



Block Transfer

In re File No. SR-OCC-2024-001

May 18, 2024

Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

via email

Dear Secretary,

Investors have only one option to trade options: The Options Clearing Corporation, a Delaware company (the “OCC”). In OCC’s own words: “we’re the only central counterparty clearing and settling every listed options trade in the U.S.” The OCC unquestionably governs options trading with 19 member stock exchanges, offices across America, and Federal stability protections as one of only eight systemically important financial market utilities (a “SIFMU”).¹

However, the Commission fined the OCC \$17,000,000 just last year for poor security and transparency when it faced hundreds of millions in capital misallocation because of faulty code.² Moreover, in a similar case, the Commission fined the OCC \$15,000,000 for failings, writing:³

[SIFMU] designation makes OCC subject to enhanced regulation and transparency regarding its risk management systems because disruption to OCC’s operations might be costly not only for itself and its members, but other market participants or the broader financial system.

Investors themselves will ultimately bear the cost of any material difficulties in the broader financial system, either through direct capital losses or indirect government bailouts. Why then can the OCC hide its margin algorithms with obscure rules responding to a law that fosters transparency, a foundational pillar of our democracy held dear by President John Adams?

¹ As the Commission knows, increased regulatory scrutiny has continually forced the OCC into increased transparency regimes over the past two decades, based on international best practices adapted in the most advanced, developed, and liquid capital market housed in our great Nation.

² See Release No. 96945 at www.sec.gov/news/press-release/2023-31.

³ See Release No. 86871 at www.sec.gov/news/press-release/2019-171.

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I. Significant Impact on Americans

Despite its predominant position in our great capital market worth over \$84,100,000,000,000, few Americans realize that Wall Street grants the OCC margin funds of only \$16,900,000,000.⁴

We respectfully submit to the Commission that transparent margin policy decisions are paramount for safeguarding the interests of Main Street investors and ensuring the stability and integrity of the financial markets.⁵ The opacity surrounding the OCC's margin policies is particularly alarming, especially when we consider recent financial disasters like the collapse of FTX.⁶ The downfall of FTX, characterized by its corporate opaqueness, allowed it to engage in reckless and unethical practices that ultimately harmed countless investors. Similarly, the money laundering charges against Binance underscore the risks associated with dominant market players operating without sufficient oversight and transparency.⁷

First and foremost, protecting investor interests is critical. Main Street depends on the integrity of financial institutions to secure their hard-earned money. Transparent margin policies provide investors with a clear understanding of the risks and safeguards associated with their investments, fostering trust and confidence in the financial system. We respectfully submit to the Commission that this transparency is crucial for encouraging broader participation and investment, empowering everyday individuals to build their financial futures.

⁴ "Wall Street" defined *infra* Section II. Total market value is the floored sum of all optionable U.S. listed companies, fixed-income securities, and Federal debentures. Clearing fund deposits from OCC's 2023 Financials at annualreport.theocc.com/getmedia/5fa96c20-2ef0-4665-9264-586bd18387d7/occ2023-financials2-23-24-final.pdf. Relevantly, OCC reveals publicly neither the aggregate U.S. dollar volume of all options traded nor average contract values. Plus, the average OCC-cleared stock loan hedge balance in 2023 was over \$133,300,000,000 as per www.theocc.com/Market-Data/Market-Data-Reports/Volume-and-Open-Interest/Stock-Loan-Volume, nearly eight times the OCC's clearing margin or 169,000 times its shareholders' equity.

⁵ *Id.*

⁶ See Section II.B.1 in PREV, talk at democrats-financialservices.house.gov/uploadedfiles/hhrg-117-ba00-wstate-dixond-20211208.pdf, and *infra* note 49 in line with OCC comment on FTX at www.theocc.com/getmedia/a0351796-a04a-431f-bbd3-68f25cd9c1e0/69436JohnDavidson.pdf.

⁷ Changpeng Zhao, co-founder of Binance, was sentenced to four months in Federal prison on 30 April 2023 after pleading guilty to charges of enabling money laundering at the crypto exchange.

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Moreover, transparency helps prevent fraud and misconduct. We respectfully submit to the Commission that the lack of transparency at FTX enabled unethical behaviors to thrive, leading to its catastrophic collapse. Allegations of money laundering at Binance further highlight the dangers of opaque operations. Transparent margin policies facilitate regulatory oversight and public scrutiny, significantly reducing the likelihood of fraudulent activities. This protective layer is vital for maintaining a fair and honest market, shielding it from systemic risks that can devastate both individual investors and the broader economy.

In addition, it is our view that clear and transparent margin policies enhance market stability. By ensuring that both Wall Street and Main Street operate under the same set of rules and standards, transparency reduces uncertainty and promotes fair competition. We respectfully submit to the Commission that this stability is essential for a resilient financial system, as it helps prevent the kind of market disruptions that can arise from hidden risks and unequal information distribution. Transparent policies enable regulators to identify and address potential threats before they escalate into crises, maintaining a healthy and stable financial environment.⁸

As the Commission knows, the bulk of over 5000 comments related to this proposed rule change came from Main Street. Our markets should be principally designed for the benefit of investors, not Wall Street. These investors are part of a growing segment of our Nation waking up to the fraud 17 C.F.R. § 242.200–204 failed to fully rectify, oftentimes due to legal proceedings by Wall Street, who also materially own, govern, and control the OCC.

In large part, OCC’s self-regulatory power delegation regime (“SRO”) oversight furthers the public policy goal of greater transparency, aligning with the SEC’s three goals: protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation.

The SRO structure has significant benefits, as it allows for specialized oversight by entities that understand the intricacies of the markets and technology they regulate. However, without proper transparency and accountability, this structure can lead to conflicts of interest and insufficient protection for investors. Ensuring that all SROs operate under stringent transparency requirements is essential for maintaining their effectiveness and the trust of the investing public.

We respectfully submit to the Commission that recent investigative and public actions have highlighted the OCC as a significant systematic risk to our great U.S. financial system. The centralization of clearing and settlement functions at the OCC not only creates a single point of failure but also magnifies the future impact of any operational issues or market disruptions. We

⁸ See, e.g., collaborative policy from page 10 at www.bis.org/bcbs/publ/d374.pdf, page 387 at www.independent.org/pdf/tir/tir073_scott.pdf, and page 6 at www.bis.org/review/r171013f.pdf.

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respectfully submit to the Commission that the opacity of the OCC's risk modeling and margin setting processes further exacerbates these risks, preventing effective oversight and potentially undermining market stability.

Given this unique position, we question whether the lack of competition in this space effectively reduces the incentive for transparency in the OCC's risk modeling and margin setting processes. The substantial redactions in Exhibit 3 of the proposed rule changes, for example, prevent effective oversight and accountability. We respectfully submit to the Commission that such significant redactions hinder the ability of regulators and the public to understand fully and evaluate the implications of these changes, which is particularly concerning given the OCC's pivotal role in the financial system.

Might the Commission consider that the monopolistic nature of the OCC's operations, coupled with the potential systemic risks during periods of high market volatility, necessitates greater transparency? By increasing transparency, we can ensure that the OCC's practices are subject to rigorous scrutiny, safeguarding the interests of all market participants and enhancing the resilience of the financial system. Enhanced transparency would not only allow for better regulatory oversight but also foster greater confidence among market participants, ultimately contributing to the stability and integrity of the financial markets.

Failing to establish and implement adequate policies and procedures to manage risks related to its automated systems has already resulted in significant regulatory actions against the OCC.⁹ We respectfully submit to the Commission that this regulatory pressure underscores the necessity for the OCC to improve its transparency and compliance efforts. Greater transparency in the OCC's operations, especially concerning its automated systems and risk management practices, is crucial for ensuring that the OCC meets its regulatory obligations and protects the financial system from systemic risks.

Finally, we respectfully submit to the Commission that promoting fairness and equity is a core benefit of transparency. Transparent margin policies ensure that all investors, regardless of their size or influence, have equal access to critical information.¹⁰ This equitable access prevents dominant players from exploiting information asymmetries, fostering a more inclusive financial environment where all everyone get a fair chance to succeed. By leveling our Nation's playing

⁹ *Supra* notes 2–3.

¹⁰ As the Commission enables through its diverse, reliable, and permissionless comment system.

field, transparency promotes justice and inclusivity across the market, benefiting all of society.¹¹

A. Relative Backstop of Asset Reserves

As the Commission knows, last year the Commodity Futures Trading Commission (“CFTC”) fined the OCC \$5,000,000 for failing to follow CFTC risk management regulations, writing:¹²

As a result of deficiencies in certain internal controls, human errors, and oversight failures, OCC’s Clearing Fund was underfunded by between \$200 million to \$588 million at various times during October 2019 through May 17, 2021.

For a sum clearing fund measured in the low billions, this is not a small deficiency range. We respectfully submit to the Commission that the underfunding of the Clearing Fund by such substantial amounts poses a considerable risk to the stability of the financial markets. The Clearing Fund is designed to provide a financial backstop in the event of Wall Street default, ensuring that obligations are met and market disruptions are minimized. However, the reported deficiencies suggest that the OCC was operating without a sufficient safety net for extended periods, potentially endangering the entire financial ecosystem.

The underfunding was attributed to a combination of internal control deficiencies, human errors, and oversight failures.¹³ This multifaceted failure highlights systemic issues within the OCC’s risk management framework.¹⁴ As the Commission knows, without robust internal controls and effective oversight, the OCC was unable to accurately assess and maintain the required Clearing Fund levels, leading to significant shortfalls. The absence of stringent checks and balances not only compromised the fund's adequacy but also undermined confidence in the OCC's ability to manage systemic risk.

¹¹ See Section I of PREV.

¹² See CFTC Docket No. 23-06 at www.cftc.gov/PressRoom/PressReleases/8661-23.

¹³ Interestingly, this happened despite substantive prevention planning in Section VI in the PFMI disclosure framework response in toto at www.theocc.com/Risk-Management/PFMI-Disclosures alongside over 1,100 pages of public documents, touted as proprietary open transparency reports.

¹⁴ See, e.g., *infra* Section I.C.2, II, and III.A.

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Moreover, the the substantial cross-agency punitive fines reflects the vast gravity of the OCC's mammoth failings and serves as a stark reminder of the consequences of inadequate risk management. We respectfully submit to the Commission that to prevent such deficiencies in the future, it is imperative that the OCC adopt more transparent, universal, and rigorous practices. We respectfully submit to the Commission that consideration of this public policy question matter more than ever before in today's fast-paced world of grand quantitative easing as:

Any future government bailout of... [SIMFUs] would be costly for two principal reasons. First, it would reinforce the expectation that the government would not let other systemically important firms fail—thus driving these firms to take socially excessive risks. Second, and more broadly, taking these firms into public ownership would be politically fraught and potentially deter private industry from entering the markets for clearing and settlement services. By pricing regional clearinghouses and depositories out of business, interoperability and open access requirements have made it more difficult and costly for the government to resolve these essential financial market infrastructures. In this way, SEC-mandated coordination requirements may have inadvertently exacerbated the too-big-to-fail problem.¹⁵

— Dr. Dan Awrey, Esq. and Joshua Macey, Esq.

B. Competitive National Transparency

We respectfully submit to the Commission that promoting competitive national transparency is crucial for enhancing the integrity and efficiency of our financial markets. This principle is deeply rooted in American values, as reflected in U.S. Const. Art. I, § 5, cl. 3; 17 C.F.R. 78(s); and 5 U.S.C. § 552 (collectively “American Transparency”).¹⁶ These statutes ensure governance practices are open and accessible to the public, thereby fostering trust and accountability.

In accordance with 17 C.F.R. § 240.17Ad-22(e)(2)(i), clear and transparent governance arrangements are mandated to enhance the robustness and credibility of market operations. This

¹⁵ Despite Congress' best efforts for a free market, in our view, per 15 U.S.C. § 78q-1(b)(3)(I).

¹⁶ We respectfully request staff consider the benefits of appending transfer agents to the list of entities in 15 U.S.C. § 78c(a)(26) and the first sentence of 17 C.F.R. 78(s)(a)(1), per note 4 in PREV, *infra* § III.C, and [youtube.com/clip/UgkxBNsiQyxZ536H0cEGzrOxOwd5D0Oax5Ff](https://www.youtube.com/clip/UgkxBNsiQyxZ536H0cEGzrOxOwd5D0Oax5Ff).

regulatory requirement underscores the importance of transparency in maintaining the integrity of financial market infrastructure. Historical precedents in securities regulation, such as those established by 15 U.S.C. Ch. 2C, have consistently highlighted the necessity of transparency in preventing fraud and protecting investors.

The SEC's commitment to setting transparency standards is evident in its regulations and ongoing efforts to enhance disclosure practices. As per Section V.D of PREV, these standards not only promote domestic market integrity but also position our great Nation as a global pinnacle of capital market regulation. By setting high transparency standards, we can influence international regulatory practices, fostering a global financial system that is more open and trustworthy.¹⁷

1. Need Responsive Framework Innovation

The European Union has been proactive in adopting comprehensive CSD standards that promote transparency, efficiency, and risk management in financial markets. Relevantly, the Board of the International Organization of Securities Commission ("IOSCO") organized the Committee on Payment and Settlement Systems ("CPSS") in 1990 to enhance financial stability by promoting transparency and the sharing of global standards and best practices for payment, clearing, and

¹⁷ It is precisely this reason that we are significantly concerned over the lack of public substantiation for confidentiality claims within SRO regulatory filings. Transparency in governance practices ensures that regulatory decisions are subject to public scrutiny, which in turn leads to better regulatory outcomes. *See, e.g.*, many viewpoints crafting informed regulation in S7-27-15, showcasing the incredible impact of diverse, thoughtful, and informed public inputs on the policymaking process, facilitating our most effective, accepted, and responsive regulation.

settlement systems.¹⁸ The CPSS wrote in its foundational set of risk principles, stated:¹⁹

Greater market transparency supports the main public policy objectives of the CPSS and IOSCO to enhance the safety and efficiency in payment, clearing, settlement and recording arrangements, and, more broadly, to foster financial stability.

We respectfully submit to the Commission that aligning the challenged²⁰ SRO standards with a global framework could be a strategic move to enhance our leading market's transparency, efficiency, and stability. Moreover, by adopting best practices and robust governance protocols, the Commission may reinforce its position as an international leader in skillful regulation and safety.

2. Systemic Firm Public Oversight

Poor public access to information feeds corruption. Secrecy allows back-room deals to determine public spending in the interests of the few rather than the many... In several jurisdictions, proposals have been made for inclusion of privately-owned utilities under access laws. These proposals rest on the argument that access rights can provide a useful check against the tendency of monopolies to abuse their power.

— Dr. Alasdair Roberts

¹⁸ The central banks of the Group of Ten countries established the group after a quorum of the Bank for International Settlements. *See also generally* note 41 in innovative File No. S7-13-04.

