

XChange-NOW e.V., Breslauer Straße 17, 82194 Gröbenzell

To
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

March 3, 2024

Subject: Comment on SR-OCC-2024-001: Concerns and Recommendations

Dear Sir or Madam,

On behalf of Xchange Now e.V., an EU-registered non-profit association dedicated to protecting the rights of household investors, I wish to express our concerns regarding the proposed rule change by The Options Clearing Corporation (SR-OCC-2024-001). We critically view this proposal and would like to share our perspective.

Transparency in our financial system is crucial to ensuring investor trust. However, the significant redactions in the documents supporting the rule proposal undermine the possibility of meaningful public review and commentary. This alone should be reason enough to reject the proposal in its current form.

Furthermore, we are concerned about the potential systemic risks posed by adjusting margin requirements during volatile periods. While these measures may protect clearing members from the consequences of risky trades in the short term, they increase the risk to the entire financial system in the long term. Such an approach not only jeopardizes market fairness but also facilitates the emergence of too big to fail structures.

The investigation conducted by the Securities and Exchange Commission (SEC) into the events of January 2021 revealed that supervisory authorities, particularly the National Securities Clearing Corporation (NSCC), had repeatedly waived the collection of security payments from its members.

This "individual" handling of risk allowed financial service providers to maintain insufficient collateral, leading to an existential crisis for some of these providers during times of significant market volatility. When the NSCC finally demanded payments, the affected companies were unable to meet these requirements. The resultant decision of the financial service providers to unilaterally limit trading in

XCHANGE NOW E.V.

Breslauer Straße 17
82194 Gröbenzell

Sitz: Gröbenzell
AG München
VR 209879

St.ID-Nr. gemäß § 60 a AO
117/111/70032

Dr. Anke Prothmann (Vorsitzende)
Dominik Ziermann (stellv. Vor.)
Taurean Williams (stellv. Vor.)

Kontakt

Telefon: +49 171 6 82 18 52
E-Mail: info xchange-now.org

volatile stocks at the expense of household investors improperly shifts the responsibility for the financial institutions' excessively risky behavior onto the shoulders of individual investors.

For the security and trust in the capital markets, it is essential that no incentives are created for taking excessive risks. Reducing or even suspending security payments as a form of "relief" for overexposed financial service providers sends entirely the wrong signals, undermining both market integrity and investor protection.

In light of these concerns, we propose the following amendments to the rule proposal:

- The implementation of stricter and more transparent margin requirements that reflect the actual risk of the clearing members' positions to ensure a fair and stable market dynamic.
- The introduction of external audits and an expanded public reporting system as additional control mechanisms to ensure effective risk monitoring and management
- A revision of OCC's loss allocation rules to ensure that risks and losses are distributed fairly and the system as a whole is more resilient to shocks.

We urge the SEC to carefully consider these proposals and make the necessary changes to promote a fair, transparent, and more resilient market environment. Such an approach is in the best interest of all market participants, especially the household investors we represent.

Thank you for considering our comments.

Sincerely,



Dr. Anke Prothmann

Chairwoman

Xchange Now e.V.