SIG
SUSQUEHANNA

March 4, 2015

By Electronic Mail (rule-comments @sec.gov)
Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: SR-OCC-2015-02 (The OCC Capital Plan)

Dear Sir:

Susquehanna International Group, LLP (collectively, with its affiliated and related entities, "SIG" or "we") continues to have serious concerns about the above-referenced rule filing ("the Proposal") submitted by the Options Clearing Corporation ("OCC") to the Securities and Exchange Commission (the "SEC"). Our concerns were voiced, along with those of other market maker ("MM") firms, in a comment letter of February 20, 2015, from Howard L. Kramer ("Comment Letter").[1] In the Comment Letter, we and the other MMs asserted that the Proposal is inconsistent with the Securities Exchange Act of 1934, as amended ("Exchange Act"), and, therefore, must be disapproved. On February 23, 2015, OCC submitted a letter purporting to respond to the Comment Letter ("Response"),[2] as well as to comment letters submitted by others who raised concerns about the Proposal. However, the Response and other OCC response letters failed to dispel the legitimate concerns raised in the Comment Letter. Accordingly, SIG submits this letter in reply to OCC's Response.

We want to convey three key points to the SEC. First, in the Response, OCC claims that the Proposal was "the best and most viable" of limited alternatives and lists multiple reasons why it maintains that the Proposal must be approved immediately without further review or debate – including that it would be imprudent to wait any longer given the impending adoption of the SEC's proposed rule on

[1] On February 27, 2015, SIG also submitted a letter to the SEC requesting the opportunity to address with the Commissioners our concerns about the Proposal.

[2] Letter dated February 23, 2015, from James E. Brown, Executive Vice President, General Counsel, and Secretary, OCC, to Brent J. Fields, Secretary, Securities and Exchange Commission, regarding SR-OCC-2015-02.

OCC's regulatory capital and that no better solution would result from further analysis. We doubt, however, that there was a full and fair vetting of alternative funding approaches in the OCC process of adopting the Proposal, and suspect that internal deliberations were limited by unwarranted predictions of dire SEC consequences if the Proposal were not approved immediately and the threat of a veto by one or more of the five shareholder owners (the "five owners") of any Plan that was less generous to them in the rate of return provided in their capacity as OCC shareholders. We encourage the SEC to explore whether the process to approve the Proposal was hampered by efforts to force its expedited acceptance and thereby recklessly cut-off discussion by stakeholders about other plans less favorable to the five owners.

Second, in a further response letter submitted to the SEC on March 3, 2015,[3] OCC implies that the inherent conflicts posed by the five owners voting to approve the proposal and having a significant hand in its development should be viewed as part of a "healthy tension" dynamic that assures that competing viewpoints are discussed and considered by the OCC Board. It is hard to believe that OCC does not consider it a conflict of interests for the five owners to be on the other side of a financing deal from which they stand to gain large returns, and vote on the approval of that same deal. If that is not a conflict, then one wonders what OCC would consider to be one. This blatant conflict of interests invalidates the Proposal -- it is inconsistent with the Exchange Act for OCC to submit proposed rule changes tainted by such a flawed internal approval process. A self-regulatory organization must adhere to its own rules, including its by-laws, in generating a rule change to submit to the SEC. The OCC failed to adhere to this fundamental requirement with respect to the Proposal.

Third, the Proposal's brazen attempt to create a windfall for the five owners will harm significantly the options markets for years to come and perhaps indefinitely. The Comment Letter described the widening of options quoted spreads caused by the 2014 abrupt rise in OCC fees. The Proposal would perpetuate this impact indefinitely in order to make OCC a profit center for the five owners. Make no mistake, the negative comment letters on the Proposal (and all the comment letters have been negative) should not be viewed as just bickering among options market participants about the size of OCC fees, but rather reflect a deep-seated fear that OCC, the crown jewel of the U.S. options markets, will be used to siphon money from the investing public and degrade the high liquidity that is the hallmark of our options markets, all simply to enrich the five owners. This result is clearly a violation of the Exchange Act and the SEC must not permit this situation to occur.

[3] OCC letter from James E. Brown, dated March 3, 2015, regarding SR-OCC-2015-02.

For the reasons above, as well as the reasons in the Comment Letter, we believe that approval of the Proposal should be denied. This may be the last opportunity for the SEC to prevent a mutation of OCC that the SEC and options community will regret. Thank you again for this opportunity to respond.

Susquehanna International Group, LLP

By: 
Brian Sopinsky
General Counsel