¹⁹ We respectfully incorporate by reference to the Commission Section 23 of CPSS-IOSCO's *Principles for financial market infrastructures* at www.bis.org/cpmi/publ/d101a.pdf. These standards set a high bar for market infrastructure providers by mandating robust governance practices, enhanced transparency, and stringent risk management protocols. By aligning with these standards, America can benefit from a harmonized regulatory environment that facilitates cross-border trading, growth, and investment while ensuring the highest levels of market policy integrity and stability, which would position the U.S. as a leader in global financial regulation.

²⁰ *See* Release No. 92775 at www.sec.gov/files/litigation/admin/2021/34-92775.pdf in D.C. Cir.

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We respectfully submit to the Commission that extending public oversight to SIMFUs like the OCC is crucial for promoting transparency and accountability. Without adequate transparency, these institutions can operate without sufficient scrutiny, leading to potential abuses of power and decisions that favor a select few over the broader public interest.

Public access to information about the operations and risk management practices of SIMFUs ensures that they are held accountable for their actions. It also empowers investors and regulators to make informed decisions, thereby enhancing the stability and integrity of the financial system. We respectfully submit to the Commission that this increased oversight can help prevent the kind of systemic failures and market abuses that have historically led to significant financial crises.

The need for transparency in financial and utility markets has been evident historically. For instance, the Public Utility Holding Company Act of 1935 was enacted to address the abusive practices of large utility holding companies, which leveraged their market power and lack of transparency to engage in risky financial activities that contributed to the 1929 stock market crash.²¹ This act effectively required extensive disclosure and regulation of utility companies, ensuring that their operations were transparent and subject to public oversight.

3. Besting America's Regulatory Critics

President Theodore Roosevelt acted swiftly, persuasively, and respectably when information regarding the meat-packing industry came to light, thanks to innovators like Upton Sinclair, Ralph Nader, and Ida Tarbell. Their groundbreaking work underscored the critical role of

²¹ See Jeremiah Lambert, Esq. work in material public documentation at lanns.co/rswev9D3A1n. This Act was part of President Franklin Roosevelt's New Deal, which aimed to regulate and dismantle the complex structures of utility holding companies that contributed to the malicious sale of securities by bankers, staff, and brokers which enabled financial instability leading up to the Great Depression. It gave the Commission authority to oversee and break up large utility holding companies, ensuring transparency and preventing the systemic monopolistic practices that previously went unchecked. FDR extolled his corporate governance principles in his 1906 speech "The Man With the Muck Rake." We respectfully submit to the Commission that modern innovators revealing Wall Street's dirty work warrant similar Congressional attention. See also Dr. Sussanne Trimboth at ko-fi.com/post/proxy-plumbing-part-one-corporate-voting-charade-s6s1s0q84, Mark Faulk in *The Naked Truth*, and Stefanie Kammerman in *Dark Pool Secrets*.

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transparency in protecting public interests and ensuring ethical practices across industries.

In the context of the financial markets, transparency is equally vital. Without it, the investing public is left in the dark about the operations and potential overreach of powerful entities like the OCC. We respectfully ask the Commission: without transparency, how can the investing public ensure the OCC is not overextending its margin under 15 U.S.C. § 78s(d)? This statute grants the OCC significant authority, and without clear, public insight into its actions and decisions, there is a risk of unchecked power that could undermine market fairness and stability.

Furthermore, how can the investing public know their brokers are getting a fair deal in the clearing process? The clearing process is complex and involves numerous steps where transparency is crucial to prevent conflicts of interest and ensure that brokers and their clients are treated equitably. Transparency in the OCC's operations would allow investors to verify that their brokers are not disadvantaged in any part of the clearing and settlement process, thereby safeguarding their investments and promoting trust in the financial system.

Lastly, how can the investing public voice their considerate, nuanced, and relevant thoughts without adequate transparency? Public participation in the regulatory process is fundamental to effective governance. When regulatory bodies like the OCC operate transparently, it empowers the public to engage in meaningful dialogue, offer informed feedback, and hold these institutions accountable. This participatory approach is essential for creating regulations that are fair, effective, and reflective of the public's interests.²²

We respectfully submit to the Commission that it seems the OCC is currently in damage control mode, striving to manage and mitigate issues internally without adequate transparency. This approach leaves the public and market participants in the dark, unable to scrutinize or analyze the OCC's material operations and risk management practices. The lack of transparency prevents investors, regulators, and other stakeholders from fully understanding the OCC's methodologies, decision-making processes, and potential vulnerabilities. We respectfully submit to the Commission that, without access to critical information, the public cannot hold the OCC

²² See, e.g., Ray Dunn in www.sec.gov/comments/sr-dtc-2006-16/dtc200616-34.htm, page 3 from Steven Nelson in www.sec.gov/comments/sr-dtc-2006-16/dtc200616-42.pdf, and active commentor Dalton Zerlan in www.sec.gov/comments/s7-15-23/s71523-764582.htm. All these commenters bring diverse perspectives that enhance the regulatory process, providing invaluable insights from various stakeholders. This diversity not only aids regulators in crafting well-rounded policies but also benefits the investing public by ensuring that market rules reflect the collective wisdom and experiences of a broader community.

accountable or assess the true stability and integrity of the financial markets. This secrecy undermines trust and confidence in the OCC's ability to manage systemic risks effectively and fairly. To restore faith and ensure robust oversight, it is imperative that the OCC adopts a more transparent and open approach, allowing for comprehensive public analysis and scrutiny of its operations.

Democracy cannot succeed unless those who express their choice are prepared to choose wisely. The real safeguard of democracy, therefore, is education. It has been well said that no system of government gives so much to the individual or exacts so much as a democracy.

Therefore, the only sure bulwark of continuing liberty is a government strong enough to protect the interests of the people, and a people strong enough and well enough informed to maintain its sovereign control over its government.

— President Franklin D. Roosevelt

While FDR was speaking of education in a broader sense, we respectfully submit to the Commission that widespread public understanding of the OCC's systems, which are today required for transacting NMS options contracts, aligns with his sentiments. This quote underscores the importance of an informed citizenry in maintaining democratic control and liberty. For democracy to thrive, We respectfully submit to the Commission that Main Street must be well-informed about the institutions that affect their lives, including the financial systems and regulatory bodies that oversee them.

This lack of transparency in the proposed rule change hinders our ability to make informed decisions and hold SIMFUs accountable. In contrast, other governments have embraced transparency through innovative programs. Consider Taiwan's e-government initiative, El Salvador's pioneering monetary policy,²³ and Estonia's e-Estonia platform. We respectfully submit to the Commission that exemplary models showcase how transparency can enhance public trust, confidence, and participation in governance.²⁴ These programs provide citizens with easy access to information, enabling them to stay informed and engaged with governmental processes.

²³ See, e.g., bitcoin.gob.sv. Might realtime U.S. transparency foster faith in our Federal Reserve?

²⁴ See President Jimmy Carter's remarks at www.cartercenter.org/documents/1272.pdf.

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Consider again the example of the Spartan scytale.²⁵ We respectfully submit to the Commission that it might be worth considering the benefits of publicly documenting a data security model based around secure authentication, cryptography, and oversight, so as to prevent the next financial Enigma code. Modern transparency practices are essential for ensuring that critical information is accessible and understandable to the public. By enhancing transparency in the OCC's operations, we can empower investors and the public to better understand and participate in our fruitful financial markets. We respectfully submit to the Commission that we can surpass the transparency standards set by other nations and demonstrate our commitment to an open and accountable financial system. By doing so, staff can uphold the democratic principles that our nation's bold leaders champion and ensure that our financial markets remain fair, resilient, and trustworthy.

Without the transparency promised in 15 U.S.C. § 78s(b)(2)(E), the OCC attempts²⁶ to undermine this principle through many malicious nondisclosures under 17 C.F.R. § 240.24b-2. We respectfully submit to the Commission that this regulation, intended to protect innovative issuers raising capital in this great Nation, is being misused to withhold critical information that should be publicly available. We respectfully submit to the Commission that such unAmerican nondisclosure practices are contrary to the spirit of transparency and accountability that underpins our democratic and financial systems.

The Federal Reserve's Payment System Risk policy states:²⁷

²⁵ See Section II.B.1.c of PREV.

²⁶ See *infra* note 31.

²⁷ In addition to the above quote, we respectfully incorporate by reference to the Commission Section I.B.2 of the policy at www.federalreserve.gov/paymentsystems/files/psr_policy.pdf. Transparency is essential for ensuring that relevant information is provided to an FMI's participants, authorities, and the public, thereby informing sound decision-making, improving risk management, enabling market discipline, and fostering broader market confidence. Public disclosures are particularly critical, as they allow current and prospective participants, as well as other stakeholders, to understand an FMI's operations and the risks associated with using its services. We respectfully submit to the Commission that this understanding enables stakeholders to manage their risks more effectively with respect to the FMI. Moreover, might Commission consider that the OCC is well-positioned to provide the information necessary to support greater market transparency and maintain financial stability?

The Board believes these FMIs should have comprehensive risk management as well as a high degree of transparency.

While there is a time and place for confidential information in court cases, enforcement actions, or matters of national security, we respectfully submit to the Commission that such protections are against the best interest of the investing public in regards to SRO rulemaking activities, particularly when such disclosures relate to monopolistic SIFMUs.²⁸ The need for transparency in these contexts is paramount to ensure that the rulemaking process remains open and accountable, allowing for effective public oversight and participation. When information is withheld under the guise of confidentiality, it prevents us all from making informed decisions, undermining the integrity of the regulatory framework designed by citizens to protect America.²⁹

We respectfully submit to the Commission that transparency is not just a regulatory requirement; it is a foundational principle that ensures all market participants operate on a level playing field. It provides the public with the information needed to hold institutions accountable and make informed decisions. By adhering to transparent practices, the OCC and other financial institutions can help maintain market integrity, protect investor interests, and foster a more resilient and trustworthy financial system.

C. Growing Investor Contract Volume

We respectfully submit to the Commission that the increasing volume of investor contracts underscores the critical need for transparency and robust regulatory oversight in our financial markets. The availability of free, high-quality financial education has empowered a new

²⁸ See, e.g., 17 C.F.R. § 201.322(c) which presumes that documents introduced are public, Pub. L. 104–191, and Release No. 85245 at www.sec.gov/files/litigation/opinions/2019/34-85245.pdf.

²⁹ As the Commission knows, the public transparency promoted in ongoing rulemaking, such as 88 FR 78100 earlier this year, allows Americans to voice their insightful comments on upcoming legislation. This process also showcases the arguments and methodologies that entrenched participants rely on to protect their business profits. A meaningful understanding of the operational, risk management, and objective approaches generally taken in the public rulemaking process effectuates the principles of a democracy faithfully operating for the benefit of its people en masse, not just a select few.

concerned generation of investors.³⁰ Platforms like YouTube, Investopedia, and numerous fintech apps offer comprehensive courses on investing, personal finance, and market analysis. This education has demystified the financial markets, making them more accessible to individuals who previously may have felt excluded or intimidated by the complexity of options trading.

Overall financial literacy has also improved due to targeted efforts by educational institutions, government agencies, and private organizations to enhance the public's overall understanding of both financial principles and products. This growing literacy empowers Main Street to make informed decisions, fostering a more dynamic and participatory market structure.

As a result of these trends, the volume of investor contracts has increased substantially. This growth highlights the importance of ensuring that market participants have access to transparent, reliable information about the institutions and core systems that underpin their investments. Transparent governance and risk management practices are essential to maintain investor confidence and support the continued growth and stability of the financial markets.

1. Anecdotal Systemic Growth Evidence

We respectfully submit to the Commission that the surge of new investors entering the market has introduced both opportunities and challenges that necessitate greater transparency and regulatory vigilance. Online social platforms have galvanized a new wave of Main Street who are increasingly engaged in sophisticated financial strategies such as leaps and short squeezes. This democratization of market participation underscores the importance of ensuring our markets are truly inclusive and transparent to reach their full potential as developed, and liquid capital system—as stewarded by steadfast Wall Street oversight by the Commission for all Americans.

The GameStop phenomenon this week serves as a prime example of how coordinated efforts by Main Street can drive significant market movements. I personally participated in the

³⁰ See, e.g., investing methodologies at ninetoonsecrets.com/free-book, comprehensive advocacy efforts at www.whydrs.org, and accessible training at www.wootenwealth.com.

GameStop rally, albeit serendipitously.³¹ One of my contracts increased by a factor of 20 in a matter of two days, with a gain to the order of 10 times my investment in intrinsic value alone.³² We respectfully submit to the Commission that present modification of these key OCC policies without further transparency may cause investors like myself to question the solvency of Wall Street should Main Street, e.g., execute such options contracts early, representing material losses to the writers thereof if uncovered, as can be common in some securities at far out-of-the-money strikes.³³ Such a hypothetical scenario materially concerns us, especially given Section II.B.³⁴

2. Systemic Industry Transition Risk

As the Commission knows, OCC is presently transitioning away from Encore, which has been in

³¹ In a similar instance, I acquired far out-of-the-money (by expected beta, theta, and volatility measures) naked puts on KEMET Corporation at \$0.10 per contract on February 3, 2020. Later, on March 17, 2020, I sold these assets at \$6.60, representing a significant loss for whoever wrote those contracts. This growth occurred precisely at contemporary moments of amplified volatility, which the proposed rule attempts to address through amendments to the OCC's mature policies. The profitability of this trade, juxtaposed with the material losses experienced by those who wrote the contracts, underscores the impact of market volatility on Wall Street firms.

³² *Id.* As a member of Main Street who has received the material bulk of my income for the past seven years from proprietary securities trading, I am extensively concerned about whether these new policies might introduce systemic risk against Wall Street should a similar crisis unfold. The ability to capitalize on market movements during volatile periods is essential for individual investors like myself, but it also highlights the vulnerabilities within the market infrastructure that could be exacerbated by insufficiently transparent policies.

³³ *Id.* During periods of market volatility, the ability to make informed trading decisions and manage risk is crucial. The proposed rule changes to the OCC's policies are intended to address these very scenarios, ensuring that the clearing and settlement processes remain robust and resilient. However, the lack of transparency in the OCC's risk modeling and margin setting processes raises significant concerns about the potential impacts of these changes on Main Street.

³⁴ Is such a scenario in the OCC's risk modeling systems today? We are happy to contribute new modeling blueprints covering the detailed forecast, alongside backtesting, without consideration.

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place for over 23 years.³⁵ This move to the new system, Ovation, set to be implemented by 2025, introduces several significant risks. The new system involves the integration of new APIs, data structures, and a complex modular architecture, inter alia. According to former COO Scot Warren, these new standards will decouple clearing, risk, and data management from a central oversight point.³⁶ We respectfully submit to the Commission that these impending risks should be taken seriously, given that the OCC employs in its systematically-important centralized servers coding technology that has passed its end-of-life date by more than 13 years.³⁷

The transition to Ovation brings areas of concern, particularly in volatile events such as those that led to the mass restriction of individual investor rights in January 2021.³⁸ As the only registered clearing agency in the U.S. options market, the OCC's transition to an untested system is inherently risky. No matter how investors access the market, they rely on the OCC to ensure the stability and integrity of their transactions. This dependency underscores the importance of thoroughly assessing and mitigating the risks associated with the transition to Ovation.

