



## DCO Rules

### UNITED STATES COMMODITY FUTURES TRADING COMMISSION

<b>Submitter Information</b>	
<b>Organization Name</b> Options Clearing Corporation	
<b>Organization Type</b> DCO	<b>Organization Acronym</b> OCC
<b>Submitted By</b> mbrown1	<b>Email Address</b> mcbrown@theocc.com
<b>Cover Sheet</b>	
<b>Submission Number</b> 2203-2514-4105-45	<b>Submission Date</b> 3/25/2022 2:41:05 PM ET
<b>Submission Type</b> 40.6(a) Rule Certification	
<b>Submission Description</b> Rule Certification by The Options Clearing Corporation Concerning Weekly Options and Short Term Options	
<input type="checkbox"/> <b>Request Confidential Treatment</b>	
<b>Registered Entity Identifier Code</b>	
<b>Rule Numbers</b> By-Law Art. I	
<b>Date of Intended Implementation</b> 4/8/2022	
<b>Documents</b>	
Weekly Option Rule Certification (3.25.2022 to CFTC).pdf	
<b>Request For Confidential Treatment - Detailed Written Justification</b>	
N/A	



March 25, 2022

**VIA CFTC PORTAL**

Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, DC 20581

**Re: Rule Certification Concerning Weekly Options and Short Term Options**

Dear Secretary Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Commodity Futures Trading Commission (“CFTC”) Regulation 40.6, The Options Clearing Corporation (“OCC”) hereby certifies the definitions of “weekly option” and “short term option” in Article I of OCC’s By-Laws. The proposed rule change would amend these definitions to align with the rules of participant options exchanges by clarifying that weekly options and short term options may expire and/or be opened in accordance with the rules of the exchange on which they are traded. The date of implementation of the rule is at least 10 business days following receipt of the certification by the CFTC. The proposal has also been submitted to the Securities and Exchange Commission (“SEC”) under Section 19(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 19b-4 thereunder.

In conformity with the requirements of Regulation 40.6(a)(7), OCC states the following:

Explanation and Analysis

The purpose of this proposed rule change is to more clearly align certain existing definitions in OCC’s By-Laws for options products with Exchange Rules related to those products. Proposed amendments to the By-Laws can be found in Exhibit A. Material proposed to be added to OCC’s By-Laws as currently in effect is underlined and material proposed to be deleted is marked in strikethrough text. All capitalized terms not defined herein have the same meaning as set forth in the OCC By-Laws and Rules.<sup>1</sup>

OCC currently facilitates the clearance and settlement of weekly options and short term options on behalf of participant options exchanges. The term “weekly option” is currently defined in

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<sup>1</sup> OCC’s By-Laws and Rules can be found on OCC’s public website: <https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules>.

Article I of OCC's By-Laws as "an option of a series of stock options or index options that expires on any Friday of a calendar month other than the third Friday of such calendar month."<sup>2</sup> The definition was first introduced in 2010.<sup>3</sup> The term "short term option" is currently defined as "an option of a series of options that expires one week after it is opened for trading" and further specifies that short term options "may be opened on a Friday that is a business day and shall expire, at the expiration time, on the next Friday that is a business day; provided, however, that if a Friday is not a business day, the series shall be opened (or shall expire) on the first business day immediately prior to that Friday."<sup>4</sup> The definition was first introduced in 2005 in connection with a pilot program for short term options that was eventually made permanent in 2009.<sup>5</sup>

Currently, participant options exchanges list and trade weekly options that expire on other days of the week, such as Monday or Wednesday,<sup>6</sup> and a participant options exchange has recently filed a proposed rule change to list and trade weekly options that expire on Tuesday and Thursday.<sup>7</sup> These exchanges also list short term options that may be opened on days other than a Friday and expire on days other than Friday.<sup>8</sup> Because pursuant to Exchange Rules weekly options may expire

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<sup>2</sup> The definition of "weekly option" also states that "[t]he term 'weekly index option' means a weekly option on an index." OCC is not proposing changes to this part of the weekly option definition.

<sup>3</sup> See Exchange Act Release No. 63293, 75 FR 70055 (November 16, 2010) (approval order establishing weekly options and monthly options).

<sup>4</sup> The definition of "short term option" also specifies that a short term option series may be opened in any option class. OCC is not proposing changes to this part of the short term option definition.

<sup>5</sup> See Exchange Act Release No. 52010, 70 FR 41469 (July 19, 2005) (SR-OCC-2005-06) (approval order to support the short term options pilot program). See also e.g., Exchange Act Release Nos. 52011 (July 12, 2005), 70 FR 41451 (July 19, 2005) (SR-CBOE-2004-63) (approval order establishing Weeklys Pilot Program) and 59824 (April 27, 2009), 74 FR 20518 (May 4, 2009) (SR-CBOE-2009-018) (approval order permanently establishing Weeklys Program). CBOE refers to its short term option program as the "Weeklys Program."

