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OCC PROSPECTUS

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The Options Clearing Corporation
440 South LaSalle Street
Chicago, IL 60605

The Options Clearing Corporation PUT AND CALL OPTIONS

This prospectus pertains to put and call options "Options" issued by The Options Clearing Corporation "OCC".

Certain types of transactions in Options involve a high degree of risk and are not suitable for many investors. Investors should understand the nature and extent of their rights and obligations and be aware of the risks involved. An options disclosure document containing a description of the risks of Options transactions is required, under U.S. laws, to be furnished to Options investors. That document is entitled *Characteristics and Risks of Standardized Options*. Investors may obtain it from their brokers. That document is not a part of this prospectus, and it is not incorporated herein by reference or otherwise.

Financial statements of OCC and certain additional information required to be contained in Part II of the registration statement of which this prospectus forms a part, other than exhibits, may be obtained without charge upon request from OCC. The exhibits required to be contained in Part II may be inspected at the offices of OCC or obtained from OCC or from the Securities and Exchange Commission "SEC" upon payment of the applicable fee.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is April 30, 1997.

No person has been authorized to give any information or to make any representations on behalf of OCC other than those contained in this prospectus, and, if given or made, such other information or representations must not be relied upon as having been authorized by OCC. This prospectus does not constitute an offer to sell Options in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer. The delivery of this prospectus does not imply that the information herein is correct as of any time subsequent to its date.

Certain Options issued by OCC and traded on U.S. exchanges may also be traded on non-U.S. exchanges. Options issued by OCC that are traded on non-U.S. exchanges are identical to Options having the same terms that are traded on U.S. exchanges. A United States investor desiring to effect transactions in OCC-issued Options on non-U.S. exchanges generally can do so through a United States broker who is a member of the non U.S. exchange or who maintains an affiliation or correspondent relationship with a member of that exchange. Investors should bear in mind that non-U.S. exchanges, transactions in Options executed on such exchanges, and non-U.S. members of such exchanges are not subject to regulation by the SEC, are not generally subject to the requirements of the securities or other laws of the United States, and may not be subject to the jurisdiction of courts in the United States.

THE OPTIONS CLEARING CORPORATION

OCC was organized as a corporation in 1972 under the laws of the state of Delaware. OCC is owned equally by the U.S. exchanges that provide markets in Options. As of the date of this prospectus, those exchanges are the American Stock Exchange, Inc., the Chicago Board Options Exchange, Incorporated "CBOE", the New York Stock Exchange, Inc. "NYSE", the Pacific Stock Exchange Incorporated, and

the Philadelphia Stock Exchange, Inc. The NYSE has agreed, subject to certain conditions, to transfer its Options market to the CBOE. OCC expects to repurchase the shares of its stock held by the NYSE after the transfer becomes effective.

OCC's principal business consists of issuing Options, providing facilities for the clearance and settlement of transactions in Options, and providing incidental services to its Clearing Members and to the markets on which Options are traded. (Clearing Members are organizations generally securities firms that assume responsibility to OCC for the settlement of transactions in Options and the performance of the obligations undertaken by writers of Options.)

OCC is managed by a board of directors consisting of nine directors who represent Clearing Members, one director representing each of the exchanges named above, one public director, and the chief executive officer of OCC.

The principal executive offices of OCC are located at 440 South LaSalle Street, Chicago, Illinois 60605, telephone (312) 322-6200.

DESCRIPTION OF OPTIONS

General

The Options covered by this prospectus are put and call options issued by OCC. As of the date of this prospectus, Options are traded or approved for trading on common stocks and certain other equity securities, including preferred stocks, publicly traded limited partnership interests, and American Depositary Receipts, all of which are included in the term "stock" as used in this prospectus. Options are also currently traded or approved for trading on United States Treasury bonds, notes, and bills (sometimes referred to below as "debt instruments"), on foreign currencies, on stock indexes, and on the yields of certain Treasury securities. Stock, debt instruments, currencies, and indexes on which Options are traded are referred to as "underlying interests." Options may be traded on other underlying interests in the future.

