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April 13, 2018

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090
Facsimile: (202) 772-9324

Re: The Options Clearing Corporation, File No. SR-OCC-2015-02

Dear Mr. Fields:

In their Submission on Remand, Petitioners explained that the Options Clearing Corporation's ("OCC") proposed capital plan (the "Plan") creates perverse incentives by causing the shareholder exchanges' dividends to increase as OCC's fees and expenses increase.[1] Petitioners also explained that fees and expenses, and hence dividends, predictably had been increasing rapidly under the Plan.[2] On March 9, 2018, Petitioners wrote to alert the Commission that this trend has been continuing,[3] and we now write to alert the Commission that further information on this subject has recently come to light.

In a separate proceeding, the Commission is considering whether to approve a proposed OCC fee increase.[4] In a recent filing in that proceeding, OCC revealed that its projected expenses for 2018 are $347.6 million and that, pursuant to the Plan, it is seeking to generate revenue that exceeds this amount by 33.33%, for a total of $463.5 million in annual revenue, resulting in a $115.9 million Business Risk Buffer under the Plan.[5]

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[1] Petitioners' Submission on Remand from the U.S. Court of Appeals for the D.C. Cir. in Opp'n to Proposed Rule Change Concerning a Proposed Capital Plan for Raising Additional Capital That Would Support The OCC's Function as a Systemically Important Financial Market Utility at 30–35, File No. SR-OCC-2015-02 (Nov. 30, 2017).
[2] *Id*. at 33–35.
[3] Letter from David H. Thompson, Counsel for Petitioners, to Brent J. Fields (Mar. 9, 2018).
[4] *See* Suspension of and Order Instituting Proceedings to Determine Whether to Approve or Disapprove the Proposed Rule Change to Revise The Options Clearing Corporation's Schedule of Fees, Exchange Act Release No. 34-82793, File No. SR-OCC-2018-004 (Feb. 28, 2018).
[5] The Options Clearing Corporation's Submission In Support of the Proposed Change to its Schedule of Fees at 10, File No. SR-OCC-2018-004 (Mar. 27, 2018) ("OCC Fee Submission").

These figures are troubling for three primary reasons. First, as Petitioners have repeatedly predicted, they demonstrate that OCC's expenses continue to increase at a much faster pace under the Plan than the projected 2.3% annual increases OCC previously represented.[6] OCC's projected expenses of $347.6 million represent an increase of 16.6% over 2017's expenses of $298.1 million[7], following a 21.3% increase the prior year.

Second, OCC's budget numbers demonstrate the increasingly lucrative nature of the shareholder exchanges' dividends under the Plan. If OCC's revenue and expense projections are accurate, pursuant to the terms of the Plan, approximately $58 million of the $115.9 million Business Risk Buffer will be set aside for payment of dividends.[8] Assuming that OCC pays taxes at the 21% federal corporate income tax rate, the resulting dividend payment to the shareholder exchanges of approximately ***$45.8 million*** is more than a ***30%*** **annual return** and more than a ***40%*** **increase over 2017's** already exorbitant $32.5 million dividend.[9] As the chart below shows, the shareholder exchanges' annual dividends, which are paid by market participants, are growing at an astronomical rate, exceeding even Petitioners' prior projections, not appropriate for a public utility and not in the interest of the marketplace:

Year	**Dividend[10]**	**Percent of Contribution**
2015	$19.7 million	13.1%
2016	$25.6 million	17.1%
2017	$32.5 million	21.7%
2018 (projected)	$45.8 million	30.5%
Total	**$123.6 million**	**82.4%**

Third, OCC's continued extraordinary revenues and capital distributions further undermine its insistence that it needed to solicit market-skewing contributions from the

[6] *See* OCC Brief in Support of Motion to Lift Stay at 11, File No. SR-OCC-2015-02 (Apr. 2, 2015).
[7] OCC, 2017 AUDITED FINANCIAL STATEMENTS (2018), *available at* https://goo.gl/MLnKpS.
[8] This assumes that OCC will not increase its Target Capital Requirement under the Plan and retain profits to meet the new target. While 2018 dividends would be lower if this assumption proved incorrect, the shareholder exchanges would still benefit as any increase in the Target Capital Requirement results in a dollar for dollar increase in OCC's equity, which is 100% allocable to the shareholder exchanges.
[9] OCC, 2017 AUDITED FINANCIAL STATEMENTS. It bears noting that if the Business Risk Buffer were 25% above expenses, rather than 33.33%, the projected 2018 dividend figure would decrease by ***$11.5 million.*** (A buffer of 25% above 2018 projected expenses would amount to $86.9 million; approximately $43.5 million of that total would be set aside for dividends; and after taxes at a 21% rate $34.3 million would be paid out in dividends.) OCC characterizes the buffer as 25% of forecasted *revenue*, OCC Fee Submission at 6, but one naturally thinks of a risk buffer being an amount above forecasted *expenses*. *See, e.g.*, Order Setting Aside Action by Delegated Authority, Approving Proposed Rule Change Concerning The Options Clearing Corporation's Capital Plan and Denying Motions at 12, File No. SR-OCC-2015-02 (Feb. 11, 2016). ("Under the Fee Policy, OCC will set fees at a level that will cover OCC's estimated operating expenses plus a 'Business Risk Buffer.' "). Indeed, because forecasted revenue is the sum of forecasted expenses *plus the buffer*, it makes no sense to describe the buffer as a percentage of forecasted revenue.
[10] Dividend figures for 2015 through 2017 are disclosed in financial reports and statements available at OCC's website, https://goo.gl/cWv5kz.

shareholder exchanges in the first place, rather than funding any capital needs through retained earnings.

These recent developments provide further support for Petitioners' submission that the Commission should reject the Plan for failure to comply with the Exchange Act.

Respectfully,

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CERTIFICATE OF SERVICE

I, Harold S. Reeves, counsel for Susquehanna International Group, LLP, Miami International Securities Exchange, LLC, BOX Options Exchange, Inc., Virtu Financial Inc., and Virtu Americas LLC, hereby certify that on April 13, 2018, I served copies of the attached letter on the OCC by email and Federal Express and filed the original with the Secretary by email and Federal Express at the following addresses:

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Dated: April 13, 2018

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