

February 4, 2024

By Email

Securities and Exchange Commission
Office of the Secretary
100 F Street, NE
Washington, DC 20549
rule-comments@sec.gov

Subject: Urgent Reconsideration of SR-OCC-2024-001 Proposed Rule Change

Dear Commissioners,

As a concerned participant in the financial markets, I wish to draw your attention to the proposed rule change by the Options Clearing Corporation (OCC), denoted as SR-OCC-2024-001, regarding adjustments in margin requirements during volatile market conditions. Upon thorough review, I believe the proposal necessitates significant revisions to safeguard market stability and integrity. Specifically, I propose the following modifications:

1. Increase Margin Requirements: It's imperative to enhance and enforce margin requirements proportionately to the risks posed by Clearing Member positions. Rather than diminishing margin requirements, the rule should incentivize Clearing Members to adjust their portfolios to withstand stressed market scenarios and long-tail risks. The current proposal inadvertently encourages a "Too Big To Fail" mentality, pressuring the OCC into frequent idiosyncratic controls to privatize profits and socialize losses.

2. Implement External Auditing and Supervision: Adopting a "fourth line of defense" through external auditing and enhanced public reporting, akin to the model used by financial institutions, is crucial. This ensures risks are identified and managed promptly, preventing them from escalating into systemic threats.

3. Revise the OCC's Loss Allocation Waterfall: I recommend reordering the loss allocation to position the "Clearing fund deposits of non-defaulting firms" ahead of "OCC's own pre-funded financial resources" in the loss allocation sequence. This adjustment will foster a mutual policing culture among Clearing Members, enhancing overall risk management and safeguarding the OCC, a Systemically Important Financial Market Utility (SIFMU), from potential bailouts.

These suggested modifications aim to reinforce market resilience, ensuring that regulatory frameworks align with the principles of risk mitigation, transparency, and collective responsibility. I trust the SEC will closely consider these recommendations, undertaking a comprehensive review to ensure the proposed rule change genuinely enhances the financial system's stability and integrity.

Thank you for your dedication to maintaining fair and secure markets. I look forward to your response and the opportunity to contribute further to our financial system's robustness.

Sincerely,

Antti Kuokkanen

A concerned household-investor