There are three "styles" of Options: American, European, and capped. Subject to certain limitations prescribed in the by-laws and rules of OCC, an American-style Option may be exercised at any time prior to expiration. A European-style Option or a capped Option may be exercised only at expiration. In addition, a capped Option will be automatically exercised if the value of the underlying interest on any trading day (determined at a specified time of day) equals or exceeds (in the case of a call Option), or equals or is less than (in the case of a put Option), the pre-established "cap price" for the Option. Certain American-style and European-style Options will be automatically exercised at expiration if they are in the money or in the money by a minimum amount. An Option holder may determine from his broker whether and under what circumstances the Option will be automatically exercised; and, if the Option will not be automatically exercised, what steps the holder must take in order to exercise.

Some Options call for the delivery of the underlying interest against payment of the exercise price. When an Option of that type is exercised, subject to limitations that may be imposed by OCC pursuant to its by-laws and rules, the exercising holder sells (in the case of a put) or buys (in the case of a call) the number of shares or other units of the underlying interest covered by the Option at a fixed or determinable exercise price. Other Options are "cash-settled." When a cash-settled Option is exercised, the holder is entitled to receive a cash "exercise settlement amount." The exercise settlement amount for a cash-settled Option is equal to the product of (i) the difference between the exercise price of the Option and the settlement value of the underlying interest as of a specified date and time (or, in the case of a capped Option that is automatically exercised, the cap price) and (ii) the number of units of the underlying interest covered by the Option, or, in the case of Options on indexes or yields, a fixed "multiplier."

As of the date of this prospectus, an exchange has proposed to trade "packaged spread Options" and another exchange has proposed to trade "differential Options." Upon receipt of all necessary SEC approvals, such Options will be issued by OCC. A packaged spread Option is a cash-settled European-style Option which, upon exercise, calls for the payment by the assigned writer to the exercising holder of an amount equal to the net exercise settlement values of the options comprising a specified type of spread position. A differential Option is a cash-settled European-style Option based on the differential (positive in the case of a call or negative in the case of a put) between the percentage price performance of a designated interest and that of a benchmark interest over the life of the Option.

Certain Options may provide for payments or deliveries prior to exercise, such as dividend equivalent payments.

Obligations of OCC

The obligations of OCC to holders and writers of Options are prescribed in its by-laws and rules,

copies of which may be obtained as described under "Additional Information" below. The following is a brief summary of some, but not all, of those obligations, and is qualified in its entirety by the provisions of the by-laws and rules themselves.

1. Acceptance and Rejection of Transactions

If a market reports an Option transaction to OCC on a timely basis, OCC ordinarily becomes obligated to "accept" the transaction that is, to issue the Option if the buyer was engaging in an opening purchase transaction or to cancel a pre-existing writer's position if the buyer was engaging in a closing purchase transaction on the following business day. When OCC issues Options, it assumes the obligations described below under "Exercise and Settlement." OCC has no obligation with respect to any transaction in Options unless and until the transaction is reported to OCC by the responsible market. In the case of certain Options, OCC reserves the right to reject even properly reported transactions if the Clearing Member representing the buyer fails to meet when due its total net obligations to OCC. If a transaction is rejected for nonpayment of premiums, the writer may have remedies under the rules of the market where the transaction took place.

2. Exercise and Settlement

When OCC issues an Option, it becomes obligated to purchase (in the case of a put) or sell (in the case of a call) the underlying interest for the stated exercise price (or, in the case of a cash-settled Option, to pay the exercise settlement amount) if the Option is exercised. The procedures whereby OCC discharges these obligations are prescribed in the by-laws and rules of OCC, and are summarized below.

After an Option is exercised, OCC assigns the exercise to a Clearing Member whose account with OCC reflects the writing of an Option of the same series as the exercised Option. The assigned Clearing Member then becomes obligated to perform OCC's obligations on its behalf that is, to purchase the underlying interest (in the case of an exercised put) or to sell the underlying interest (in the case of an exercised call) for the specified exercise price, or, to pay the exercise settlement amount in the case of a cash-settled Option.