Our understanding is that the OCC has provided no material public information about these critical clearing engine updates. As we understand it, there has been no basic overview of what will change, how it will benefit Main Street, or guidelines for Wall Street to upgrade. This lack of public transparency and accountability is concerning, especially given the significant impact that these changes will have on market participants.³⁹ Does the Commission share the

³⁵ See Ovation “transformation” at www.theocc.com/company-information/occ-transformation.

³⁶ Mr. Warren further discusses ongoing risks related to a comprehensive overhaul of ENCORE through a migration to cloud technologies, delegation of backup responsibilities to a centralized service provider, and the newfound use of untested and undocumented security infrastructure in www.theocc.com/newsroom/views/2022/05-11-comprehensive-technology-overhaul-for-the-worlds-largest-equity-derivatives-clearing-house. This new system has been put in place without precedent or public feedback, as is necessary in OCC’s three lines defense and safety review model filed with the Commission in Section IV of www.sec.gov/files/rules/sro/occ/2022/34-95842-ex5a.pdf. Mr. Warren also voices that some of OCC’s systems and architecture “are well-suited to distributed ledger and provide an immutable source of record of transactions which can benefit the reconciliation and balancing needs of our market participants.”

³⁷ See *supra* note 2, ¶ 47.

³⁸ For instance, the purchase of stock.

³⁹ See *supra* note 9.

view that transparent communication about the transition process, potential risks, and mitigation strategies is essential to maintain investor confidence, regulatory goals, and market stability?⁴⁰

3. Growing Price Action Haste

Recently, unprecedented volatility can follow a single online post.⁴¹ These sources of market disruption are accurately identified by the OCC on page 2 of the proposed rule change.⁴² We respectfully submit to the Commission that events such as those OCC identified are likely to occur more frequently as election season approaches, more countries adopt bitcoin as a reserve

⁴⁰ For instance, we presently see neither any documentation around OCC testing the waters with a partial transition of clearing volume to Ovation in an effort to work out bugs common in new program releases, a specification of its risk management messaging protocol unit tests, or any documented remodeling discussions OCC management had with Wall Street prompting any unilateral clearing fund matching engine metamorphosis, especially given OCC's profits.

⁴¹ See, e.g., an 11% move in Bitcoin after SEC actions related to a release made at x.com/SECGov/status/1744837121406349714, a 13% move in Tesla after an insider announcement at x.com/elonmusk/status/1026872652290379776, and a 273% move in GameStop after investor action at x.com/TheRoaringKitty/status/1789807772542067105. Moreover, today's news increasingly comes from crowdsourced and grassroots publications, such as the 2020 Luckin Coffee accounting fraud was first revealed in an anonymous report.

⁴² *Id.* This era of unprecedented volatility underscores the necessity for investors to have a clear understanding of the rules governing the stock market system. Transparency in regulatory practices and market operations ensures that investors can make informed decisions, thereby maintaining confidence and stability in the financial markets. The OCC's proposal to update its risk management and clearing policies must reflect this need for transparency to effectively manage liquidity risk and operational integrity.

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asset, and our Federal Reserve injects more U.S. dollars into the economy while Yen slides fast.⁴³ Accordingly, we respectfully submit to the Commission that it's more important now than ever that investors understand the operations of our underlying market infrastructure, as has been fervently requested by the investing public in comments on this proposition and abroad.⁴⁴

Anecdotally, from our interactions with many individual investors, there is a notable increase in the use of options writing strategies. Investors with vested interests in having their options settle without undue concern, especially after considerable profits, may in all likelihood have more faith in our markets if they too received SIMFU disclosures expected from Wall Street in 12 C.F.R. § 234.3(a)(3)(iii) with unfettered design transparency and open source access.⁴⁵

Moreover, in the wake of numerous scandals and market disruptions, regaining public trust in digital assets requires a concerted effort towards enhanced transparency, robust regulation, and clear communication. The implications for gaining back public trust are significant and extend beyond crypto assets to the broader financial market, highlighting the need for comprehensive, intermediated market transparency. In contemplation of these adoptions, we

⁴³ Short sellers and other market participants leveraging platforms to disseminate new research can yield tremendous amounts of modern volatility. The influence of these actors can be seen in significant market moves resulting from their announcements or reports. These reports not only spread various viewpoints but also display information that traditionally stays gatekept behind closed doors, such as the detailed analysis found in professional publications. *See, e.g.*, analyst at open.substack.com/pub/dollarendgame/p/tokyo-drifting-into-a-currency-crisis?r=3bnvyi. This dynamic is a crucial consideration in the context of the OCC's proposed changes, which aim to address liquidity risk but must also account for the real-time impacts of such market activities.

⁴⁴ *See, e.g.*, x.com/XxWiReDxX/status/1448058433966587907, x.com/InvestingOutis/status/1631325677906714624, and x.com/randerson_texas/status/1502330660383510532.

⁴⁵ For instance, I anticipated a decline in Bitcoin prices in 2021, which resulted in a leveraged short position at a foreign CFD broker registered in the Cayman Islands with less than three years of operations at the time. Despite immense diligence at a dozen other brokers, I was denied an account in more regulated institutions because of my "small" account. Ultimately, I paid, per drive.google.com/drive/folders/1tyoGcZEu5upv7stiKLfYy3TgzyTeC08Y, nearly a third of the trade to that broker due to its increased execution costs relative to gatekept, regulated entities.

are materially concerned with the policies of existing online options and derivatives platforms.⁴⁶

The first step in rebuilding trust is ensuring transparency and accountability within crypto markets. The lack of transparency in many crypto platforms has led to significant risks for investors, as highlighted by Chair Gary Gensler's statement: "The investing public is not only taking a risk on crypto, but you're also taking a risk that the platforms are even doing what they're saying they're doing." Providing clear and accessible information about the operations, risks, and regulatory compliance of crypto platforms is crucial.⁴⁷ This transparency will help investors make informed decisions and feel more secure in their investments.

Implementing robust regulatory frameworks is essential to protect investors and ensure market stability. This includes enforcing strict compliance with existing laws and regulations and developing new regulations that address the unique challenges posed by crypto assets. For instance, regulations that mandate regular audits and public disclosures can help ensure that crypto platforms maintain adequate liquidity and operate transparently.⁴⁸ Aligning these regulations with international standards, as suggested in Exec. Order No. 14067,⁴⁹ will also

⁴⁶ *Id.* Access to functional investment products is important for all investors, no matter their net worth. That Bitcoin trade is the only reason I can write this letter with a roof over my head, take a compliance-first approach to our operations, and allocate staff the time necessary to establish quality updated regulations per [youtube.com/clip/Ugkxwmjh0lmQqzvHr_XrFc19lDt5-A_uLoa](https://www.youtube.com/clip/Ugkxwmjh0lmQqzvHr_XrFc19lDt5-A_uLoa).

⁴⁷ *Id.* Accordingly, I did not have the confidence to deposit a material amount of funds without transparency into the operations of the only platform I could use, and even then, I had to forge my identity with a VPN to access that particular investment product.

⁴⁸ *See infra* note 25.

⁴⁹ This order aims to pioneer "responsible financial innovation, expanding access to safe and affordable financial services, and reducing the cost of domestic and cross-border funds transfers and payments, including through the continued modernization of public payment systems." It also emphasizes following "international standards set by the inter-governmental Financial Action Task Force," since "We must promote access to safe and affordable financial services. Many Americans are underbanked, and the costs of cross-border money transfers and payments are high." In accordance with § 2(f) of the Order, we respectfully submit to the Commission that the incumbent, centralized, for-profit Wall Street is unlikely to solve these pressing challenges.

promote consistency and reliability across global markets.⁵⁰

II. Material Risk to the Investing Public

We respectfully submit to the Commission that the OCC represents a trusted central point of failure within the U.S. financial system, posing a material risk to the investing public. As the sole clearinghouse for standardized equity options, the OCC's operations are integral to market stability. However, this centralization also means that any disruption or failure within the OCC could have widespread and catastrophic effects on the broader market.

As the Commission knows, the OCC holds a monopolistic position in the clearing and settlement of standardized equity options. There are no alternative clearinghouses for these transactions, and all brokers, regardless of their platform or services, rely on the OCC for backend clearing and settlement. This absolute control means the OCC is the only entity responsible for guaranteeing the performance of options contracts, placing immense power and responsibility in its hands.

The inherent risks are magnified by the opacity of the OCC's risk management practices. Investors and regulators are unable to fully assess the robustness of the OCC's systems, particularly in times of market stress. The heavily redacted nature of recent disclosures only compounds these concerns, leaving significant gaps in our understanding of how the OCC manages and mitigates risk.

Given the OCC's pivotal role, any systemic issues within its operations could lead to a loss of investor confidence, market disruptions, and potential financial crises. The absence of transparency undermines the ability of stakeholders to scrutinize and ensure the integrity of the OCC's processes, thereby amplifying the potential for unforeseen failures.

To protect the interests of the investing public and ensure the resilience of our financial markets, it is imperative to address these transparency issues. Enhancing oversight and accountability of the OCC will mitigate the risks associated with this centralized point of failure,

⁵⁰ An executive at OCC expressed that new distributed ledger systems need to “hard fork the proven central counterparty model.” I do not agree, as we believe in expanding upon existing innovations in the Direct Registration System (“DRS”), which has been made widespread for American issuers and is seen as a preferred holding method per, e.g, youtu.be/ZrVvlEmFgAk. This approach simplifies the overall market structure for investors opting to use this alternative.

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promoting a more stable and secure financial environment for all participants. As the hub of options trading in the U.S., the OCC's operations and policies have significant implications for national financial policy and stability. Ensuring that these operations are transparent and accountable is not just a matter of investor protection, but also of maintaining the integrity and stability of the national financial system. In alignment with this perspective, OCC writes that:⁵¹

As a systemically important central counterparty (“CCP”) and the sole US CCP for listed equity options, OCC is pleased to participate in the ongoing dialogue between CCPs, clearing members, end users, and international standard setting bodies on optimizing margin transparency... OCC believes increased transparency from clearing members to end-users will provide the most immediate benefits given the high level of transparency that already exists from CCPs to clearing members.

This comment focuses on the “end users” impacted by the proposed rule change, not the OCC's participant exchanges or clearing members (“Wall Street”). It focuses on the hardworking citizens that build our great Nation from the ground up, both literally and metaphorically. TAD3 endeavors to give voice back to the honest patriot cheated by the ever-increasing manipulative practices promulgated by Wall Street.⁵² Only with our rich culture, Constitutional freedoms, and steadfast commitment to one nation under God might the next generation of securities trading systems emerge, not for the benefit of Wall Street, but to the enrichment of blessed American investors themselves pursuing liberty, legacy, and legitimacy through quality investments with directly-registered ownership records (collectively, “Main Street”).

We acknowledge the OCC's commitment to participating in the ongoing dialogue about optimizing margin transparency. However, we respectfully submit to the Commission that the current levels of transparency are insufficient. We respectfully submit to the Commission that, if the OCC believes increased transparency from Wall Street to Main Street will provide immediate benefits as stated, then OCC itself should immediately extend digital transparency protections,

⁵¹ See margin letter to joint Basel Committee on Banking Supervision, Committee on Payments and Market Infrastructures, and IOSCO working group www.theocc.com/getmedia/af20211f-0ffe-45e5-94c6-5ffc1842b7b7/OCC-Comment-Letter-on-BCBS-CPMI-IOSCO-Consultative-report,-Transparency-and-responsiveness-of-initial-margin-in-centrally-cleared-markets.pdf.

⁵² Many of which only occur in these great united lands of America, despite our most advanced, developed, and liquid market for capital amidst global nations. See *supra* note 18, comment 67.

access, and availability tools to the actual Main Street investors the market was built to serve.

Moreover, the OCC's emphasis on Wall Street transparency overlooks a crucial aspect: the need for transparency within the OCC's own operations and risk management practices. We respectfully submit to the Commission that Main Street remains largely in the dark about the intricacies of margin setting and risk modeling processes.

We respectfully submit to the Commission that, for the investing public to truly benefit, transparency must be holistic and encompass all levels of the financial ecosystem. This includes providing clear and comprehensive information about the OCC's risk management frameworks, especially during periods of market volatility. We respectfully submit to the Commission that the heavily redacted Exhibit 3 underscores the gap between the OCC's stated commitment to transparency and the reality faced by Main Street. We respectfully ask the Commission: without access to this critical information, how can investors fully assess the risks associated with their investments or place due faith in the stability of our great National markets?

We respectfully submit to the Commission that extending protections, access, and transparency currently afforded to Wall Street to the actual investing public the market was built to serve is not just a matter of fairness; it is a necessity for maintaining market integrity and stability. By ensuring that Main Street has the same level of insight into the OCC's operations as clearing members do, we can foster a more informed and confident investor base. Relevant to Congressional interests, we submit that this, in turn, will enhance overall market resilience.

A. Failure to Apply Their Own Standard

As the Commission knows, OCC introduced the liquidation cost charge ("LCC") in SR-OCC-2019-004 to address deficiencies in its margin methodology that staff previously identified. This filing is the only material public OCC documentation of how LCC reduces risks.⁵³ It received no public comments, likely due to its lack of material technical details.⁵⁴ This is notably problematic because, despite recognizing the necessity for a "robust margin methodology" and "stress testing

⁵³ Aside from a very brief description in File No. SR-OCC-2022-012, which was accompanied by 126 pages of redacted material. We respectfully ask the Commission the consider the benefits of investors themselves understanding the documentation hidden in these confidential exhibits.

⁵⁴ The filing had no exhibits and its 13-page advanced notice in Release No. 34-86103 primarily offered anecdotal examples of margin calculations related to LCC such as notes 14, 16, and 18.

framework,” the OCC has demonstrated significant lapses in technical execution and oversight.⁵⁵

a) *Engineers Systemically Ignored LCC*

OCC failed to properly account for the LC Charge in its Clearing Fund shortfall calculation. As a result of these failures, OCC’s Clearing Fund was underfunded by nearly \$600 million at certain times during the period October 2019 through May 2021. At its height in early May 2021, OCC’s Clearing Fund was \$588 million smaller than was required under OCC’s rules.

As the Commission knows, LCC is supposed to cover the large OCC exposure involved in liquidating a Wall Street portfolio in the event of a default. According to their own public filings, this charge is a material element of the OCC’s margin requirements and should have been incorporated into both its central margin systems and clearing fund methodologies. However, as the Commission knows, OCC as a SIMFU placed the entire market at risk when they failed to integrate the LCC into its centralized clearing fund database, computation, and messaging systems due to significant deficiencies in internal controls, human errors, and management failures.⁵⁶ Might we respectfully ask the Commission how Main Street should place their ongoing trust in our Nation if OCC’s opaque computer system fails to adhere to the organization’s own filed margin policy for over a year and a half, does not materially explain the calculation methodologies employed across risk management systems, and has no means for public oversight related to its systemically-important risk, clearing, and root infrastructure?

