Subject: Comments on SR-OCC-2024-001 34-99393

Dear Securities and Exchange Commission,

I am writing from Ireland to express my concerns regarding the proposed rule change by the Options Clearing Corporation (OCC) to adjust parameters for calculating margin requirements during periods of high market volatility. As a long-term household investor, invested in the stability and fairness of the US financial market, I appreciate the opportunity to provide my thoughts on the proposal.

The OCC's proposed rule change (SR-OCC-2024-001), aimed at codifying the calculation methodology for margin thresholds, is of concern due to its potential inadvertent shielding of risky financial positions during periods of high market volatility. By formalizing the ability to adjust margin requirements based on market conditions, the proposal may restrict or reduce the normal risk management mechanism of margin calls, allowing investors with imprudent risks to avoid necessary adjustments. This lack of an effective risk management mechanism, coupled with the OCC's history of implementing frequent "idiosyncratic" and "global" control settings, raises concerns about the unchecked growth of risky positions that could pose a serious risk to long-term market stability.

One aspect that raises a red flag is the role of the Financial Risk Management (FRM) Officer. The proposal places significant responsibility on this individual, whose primary duty is to safeguard OCC's interests. This creates an inherent conflict of interest, as protecting OCC’s interests may not always align with the broader market’s well-being. The proposal itself acknowledges a scenario where risk factor coverage differs significantly under idiosyncratic control settings compared to regular control settings, emphasizing the need for scrutiny.

Compounding this concern is the lack of transparency in the redacted materials accompanying the proposal. Transparency is crucial for fostering trust among investors and the public. The redacted nature of the materials limits our ability to fully evaluate the effectiveness of the proposed rule. This lack of transparency not only raises questions about the thoroughness of the evaluation process but also diminishes the opportunity for informed public discourse.

While acknowledging OCC's intent to mitigate risks during high volatility periods, it is imperative to ensure that risk management measures do not inadvertently shelter bad bets. Adjusting parameters for calculating margin requirements is crucial for market stability, but this must be done in a way that aligns with broader market interests.

In light of the concerns highlighted in the OCC Rule proposal, particularly the apprehension about reducing margin requirements during stressed market conditions and the potential cascade of Clearing Member failures, I recommend a reconsideration of the OCC's loss allocation framework.

To address this potential disparity and promote fairness, I propose that Clearing Fund deposits of non-defaulting firms be prioritized over the OCC's pre-funded resources. This adjustment ensures that Clearing Members' contributions play a more immediate and prominent role in covering losses, aligning with principles of equity and transparency in the OCC's risk management structure. Such a modification would provide additional protection to non-defaulting Clearing Members and contribute to a more balanced and resilient financial ecosystem.

I also propose additional safeguards and modifications to the rule. One example includes, considering an independent review mechanism to assess the impact of control settings on both OCC's interests and the broader market. This measure is essential to reinforce transparency and accountability within the regulatory framework, ensuring an unbiased evaluation of risk management practices. By involving external experts, this safeguard not only mitigates potential conflicts of interest but also fosters public trust and confidence in the regulatory process. It aligns with the broader goal of upholding market integrity, providing a robust mechanism for continuous improvement and adaptability in response to evolving market dynamics. Additionally, enhancing transparency by providing non-confidential summaries of redacted materials would enable a more informed public discourse and promote a more inclusive decision-making process.

To conclude, I am committed to having a financial environment that prioritizes fairness, transparency, and the well-being of all market participants. I trust that the SEC will thoroughly consider these concerns during the rule making process and work towards a rule that not only addresses risk management but also upholds the broader principles of market integrity.

Thank you for your time,

Renton McNeill