While an American-style Option normally can be exercised at any time prior to its expiration, and a European-style or capped-style Option ordinarily can be exercised at expiration, both OCC and the Options markets have the authority to restrict the exercise of Options at certain times in specified circumstances. It also is possible that a court, the SEC or another regulatory agency having jurisdiction would impose a restriction which would have the effect of restricting the exercise of an Option or settlement of such exercise. If a restriction on exercise is imposed at a time when trading in the Option has also been halted, holders of that Option may be locked into their positions until either the restriction or the trading halt has been lifted. Further, certain restrictions could prevent exercise throughout the exercise period, in which event an Option would expire worthless.

A. *Stocks.* Settlement obligations among Clearing Members resulting from the exercise of Options calling for the delivery of stocks, like those resulting from other purchases and sales of stock, are ordinarily discharged through stock clearing corporations. Like OCC, these clearing corporations are registered with the SEC as clearing agencies, and their rules are subject to SEC review. After an exercise of an Option calling for the delivery of stock has been assigned as described above, OCC will report the exercise to the stock clearing corporation(s) designated for settlement purposes by the exercising and the assigned Clearing Members (or their agents). Each Clearing Member then looks to its own clearing corporation for settlement, and receives delivery of the underlying stock or payment of the exercise price, as the case may be, in accordance with the rules of that clearing corporation. The clearing corporation in turn looks to the other Clearing Member (if both Clearing Members designated the same clearing corporation), or to the stock clearing corporation designated by the other Clearing Member, for an offsetting delivery or payment. When an exercise is submitted to one or more stock clearing corporations for settlement and not rejected by them, the responsibility for completing the settlement passes from OCC to the stock clearing corporation(s). This occurs on or prior to the exercise settlement date, at a time determined by agreement between OCC and the stock clearing corporations. After that time, OCC has no further responsibility to its Clearing Members for the exercise. Instead, rights and responsibilities run between the exercising and assigned Clearing Members and their respective stock clearing corporations. In unusual circumstances, OCC may require that particular exercises (or exercises of stock Options generally) be settled directly between the exercising and the assigned Clearing Members. In those cases, OCC's obligations are discharged when the aggregate exercise price in the case of a put, or the underlying stock in the case of a call, is delivered to the exercising Clearing Member.

B. *Debt Instruments.* Exercises of Options requiring delivery of debt instruments are settled directly between the exercising and the assigned Clearing Members or their agents. OCC's obligations are discharged when the aggregate exercise price in the case of a put, or the deliverable underlying debt instrument in the case of a call, is delivered to the exercising Clearing Member.

C. *Foreign Currencies.* Exercises of Options requiring delivery of foreign currencies are settled through OCC. Currencies are delivered to OCC, and redelivered by OCC to the receiving Clearing Members, through banking channels that make the underlying currency available to the recipient in the country of origin. Exercise prices are paid to OCC, and credited by OCC to the accounts of the delivering Clearing Members, either through OCC's regular cash settlement system or through the banking channels used for delivery of the underlying currencies. Certain foreign currency Options have exercise prices that are denominated in currencies other than U.S. dollars (e.g., Options to purchase British pounds for Japanese yen). Payment of exercise prices denominated in foreign currencies and delivery of the underlying currencies are effected through banking arrangements established for that purpose by OCC in the country of origin of the currency being paid or delivered.

Clearing Members may arrange in some cases for delivery of underlying foreign currency and payment of exercise prices to be made directly between a customer's bank account and an OCC correspondent bank. In some cases, OCC may act as an agent for The Intermarket Clearing Corporation "ICC", a subsidiary of OCC, in making foreign currency settlements with Clearing Members, and settlements between OCC and ICC may be netted. ICC's settlement procedures are the same as OCC's. OCC's obligations to the exercising Clearing Member are discharged when the aggregate exercise price in the case of a put, or the underlying currency in the case of a call, is delivered to the Clearing Member.

D. *Cash Settlements.* Exercises of cash-settled Options are settled through OCC. The exercise settlement amount is credited to the exercising Clearing Member's settlement account with OCC and charged to the account of the assigned Clearing Member. OCC's obligations are discharged when the exercise settlement amount is credited to the account of the exercising Clearing Member. In the future, exchanges may introduce cash-settled Options with exercise settlement amounts payable in currencies other than U.S. dollars. OCC and Clearing Members would pay and receive such amounts through banking channels that make the relevant currency available to the recipient in the country of origin.