We appreciate that these are not small questions, but they are the questions we need to ask if we want to compete with foreign markets for capital that more swiftly employ distributed-ledger technology. We respectfully submit to the Commission that margin calculations at CCP scale require ongoing public oversight to prevent horrendous misuses, such as that staff found:⁵⁷

⁵⁵ See *infra* Section II.C; robustness sentiments at www.theocc.com/getmedia/8583ada4-22fd-4f2a-a0de-1dd97d3a347f/GeneralUse_OCC_Whitepaper_Final-4_Sept22.pdf; and industry resiliency framework at www.theocc.com/newsroom/views/2015/05-07-enhancing-the-resiliency-of-occ-and-the-u-s.

⁵⁶ See *supra* note 2.

⁵⁷ *Id.*

OCC failed to provide timely notification to the Commission of this event, as required under Regulation SCI.

Might we respectfully ask the Commission how can the public trust in the integrity of our most advanced, developed, and liquid capital markets if staff themselves cannot trust the OCC?

b) Scaled Wall Street Insolvency

The centralized nature of the OCC's computer systems exacerbates these issues. As the sole clearinghouse for standardized equity options in the U.S., the OCC serves as a highly trusted central middleman. This centralization means that any lapses or failures within the OCC's systems have far-reaching implications for the entire financial market. Despite the critical role it plays, the OCC's failure to follow its own margin policy and to transparently explain its calculation methodologies undermines the trust placed in this essential institution.

The reliance on a centralized system also highlights the vulnerability of having a single point of failure. The OCC's internal controls and risk management practices must be robust and transparent to ensure that such failures do not occur. We respectfully submit to the Commission that the lack of adherence to its own policies and the insufficient integration of the LCC indicate systemic weaknesses that need to be addressed per recommendations in Section III.

During the 18 months of capital shortfall when LCC was not incorporated into the OCC's centralized computer systems, tens of billions of options contracts changed hands from everyday investors expecting the reasonable protections promoted by SIMFU oversight. According to the Commission's litigation, however, the OCC could have been bankrupted if two or more Wall Street firms failed at any point during this period.⁵⁸ We respectfully submit to the Commission that this flaw materially threatened our national security and the predominance of our markets.

We respectfully submit to the Commission that ensuring that these centralized systems operate effectively and transparently is crucial for maintaining market stability and protecting investors. Might the Commission consider the benefit of enhancing the OCC's external controls, database transparency, and public dissemination of clear, detailed explanations of its methodologies, such as restoring confidence and safeguarding the financial system from similar risks in the future? Relevantly, twenty-five days after uncovering the LCC critical system flaw,

⁵⁸ See *supra* note 2, at n.11.

the OCC imposed an emergency margin call on Wall Street to raise \$588,000,000. This massive capital requirement could have bankrupted firms at scale. We respectfully submit to the Commission that OCC's operational deficiencies may present severe vulnerabilities in our Nation and potentially catastrophic impact on our economy, which could be trivially identified with reasonable public oversight per Section III.2.

Given the distinct, entrenched, and set monopolization of options clearing and settlement, we respectfully submit to the Commission that extending American Transparency access to near-governmental entities, as employed in proprietary data from another SIMFU and SRO previously per Section III.B.2, is both feasible and necessary. SIMFUs like the OCC face virtually no threat of competition due to the current centralized market structure, making their operations critically opaque. Relevantly, the only viable alternative, distributed ledger technology, obviates the need for such middlemen entirely. The systemic risks associated with options clearing and settlement during periods of high volatility underscore the need for greater transparency. By enforcing our American Transparency, we ensure that these critical institutions are held accountable, ultimately safeguarding our market stability, fostering new fundraising, and protecting investors. This move would markedly enhance oversight, foster innovation, and restore confidence in our great Nation.

c) High-Volatility Public Policy

Unfortunately, this does not appear to be a standalone incident. We respectfully submit to the Commission that pattern of non-compliance raises significant concerns about the OCC's ability to effectively manage risk and adhere to regulatory standards without newfound public scrutiny, as the Commission noted that the:⁵⁹

OCC also failed to comply with its margin methodology, margin policy, and stress testing and clearing fund methodology relating to specific wrong way risk and holiday margin in violation of Section 19(g) of the Exchange Act.

Non-compliance with these essential practices not only exposes the OCC to regulatory action but also jeopardizes the broader financial system. The repeated violations suggest systemic issues within the OCC's risk management framework that need to be addressed

⁵⁹ See *supra* note 2, § 3, ¶ 1.

urgently.⁶⁰ We respectfully submit to the Commission that without significant improvements in transparency, oversight, and adherence to established protocols, the OCC's ability to fulfill its mandate is compromised.

The staff findings highlight the urgent need for the OCC to implement transparency reforms to its risk management, clearing algorithm, and compliance processes. These reforms should include enhanced stricter adherence to regulated public oversight requirements, and a commitment to ongoing improvements in operational practices.⁶¹ Simply documenting messaging interfaces between Wall Street middlemen, inter alia,⁶² is not enough public disclosure for an SRO that runs a SIMFU, in terms of ongoing risk management algorithms affecting the stability of our most advanced, developed, and liquid American capital market. By addressing these imperative issues, the OCC can rebuild trust with regulators, market participants, and the investing public.

Namely, writing options imposes margin collateralization requirement risks for an investor's broker if the contract's net liquidation value materially increases. This is in stark contrast to the increasing credit and premium initial margin posted by a purchaser's broker. Worryingly, in the event of broker default, "CCPs will likely tear up a whole product, i.e., all contracts with the same underlying." We respectfully submit to the Commission that these general practices are not adequately disclosed by the OCC, their proprietary "black box" risk modeling system, or Wall Street at the time of purchase.⁶³

B. Failure to Follow Federal Regulation

The Commission vehemently condemned OCC's opaque policies when they blatantly broke CCP

⁶⁰ See *supra* notes 6, 30, and 53.

⁶¹ See "substantive terms" doctrine in 15 U.S.C. § 78s(b)(2)(E).

⁶² See *infra* note 74.

⁶³ See page 13 in www.isda.org/a/vxDgE/Partial-Tear-Up.pdf. We find this particularly worrying because a systematic failure in particularly volatile securities could wipe out the monetary base of all investor contracts, in our limited understanding and without increased transparency disclosures into the actual clearing and settlement protocol.

laws for operations, risk management, and governance.⁶⁴ Good governance and transparency are paramount in risk management and clearing protocols. The Commission’s risk management standards for clearing agencies emphasize the importance of transparency, robust, and well-documented risk management practices to protect the integrity of the financial system.⁶⁵

1. Inadequate Idiosyncratic Risk Tests

Idiosyncratic risk refers to the risk of price changes in a specific asset due to factors unique to that asset, such as management decisions or industry-specific developments, as opposed to broader market movements. We respectfully submit to the Commission that effective risk management systems are crucial for mitigating idiosyncratic risk, especially in a centralized clearing organization like the OCC. However, the OCC has a history of failing to test its centralized computer systems adequately for idiosyncratic risk.⁶⁶

We respectfully submit to the Commission that these shortcomings in risk assessment and management expose the financial system to potential disruptions stemming from individual asset failures. Does the Commission agree that proper testing, system transparency, and the thorough evaluation of risk models are essential to ensure that the OCC can manage and mitigate risks associated with specific securities, especially during periods of high volatility?

2. Compulsory Auditors Not Sufficient

As the Commission knows, the OCC has failed to establish, implement, maintain, and enforce policies and procedures reasonably designed to regularly review its risk-based margin models and the parameters for those models. This failure meant that the OCC's margin requirements did not adequately cover potential risks, compromising the financial stability of the SIMFU.⁶⁷

Moreover, the U.S. Commodity Futures Trading Commission (“CFTC”) said the OCC

⁶⁴ See *supra* note 3, § IV.B.

⁶⁵ See File No. S7-03-14, repeated extension of OCC’s SRO filing comment periods, and great public details in Release No. 86871 at www.sec.gov/files/litigation/admin/2019/34-86871.pdf.

⁶⁶ See, e.g., *supra* note 3, ¶ 27–30; *supra* note 2, ¶ 43–46; and *supra* note 3, ¶ 33–36.

⁶⁷ *Id.*

did not perform the necessary monthly stress tests required to calculate financial resources accurately. This oversight, *inter alia*, led the CFTC to force OCC to retain independent third-party auditors to review its policies and procedures to ensure they are reasonably designed to comply with regulatory requirements.⁶⁸ These auditors were supposed to assess the adequacy of the OCC's risk management practices and report their findings to the Federal government, prevented the OCC from having a clear understanding of its systems exposure under various hypothetical scenarios, undermining its ability to manage risks.

Despite these mandating centralized oversight mechanisms, the audit committee failed to catch the OCC violating laws, resulting in a \$20 million fine.⁶⁹ Might we respectfully suggest to the Commission that the accurate and timely oversight of the OCC's immense and systemic infrastructure, if unable to be properly monitored under central coercion, might be efficiently safeguarded through more public oversight into the OCC's precise algorithmic methodologies?

3. Potential Phantom Procyclicality Risk

As the Commission knows, procyclicality refers to the tendency of risk management practices to amplify market fluctuations. In the context of clearing agencies, procyclicality can lead to destabilizing, procyclical changes in margin requirements, which can exacerbate market volatility and liquidity demands.⁷⁰ The Standards for Covered Clearing Agencies emphasize the importance of establishing and maintaining policies and procedures that limit the need for such destabilizing changes: "a covered clearing agency generally should consider in establishing and maintaining policies and procedures for margin... whether the model... to the extent practicable and prudent, limits the need for destabilizing, procyclical changes."⁷¹

Additionally, the CCP Risk and Governance Subcommittee of the Market Risk Advisory

⁶⁸ See CFTC Docket No. 19-19 at www.cftc.gov/PressRoom/PressReleases/8000-19.

⁶⁹ *Supra* note 2.

⁷⁰ See *supra* note 72, n.318.

⁷¹ See *supra* note 66, Release No. 34-78961 at www.sec.gov/files/rules/final/2016/34-78961.pdf.

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Committee of the CFTC recommends a principle-based approach to addressing procyclical risk.⁷² These frameworks aligns with European standards, which requires CCPs to regularly monitor and revise margin levels to reflect current market conditions while considering the potential procyclical effects of such revisions.⁷³

Margin levels that scale up dramatically during periods of increased volatility can drive liquidity demands and create systemic issues within SIMFUs. For example, consider a small broker facing extreme liquidity requirements, such as the scenario involving Robinhood during January 2021.⁷⁴ Such entities may not have extensive external liquidity or credit lines and, during perfectly normal times, may struggle to meet sudden liquidity requirements, potentially causing a default event, which we find particularly concerning given the context of note 64.

Liquidity risk can lead to credit risk and ultimately default risk. If Wall Street is unable to meet a margin call, it faces a default event. We respectfully submit to the Commission that adequate capitalization is crucial to prevent Wall Street bankruptcy and to enable consumer protections, but these firms are all for-profit middlemen with an incentive to extract value for shareholders rather than cushion their OCC reserves. Given this fact, Main Street gets left holding the bag in the event of default since the contracts which will be torn up are the investments made by hardworking everyday Americans, whereby OCC loses nothing.⁷⁵

We respectfully submit to the Commission that if Main Street bears the cost of OCC's failure during extreme volatility, then Main Street should have a say in Wall Street's algorithms. Main Street's involvement in reviewing and understanding these algorithms will foster greater accountability and trust in the financial markets, ultimately leading to a more resilient and equitable financial system.

⁷² See 17 C.F.R. § 39.13(i)(3)(ii), page 9 of global policy at www.world-exchanges.org/our-work/articles/procyclicality-ccp-margin-models-systemic-problems-need-systemic-approaches, and zero documentation for small brokers' treatment of deposits in 17 CFR § 240.17Ad-22(e)(5).

⁷³ See Regulation (EU) No. 648/2012, ¶ 92 at eur-lex.europa.eu/eli/reg/2012/648/oj.

⁷⁴ We respectfully submit to the Commission that the exchange of stock should not necessitate emergency capital procurement (or shutdown of financial systems) for an middleman thereto.

⁷⁵ Aside from market use confidence, sure, but their equityholders are isolated from tear-ups.

C. Failure to Promptly Update Systems

In late May 2021, OCC discovered that margin for OCC Closed Holiday had been calculated based on 10% of the SPAN risk rather than the STANS risk since 2016 due to an error in the original Visual Basic script.⁷⁶

The OCC, a SIMFU that is over 50 years old, failing to promptly update its systemic infrastructure in accordance with its documented SRO rule changes is unacceptable.

This significant oversight highlights a critical lapse in their system maintenance and risk management practices. Such a prolonged error, left unaddressed for five years, underscores the necessity for rigorous system updates and transparency. In the context of financial institutions, where precision and accuracy are paramount, the OCC's delay in rectifying this issue not only undermines their credibility but also poses substantial risks to the stability of our great markets.

1. Outdated Centralized Messaging Schematics

We respectfully submit to the Commission that it is impossible to meaningfully understand the characteristics and risks embedded in the OCC's proprietary systems without insight into the source code of STANS and other proprietary algorithms, systems, and protocols. These systems, which have historically been fraught with risks unknown even to the hardworking staff of the OCC, require a level of transparency that is currently lacking.⁷⁷

Based on our limited understanding of public materials disclosed, the OCC utilizes four primary proprietary systems that are central to ENCORE: STANS, a comprehensive stress test,

⁷⁶ See *supra* note 2, ¶ 48; as the Commission knows, OCC's System for Theoretical Analysis and Numerical Simulations ("STANS") has been in place for 18 years, with rules updated using SRO changes such as the introduction of LCC in www.sec.gov/files/rules/sro/occ/2019/34-85755.pdf.

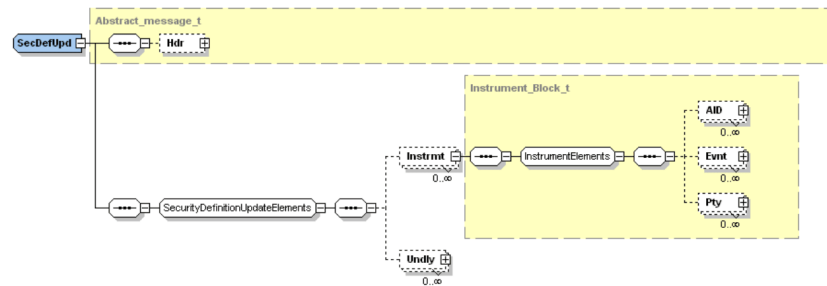
⁷⁷ We respectfully submit to the Commission that the risks associated with the current OCC message structure are significant and multifaceted. Addressing these risks through enhanced documentation, explicit specifications, and robust data integrity mechanisms is essential for maintaining market stability and protecting investor interests. We urge the Commission to mandate these improvements to ensure that the OCC's messaging systems are transparent, secure, and reliable. See also *infra* note 36.

and the clearing fund system. Each of these systems plays a critical role in managing risk and ensuring the stability of our vast markets, yet their opaque aspects have not been questioned.

