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August 29, 2018

VIA EMAIL

Brent J. Fields, Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: OCC Response to August 24, 2018 SIG Comment (File No. SR-OCC-2015-02)

Dear Mr. Fields,

In connection with the above-referenced proceeding, the Options Clearing Corporation ("OCC") submits this letter in response to the comment submitted by Susquehanna International Group, LLP ("SIG") dated August 24, 2018. SIG's latest comment is legally and factually unsound, and does not offer any basis to conclude that the Capital Plan fails to comply with any requirements of the Exchange Act of 1934 (the "Exchange Act"). We address each of SIG's assertions in turn.

First, SIG asserts yet again that OCC is capable of accepting capital provided by SIG to fulfill OCC's regulatory capital requirements. That is wrong. As the Commission knows, Rule 17Ad-22(e)(15) requires capital "funded by equity," and SIG's financing proposal does not qualify. Even if it did, OCC's stockholders are not required to accept dilution or to otherwise compromise their existing governance rights. OCC cannot simply accept offers of outside capital; rather, it must abide by its By-laws, which were reviewed and approved by the Commission under the Exchange Act.

Second, SIG asserts that clearing fee increases over the past few years are intended to benefit the Stockholder Exchanges. That is also wrong. OCC's clearing fees have increased because OCC has been required to invest substantially in its infrastructure and systems—not as a result of dividends paid under the Capital Plan in exchange for stockholders' substantial investments and replenishment commitments.

For decades, OCC refunded all fees collected in excess of expenses. While this meant that OCC would be viewed as a low-cost clearing services provider, it also meant that money that should have been retained and invested in improving and maintaining a clearing system, a risk management system, systems and operational resiliency, and technological infrastructure was instead rebated to clearing members. When OCC was designated as a SIFMU—when the Financial Stability Oversight Council determined that a failure of OCC could threaten the stability of the financial system of the United States—that had to change.

Starting in 2012, when OCC was designated, OCC began to devote considerable additional resources towards enhancing its resiliency, capacity, security, and integrity. Even before the Capital Plan was implemented, OCC's operating expenses increased by 43%, from $152.1 million in 2012 to $217.6 million in 2015. In the two years since, with the enactment of Regulation SCI and finalization of rules governing Covered Clearing Agencies, OCC's operating expenses have continued to rise, by an additional 37%.

Most of the increase in OCC's operating expenses has come from two areas—employee costs and professional fees and outside services. These increases were needed to pay new employees and outside consultants and professionals to enhance OCC's security, enterprise risk management, resiliency, and compliance capabilities—that is, these are expenses directly necessitated by OCC's designation as a SIFMU. Since its designation as a SIFMU, OCC's staff increased overall by more than 130%, with most of those increases coming in crucial areas for a SIFMU—namely, in compliance, legal, enterprise risk management, financial risk management, internal audit, and IT.

This is all to say that, contrary to SIG's suggestions, OCC has a real and urgent need to charge clearing fees that are sufficient to collect the revenues it needs to satisfy its regulatory obligations. These needs are well understood by the Commission and have been discussed in OCC's prior filings. It is difficult to understand how SIG can continue to try to blame increased clearing fees on dividends when it has no basis to do so and OCC has already publicly explained the facts underlying its fee increases. Having received $750 million in refunds and the lowest fees in the clearing industry over many years at the expense of OCC's technology infrastructure and risk management capabilities, market participants should not now be heard to complain about fees that are now needed for OCC to operate its business, satisfy its regulatory obligations, and fulfill its role as a SIFMU.

Third, SIG cites unsubstantiated rumors reported by *The Wall Street Journal* that "the NYSE recently considered selling its stake in OCC" to suggest that the Stockholder Exchanges' investment is liquid. This establishes nothing. NYSE did not sell its equity stake and the Commission cannot and should not rely on rumor and speculation when reviewing the Capital Plan. Nor can this rumor and speculation change the facts that the Stockholder Exchanges made substantial investments in a private company and their ownership stakes are subject to transfer restrictions, including rights of first refusal between and among the Stockholder Exchanges. Contrary to SIG's suggestion, the Stockholder Exchanges' investments are illiquid, giving rise to a marketability discount that affects their expected rate of return in any reasonable valuation. Indeed, OCC's own valuation expert considered, and applied, a lack of marketability discount (among other factors) in determining that the Stockholder Exchanges' expected returns for their investments in OCC and replenishment commitments under the Capital Plan are reasonable.

OCC respectfully submits that the Commission should disregard this latest attempt by SIG to confuse the record, and re-affirm its approval of the Capital Plan.

Sincerely,

Jeffrey B. Korn