Exercise settlement amounts for cash-settled Options are calculated based upon values or prices for the underlying interests determined in accordance with procedures specified in the by-laws and rules of OCC or in the rules of the exchanges on which the Options are traded. Special discretionary procedures for determining exercise settlement amounts may apply when values or prices of the underlying interests are unreported or otherwise unavailable or have been affected by trading halts or other unusual conditions.

E. *Net Settlement.* If a Clearing Member is obligated both to purchase and to sell a particular underlying interest for the same exercise price on the same exercise settlement date, OCC may offset the Clearing Member's purchase and sale obligations against each other, so that only the net purchase obligation or the net sale obligation will have to be settled as described above. Where an exercise is settled by offset, OCC has no further responsibility in respect of that exercise. OCC may net a Clearing Member's purchase and sale obligations with respect to foreign currencies even where the purchase and sale are at different exercise prices. In that event, the difference in exercise prices is settled in cash between OCC and the Clearing Member.

F. *Settlement with Customers.* The foregoing describes the system for exercise settlements among OCC and its Clearing Members. Clearing Members settle independently with their customers (or with brokers representing customers). OCC has no responsibility for settlements between a Clearing Member or broker and its customer or for the funds or securities of a customer that are held by a Clearing Member or broker.

G. *Shortages of Underlying Interests.* In certain circumstances involving shortages of underlying securities or currencies or in other unusual situations, OCC has the power to impose special exercise settlement procedures. These special procedures may involve delaying settlements or fixing of cash settlement prices in lieu of delivery of the underlying security or currency. In such circumstances OCC also may prohibit the exercise of puts by holders who would be unable to deliver the underlying security or currency on the exercise settlement date. In the event of a shortage of an underlying debt instrument, OCC may permit the delivery of other, generally comparable securities, and may adjust the exercise prices of affected Options to compensate for such substitute deliveries.

3. Remedies

A. *General Rule.* If an exercising or an assigned Clearing Member is suspended by OCC, with the result that a pending exercise will not be settled in the ordinary course, or if a Clearing Member fails to make settlement for an exercise that was to have been settled directly with another Clearing Member or an exercise of foreign currency Options, OCC may require that the underlying interest be bought in or sold out by the non-defaulting party to the exercise. Losses on such transactions constitute senior claims against certain assets of the defaulting Clearing Member in the possession of OCC, and are compensable out of OCC's Clearing Funds (see "The Back-Up System") to the extent that those assets are insufficient. In addition, losses sustained by an exercising Clearing Member would constitute claims against the general assets of OCC.

B. *Cash-Settled Products.* Even if a Clearing Member that is a party to an exercise of a cash-settled Option is suspended or fails to pay the exercise settlement amount to OCC, OCC is obligated to settle with all Clearing Members that have filed exercise notices that were assigned to the suspended or defaulting Clearing Member.

C. *Settlements Through Stock Clearing Corporations.* After responsibility for completing a settlement passes to one or more stock clearing corporations as described above, the exercising and assigned Clearing Members have no further rights against OCC or any assets in its possession.

D. *Tender Offers, Etc.* If an exercising or an assigned Clearing Member fails to make timely delivery of an underlying security on the exercise settlement date, and as a result another party is unable to deliver the security in sufficient time to participate in a tender offer, exchange offer, or other transaction, the Clearing Member that failed to make timely delivery may be held liable for any loss sustained by the other party. Similarly, a Clearing Member may seek to hold its customer liable for losses sustained due to the customer's failure to make timely delivery.

4. The Back-Up System

OCC's settlement procedures are designed so that for every outstanding Option there will be a writer and a Clearing Member that is or that represents the writer of an Option of the same series who has undertaken to perform OCC's obligations in the event that an exercise is assigned to such writer. As a result, no matter how many Options of a given series may be outstanding at any time, there will always be a group of writers of Options of the same series who, in the aggregate, have undertaken to perform OCC's obligations with respect to such Options.

A customer who writes an Option is contractually bound to its broker to perform in accordance with the terms of the Option. These contractual obligations are secured by the securities or other margin that the customer is required to deposit with its broker.