To address these issues, we propose open sourcing the OCC’s proprietary systems. This approach would allow independent experts to conduct rigorous code audits, identify outstanding vulnerabilities, and suggest sound improvements. Enhanced transparency would foster trust and accountability, ensuring that the OCC’s risk management practices are both robust and reliable.⁷⁸

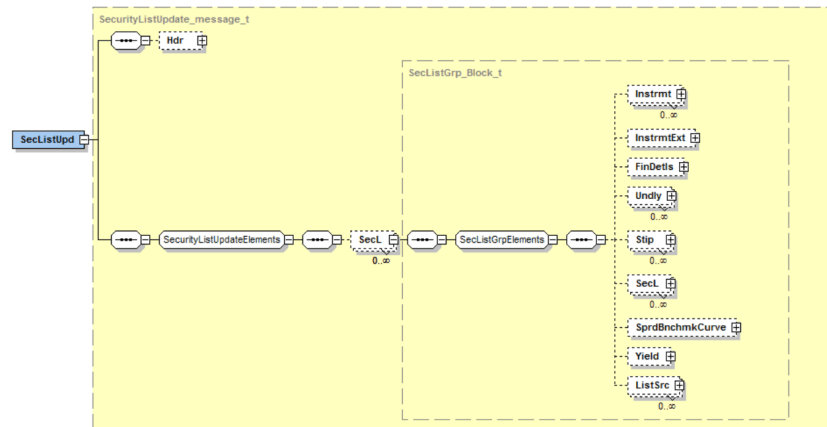
a) Data Format Alteration Risk

Message Structure – Security Definition Update



Message Structure – Security List Update

NOTE: The below graphic includes all SecL subcomponent blocks that are available in the FIXML schema. However, OCC does not use all available subcomponent blocks.



⁷⁸ See *infra* Section II.C.1.a–c. These proprietary systems are inseparable from the OCC’s major regulated role as a SIMFU and CCP. However, their outdated, outworn, and opaque nature pose significant cybersecurity, operational, and governance risks. The lack of transparency makes it challenging to assess and mitigate these risks effectively, posing a hazard to both the enduring reputation held by our great Nation and its time-honored market stability, growth, and surety.

Our analysis of these protocols is based on the limited public documentation available therewith.⁸⁰ We do not consider the message subscription or batch processing models employed by the OCC since those material nuances do not seem to be comprehensively disclosed in relation to system transaction schemas. Namely, we do not see precise data structures further integrated into any communication protocols outside of the a select few diagrams detailing specific OCC products.⁸¹

We respectfully submit to the Commission that each risk, inherent in the OCC's current "security definitions" and "security list" update message structures, presents significant challenges to market stability and security. The first concern is the data structure itself. The provided diagrams show ellipses for several components, but there is inadequate documentation around the particulars of each ellipsis content. This (pixelated) ambiguity makes it unfeasible for a comprehensive analysis of operations for system logic, both in its origination from proprietary sources and in its partial dissemination. Without clear, detailed documentation, it is challenging to understand how these message components interact and what specific data they contain, creating a significant transparency gap.

We respectfully submit to the Commission that the OCC needs to specify which block formats are used and when, rather than relying on implicit knowledge of specific artifacts and schemas for intermediate message constructions. Might the Commission consider this lack of explicit detail to be particularly problematic because there is no clear indication of header or footer characteristics outside of inherited XML? We respectfully submit to the Commission that detailed specifications are crucial for ensuring that all stakeholders, including Main Street traders and auditors, can fully understand and verify the messaging processes. Without these details, the risk of miscommunication and operational errors increases, potentially compromising the integrity of financial transactions.

⁷⁹ See page 31 in www.theocc.com/getmedia/5bb03145-905b-4d83-b647-eea2cb076e93/ENCOREDDSGuideNonProprietary_Transmissions.pdf.

⁸⁰ While the OCC certainly releases large volumes of disclosures on "non-proprietary" systems' interfaces, we respectfully request the Commission require public disclosure of all infrastructure classified under 17 CFR § 242.1000, especially if OCC developer documentation already exists.

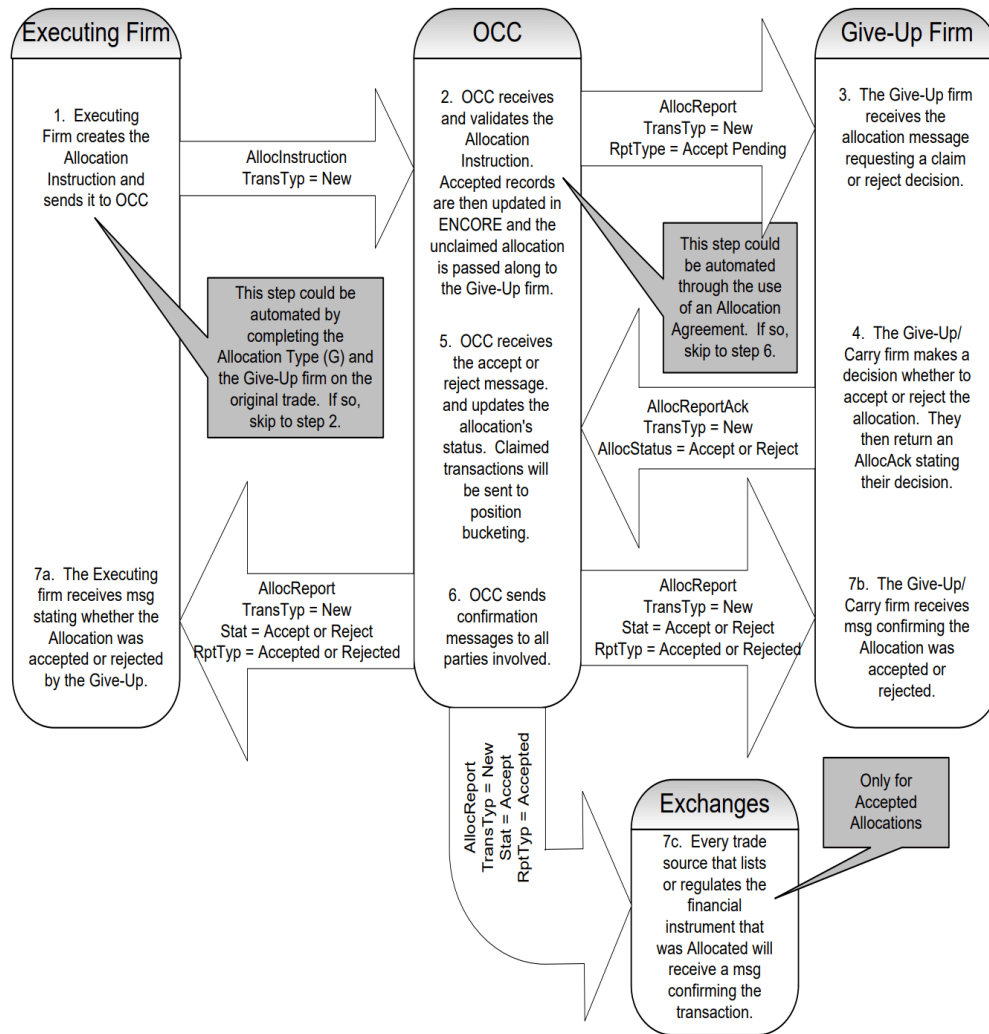
⁸¹ With the exception of a small amount of information related to queuing between internal OCC firewall, computer, and database provisions, queuing which we consider trivial and not relevant.

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Moreover, we respectfully submit to the Commission that the absence of checksum mechanisms to validate transmission quality and accuracy is very concerning. Should more information be needed or if a bad actor on a centralized network server at the OCC successfully manipulates integrity controls on the unknown egress algorithms, the entire file system could be compromised. Checksums are a fundamental aspect of data integrity, ensuring that messages are transmitted accurately and without tampering. The lack of such mechanisms leaves the system vulnerable to undetected errors and malicious attacks, undermining the trust in the OCC's ability to manage and clear transactions securely.

b) *Manual and Contingent Risks*

Messaging Flow



As the Commission knows, this messaging flow diagram outlines the complex clearing and settlement process involving multiple parties, including the executing firm, the OCC, and the give-up firm. Importantly, the process begins with the executing firm creating the allocation instruction and sending it to the OCC. Relevantly, the OCC receives and validates the allocation instruction, updating the records in its system, and passes unclaimed allocations to the give-up firm. As staff can see, this technical documentation also includes material operational policies.

The give-up firm then decides whether to claim or reject the allocation and sends back an acceptance or rejection message to the OCC. Finally, the OCC updates the allocation's status based on the give-up firm's response and sends confirmation messages to all parties involved, including exchanges for accepted allocations. Given that any of these steps may be done manually, we respectfully request the Commission assist in furthering the public documentation related to these transaction processing and settlement cycles, specifically providing further disclosures on industry common practice in ongoing automation versus manual processing trends. We respectfully submit to the Commission that Main Street may be at risk of material loss from any fat fingers at employees from all twenty-plus unique for-profit firms attempting to minimize labor costs.⁸³ Should this risk materialize, we respectfully submit to the Commission that it would make sense for Main Street to have direct transparency into the rate at which new transactions are accepted versus denied in accordance with the proprietary Allocation Agreement, or some other backdoor agreement with any give-up firm.

Not to mention, we are extremely concerned about the multiple contingencies and inadequately documented internal flows that lead the OCC to decide different treatments of certain contracts in step 6. We respectfully submit to the Commission that the complexity of this process, combined with insufficient documentation, increases the risk of operational faults within the OCC. We respectfully submit to the Commission that these ambiguities can result in inconsistencies and errors in handling allocations, which can compromise the integrity of the entire clearing and settlement process.

Additionally, that modern programming interfaces do not require variable names to be overly shortened to remove vowels due to advancements in computer memory technology over the past 50 years. We respectfully submit to the Commission that the use of archaic naming

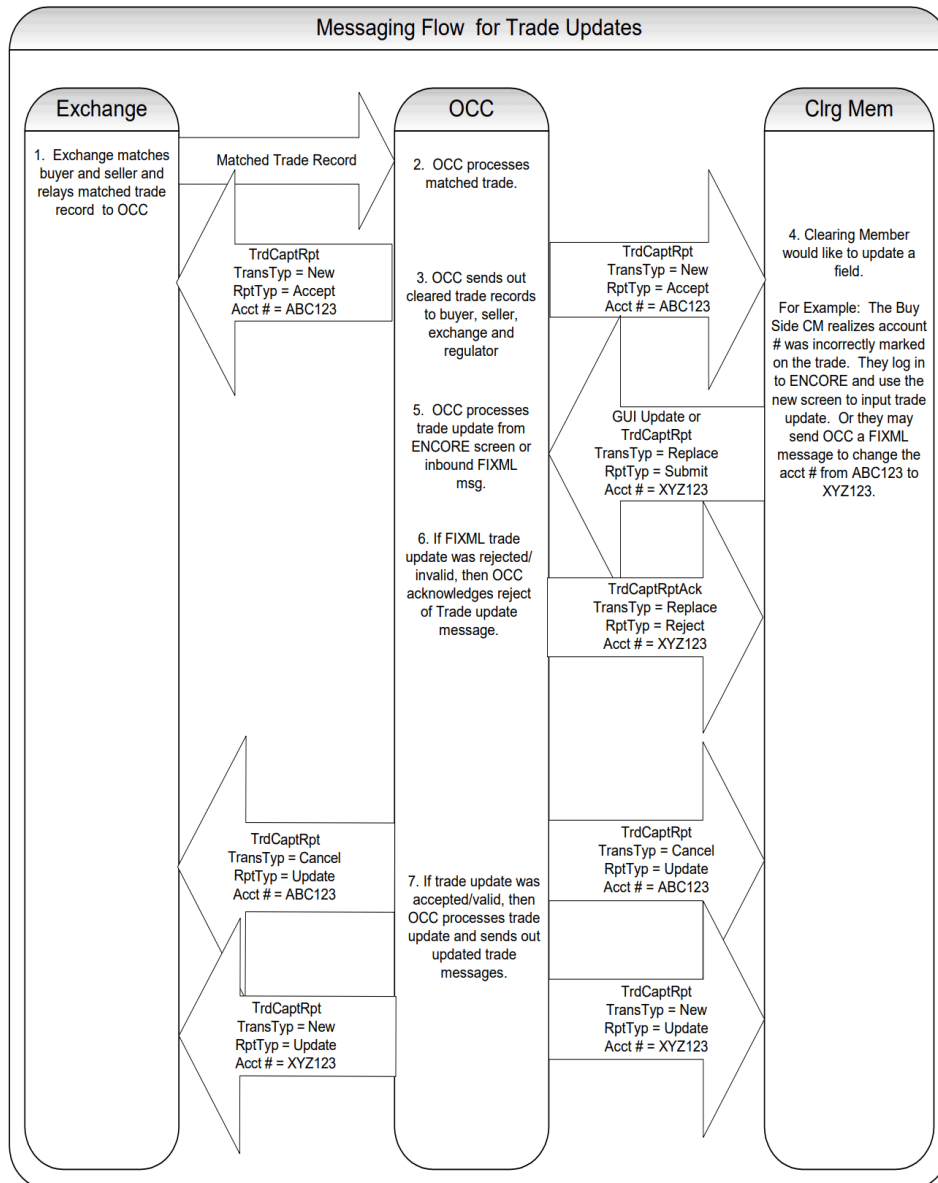
⁸² See page 156 in www.theocc.com/getmedia/7be16cf4-f02d-4513-ad9a-ce6a363a3e58/ENCOREDDSGuideProprietaryTransmissions.pdf.

⁸³ See *supra* Section II, Wall Street.

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conventions, where characters and integers represent arbitrary recipient state codes, is outdated and can lead to confusion and errors. Might we respectfully ask the Commission if they believe modern systems should use clear and descriptive variable names, which would improve code readability and reduce the likelihood of mistakes in interpreting and processing messages?⁸⁴

c) *Default and Manipulation Risks*



⁸⁴ See, e.g., labeling at [youtube.com/playlist?list=PLwAajnlpkQEft41G-GvHAKnh_CkaEKFawh](https://www.youtube.com/playlist?list=PLwAajnlpkQEft41G-GvHAKnh_CkaEKFawh).

As the Commission knows, the messaging flow diagram for trade updates highlights a complex process where the OCC processes the matched trade and sends out cleared trade records to the buyer, seller, and exchange. If a clearing member needs to update a field, such as an account number, they log into the ENCORE system to submit the update, which the OCC then processes according to an undocumented verification, validity, and value ruleset. If the update is accepted upon these centralized rules, the OCC sends out updated trade messages which require parties to redact their records, thereby forcing Wall Street to wait until the end of the day for finalized data.

