



September 3, 2024

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-1090

RE: File No. SR-OCC-2024-010; Notice of Filing of Proposed Rule Change by the Options Clearing Corporation ("OCC") To Establish a Margin Add-On Charge That Would Be Applied to All Clearing Member Accounts To Help Mitigate the Risks Arising From Intraday and Overnight Trading Activity

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association ("SIFMA")¹ submits this comment letter to the Securities and Exchange Commission (the "Commission") in response to the proposal ("Proposal") by OCC to establish a margin add-on charge ("Intraday Risk Charge") that would be applied to all clearing member accounts to help mitigate the risks faced by OCC from intraday and overnight trading activity.² The Proposal was noticed for comment on August 12, 2024, and the comment period fell during a period when many individuals and families take vacations and, consequently, many interested SIFMA members were out of the office. Recognizing the comment period on the filing expires on September 3, 2024, SIFMA is submitting this comment letter to notify the Commission and OCC that SIFMA members have significant concerns and questions about the Proposal that are still being actively discussed, and that we intend to submit a more detailed comment letter after SIFMA members have more fully reviewed and digested the implications of the Proposal on their firms and the listed options market.

Over the last week and a half, SIFMA has held multiple calls with its members to discuss the Proposal. During these calls, it has become apparent that even though the Proposal references overnight trading activity, it more broadly addresses systemic risks that may arise for OCC from the trading of so-called "zero-days-to-expiration" or "0DTE" options. Indeed, the Proposal itself discusses these risks in detail. In our conversations, SIFMA members recognize these concerns and acknowledge that these risks should be appropriately addressed.

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

² See Release No. 34-100664 (Aug. 6, 2024), 89 FR 65695 (Aug. 12, 2024).

SIFMA members, however, also have expressed concern that the Proposal is too broad and blunt an approach to address these systemic risks, and that it could have significant impacts on the businesses of certain SIFMA members and the overall liquidity and quality of the listed options market. In this respect, SIFMA members have expressed concerns that the Proposal could negatively impact executing brokers (*i.e.*, agency brokers) and market makers clearing through OCC clearing members, depending on whether and how these OCC clearing members determine to pass through any Intraday Risk Charges that may be assessed on them. For example, executing brokers have expressed concern that they may be subject to pass-through Intraday Risk Charges, based on the proposed methodology, even though they do not hold positions overnight. These firms have expressed the view that the costs of these pass-throughs could potentially make the business uneconomical. Impacts on firms such as these, as well as market makers, in turn, could affect available liquidity and widen quoted spreads in the listed options markets.

At a higher-level, SIFMA also has observed from these calls that some firms that are not OCC clearing members have a vague awareness of the Proposal, and that other such firms that are more familiar with the Proposal need an appropriate period of time to review the potential impacts of the Proposal on them. In addition, SIFMA has observed that members have expressed concerns about the proposed implementation plan of the Proposal should it be approved, including concerns that the proposed implementation timeframe of first quarter 2025 is not enough time to adjust to such a significant change. We expect to explore these and other concerns more deeply in upcoming calls.

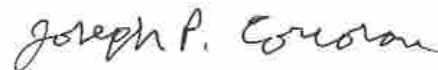
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We appreciate the opportunity to submit these initial comments on the Proposal. As noted, we plan to submit a more detailed comment letter on the Proposal after SIFMA members have had more time to review and understand the implications of it. In the meantime, if you have any questions or need any additional information, please contact Ellen Greene at (212) 313-1287 or Joe Corcoran at (202) 962-7383.

Sincerely,



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