Clearing Members are contractually bound to perform their obligations to OCC regardless of whether their customers perform. Standing behind a Clearing Member's obligations are the Clearing Member's net capital, the Clearing Member's margin deposits with OCC, OCC's lien and setoff rights with respect to certain of the Clearing Member's assets, and the Clearing Funds.

A. *The Clearing Member's Net Capital.* Every U.S. Clearing Member must have an initial net capital (as defined in SEC rules) of \$1 million or more, depending on the nature and magnitude of its assets and obligations. A Clearing Member's net capital may fall to less than that amount as a result of transactions in the regular course of business, but a Clearing Member may not engage in or clear any opening transaction if its net capital falls below \$750,000 or a greater amount determined in accordance with the rules of OCC. Certain non-U.S. Clearing Members may elect to comply with alternative financial requirements. These alternative requirements may be more or less stringent than those applicable to U.S. Clearing Members. A Clearing Member's assets are, of course, subject to claims by creditors other than OCC.

OCC obtains certain financial reports from each Clearing Member on a monthly basis, and may require more frequent reports. In appropriate cases, OCC may impose restrictions on a Clearing Member's operations, such as a prohibition on opening transactions or a requirement that the Clearing Member reduce or eliminate certain writing positions.

When options issued by OCC are traded on non-U.S. exchanges, clearinghouses associated with those exchanges ("Associate Clearinghouses") may maintain Options accounts with OCC. The financial and reporting requirements applicable to Associate Clearinghouses, as well as OCC's ability to impose restrictions on positions carried by Associate Clearinghouses, would be subject to agreements between OCC and the Associate Clearinghouses.

B. *The Clearing Member's Margin Deposits.* Subject to certain exceptions described below, each

Clearing Member is required to deposit and maintain margin with OCC with respect to each Option for which it represents the writer. Several different forms of margin are permitted, including cash, marketable securities and bank letters of credit, and certain margin assets may be denominated in foreign currencies. OCC may in the future accept margin deposits in still other forms.

The amount of margin is specified by OCC in accordance with its rules, and may be reduced to the extent a Clearing Member is permitted or required to pledge to OCC certain Options positions carried in its accounts with OCC. OCC may require any Clearing Member to deposit higher margins at any time in the event it deems such action necessary and appropriate in the circumstances to protect the interests of other Clearing Members, OCC or the public. OCC may waive a margin deposit that would otherwise be required to be made if it determines that the waiver is advisable in the public interest and for the protection of investors and is consistent with maintaining OCC's financial integrity.

OCC has implemented "cross-margining" arrangements with various commodity clearing organizations. Under these arrangements, OCC Clearing Members that are also members of one or more of the participating commodity clearing organizations, or that have affiliates that are members of such clearing organizations, can pledge positions in certain Options to secure their obligations (or obligations of their designated affiliates) in respect of positions in related futures and futures options and vice versa. The obligations of one or more participating commodity clearing organizations are substituted in whole or in part for the Clearing Member's obligations to deposit margin in respect of cross-margined Option writing positions. Margin deposited in satisfaction of any remaining margin requirement in respect of cross-margined Options, futures and futures options positions is held jointly for the benefit of OCC and the participating commodity clearing organizations.

OCC also functions as an intermediary in stock lending and borrowing transactions among participating Clearing Members. Positions representing the rights and obligations of the borrowing or lending Clearing Member to OCC are carried in the Clearing Member's accounts at OCC. A Clearing Member's margin requirements reflect the increase or decrease in risk to OCC associated with the inclusion of those positions in the Clearing Member's accounts.

Margin deposited by a Clearing Member may be applied only to the obligations of that Clearing Member and its designated affiliates and may not be applied to the obligations of other Clearing Members or the obligations of OCC itself.

In lieu of depositing margin with respect to writing positions in certain call Options, a Clearing Member may deposit the underlying interest, or, in the case of index Options, a combination of cash and marketable securities with an aggregate initial value determined in accordance with the rules of OCC. In lieu of depositing margin with respect to writing positions in certain put Options, a Clearing Member may deposit cash and/or short-term government securities with an aggregate initial value not less than the aggregate exercise price. Cash and securities deposited in lieu of margin must be placed with a depository satisfactory to OCC under agreements requiring their delivery or liquidation and payment of the proceeds in the event that the writer is required to perform its exercise settlement obligations with respect to the position covered by the deposit.

