



ABN AMRO Clearing Chicago LLC
175 West Jackson Boulevard
Suite 400
Chicago, IL 60604
Telephone (312) 604-8000
Fax (312) 604-8111

Via: Email to rule-comments@sec.gov

April 8, 2016

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street
Washington, DC 20549-1090

RE: File Number SR-OCC-2016-004

Dear Mr. Fields:

ABN AMRO Clearing Chicago LLC ("AACC") welcomes the opportunity to submit this comment letter (the "Letter") in response to the Securities and Exchange Commission's ("SEC's") Release No. 34-77358; File No. SR-OCC-2016-004, "Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Proposed Rule Change Related to the Adoption of an Options Exchange Risk Control Standards Policy" (the "Proposed OCC Rule" or the "Rule"). AACC submits this Letter in support of the Proposed OCC Rule, for the reasons explained in more detail below.

AACC Background

By way of background, AACC is a subsidiary of ABN AMRO Clearing Bank N.V. and part of ABN AMRO Group N.V. headquartered in the Netherlands. AACC is a member of The Options Clearing Corporation ("OCC"), a FINRA member, and a member of all U.S. Options Exchanges. As an SEC registered broker-dealer and a CFTC registered futures commission merchant, AACC's business primarily focuses on the clearing and execution of listed options, equities, and futures products on behalf of its predominantly institutional and/or professional customer base. While the growth of electronic trading has improved the market for the customers AACC serves by increasing liquidity, transparency, and fostering competition, it has also introduced new risks that should be managed appropriately at each level of market structure to mitigate the potential for erroneous or violative transactions causing detrimental systemic impacts.

Supporting Commentary

AACC commends the SEC and the OCC for the substantial effort evidenced in the drafting of the Proposed OCC Rule and specifically for acknowledging the important role that pre-trade and other risk controls play in mitigating market disruptions, amongst other risks. In summary, this Rule proposes to adopt and implement an Options Exchange "Risk Control Standards Policy." Importantly, the OCC developed this policy, which serves as one of the primary bases for this Rule, in consultation with the Options Exchanges. The proposal includes: certain principles-based risk controls; a certification requirement; and a proposed fee designed to incentivize compliance and provide additional funds for OCC to manage the heightened risk of non-compliance (if it occurs). We address each of these provisions of the Proposed OCC Rule below. First, however, AACC agrees that this Rule is not duplicative with, but rather complements the SEC's "Market Access Rule" (Rule 15c3-5 of the Securities Exchange Act of 1934) and the SEC's Regulation Systems Compliance and Integrity (commonly known as "Reg SCI"). In doing so, AACC believes that this Rule provides an additional and much needed layer of protections at the Options Exchange

level. This Rule also serves to align the Options Exchanges with the derivative industry practices for futures exchanges (designated contract markets).

AACC supports the proposal for the principles-based risk controls described in the Rule, specifically the: 1) "Price Reasonability Checks;" 2) "Drill-Through Protections;" 3) "Activity-Based Protections;" and 4) "Kill-Switch Protections." To allow for the alignment of risk management practices AACC urges that the Rule be amended to specify that the Options Exchanges provide visibility and transparency to the risk controls of each Options Exchange to the members, trading permit holders, and customers. Lastly, although AACC agrees with the proposed Kill Switch Protections, we recommend that for the "backup alternative messaging systems" it be clarified that the Options Exchanges will need to provide the methodology, access protocols, controls, and management of these backup alternative messaging systems.

AACC supports the certification requirement in the Proposed OCC Rule and believes it to be exceedingly reasonable. The requirement for a certification in the Proposed OCC Rule is consistent with the certification requirements in other areas of the financial services industry as required by the SEC and other self-regulatory organizations, such as FINRA. This requirement is consistent with, and complementary to, those certifications in other industry areas, rather than duplicative.

In addition, the proposed approach for the certification and review process provides for reasonable steps for the Options Exchanges to communicate and escalate any issues raised by the OCC with an Options Exchange's certification. As described, the reasonable steps outlined for this process include:

- the OCC furnishing the Options Exchange at issue with a concise written statement, as soon as reasonably practicable, of its reasons for being unable to determine that the Options Exchange has risk controls sufficient to meet the Risk Control Standards;
- the Options Exchange being allowed thirty (30) days to respond and present evidence;
- the OCC conducting a second review and making a recommendation to OCC's Risk Committee within 30 days;
- the OCC's Risk Committee, within 30 days of receiving the recommendation, reviewing the recommendation and supporting materials to determine whether the Options Exchange has implemented risk controls sufficient to meet the Risk Control Standards; and
- the OCC furnishing the Options Exchange with a concise written statement of its reasoning and a determination as soon as reasonably practicable.

This well-reasoned, step-by-step process allows for an appellate-type vetting and resolution of any dispute between the OCC and the Options Exchange, prior to the OCC posting the notice on its website discussed in the Proposed OCC Rule and the imposition of the proposed incentive fee. Lastly, although AACC fully supports this certification requirement and the process described above, AACC recommends that these provisions of this Rule be enhanced by requiring and specifying that the Options Exchanges test and monitor their risk controls and certify accordingly.

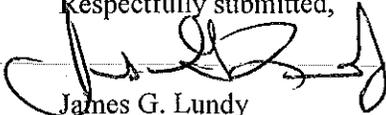
To incentivize compliance with the Proposed OCC Rule, the SEC and the OCC propose, sixty (60) days after the OCC posts the notice on its website, a fee of two cents per each cleared options contract per side (the "2-Cent Fee") applicable to options transactions effected on any Options Exchange that has failed to implement the required risk controls. AACC fully supports the use of a fee to incentivize Options Exchanges to adopt and maintain risk controls that are consistent with the Risk Control Standards in the Proposed OCC Rule. AACC also fully supports the use of the 2-Cent Fee to provide additional funds for OCC to manage the increased risk that would be presented to OCC and other market participants generally,

absent the Risk Control Standards, to provide the OCC with the increased financial means to cover the potential losses caused by erroneous or violative transactions that would be presented to OCC absent said Risk Control Standards. Finally, AACC urges that the Proposed OCC Rule be clarified at finalization to require the Options Exchanges to bear the full cost of the 2-Cent Fee (or any increased incentive fee) to prevent the Options Exchanges from passing this increased cost along to their member firms, trading permit holders, and/or customers. Without such a limitation, this 2-Cent Fee will not achieve the incentive of compliance sought in this Rule as Options Exchanges may seek to avoid this Fee by passing it through.

Conclusion

In conclusion, AACC fully supports the SEC's and OCC's goals and objectives in enhancing the risk management practices, processes, controls, standards, and procedures of the Options Exchanges. AACC thus requests that the SEC consider the comments provided herein to further improve the Proposed OCC Rule and Options Exchange risk management requirements and enhancements being sought. We greatly appreciate the SEC considering the comments provided in this Letter. If you have any questions or comments regarding this Letter, please contact me at [REDACTED] or AACC General Counsel Megan Flaherty at [REDACTED].

Respectfully submitted,



James G. Lundy
Associate General Counsel

CC: Mr. Michael Nowak, AACC Interim Chief Executive Officer
Ms. Megan Flaherty, AACC General Counsel
Mr. Christopher Plotner, AACC Head of Global Execution Services