

July 17, 2018

**Via E-Mail** ([rule-comments@sec.gov](mailto:rule-comments@sec.gov))

Brent J. Fields, Esq.  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 25049

**Re: Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1, Related to The Options Clearing Corporation's Stress Testing and Clearing Fund Methodology; SEC File NO. SR-OCC-2018-008 (June 11, 2018)**

Dear Mr. Fields:

Goldman Sachs & Co. LLC (“Goldman”) appreciates the opportunity to comment on The Options Clearing Corporation’s (“OCC’s”) proposal to update its stress testing and Clearing Fund methodology, and we believe the comprehensive nature of the proposed changes would improve OCC’s risk management and benefit the listed options industry as a whole. In particular, we wish to highlight the following features of OCC’s proposal that we believe will provide the most benefit.

We agree with OCC’s proposed changes to the weighting methodology for contributions to the Clearing Fund because those changes will align clearing members’ contributions with the level of risk they bring to OCC. OCC allocates Clearing Fund contributions among clearing firms based on a weighted average of each clearing member’s proportionate share of total risk, open interest, and volume in all accounts. Goldman believes that the proposal’s revisions to the methodology that place greater emphasis on a clearing firm’s total risk (70% of the weighting in the OCC proposal, up from 35% currently) will result in a significantly better measure of a clearing firm’s risk of default and/or liquidation. Furthermore, OCC’s proposal creates a fairer allocation of a clearing firms’ responsibility, and will provide clearing firms with more certainty as to their required contribution levels based on the risk they present to OCC.

Goldman also agrees with OCC's proposal to adopt a "Cover 2 Standard" under which the OCC will determine the size of its Clearing Fund such that it is sufficiently robust to cover the default risk of the two clearing members with the largest aggregate credit exposure. In contrast to the current "Cover 1 Standard" -- which relies on a random, default scenario of a single clearing member -- the Cover 2 Standard would assess the *actual* credit exposure of the two clearing firms representing the largest exposure to OCC with stress test scenarios that present extreme but plausible market conditions. This approach would help verify OCC's ability to withstand the risk of multiple clearing firms defaulting.

Finally, we support OCC's plan to redesign aspects of its stress testing methodology. The changes proposed by OCC would improve upon the current testing approach. By way of example, OCC uses different scenario shocks for individual stocks and indexes in its stress tests today. If shock alignment in a stress test is not consistent, it can result in an implausible market condition. In OCC's proposed approach, the stress testing methodology would apply the same scenario shocks to an index as well as to a single stock, on the principal that an index is essentially the weighted sum of individual stocks. If adopted, this practice would greatly improve OCC's measurement of portfolio risk. We also support OCC's proposal to include more comprehensive testing scenarios by including observed extreme market events over a longer historical period. OCC proposes to move to a 1 in 80 year period from a 1 in 50 year model which will build more stability in the event of unusually volatile markets. These fixes, along with the others detailed in OCC's proposal, would improve the overall quality of OCC's stress testing and strengthen OCC's ability to model risk scenarios.

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Goldman believes the changes that OCC proposes to the methodology for its Clearing Fund and the design of its stress testing will greatly enhance OCC's resiliency and risk management. We urge the Securities and Exchange Commission to approve OCC's proposals.

Please feel free to contact me if you have any questions in connection with our comments.

Sincerely,



Mark Dehnert  
Managing Director  
Goldman Sachs & Co. LLC

cc: Jay Clayton, Chairman, U.S. Securities and Exchange Commission  
Kara M. Stein, Commissioner, U.S. Securities and Exchange Commission  
Robert J. Jackson, Commissioner, U.S. Securities and Exchange Commission  
Hester M. Peirce, Commissioner, U.S. Securities and Exchange Commission