We are extremely concerned about the risks inherent in this process, particularly if one participant uses an outdated version of FIXML compared to another. We respectfully submit to the Commission that this mismatch can lead to unknown bugs propagating due to the lack of timely information flow across wallet systems with independent management.⁸⁶ The complexity of the process, coupled with inadequately documented internal flows, increases the risk of operational faults within the OCC. Might the Commission respectfully call into question how these ambiguities can result in inconsistencies and errors in handling trade updates, which may hastily compromise the integrity of the entire clearing and settlement process across Wall Street?

Furthermore, we are concerned about the potential for accidental central manipulation by clearing members who manually adjust transactions. We respectfully submit to the Commission that the procedures and technological authority thresholds required for these adjustments are not adequately publicly documented, nor is the related internal process at step 2 sufficiently transparent. Does the Commission agree that this lack of systematic transparency raises questions about the security and reliability of the entire transaction flow, particularly in cases of member defaults, delivery failures, or inability to properly update transactions? The risks associated with account number alterations and the potential delays in processing these changes further underscore the need for enhanced documentation and transparency in the OCC's centralized systems.

⁸⁵ See page 47 in www.theocc.com/getmedia/7be16cf4-f02d-4513-ad9a-ce6a363a3e58/ENCOREDDSGuideProprietaryTransmissions.pdf.

⁸⁶ See, e.g., *Id.*, page 255, which refers in production code to a webpage that has not existed in over 20 years at web.archive.org/web/20240517163148/http://www.fixprotocol.org/FIXML-4-4.

2. Incompatible Outdated Code Reliance

We respectfully submit to the Commission that the outdated code used by the OCC is symptomatic of a severely unkept system that urgently requires material amendments under public scrutiny and oversight to modernize it for the new era. One glaring example is the continued hiring for engineers skilled in Job Control Language (“JCL”).⁸⁷ Despite being pivotal during OCC’s inception in 1973, JCL has been widely criticized for vast inefficiencies. Namely, the late Fred Brooks, a winner of the Turing Award and widely cited computer-science author who supervised the 1960s IBM project creating JCL, described it as “the worst computer programming language ever devised by anybody, anywhere.”⁸⁸

We respectfully submit to the Commission that this reliance on JCL is problematic for several reasons. First, might the Commission agree that JCL’s archaic syntax and limited functionality make it challenging to integrate with modern financial tools, or at the very least innovate on the legacy infrastructure holding together our most advanced, developed, and liquid capital market? As financial markets evolve, the tools and systems used must also adapt to accommodate new technologies and methods of operation. However, we respectfully submit to the Commission that JCL’s rigid structure and outdated features may hinder such integration, making it difficult for the OCC to proprietarily keep pace with an industry advancement.

Moreover, we respectfully submit to the Commission that the use of outdated programming languages like JCL indicates broader systemic issues within the OCC’s technological infrastructure. Does the Commission agree that such reliance on legacy systems not only impacts operational efficiency but also poses significant security risks? Lastly, we respectfully submit to the Commission that outdated codebases are more susceptible to vulnerabilities and are harder to maintain and update. Might this scenario necessitate a comprehensive overhaul of the OCC’s systems to ensure they are secure, efficient, and capable of supporting modern financial operations? Without material public understanding of ENCORE’s source code, useful developer documentation, and a steadfast commitment from management, we respectfully submit to the Commission that the OCC may act as a central bottleneck and eventually a single point of failure in a financial blow-up surrounding high-volatility events unless it shows the public its risk management procedures and allows us intelligently comment.

⁸⁷ See, e.g., Senior Associate of Technical Operations opening for OCC’s Chicago office at www.indeed.com/cmp/Options-Clearing-Corporation/jobs?jk=dd89ee4506c61c4f.

⁸⁸ See Brooks, Jr., F.P. *The Design of Design: Essays from a Computer Scientist* (2010). JCL was announced in 1964 and it does not employ modern programming best practices.

3. Inadequate Entrenched Management Systems

As per Section II.A, OCC introduced the LCC in 2019. In its litigation, the CFTC remarked:⁸⁹

However, OCC did not properly implement changes to its Clearing Fund methodology to account for the LC Charge. Neither OCC's Quantitative Risk Management team, its Model Validation Group, nor the Internal Audit Department identified the implementation error until at least April 21, 2021. Due to deficiencies in certain internal controls, human errors, and oversight failures, OCC did not incorporate the LC Charge into its Clearing Fund calculation.

We respectfully submit to the Commission that this failure is a direct violation of the SIMFU requirements to maintain adequate risk management policies.⁹⁰ This notable failure occurred despite the presence material and strict management oversight mechanisms in OCC.

As the Commission knows, OCC is a complex bureaucracy made up of six oversight committees, each operating with its own nuanced principles.⁹¹ This structure, while theoretically designed to provide robust oversight, failed to detect and correct the critical error in implementing LCC. We respectfully submit to the Commission that the rapidly evolving market and the need to keep up with foreign competition in the markets for capital further highlight the inadequacies in the OCC's risk management framework.

We respectfully submit to the Commission that the OCC's opaque policies and lack of clear communication regarding its risk management and margin methodologies violate the core ethos of SIMFU regulation, which mandates transparency and governance standards for financial market utilities.⁹² This lack of transparency undermines the confidence of not only Main Street but also our international trade partners, eroding trust in the integrity of our most advanced,

⁸⁹ See *supra* note 12, § II.C.2.

⁹⁰ See 12 U.S.C. § 5464(a)(2).

⁹¹ See all OCC oversight charters at <https://www.theocc.com/company-information/documents-and-archives/board-charters>, totaling over 18,000 words and containing 142 mission statements. See also failure to promptly comply with 17 CFR § 240.17Ad-22(e)(1) in *supra* note 3, ¶ 41.

⁹² See 12 U.S.C. § 5464(b)(1).

developed, and liquid capital market.

As the Commission knows, the centralized nature of the U.S. securities markets dictates that the OCC remains the only viable clearinghouse for options. This lack of competition means that the OCC's risk modeling and margin setting processes are subject to neither external scrutiny nor market pressures, reducing the incentive for any open innovation.

Moreover, we respectfully submit to the Commission that this holds especially true since the OCC has historically lapsed in its policies and procedures designed to manage the risk associated with its margin models. This failure is a direct violation of the requirements under accepted banking principles to maintain adequate risk management policies.⁹³

Given the current market structure, there is virtually no competitive threat to the OCC. We respectfully submit to the Commission that the centralized nature of the U.S. securities markets ensures that the OCC remains the only viable clearinghouse for options. This lack of competition means that the OCC's risk modeling and margin setting processes are not subject to external scrutiny, reducing the incentive for transparency.

Secretary, we respectfully submit to the Commission that the OCC, as both a SIMFU and SRO, does not warrant protection under 17 C.F.R. 240.19b-4(n)(6) as claimed.⁹⁴ Given OCC's entrenched monopolistic position and the critical role it plays in our shared financial market infrastructure, the OCC should be subject to stringent regulatory oversight and enhanced transparency requirements to ensure the stability and integrity of the financial system.

We respectfully submit to the Commission that fixing the transparency and oversight issues within the OCC is a matter of national pride. Our financial system is a cornerstone of the nation's economic strength and global influence. Ensuring that it operates transparently and fairly is not just a regulatory necessity but a reflection of our commitment to democratic principles and integrity. When Main Street has a say in Wall Street's operations, it demonstrates that our nation values the voices and interests of all its citizens. By addressing these issues, we can reinforce our position as a global leader in financial markets, showcasing our dedication to innovation, accountability, and inclusivity. It is a matter of national pride to ensure that our financial infrastructure is robust, transparent, and serves the best interests of all Americans.

⁹³ See 12 U.S.C. § 5464(a)(2).

⁹⁴ We respectfully submit to the Commission that such action will promote public accountability from such an important part of Main Street's everyday lives, pre-empting risk alike *supra* note 6.

III. Self-Regulation Requires Honesty

Self-regulation is predicated on the principle of honesty. Unfortunately, the OCC has not been honest with staff, and the only substitute for this honesty is transparency. Transparency enables “trustless trust,” whereby Main Street can “trust but verify” OCC’s ongoing SIMFU operations.

A democracy requires accountability, and accountability requires transparency. As Justice Louis Brandeis wrote, “sunlight is said to be the best of disinfectants.” In our democracy, the Freedom of Information Act (FOIA), which encourages accountability through transparency, is the most prominent expression of a profound national commitment to ensuring an open Government.

— President Barack Obama

The OCC's lack of transparency not only undermines trust but also impairs the ability of market participants and regulators to verify the integrity of its operations. By failing to disclose critical risk management practices and margin methodologies, the OCC has compromised its role as an SRO entrusted with maintaining market stability.

Transparency is the cornerstone of accountability. Without it, self-regulation cannot function effectively. The OCC must embrace transparency to restore trust and ensure that its actions are subject to rigorous scrutiny. This is particularly important given the OCC's monopoly in the clearing and settlement of options, which places it in a uniquely powerful position within the financial market infrastructure.

The principles outlined by President Obama and Justice Brandeis underscore the importance of transparency in maintaining a fair and accountable system. The OCC must adhere to these principles to fulfill its mandate and protect the interests of all market participants. Ensuring transparency will not only enhance accountability but also foster a more resilient and trustworthy financial system.

When we started Block Transfer, I had to get fingerprinted by the FBI in accordance with Federal regulations.⁹⁵ At the time, FINRA administered this program.⁹⁶ Since FINRA did not

⁹⁵ See 17 C.F.R. § 240.17f-2.

⁹⁶ Now direct through Sterling.

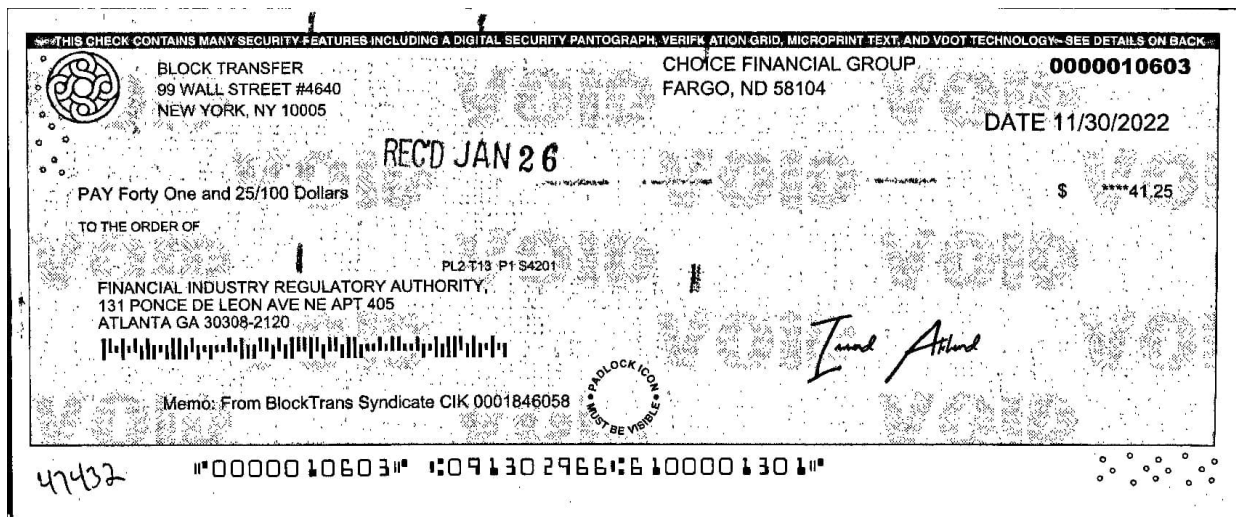
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support electronic Live Scans, they sent us an envelope with physical fingerprinting cards.⁹⁷

In this letter, FINRA mixed up our firm name with our arbitrary centralized organization ID, which we cannot use for any FINRA-based public oversight searching functionality by my understanding.⁹⁸ In response, I had my fingerprints taken electronically and printed onto the provided card. I mailed the card and payment in an envelope to FINRA in October of 2022.

Over the next two months, I sent at least three emails to the FINRA officer who had registered Block Transfer, inquiring as to the status of my fingerprints. The representative did not respond in any instance. Moreover, FINRA did not cash the original enclosed check.

Frustrated with the lack of communication and progress, I sent another fingerprint card⁹⁹ and check in a folded envelope, which was against the submission instructions. Four weeks later, FINRA cashed both checks and processed the exact same fingerprints twice. See second check:



We respectfully submit to the Commission that our great financial system must be purged of inefficiencies and communication breakdowns within bureaucratic governance and regulatory processes such as those in place in some SROs like the OCC.¹⁰⁰ These delays and errors not only caused frustration but also impacted our ability to move forward with our business operations.

⁹⁷ See blocktransfer.com/compliance/proof-of-address.pdf.

⁹⁸ *Id.*

⁹⁹ The local fingerprinting business gave me two copies.

¹⁰⁰ See *supra* note 91.

When SROs fail to communicate effectively and manage processes efficiently, it undermines the confidence of those they are meant to serve. In a rapidly evolving financial landscape, it is crucial that SIMFU SROs adopt modern, efficient practices. We respectfully submit to the Commission that rulemaking transparency allows firms to understand and navigate requirements more effectively, reducing the risk of errors and delays. By adopting more efficient practices and improving communication, SROs can better serve their stakeholders and support the smooth operation of financial markets.

A. Prior Profound Governance Inadequacies

The OCC's historical governance inadequacies are glaring, highlighting significant lapses in regulatory compliance and risk management practices. These deficiencies underscore the need for enhanced transparency and stricter adherence to regulatory requirements to ensure effective oversight and management of systemic risks.

According to the Commission, providing a transparent legal framework requires that written policies and procedures must be clear, internally consistent, readily accessible by the public, and address significant aspects of the clearing agency's operations and risk management. However, the OCC implemented at least eighteen policies addressing core risk management issues without filing the necessary proposed material rule change proposals.¹⁰¹ These policies included essential frameworks such as a "Legal Risk Policy," "Model Risk Management Policy," and "Financial Resources Policy."

We respectfully submit to the Commission that, in a rapidly evolving financial landscape, it is imperative that regulatory bodies like the OCC operate with the utmost transparency and accountability to maintain trust and stability in the system. According to the Commission, the OCC also implemented at least six clearing algorithm changes without obtaining prior required approval, including its "Counterparty Credit Risk Management Policy," "Default Management Policy," and "Margin Policy."¹⁰²

This pattern of erratic behavior demonstrates a blatant disregard for regulatory protocols and a significant governance failure. We respectfully submit to the Commission that, most frighteningly, the OCC modified charters for its Audit, Risk, Compensation and Payment,

¹⁰¹ See note 3, ¶ 40.

¹⁰² See note 3, ¶ 42.

