

January 26, 2023

To Whom It May Concern:

It has come to our attention The Options Clearing Corporation ("OCC") has proposed a rule change to their Clearing Bank Standards. Lakeside Bank ("LSB") is currently an approved Clearing Bank for the OCC. LSB was founded in 1966 and is a leading, independent community bank that specializes in serving small and medium sized businesses in Chicago. LSB was the first community bank to establish a bank branch in the Chicago Board of Trade Building in 1985 that serves small and medium sized broker/dealers, independent traders, and clearing brokers. In addition to the OCC, LSB is a Clearing Bank for the Chicago Mercantile Exchange ("CME"), and the Depository Trust Clearing Corporation ("DTCC").

It is recognized this comment to proposed OCC rule filing SR_OCC_2022_012 is beyond the 01/13/2023 deadline to file but requests it would be recognized. The rule was published in the Federal Register on Friday 12/23/22 (Vol. 87, No. 246, Notices page 79015) and under the Administrative Procedure Act (5 U.S.C. Subchapter II) requires publication or service of a substantive rule shall be made not less than 30 days before its effective date. LSB was unaware of the proposed rule change to the proposed standards for a Clearing Bank and was not notified in writing until 3:39pm CST on 01/12/2023 by the OCC's Chief Financial Officer, Executive Director of Credit Risk Management, and Treasury Director leaving virtually no time to comment. The OCC has requested LSB Voluntarily Terminate its Clearing Bank relationship prior to the SEC passage of the proposed rule change. LSB is hereby requesting the SEC accept and review this comment set forth below.

In the proposed rule OCC Rule 203(b)(1) OCC seeks to revise their Clearing Bank standards. The OCC proposes to increase the Tier 1 Capital requirement from \$100 million to \$500 million that LSB would no longer comply with at roughly \$261 million in Tier 1 Capital per the FFIEC 9/30/22 bank call report. The OCC has noted to LSB there will be no exceptions or exemptions for currently approved Clearing Banks. LSB is a federally regulated financial institution and believes they do not pose a risk to the current OCC settlement process with Clearing Banks. If the OCC considers the LSB relationship as riskier based upon the banks size, OCC could deploy transactional caps on their Clearing Members that other clearing houses maintain.

The proposed 5x increase to the current Tier 1 Capital requirement will have a negative effect by eliminating LSB as a member Clearing Bank. With LSB eliminated it will reduce competition for large Clearing Banks which tend to not provide service for small and mid-sized Clearing Brokers. LSB provides similar services for small and mid-sized firms that settle and clear trades with CME and DTCC/NSCC. The rule change creates an unfair competitive advantage for larger banks that will satisfy the new requirements and serves to eliminate community banking institutions from Clearing Bank membership as well as future applicants. Furthermore, *"proposed OCC Rule 203(b)(6) would provide that in addition to the articulated minimum standards, a Clearing Bank must meet such other eligibility criteria as OCC may determine from time to time. This provision reflects that even under OCC's current Rules, OCC is not obligated to enter into a Clearing Bank relationship merely because a bank or trust company meets the OCC's minimum standards."* This carte blanche rule affords the OCC the ability to deny future applicants even if they meet the proposed requirements of a Clearing Bank and provides preference to their existing large Clearing Bank members.

LSB believes they are solely affected by the proposed rule change as a Clearing Bank and was not provided a reasoned decision by the OCC for the proposal. LSB has concern that other SRO organizations such as CME and DTCC could move to make similar rules with the passage of rule filing SR_OCC_2022_012 and could therefore eliminate community banking from servicing Clearing Brokers. In the OCC's Letter dated 01/19/2023 to the Commodities Futures Trading Commission ("CFTC") the OCC states *"These standard changes are not expected to have a significant impact on Clearing Members because the institutions currently approved as Clearing Banks and letter-of-credit issuers meet these standards."*

The proposed Tier 1 Capital rule change to \$500 million is arbitrary and capricious and not explained other than the OCC's belief the new requirement reduces the risk of a Clearing Banks failure to achieve their daily settlement obligations. *"OCC believes that increasing the required Tier 1 Capital standard for any bank or trust company would reduce the risks associated with establishing and maintaining a Clearing Bank relationship with an institution with lesser Tier 1 Capital. In reviewing its existing Clearing Banks, OCC found that a \$500 million (U.S.) Tier 1 Capital standard was more representative of these institutions."*

To conclude, Lakeside Bank objects to the proposed rule change as drafted. The OCC provided no rational basis for the proposed Rule 203(b)(1) increasing Tier 1 Capital requirement to \$500 million. The Rule is specifically targeted to eliminate LSB as a Clearing Bank, it will create an unfair competitive advantage for larger banks that meet the proposed requirements, and will limit community banks and LSB's capabilities to service small and mid-sized Clearing Members.

Respectfully,

Lakeside Bank