<sup>6</sup> See e.g., Cboe Rule 4.13(e)(1) ("The Exchange may open for trading Weekly Expirations on any broad-based index eligible for standard options trading to expire on any Monday, Wednesday, or Friday (other than the third Friday-of-the-month or days that coincide with an EOM [end of month] expiration.")(emphasis added).

<sup>7</sup> See Exchange Act Release No. 94292, 87 FR 11102 (February 28, 2022) (SR-CBOE-2022-005) (notice of filing of proposed rule change to permit P.M.-settled S&P 500 index options that expire on Tuesday or Thursday).

<sup>8</sup> See e.g., Cboe Rule 4.5(d) ("Short Term Option Series Program. After an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day . . . Monday and Wednesday SPY, IWM

on days other than Friday and short term options may be opened and expire on days other than Friday, OCC proposes making clarifying changes to these definitions to more closely align them with options Exchange Rules and with how these options trade today.

Accordingly, OCC proposes to amend the definition of a weekly option to provide that a weekly option means “an option of a series of stock options or index options that has a weekly tenor and that expires on any day as provided in Exchange Rules. The term ‘weekly index option’ means a weekly option on an index.” Similarly, OCC proposes to amend the definition of a short term option to provide that a short term option means “an option of a series of options that pursuant to Exchange Rules expires one week after it is opened for trading. Short term option series may be opened in any option class.” In both cases, OCC proposes to remove language specifying particular days of the week on which weekly options or short term options may expire and/or be opened and to instead reference the relevant options Exchange Rules for information on expirations and any opening conditions. OCC believes that the proposed amendments would promote clarity in OCC’s By-Laws regarding when weekly options and short term options may be opened and/or expire and, as noted, promote greater consistency with options Exchange Rules.

### **Consistency with DCO Core Principles**

OCC reviewed the DCO core principles (“Core Principles”) as set forth in the Act, the regulations thereunder, and the provisions applicable to a DCO that elects to be subject to the provisions of 17 CFR Subpart C (“Subpart C DCO”). During this review, OCC identified the following as potentially being impacted:

**Public Information.** OCC believes that implementing the changes will align with Core Principle L,<sup>9</sup> and CFTC Rule 39.21 thereunder,<sup>10</sup> which require, in part, that a DCO make information concerning the rules and operating and default procedures governing the clearing and settlement systems of the DCO available to market participants,<sup>11</sup> and making its rulebook publicly available on its website.<sup>12</sup> OCC believes that implementing the changes and posting the updated By-Laws to OCC’s public website would protect investors and the public interest by setting forth clear

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and QQQ Expirations. The Exchange may open for trading on any Friday or Monday that is a business day series of options on the SPDR S&P 500 ETF Trust (“SPY”) . . . that expire at the close of business each of the next five Mondays that are business days . . . The Exchange may also open for trading on any Tuesday or Wednesday that is a business day series of SPY options . . . that expire at the close of business on each of the next five Wednesdays . . .”).

<sup>9</sup> 7 U.S.C. 7a-1(c)(2)(L).

<sup>10</sup> 17 CFR 39.21.

<sup>11</sup> 7 U.S.C. 7a-1(c)(2)(L)(ii); 17 CFR 39.21(b).

<sup>12</sup> 17 CFR 39.21(c)(6). See also 7 U.S.C. 7a-1(c)(2)(L)(iii)(I) (requiring a DCO to disclose publicly the terms and conditions of each contract, agreement, and transaction cleared and settled by the DCO).

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definitions that are consistent with options Exchange Rules and in turn facilitate a clear understanding of the regulatory framework for weekly options and short term options.

#### Opposing Views

No substantive opposing views were expressed related to the rule amendments by OCC's Board members, Clearing Members or market participants.

#### Notice of Pending Rule Certification

OCC hereby certifies that notice of this rule filing has been given to Clearing Members of OCC in compliance with Regulation 40.6(a)(2) by posting a copy of this certification on OCC's website concurrently with the filing of this submission.

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Certification

OCC hereby certifies that the rule set forth at Exhibit A of the enclosed filing complies with the Act and the CFTC's regulations thereunder.

Should you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

/s/ Karen Bilek  
Associate General Counsel

Enclosure: Exhibit A

**EXHIBIT A**



**By-Laws**

Underlined text indicates new text  
~~Strikethrough~~ text indicates deleted text

**THE OPTIONS CLEARING CORPORATION**

**By-Laws**

\* \* \*

***ARTICLE I – DEFINITIONS***

\* \* \*

**Short Term Option**

(18) The term “short term option” means an option of a series of options that [pursuant to Exchange Rules](#) expires one week after it is opened for trading. Short term option series may be opened in any option class. ~~Series of short term options may be opened on a Friday that is a business day and shall expire, at the expiration time, on the next Friday that is a business day; provided, however, that if a Friday is not a business day, the series shall be opened (or shall expire) on the first business day immediately prior to that Friday.~~

\* \* \*

**Weekly Option**

(1) The term “weekly option” means an option of a series of stock options or index options that [has a weekly tenor and that expires on any day as provided in Exchange Rules.](#) ~~expires on any Friday of a calendar month other than the third Friday of such calendar month.~~ The term “weekly index option” means a weekly option on an index.