Subject: Comments on SR-OCC-2024-001

Dear Securities and Exchange Commission,

I am writing 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 devoted to the stability and fairness of the financial market, I appreciate the opportunity to provide insights on this matter.

The proposed rule, in its current form, appears to inadvertently shield risky financial positions from the normal risk management mechanism of margin calls during periods of high market volatility. Margin calls exist as a protective measure, requiring 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.

The intention of this proposal is to manage risk, yet this lack of a risk management mechanism could lead to unchecked growth in risky positions, potentially contributing to larger losses and posing threats to long-term market stability.

The proposal places significant responsibility on the Financial Risk Management Officer, 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 investing institutions and the public. The redaction of materials limits the public's 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 restricts the opportunity for informed public discourse.

To increase transparency, I recommend the implementation of an independent review mechanism to assess the impact of control settings on both OCC's interests and the broader market. This measure would 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 by providing a robust mechanism for continuous improvement and adaptability in response to evolving market dynamics. Also, the commission should provide non-confidential summaries of redacted materials and stress testing results, which would enable a more informed public discourse, promote more inclusive decision-making processes, and showcase the effectiveness of risk-management measures.

The broader investing public arguably has more at stake in market involvement than the institutions that are designated as "Too Big to Fail". Consider further incorporating public engagement by encouraging public input via consultations and hearings. Sincerely addressing the public's opinions and concerns will foster inclusivity and strengthen the democratic rule-making process.

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.

I recommend a reconsideration of the OCC's loss allocation framework. As outlined in the proposal, the current structure places Clearing Fund deposits of non-defaulting firms as the fourth layer of defense - in the event of market stress - following the OCC's own pre-funded financial resources. This arrangement implies that the OCC anticipates losses to exhaust the first three layers before reaching non-defaulting Clearing Members' contributions. 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.

These suggestions collectively aim to fortify oversight, enhance transparency, and uphold accountability, thereby ensuring the integrity and fairness of our financial markets.

As an engaged investor, I am committed to fostering a financial environment driven by fairness, transparency, and the well-being of all market participants. I trust that the SEC will thoroughly consider these concerns and work towards a rule that not only addresses risk management but also upholds the larger principles of market integrity.

Sincerely,

Jennings Rudisill IV