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April 17, 2014

Via Electronic Mail (rule-comments@sec.gov)

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Options Clearing Corporation (“OCC”), Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Reflect the Elimination of a Discount to OCC’s Clearing Fee Schedule; SEC File No. SR-OCC-2014-05 (March 27, 2014)

Dear Ms. Murphy:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates the opportunity to comment on the above-referenced filing made by the Options Clearing Corporation (“OCC”) to amend its Schedule of Fees, effective April 1, 2014, to reflect the elimination of a discount to OCC’s clearing fee schedule. SIFMA appreciates that OCC, as a Systemically Important Financial Markets Utility (“SIFMU”), needs to raise additional capital to comply with new proposed Securities and Exchange Commission (“SEC”) requirements. However, SIFMA recommends that OCC provide additional clarity on the reasoning behind its plans to change its price schedule before the new schedule takes effect.

The OCC has indicated in its filing that “the purpose of this proposed rule change is to amend OCC’s Schedule of Fees to reinstate the permanent reduced fee scheduled adopted effective May 1, 2007... Effective January 1, 2008, OCC replaced the May 1, 2007, discounted schedule with the discount remaining in effect until further action of the Board. Implementation of this schedule was premised on the discounts not adversely affecting OCC’s ability to meet its expenses and maintain an acceptable

¹ SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association. For more information, visit www.sifma.org.

level of retained earnings.”²

On March 12, 2014, the SEC proposed new standards for the “operation and governance of certain types of registered clearing agencies that meet the definition of a covered clearing agency.”³ OCC states that, if the SEC adopts those new standards, OCC will be required “to be in a position to cover potential general business losses so that it can continue operations if those losses materialize. OCC’s current and anticipated operating expenses have also increased as a result of costs associated with the engagement of outside professionals to address various regulatory issues arising under the Dodd-Frank Act, notably additional expectations and requirements arising from OCC’s status as a SIFMU, and OCC’s assessment and compliance with international standards applicable to clearing agencies.”⁴

OCC’s response to the new standards resulted in its March 10, 2014 announcement entitled Schedule of Fee Changes, which discontinued the discounted fee schedule and replaced it with the revised fee schedule effective April 1, 2014. OCC states in the filing that it is necessary to reinstate its permanent reduced fee as “OCC’s revenues are principally derived from clearing fees charged to clearing members and OCC’s current and projected operating expenses have increased due to current and anticipated regulatory requirements.”⁵

SIFMA’s Listed Options Trading Committee has raised a number of concerns surrounding the fee increase, including, but not limited to, the timing and amount of the notice, and the use of a member clearing fee increase to raise the required capital as opposed to continued evaluation of alternative methods. While SIFMA has concerns, our primary focus is on the lack of a defined exit strategy from the fee schedule once OCC raises the required level of capital and surplus. In its filing, OCC discusses the reason for the fee increase and the impact on 2014 rebates, stating “refunds based on 2014 cleared volume are likely to be significantly lower in 2014 as a result of the new regulatory expectations and requirements, but that it was expected that such impacts should not extend beyond 2014 based on current projections.”⁶

SIFMA requests that OCC provide additional transparency in its rule filing, including projected capital targets that must be achieved by OCC. While the filing details that increased capital is required, it does not provide any transparency into what financial

² See Securities Exchange Act Release No. 34-71769 (March 21, 2014), 79 FR 17214 (March 27, 2014).

³ See Securities Exchange Act Release No. 34-71699 (March 12, 2014), 79 FR 16918 (March 26, 2014).

⁴ *Id.* at 17214.

⁵ *Id.*

⁶ *Id.* at 17215.

metrics must be reached by OCC in order for it to become and remain compliant with the new SEC requirements. Rather, the filing references the OCC's 2013 Statements of Income and Comprehensive Income in its Annual Report but does not provide any specific details about the amount of capital that needs to be raised. OCC should provide additional details that will allow the industry to better understand the extent of the fee change.

SIFMA greatly appreciates the Commission's consideration of our comments in connection with File No. SR OCC-2014-05. SIFMA would be pleased to discuss these comments in greater detail with the staff of the Commission. If you have any questions, please contact Ellen Greene [REDACTED] or [REDACTED] g.

Sincerely,



Ellen Greene
Vice President
Financial Services Operations

cc: Peter Curley, Associate Director for Clearance and Settlement, Division of Trading and Markets, SEC
Joseph Kamnik, Assistant Director for Clearance and Settlement, Division of Trading and Markets, SEC

Michael Cahill, President, Chief Executive Officer and Treasurer, OCC
Michael Walinkas, Executive Vice President and Chief Risk Officer, OCC