Governance and Nominating, Risk, and Technology Committees without requisite staff approval.¹⁰³

These governance failures are not merely procedural oversights; they have profound implications for the integrity and stability of the financial system. The OCC's actions undermine the regulatory framework designed to protect market participants and ensure systemic stability. The absence of proper oversight and transparent policy implementation creates vulnerabilities within the financial system, potentially exacerbating risks during periods of market stress. Given the OCC's pivotal role as a central clearinghouse, its governance practices must meet the highest standards of accountability and transparency.

B. Transparency: a Crowdsourced Solution

We have established that the OCC poses a material problem and risk to our markets. To address these systemic issues and enhance market integrity, we now propose a solution framework centered on the open sourcing of the OCC's algorithms and margin systems. We respectfully submit to the Commission that this approach will benefit Mains Street and the broader financial ecosystem by fostering transparency, accountability, and innovation.

We respectfully submit to the Commission that by making the source code and underlying methodologies publicly accessible, the OCC can invite independent experts, academics, and market participants to scrutinize, verify, and improve these critical systems. Might the Commission consider whether or not such action might allow for continuous peer review and oversight from the broader financial community, enabling the identification and prompt resolution of deficiencies? This process may enhance trust in the OCC's operations, as Main Street gains greater confidence in the robustness and fairness of margin requirements and risk management practices.

Moreover, We respectfully submit to the Commission that open sourcing may spur innovation and collaboration, as stakeholders contribute to the development and refinement of the algorithms. Might the Commission contemplate whether establishing collaborative platforms, such as forums and code repositories, might facilitate these efforts, promoting a more efficient and resilient financial system? We respectfully submit to the Commission that regulatory support for this initiative is essential, as it aligns with broader reforms aimed at American Transparency and reducing systemic risk. We respectfully submit to the Commission that by transforming the

¹⁰³ See note 3, n.13.

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OCC from a centralized point of failure into a catalyst for innovation, open sourcing will ultimately benefit American investors and ensure the resilience of our financial infrastructure.

In addition, we respectfully submit to the Commission that open sourcing the OCC's algorithms and margin systems will facilitate continuous and rigorous code audits, providing the best means of ensuring robustness and transparency in its operations. Does the Commission agree that code audits, performed by independent experts and the wider community, are a powerful tool for identifying and addressing vulnerabilities, improving code quality, and ensuring adherence to best practices?¹⁰⁴

We respectfully submit to the Commission that by making the source code publicly accessible, the OCC can leverage the collective expertise of developers, academics, and financial analysts. These stakeholders can conduct thorough audits, examining the algorithms for flaws, inefficiencies, and potential security issues. This level of scrutiny ensures that any deficiencies are quickly identified and corrected, reducing the risk of systemic failures.

Further, code audits promote transparency by allowing external parties to understand and verify the methodologies used in the OCC's risk management and margin calculations. This openness fosters trust among investors and market participants, as they can see firsthand how these critical systems operate and how risks are managed. We respectfully submit to the Commission that the detailed documentation and explanations accompanying the open-sourced code will further enhance understanding and confidence in the OCC's practices.

We respectfully submit to the Commission that continuous code auditing also drives innovation. When the community has access to the code, they can suggest improvements, optimize performance, and develop new features that enhance the overall system.¹⁰⁵ We respectfully submit to the Commission that this collaborative approach not only improves the existing codebase but also encourages the development of more advanced and resilient solutions for the financial markets.

We respectfully submit to the Commission that open sourcing the OCC's algorithms and margin systems aligns seamlessly with the Commission's goals and its broader disclosure-based regulatory approach. The Commission has consistently prioritized transparency and public

¹⁰⁴ See, e.g., Section IV.B of PREV.

¹⁰⁵ See, e.g., note 17 in DAO Report at www.sec.gov/files/litigation/investreport/34-81207.pdf.

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access to critical information, which fosters trust and integrity in the financial markets.¹⁰⁶

We respectfully submit to the Commission that staff emphasis on transparency is evident in several key initiatives. For example, the requirement that online proxy material sites do not use cookies to track investors ensures that investor privacy is protected while maintaining transparency in corporate governance processes.¹⁰⁷ Similarly, the public dissemination of material corporate information, such as through EDGAR filings, provides investors with timely and accessible data necessary for informed decision-making.¹⁰⁸

Furthermore, We respectfully submit to the Commission that staff's commitment to global transparency standards, including adherence to principles set by the IOSCO inter alia, underscores their dedication to maintaining open and fair markets.¹⁰⁹ These standards tremendously advocate for clear and comprehensive disclosure, enabling investors worldwide to have a trusted consistent and transparent view of activities in our most developed, advanced, and liquid market.

We respectfully submit to the Commission that open sourcing the OCC's algorithms and margin systems directly supports your top goals by enhancing the visibility and accountability of one of the most critical components of the financial infrastructure. Might the skilled Commission respectfully ask what material benefits public access to the source code and methodologies will allow for independent verification, continuous improvement, and innovation, aligning with the Commission's objective of fostering a transparent and trustworthy market environment?

By ensuring that the OCC's operations are subject to the same rigorous transparency standards as other market participants, the Commission can reinforce its commitment to a disclosure-based regime. This approach not only aligns with existing regulatory practices but also advances the broader goal of public permissionless transparency, which is essential for

¹⁰⁶ See, e.g., [x.com/JFWooten4/status/1765557120957891035](https://www.x.com/JFWooten4/status/1765557120957891035), note 3 in PREV, and www.sec.gov/news/statement/gensler-x-account.

¹⁰⁷ See 17 C.F.R. § 240.14a-16(k)(1).

¹⁰⁸ See, e.g., 17 C.F.R. § 243.101(a).

¹⁰⁹ See, e.g., Section V.C of PREV.

maintaining investor confidence and market stability. Relevantly, brilliant staff once wrote that:¹¹⁰

Commission administrative proceedings, and the documents filed by parties pursuant to those proceedings, generally are accessible to the public unless the circumstances warrant a departure from the norm in accordance with our Rules of Practice.

This commitment to openness allows the public to engage meaningfully in the regulatory process and ensures that the market operates with integrity and fairness. Your noble sentiments and historic policy objectives underscore a deep commitment to openness and democratic public engagement. We respectfully submit to the Commission that this guiding principle ensures that the regulatory process remains transparent and inclusive, fostering trust and confidence in the financial markets. Open sourcing the OCC's algorithms and margin systems extends this ethos of transparency to a foundational subcomponent of our nationwide capital market infrastructure.¹¹¹

1. Building Our Markets Together

We respectfully submit to the Commission that, when combined with inadequate management, proprietary software in SIMFUs poses unacceptable risks to the integrity of our most advanced, developed, and liquid capital market. Without public access to the underlying code, users cannot

¹¹⁰ See Release No. 58756 at www.sec.gov/files/litigation/opinions/2008/34-58756.pdf, putting first the public disclosure of all submitted documents with the exception of personal information.

¹¹¹ For instance, OCC claims to utilize a proprietary derivation of the Cox-Ross-Rubinstein binomial option pricing model to calculate projected liquidating prices. If a member of the investing public is concerned about the proprietary modifications made by OCC to the proven model, how can they presently verify the firm's bespoke application of the standard model for setting risk-based haircuts? We respectfully submit to the Commission that this is precisely the kind of question likely to be overlooked in a proposed rule change comment from the public without sufficient technical documentation (which is already being produced and simply kept behind closed doors), despite the reality that—for a growing number of investors concerned materially with the stability of our great financial system's longstanding middlemen—this nuanced algorithmic detail, the type best expressed in open-source code, provides the precise assurance in stable risk management procedures necessary for otherwise weary investors. Accordingly, might the Commission consider the benefits of requiring SIMFUs, with little to no threat of competitive pressure, to open-source their clearing, settlement, and matching systems?

verify the software's integrity, identify vulnerabilities, or ensure that the software operates as intended. This lack of transparency is particularly troubling in a sector where automated systems play a pivotal role in managing substantial financial transactions. Matters of public safety dictate that everyone should have the right to run, study, and fix the software they use, whether directly or indirectly affected by it.¹¹²

a) Existing Shared Common Infrastructure

The GNU / Linux ("Linux") operating system serves as a prime example of how open-source software can address complex problems effectively. The collaborative nature of Linux development allows for continuous improvement and rapid bug fixes, driven by a global community of developers. This model contrasts sharply with proprietary software, which often restricts access to its codebase, limiting the ability to identify and rectify issues swiftly.

Transparency is a cornerstone of Linux's open-source model, playing a crucial role in its widespread adoption in capital markets. Every line of Linux code is openly available for review, allowing developers and users to inspect, modify, and improve the software. This level of transparency ensures that any vulnerabilities or bugs are quickly identified and addressed, significantly enhancing the security and reliability of systems built on Linux. In the context of financial markets, where trust and stability are paramount, the transparent nature of Linux provides a solid foundation for robust and trustworthy trading platforms, risk management systems, and other critical applications. This openness not only fosters innovation but also builds confidence among users, ensuring that the financial infrastructure remains resilient and secure.

We respectfully submit to the Commission that Linux plays a pivotal role in the infrastructure of the global capital markets. From trading platforms to risk management systems, the majority of financial institutions rely on Linux due to its robustness, security, and flexibility. The open-source nature of Linux allows for continuous innovation and rapid adaptation to the ever-changing demands of the financial sector. This widespread adoption underscores the value of transparency and community-driven development in maintaining the integrity and efficiency

¹¹² In today's rapidly evolving technological landscape, the need for transparency and open-source solutions in financial systems has never been more critical. Proprietary software poses unacceptable risks in a world that increasingly depends on automated systems. Complex problems require innovative solutions, and getting these solutions to market quickly is essential for maintaining a stable and secure financial ecosystem.

of our financial systems.

Virtually every stock exchange, trading server, and cloud platform operates on Linux due to its robustness, security, and flexibility. Financial institutions trust Linux for their mission-critical applications, including trading platforms and risk management systems. Even proposed systems like the OCC's Encore system are likely to leverage Linux. This widespread reliance on Linux underscores the immense value of transparency and community-driven development in maintaining the integrity and efficiency of our financial systems.

The open-source and collaborative principles of Linux are fundamental to its success and widespread adoption in the capital markets. As an open-source platform, Linux allows developers from around the world to contribute to its codebase, fostering a collaborative environment where continuous improvement and innovation thrive. This transparency ensures that vulnerabilities are quickly identified and resolved, enhancing the security and reliability of the system. Furthermore, the collaborative nature of Linux development promotes the sharing of best practices and innovative solutions, ensuring that the platform remains at the forefront of technological advancements. This model of openness and community-driven development is essential for maintaining the trust and efficiency of our financial systems.

b) *Select Goldman Sachs Transparency*¹¹³

In a significant move towards embracing open-source principles, Goldman Sachs made headlines when it decided to open up its proprietary data modeling platform, Legend. This platform, initially developed to streamline and enhance Goldman Sachs' data management and analytics capabilities, became an open-source project under the Fintech Open Source Foundation—benefiting all of society. By making Legend publicly available, Goldman demonstrated a commitment to transparency and collaboration, recognizing the benefits of sharing innovative technologies with the broader financial community.

Legend's open-source release allows financial institutions, developers, and regulators to collaborate on a unified data modeling and management platform. This move not only fosters innovation but also helps establish industry-wide standards for data management. By leveraging

¹¹³ See github.com/finos/legend; while Legend is a highly well-known example of open-source innovations, we respectfully submit to the Commission that the industry as a whole grows by adopting transparent open standards such as github.com/jpmorganchase/quorum, github.com/ing-bank/ing-open-banking-sdk, and github.com/americanexpress/jest-image-snapshot.

the collective expertise of the global developer community, Goldman Sachs enhances the platform's capabilities and security, ensuring it remains at the cutting edge of financial technology. We respectfully submit to the Commission that the diverse expertise of contributors worldwide helps in identifying and resolving data quality issues more effectively.

Moreover, Legend facilitates better collaboration among data professionals by providing tools for version control and shared development. This collaborative environment enables data scientists, analysts, and engineers to work together seamlessly, sharing insights and innovations. Does the Commission agree that the open development process allows for greater scrutiny and accountability, ensuring that Legend adheres to industry standards and best practices?

c) *Burgeoning Parallel Market Systems*

Stellar is an open-source blockchain platform designed to facilitate cross-border payments and promote financial inclusion. It allows for the creation and transfer of digital assets, providing a transparent and efficient alternative to traditional payment systems. The platform is particularly focused on connecting financial institutions, payment processors, and individuals to enable seamless and low-cost transactions across borders. By making its codebase publicly accessible, Stellar invites developers from around the world to contribute to its platform.

We respectfully submit to the Commission that the open development principles that Stellar adheres to are crucial for building a robust and secure platform. Transparency in the development process means that the code is subject to constant review by the community, helping to quickly identify and address any vulnerabilities or bugs. This openness not only enhances the security and reliability of the platform but also builds trust among users and stakeholders. Does the Commission agree that this collaborative environment allows for continuous improvement and rapid iteration, ensuring that the platform evolves in response to the needs of its users and the challenges of the financial landscape?

Moreover, the community-driven approach fosters innovation by leveraging the collective expertise and creativity of developers globally. Contributors can propose and implement new features, improving the platform's functionality and usability. We respectfully submit to the Commission that this collaborative model also encourages the sharing of best practices and the development of interoperable solutions, which can be adopted and adapted by other financial institutions and technology providers.

The Stellar community is an active and vibrant network of developers, businesses, and

non-profits, all working together to advance the platform's mission of financial inclusion. Regular updates, community meetings, and transparent governance processes ensure that all stakeholders have a voice in the platform's development. We respectfully submit to the Commission that this inclusive approach not only drives technical innovation but also ensures that the platform remains aligned with the broader goal of making financial services accessible to everyone, regardless of geographic location or economic status.

By leveraging the decentralized nature of blockchain technology, Stellar ensures that transactions are secure, transparent, and immutable. This not only enhances the trust and reliability of the payment process but also significantly reduces transaction costs and processing times. As a result, Stellar is becoming a vital tool for financial institutions and businesses looking to streamline their international payment operations and improve access to financial services in underserved regions. The platform's commitment to open-source principles fosters continuous innovation and collaboration, driving the development of new financial products and services that can further enhance global financial inclusion.

2. Preserving Our Democratic Republic

The Commission itself has previously required individual justification for withholding information deemed confidential under regulation.¹¹⁴ We respectfully submit to the Commission that, if investors must justify withholding basic personal information such as their name, then a SIMFU like the OCC should also provide justification for why over 250 pages of material related to the proposed rule change have been censored under this proposal without appellate recourse. Supporting an interpretation of the proposed rule change requires access to complete and unredacted information. Information transparency benefits more than just investors at large. It helps maintain the integrity of financial systems and fosters trust among market participants.

As outlined, we respectfully submit to the Commission's diligent staff¹¹⁵ that addressing the material challenges facing our market's nuanced centralized securities trading and settlement systems will require a crowdsourced, collaborative effort spearheaded by active and passionate

¹¹⁴ See, e.g., Release No. 95662 at www.sec.gov/files/litigation/opinions/2022/34-95662.pdf.

