Thank you for the opportunity to comment on SR-OCC-2024-001 34-99393 entitled "Proposed Rule Change by The Options Clearing Corporation Concerning Its Process for Adjusting Certain Parameters in Its Proprietary System for Calculating Margin Requirements During Periods When the Products It Clears and the Markets It Serves Experience High Volatility" (PDF, Federal Register.

I do not support this rule change and appreciate the opportunity to outline several of my concerns below:

1) The proposed rule, in its current form, appears to shield risky financial positions from the normal risk management mechanism of margin calls during periods of high market volatility. Margin calls serve as a protective measure that require investors to add funds or securities to cover potential losses when the value of their positions falls below a certain threshold. By restricting or preventing margin calls during turbulent market conditions, the proposal may allow investors with imprudent risks to avoid necessary adjustments. This lack of a risk management mechanism could lead to unchecked growth in risky positions, potentially contributing to larger losses and posing concerns for long-term market stability.

2) Fundamentally, these rules introduce an unfair marketplace for other market participants, including retail investors, who are forced to face the consequences of long-tail risks while the OCC repeatedly waives margin calls for Clearing Members by repeatedly reducing their margin requirements. For this reason, this rule proposal should be rejected and Clearing Members should be subject to strictly defined margin requirements as other investors are. Clearing Members who fail to properly manage their portfolio risk against long tail events become de facto Too Big To Fail. For this reason, this rule proposal should be rejected and Clearing Members should face the consequences of failing to properly manage their portfolio risk, including against long tail events. Clearing Member failure is a natural disincentive against excessive leverage and insufficient capitalization as others in the market will not cover their loss.

3) This rule proposal codifies an inherent conflict of interest for the Financial Risk Management (FRM) Officer. While the FRM Officer's position is allegedly to protect OCC's interests, the situation outlined by the OCC proposal where a Clearing Member failure exposes the OCC to financial risk necessarily requires the FRM Officer to protect the Clearing Member from failure to protect the OCC. Thus, the FRM Officer is no more than an administrative rubber stamp to reduce margin requirements for Clearing Members at risk of failure. Unfortunately, rubber stamping margin requirement reductions for Clearing Members at risk of failure vitiates the protection from market risks associated with Clearing Member's positions provided by the margin collateral that would have been collected by the OCC. For this reason, this rule proposal should be rejected and the OCC should enforce sufficient margin requirements to protect the OCC and minimize the size of any bailouts that may already be required.

4) Systemically important financial market utilities (SIFMUs) are entities whose failure or disruption could threaten the stability of the United States financial system. To date eight entities in the U.S. have been officially designated SIFMUs whose failure or disruption could threaten

the stability of the US financial system, everyone dependent on the US financial system is entitled to transparency. As the OCC is classified as a self-regulatory organization, the OCC blaming U.S. regulators for not requiring the SRO adopt regulations to protect itself makes it apparent that the public cannot fully rely upon the SRO and/or the U.S. regulators to safeguard our financial markets.
This particular OCC rule proposal appears designed to protect Clearing Members from realizing the risk of potentially costly trades by rubber stamping reductions in margin requirements as required by Clearing Members; which would increase risks to the OCC.

5) The details of this proposal in Exhibit 3 and Exhibit 5 feature over 200 pages of redacted material that eliminates the possibility for accurate public assessment of the suggested control strategies and their implementation. Without opportunity for a full public review, this proposal should be rejected on that basis alone.

In light of the issues outlined above, please consider the following modifications: Increase and enforce margin requirements commensurate with risks associated with Clearing Member positions instead of reducing margin requirements. Clearing Members should be encouraged to position their portfolios to account for stressed market conditions and long-tail risks. This rule proposal currently encourages Clearing Members to become Too Big To Fail in order to pressure the OCC with excessive risk and leverage into implementing idiosyncratic controls more often to privatize profits and socialize losses.

Thank you for your attention to these concerns,
Joseph Balsamo