



**THE FOUNDATION
FOR SECURE
MARKETS**

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December 19, 2018

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

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

Re: Nasdaq PHLX LLC (“Phlx”) Notice of Filing of Proposed Rule Change to Establish Rules Governing the Give Up of a Clearing Member by a Member Organization on Exchange Transactions (Release No. 34-84624; File No. SR-Phlx-2018-72)

Dear Mr. Fields:

The Options Clearing Corporation (“OCC”) appreciates the opportunity to comment on Phlx’s rule filing SR-Phlx-2018-72 (“Filing”) with the Securities and Exchange Commission (“SEC”) to establish rules governing the give up of an OCC member of Phlx (“Clearing Member”) by a member organization with regard to transactions on Phlx. OCC is the registered clearing agency for all options transactions effected on the U.S. options exchanges, including Phlx.

Phlx notes, and OCC fully concurs, that certain Clearing Members independently and in conjunction with the Securities Industry and Financial Markets Association (“SIFMA”), expressed concerns related to the process by which executing brokers on U.S. options exchanges (“Exchanges”) are allowed to designate or “give up” an OCC Clearing Member for purposes of clearing particular transactions. These Clearing Members have recently identified the current give up process as a significant source of risk for clearing firms, and subsequently requested that Phlx alleviate this risk by amending its rules governing the give up process.

In the Filing, Phlx seeks to amend its rules regarding the current give up process in order to allow a Clearing Member to opt in, at the OCC clearing number level through the exchange, to a feature that, if enabled by the Clearing Member, will allow the Clearing Member to specify which executing brokers (in Phlx rules, “member organizations”) are authorized to give up that OCC Clearing Member’s clearing number. As proposed, Rule 1037(a) will provide that for each transaction in which a member organization participates, the member organization may indicate, at the time of the trade, with respect to floor trading only, or through post trade allocation, any OCC number of a Clearing Member through which a transaction will be cleared, provided the Clearing Member has not elected to “Opt In,” as defined in the proposed Rule, and restrict one or more of its OCC number(s) (“Restricted OCC Clearing Number”). A member organization may give up a Restricted OCC Clearing Number provided the member organization has written authorization from such Clearing Member.

Proposed Rule 1037(b) provides that Clearing Members may request the Exchange restrict one or more of their OCC clearing numbers ("Opt In"). If a Clearing Member Opts In, the Exchange will require written authorization from the Clearing Member permitting a member organization to give up a Clearing Member's Restricted OCC Clearing Number. An Opt In would remain in effect until the Clearing Member terminates the Opt In. If a Clearing Member does not Opt In, that Clearing Member's OCC number may be subject to give up by any member organization at any time.

The Phlx Filing is the culmination of several efforts by Exchanges, OCC Clearing Members and SIFMA member firms to address these concerns consistent with current practices on the Exchanges. We are grateful for the amount of work the Exchanges and SIFMA member firms have devoted to this issue. As the registered clearing agency for all listed options transactions in the U.S., OCC is keenly focused on risks that affect OCC clearing members. Because the Filing is designed to reduce this clearing member risks, OCC supports this Filing and believes the SEC should approve it.

We appreciate the opportunity to submit these comments on the Filing and are more than happy to address any questions you have related to them.

Sincerely,

A handwritten signature in blue ink, appearing to read "John P. Davidson", is written over a horizontal line.

John P. Davidson
President and Chief Operating Officer
The Options Clearing Corporation