: **FEBRUARY 7, 2013**

SUBJECT: **CONTRACT ADJUSTMENT ISSUE: TAX WITHHOLDING**

OCC has been asked to provide guidance concerning contract adjustment policy when foreign tax withholding is applied to distributions. Under OCC By-Laws, the OCC Securities Committee, comprised of representatives of the participant options exchanges and OCC, can provide interpretative guidance concerning such policy. To facilitate the Securities Committee's consideration of the tax withholding issue, OCC is affording the opportunity for investors to submit comments and suggestions concerning this issue via email as indicated below. All comments submitted will be made available to the Securities Committee for consideration.

Should foreign withholding tax be considered in effecting contract adjustments and if so, how?

- If strike prices are reduced by the amount of a dividend subject to foreign withholding, should the strike prices be reduced by the gross amount of the dividend or an amount net of withholding tax? What is the rationale?

- If a cash consideration is added to the option deliverable without reducing strike prices, should the cash deliverable amount be the gross cash amount or net of tax? What is the rationale?

- When a security goes ex an "approximate" dividend amount subject to foreign withholding tax, how should options be adjusted? What is the rationale?

Comments can be emailed to : withholdingcomments@theocc.com

Please note it will be helpful if respondents would self-identify themselves by market segment as follows:

a) Clearing Member/Trading Firm
b) Market Professional/Market Maker
c) Individual Investor
d) Other (Please Identify)

Please note OCC may acknowledge receipt of email responses but will not otherwise respond to any emails which are submitted.

The comment period for submission of views on this issue will extend through March 31, 2013. After consideration of any comments received, the Securities Committee may decide to issue interpretative guidance in the form of a policy statement. Regardless of whether it does so, however, individual decisions with respect to specific contract adjustments will continue to be made on a case by case basis.

CATEGORY: CONTRACT ADJUSTMENT

For questions regarding this memo, call 1-888-OPTIONS or email options@theocc.com.