



THE OPTIONS CLEARING  
CORPORATION

May 23, 2011

**Via Electronic Mail**

Ms. Elizabeth M. Murphy  
Secretary  
U.S. Securities and Exchange Commission  
100 F. Street, NE  
Washington, D.C. 20549

Re: SR-OCC-2011-03; OCC Response to Comment Letter from Mr. Gene Thomas

Dear Ms. Murphy:

The Options Clearing Corporation ("OCC") submits this letter in response to a comment letter received by the U.S. Securities and Exchange Commission ("SEC" or "Commission") from Mr. Gene Thomas ("Mr. Thomas") regarding the above-referenced OCC rule filing.<sup>1</sup> Mr. Thomas' comment letter is in response to OCC's rule filing which seeks to allow for an expansion of OCC's existing internal cross-margining program to include the ability of a pair of affiliated clearing members to establish an internal cross-margining account.<sup>2</sup>

The relevant portion of Mr. Thomas' comment letter states as follows:

*"I see no universal advantage to commingled monies or other valued properties etc. I visualize the possibility of from [sic] frequent disagreements between Dual Registrants and OCC."*

OCC disagrees with Mr. Thomas' comment letter. Mr. Thomas asserts that there is "no universal advantage to commingled monies or other valued properties." To the contrary, since granting approval of the first cross-margining program in 1988<sup>3</sup>, the Commission itself has found that cross-margining programs are consistent with clearing agency responsibilities under Section 17A of the Securities Exchange Act of 1934 and are highly beneficial to the clearing organizations, its clearing members and the public.

---

<sup>1</sup> Letter from Mr. Gene Thomas to the U.S. Securities and Exchange Commission dated April 25, 2011.

<sup>2</sup> See Securities Exchange Act Release No. 34-64167 (April 1, 2011), 76 FR 19512 (April 7, 2011) Notice of Filing of Proposed Rule Change.

<sup>3</sup> Securities Exchange Act Release No. 34-26153 (October 3, 1988), 53 FR 39567 (October 7, 1988).



OCC believes, and many years of practical experience confirm, that cross-margining programs enhance clearing member and systemic liquidity, as well as facilitate the efficient use of collateral. Cross-margining programs also reduce the risk that a clearing member will become insolvent in a distressed market and the corresponding risk that one insolvency could lead to multiple insolvencies in a ripple effect, and they generally enhance the security of the clearing system.<sup>4</sup>

Mr. Thomas' comment letter also states that he "visualizes the possibility of frequent disagreements between Dual Registrants and OCC." OCC disagrees with this statement. OCC's internal cross-margining program is limited to OCC clearing members and participation in the program is completely voluntary. If, for some reason, a clearing member believes the internal cross-margining program is not beneficial to its business, it is under no obligation to participate. OCC does not believe there is any support or basis in fact for Mr. Thomas' statement that there is the possibility of frequent disagreements between Dual Registrants and OCC, and we are not aware of any such disagreements over the many years that the various cross-margining agreements have been in operation.

Accordingly, the statements in Mr. Thomas' comment letter are not grounded in fact. OCC's experience with the actual operation of cross-margining programs and the experiences of participating clearing organizations and clearing members over many years clearly contradict Mr. Thomas' statements.

Please do not hesitate to contact me at (312) 322-4802 if you have any questions regarding this letter.

Sincerely,

A handwritten signature in black ink that reads "Stephen Szarmack".

Stephen M. Szarmack  
VP & Associate General Counsel

cc: Kenneth Riitho

---

<sup>4</sup> Securities Exchange Act Release No. 34-32708 (August 2, 1993), 58 FR 42586 (August 10, 1993).