OCC has no reason to believe that any depository holding margin deposits or deposits made in lieu of margin will not deliver them in accordance with the terms of its agreement with OCC, or that any bank will not honor letters of credit issued to OCC for margin purposes. However, there can be no assurance that a bank or other depository will not delay or default in performing these or other obligations to OCC, or be restrained by court order or regulatory action from performing these obligations, and such delays or defaults could adversely affect OCC's ability to perform its obligations as the issuer of Options.

C. OCC's Lien and Setoff Rights. OCC has a lien on, and setoff right against, certain securities, margin deposits, funds and other assets maintained in Clearing Members' accounts with OCC. If a Clearing Member does not perform its obligations to OCC, these assets may be sold or converted to cash and the proceeds applied to the performance of the Clearing Member's obligations to OCC (such application being limited, in certain cases, to obligations arising from the same account in which the assets were held).

D. The Clearing Funds. OCC's rules provide for Clearing Funds composed of mandatory deposits by Clearing Members. These Funds are for the protection of OCC and are not general indemnity funds available to other persons, such as customers of Clearing Members. The amounts of the Funds vary over time, based on formulas designed to reflect OCC's risk exposure. The proportionate contribution of each Clearing Member takes into account the size of the Clearing Member's positions relative to the positions of all Clearing Members. All Clearing Fund deposits must be made in cash or by the deposit of

government securities having a maturity of ten years or less, except that OCC may agree with an Associate Clearinghouse that its Clearing Fund deposit may be made in different or additional forms.

If a Clearing Member fails to discharge any obligation to OCC in connection with Options or stock loan/borrow transactions, its deposits to the Clearing Funds may be applied to the discharge of that obligation. If a Clearing Member's obligation to OCC exceeds its deposits to the Clearing Funds, the amount of the deficiency may be charged by OCC on a predetermined basis against all other Clearing Members' deposits to the Clearing Funds. OCC also may charge to the Clearing Funds, on the same basis, certain other losses resulting from its business as a clearing agency and issuer of securities. Whenever amounts are paid out of Clearing Funds as a result of such a charge, Clearing Members are required promptly to make good any deficiency in their deposits resulting from such payment, except that a Clearing Member is not required to pay more than an additional 100% of the amount of its prescribed deposits to a Clearing Fund if it ceases to clear transactions in Options of the types for which the applicable Clearing Fund was established and promptly closes out or transfers all of its positions in such Options.

Under certain limited circumstances, OCC may borrow against the Clearing Funds on a short term basis to meet obligations arising out of the suspension of a Clearing Member and related actions taken by OCC or to cover losses resulting from bank or clearing organization failures.

OCC will also have available its own assets in the event that the Clearing Funds are insufficient. However, these assets are small relative to the magnitude of OCC's potential obligations.

Certificateless Trading

No certificates are issued to evidence Options. Investors look to the confirmations and statements that they receive from their brokers to confirm their positions as holders or writers of Options.

ADDITIONAL INFORMATION

Certain additional information, which is neither part of this prospectus nor incorporated herein in any way, can be obtained as described below:

1. The document entitled *Characteristics and Risks of Standardized Options* referred to on the cover page of this prospectus may be obtained by U.S. customers from their brokers.
2. The by-laws and rules of OCC, as the same may be amended from time to time, are filed with the SEC under the Securities Exchange Act of 1934. These filings may be obtained from the SEC upon payment of the fees prescribed by the SEC.
3. The constitutional provisions, rules, regulations and other requirements of the U.S. exchanges that are authorized to provide markets in Options, and of the stock clearing corporations through which exercises of stock Options are settled, are required to be filed with the SEC. These filings may be obtained from the SEC upon payment of the fees prescribed by the SEC. Copies of corresponding documents relating to non-U.S. exchanges that provide markets in Options may be obtained in accordance with the rules applicable to those exchanges. OCC is not responsible for the content, interpretation, sufficiency or enforcement of such provisions, rules, regulations, other requirements or documents.
4. The financial statements of OCC and certain other information may be obtained as described on the cover page of this prospectus.