¹¹⁵ See Section I.D, note 2, and Section V.D in PREV.

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investor advocates.¹¹⁶ Accordingly, we respectfully request the Commission reveal the confidential information in Exhibit 5a and 5b in SR-OCC-2023-008;¹¹⁷ Exhibit 3a-3c and 5b-d in SR-OCC-2022-012;¹¹⁸ Exhibit 5d in SR-OCC-2022-010;¹¹⁹ and Exhibit 3 and 5 in this proposed rule change, in accordance with 17 C.F.R. § 200.83(d)(1), 5 U.S.C. § 552, and 17 C.F.R. § 200.83(e)(4).¹²⁰ We respectfully submit to the Commission that the publication of material-related policy changes in SRO filing applications, such as those marked confidential, will significantly increase

¹¹⁶ Such as those the Commission's innovative leadership has shown acquaintance with in, e.g., youtu.be/0C0Sj6Us19I, youtu.be/a2Ao3DjvjB4, youtu.be/jexcrkrEFp4.

¹¹⁷ See redacted versions at www.sec.gov/files/rules/sro/occ/2023/34-99169-ex5a.pdf and www.sec.gov/files/rules/sro/occ/2023/34-99169-ex5b.pdf, respectively. In regards to this proposed rule change itself, might the Commission respectfully consider crucial corporate governance, market stability, and investor protections that may be faithfully advanced by disallowing the explicit denunciation of public comments, as promulgated on page 40?

¹¹⁸ See redacted versions at www.sec.gov/files/rules/sro/occ/2022/34-96533-ex3a-3c.pdf and www.sec.gov/files/rules/sro/occ/2022/34-96533-ex5b-d.pdf, respectively.

¹¹⁹ See redacted version at www.sec.gov/files/rules/sro/occ/2022/34-95842-ex5d.pdf.

¹²⁰ Block Transfer will furnish up to \$1,000 for this critical request. We respectfully request a fee waiver since the open disclosure thereof is in the public interest because it is likely to contribute significantly to public understanding of the operations or activities of the government and SROs. This request neither requires expedited service nor is primarily in our commercial interest. Comment email carbon copied to foiapa@sec.gov. We prefer electronic replies. Should the Commission deem it prudent, might a public posting of these materials best serve Americans? Relevantly, the valuable options margin risk algorithms withheld in these redacted documents will help the investing public understand the relatively unknown clearing and settlement risks previously identified as problematic by the Commission in *supra* note 9. Moreover, we are not in the business of operating centralized risk-management CSD algorithms or any related business which stands to benefit from a more comprehensive understanding of OCC's code. Additionally, due to the substantial number of comments on this proposal, we believe thousands if not tens of thousands of Americans interested in this subject will learn from disclosure of these materials. This disclosure is significantly likely to contribute to the understanding investors have in the safety of our markets' risk management systems. Comprehension of these mechanics ultimately promises stellar market confidence.

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transparency, trust, and faith in our in our United States' financial markets.¹²¹ Does the Commission agree that this increased transparency will enhance democratic participation through comments on proposals that otherwise receive minimal to no feedback, ultimately strengthening our market infrastructure?

The Commission wrote early last year that, from “2015 through 2022 [FOIA] requesters were not charged fees because either no records were provided or the requester was provided with existing electronic records, for which a fee is not charged. There were no requests processed that required production of hard copy records, the scanning of hard copies, or production in another media, such as an electronic storage device.” During this period, the Commission received a total of 1,504 requests.¹²²

Our great and prosperous United States has an extensive history of promoting open transparency, as recently reinforced under our democratic government through Pub. L. No. 114-185, 88 FR 9820, and Exec. Order No. 13392.¹²³ These legislative measures underscore a commitment to making government operations more open and accessible to the public.

We respectfully submit to staff that SROs classified as systemically important should be exempted from non-disclosure protections for information filed with the Commission. It is our understanding that this action does not require a material change in the regulatory framework, given the thoughtful existing guidelines on existing securities intermediaries. We believe this is in part thanks to forward-looking staff that tend towards flexibility in disclosure of additional relevant material to the investing public, as such documentation enables Main Street to fully comprehend our government, issuer financials, and the market.¹²⁴

One notable example of increased transparency is the public availability of fails-to-deliver data from another SIMFU and SRO. As the Commission knows, this data was made accessible due to repeated FOIA requests from Americans entitled to understand our National Market System.¹²⁵ This important data, now available permissionlessly to the public, can be

¹²¹ See, e.g., File Nos. SR-OCC-2020-014-016, SR-OCC-2019-004, and SR-OCC-2018-011.

¹²² See page 11 in File No. S7-03-23.

¹²³ See also, e.g., staff FOIA request transparency pertaining to specific filers as per American Transparency in public Request Nos. 07-02796-FOIA, 08-01838-FOIA, and 11-05889-FOIA.

¹²⁴ See Release No. 100058 at www.sec.gov/files/litigation/opinions/2024/34-100058.pdf.

¹²⁵ See Request No. 06-04651-FOIA at www.sec.gov/comments/s7-12-06/s71206-807.pdf.

referenced by curious members of Main Street who want to learn more about our most advanced, developed, and liquid capital market.¹²⁶

The Commission has a history of increasing the burden for individual confidentiality requests.¹²⁷ Just as individual transparency is required for investors, the same rigorous standards must apply to SIMFUs.¹²⁸ We call on the Commission to mandate the full disclosure of the OCC's margin practices. We respectfully submit to the Commission that by doing so, we can foster a more transparent, accountable, and resilient capital market that serves the needs of Main Street.

3. Open Community Development Scrutiny

It is only with full disclosures of the OCC's comprehensive market margin practices that investors can fully understand the characteristics and risks associated with transacting in listed options. We respectfully submit to the Commission that such transparency enables informed decision-making, fosters trust in the financial markets, and enhances overall market stability.

Full disclosures ensure that all market participants have access to critical information about risk management practices and margin methodologies. This transparency is vital for assessing the true risk profile of transactions involving listed options, helping investors make more informed choices. We respectfully submit to the Commission that community involvement in the oversight of financial systems can benefit everyone by bringing diverse perspectives and expertise to the table, enhancing the robustness of risk management practices.

By opening up their practices to public scrutiny, the OCC can contribute to a more stable and resilient financial system. We respectfully submit to the Commission that transparent risk management practices allow for better oversight and accountability, reducing the likelihood of

¹²⁶ See public data at note 1 in www.sec.gov/comments/s7-02-22/s70222-20164906-334458.pdf. See also Main Street duo in www.sec.gov/comments/s7-31-22/s73122-20154222-322444.pdf and everyday American with musing ideas at www.sec.gov/comments/s7-08-22/s70822-326555.htm.

¹²⁷ See, e.g., Release No. 95662 www.sec.gov/files/litigation/opinions/2022/34-95662.pdf; Release No. 87599, n.96 at www.sec.gov/files/litigation/opinions/2019/34-87599.pdf; and Release No. 97823 in toto at www.sec.gov/files/litigation/opinions/2023/34-97823.pdf.

¹²⁸ See pro-American changes at www.federalreserve.gov/SECRS/2023/November/20231113/R-1818/R-1818_102023_155737_355096875053_1.pdf disdained by extractive Wall Street groups.

systemic failures.

Collaborative efforts can lead to innovative solutions and improvements in the financial infrastructure, benefiting all market participants. It is only with these tools and full disclosures of the OCC's all-encompassing market margin practices that investors might fully understand the characteristics and risks of transacting with listed options.

C. Similar Public Syndicate Scrutiny

As communicated with staff, BlockTrans Syndicate is the first Transfer Agent Depository.¹²⁹ As a response to the Carta scandal earlier this year,¹³⁰ we shall start taking on private clients to fund our ongoing operational expenses.¹³¹ Might the innovative staff please confirm by 20 July 2024, if there are any concerns regarding our proposed actions, including issues related to our national security, Wall Street competition, or Main Street transparency? We will leverage existing best practices publicly documented to ensure transparency and trustworthiness in our operations.¹³² This approach aims to support those affected by similar conflicts of interest and promote a decentralized, optimized, and equitable market system.

Moreover, we are in the process of open-sourcing TAD3 if the Commission expresses no concerns. Relevantly, we are also assisting the WhyDRS advocacy group with organization into a Wyoming unincorporated nonprofit DAO. This innovative approach aligns with our long-term market simplification goals by leveraging blockchain technology to ensure ongoing transparency, security, and efficiency. We respectfully submit to the Commission that this nonprofit will enable real-time, decentralized decision-making, where stakeholders, including Main Street investors, can participate directly in governance and oversight. It is our intention to leverage this vehicle

¹²⁹ See, e.g., note 4 in PREV; our inaugural TAD3 announcement, data, and transparency report at www.blocktransfer.com/blog/post/introducing-transfer-agent-depository; and note 24 in PREV, archived release at image-ppubs.uspto.gov/dirsearch-public/print/downloadPdf/20220284507.

¹³⁰ *Id.*; staff have not contacted us since filing our comment on File No. S7-15-23.

¹³¹ We are appalled by the Carta scandal, per x.com/JFWooten4/status/1750925079519662224. This situation underscores the importance of freeing our markets from brokers' undue influence.

¹³² See, e.g., our disclosure platform at [Issuers.info](https://issuers.info), our transparency reports such as *supra* note 129, and our crowdsourced compliance insights at lemmy.whynotdrs.org/post/1166651.

as:¹³³

Procyon's vision is to become the first modern nonprofit broker in America. Its systems will employ transparent blockchain securities custody, utilizing the register of Block Transfer clients through their master securityholder files via book entry. Ms. Countryman, Procyon will extend access to American securities to individuals in developing regions who have historically been excluded from financial markets and quality equity investments.

I believe we are at the forefront of pioneering innovations in remote and community-led distributed work, collaboration, and messaging, which the world urgently needs to recognize. Our shift towards economic self-sustainability transcends mere financial necessity—it embodies a strategic maneuver that others can adopt, enabling them to dedicate more focused efforts on Free and Open Source Software projects, unchained from the constant concerns of financial stability. This transition holds the promise of spurring greater innovation and accelerating the growth of countless initiatives, which I believe will make the vision of a decentralized financial system a tangible reality for a broader audience.

We respectfully submit to the Commission that by adopting an open-source framework, we can create a financial system that is transparent, adaptive, and steadfast. Open-source projects thrive on diverse contributions and continuous improvement, ensuring that the system remains robust and adaptable to future challenges. This collaborative approach invites the best minds to contribute to the development and oversight of financial regulations, promoting a culture of openness and shared responsibility. U.S. Postmaster General Marvin Travis Runyon once said:

We want to compete. Give us the chance and we will deliver!

We respectfully submit to the Commission that our recommendations are an acceptable means to effectuate staff goals.¹³⁴ Together, enabling diverse viewpoints through innovative, empowering, and widespread diversity, equity, and inclusion initiatives is crucial for fostering a robust and resilient financial system.

¹³³ See *supra* note 115.

¹³⁴ See *supra* note 16.

IV. Nurturing Democratic Commission Participation

Main Street should shape regulations with Wall Street going forward. The Commission is already brilliantly transparent; we just need to extend that transparency to SROs, many of which are also SIMFUs with Congressional implications. This free flow of information, as staff have expertly safeguarded over the many decades, keeps our institutions accountable and (ideally) honest.¹³⁵

For too long, comments have been dominated by the interests of Wall Street. Recent innovations finally give Main Street the education to meaningfully contribute to our capital market's rules.¹³⁶ These are our thoughts after deliberately looking into the OCC's SRO rulemaking practices for less than a week, and I apologize if we overlooked any concerns the Commission addressed previously regarding risky SIMFU practices.¹³⁷

We urge the Commission to address these transparency issues comprehensively. Investors deserve access to complete information to make informed decisions. We respectfully submit to the Commission that the redacted materials in the OCC's proposal inhibit this ability and place Main Street at a disadvantage. The OCC's monopolistic position is reinforced by its extensive control over the clearing and settlement processes, leaving no room for competition in clearing standardized equity options. The centralization of these functions means all brokers rely on the OCC, regardless of their platform.

Transitioning the OCC into an open-source environment is not merely a technological upgrade; it is a strategic move that positions our nation at the forefront of financial innovation. This approach ensures that our financial system remains robust, secure, and transparent, qualities that are essential for maintaining global leadership in finance. By adopting these cutting-edge solutions, we are demonstrating a commitment to protecting the interests of all market

¹³⁵ See, e.g., Release No. 76266 at www.sec.gov/files/litigation/opinions/2015/34-76266.pdf.

¹³⁶ See *supra* note 29.

¹³⁷ See, e.g., elevated leverage through clearing member delta hedging position exposure. Based on our limited understanding of public material, this mechanism seems to allow for failures to deliver without notifying exchanges, at [www.theocc.com/getmedia/63b34fce-8b84-4161-80d6-7381013cbf2d/ENCOREDDSGuideDeltaPosition Limits.pdf](http://www.theocc.com/getmedia/63b34fce-8b84-4161-80d6-7381013cbf2d/ENCOREDDSGuideDeltaPositionLimits.pdf). We respectfully submit to the Commission that this practice could contribute to systemic risk by enabling defaults or other payment failures in the market to only a select number of notified Wall Street firms. We respectfully ask the Commission whether such a transparency difficulty might be mended expeditiously through open protocol standards displayed for both Wall Street and Main Street.

participants, from large institutions to everyday investors on Main Street.

This transformation is best for the nation as it fosters a financial environment where transparency and accountability are paramount. By enabling real-time, decentralized decision-making and public scrutiny, we are building a system that can adapt quickly to market changes and emerging risks. This agility is crucial for maintaining stability in times of economic uncertainty and for preventing the systemic failures that have plagued our financial markets.

To govern the operations of Wall Street effectively and ensure the stability of our great capital market, it is imperative to increase transparency in the OCC's centralized operations. Historical precedents such as American Transparency, the exposure of Bernie Madoff,¹³⁸ and access to non-governmental SIMFU fails-to-deliver data demonstrate the feasibility and necessity of such measures. Extending FOIA access to cover SIMFUs like the OCC would provide foreign regulators, active investors, and the public with the insight needed to monitor, manage, and prepare for the risks associated with options clearing, especially during periods of high volatility.

Given the OCC's dominant position and the systemic risks posed by its operations, the current lack of transparency in its proposed rule changes is unacceptable. By addressing these recurrent transparency issues, staff can ensure that the OCC operates in a manner that protects the interests of all market participants, thereby promoting a fair, competitive, and stable market for all investors in our great Nation. We respectfully submit to the Commission that failure to deliberately and promptly impose transparency requirements on the OCC poses an unacceptable risk to the stability, respect, and integrity of our most advanced, developed, and liquid American capital market.

In good faith,



John Wooten

Chief Compliance Officer

www.blocktransfer.com

¹³⁸ Which, as the Commission knows, was spotted early on by an adamant member of the public.