SUSQUEHANNA

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April 29, 2025

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: File No. SR-OCC-2025-002; Rel. No. 34-102437 – Proposed OCC Fee Changes

Dear Ms. Countryman,

Susquehanna International Group, LLP ("SIG") submits this letter in reply to the April 4, 2025 letter from the Options Clearing Corporation ("OCC"), which was submitted in response to SIG's comment letters regarding the above-referenced fee filing (the "OCC Response Letter" or the "Response").[1] For the reasons noted below, the OCC Response Letter does nothing to alter the fact that its fee filing does not meet requisite disclosure standards sufficient for the public to provide meaningful comment or for the Securities and Exchange Commission (the "Commission" or the "SEC") to make an affirmative finding that the proposed fee change is consistent with the Securities Exchange Act of 1934 (the "Exchange Act" or the "Act").[2]

OCC claims that the SEC Staff Guidance on SRO Rule Filings Relating to Fees ("Staff Guidance") does not apply to clearing agencies like OCC, because the Guidance says that it is designed to "assist the national securities exchanges and FINRA". Additionally, having distinguished itself from exchanges by citing to its capital requirements under 17 C.F.R. 17Ad-22(e)(15), OCC claims that the Staff Guidance "does not mention the Standards for Clearing Agencies or offer guidance to clearing agencies about the types of information needed to support the reasonableness of a clearing agency's fees in light of the applicable regulatory capital requirements".

Both arguments are unavailing. First, the fact that the Staff Guidance was written to assist exchanges and FINRA does not preclude the propriety of its equal application to clearing agencies. OCC's formalistic distinction misses the point. The Staff Guidance sets forth the kind of information that any SRO – particularly a monopoly utility like OCC – should provide when proposing fee changes that will directly impact market dynamics. The themes of the Staff

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[1] In the preamble of its Response, OCC noted that SIG is not an OCC Clearing Member, as if that prospect had some significance. As OCC well knows, SIG is one of the largest options market makers in the U.S., and pays a substantial amount of money in OCC fees. Accordingly, SIG has a material interest in the reasonability of those fees. Moreover, it would be insulting to market participants and the investing public generally to infer that only OCC Clearing Members have creditable standing to submit comments on OCC fee proposals, particularly when they simply pass those fees through to their customers.

[2] SIG incorporates herein its prior comment letters to the subject fee filing and its predecessor filing at SEC Rel. No. 34-102013.

Guidance – transparency, accountability, and rigor – are grounded in the Exchange Act itself and are equally applicable here.

Likewise, the fact that clearing agencies have a capital requirement does not circumvent the requirement that its fees be reasonable and subject to the same disclosure requirements as other SROs. This is especially the case where, as here, the capital requirement is itself based on OCC's operating expenses, which situates it exactly like other SROs.[3] OCC provides no principled basis to claim that the Staff Guidance is not as applicable to it as to any other SRO.

Regardless, OCC claims that any such guidance is unnecessary and that it need not meet the disclosure standards set out in the Staff Guidance; and instead sets a different standard for itself that it need only satisfy its Capital Management Policy by its own lights. In effect, OCC asserts that if its proposed fee change is based on its own assessment of forecasted operating expenses and capital needs, and a defined operating margin under its Capital Management Policy, OCC need not disclose anything further. It need not disclose its analyses, methodologies, baseline costs, etc.; we are all merely to accept and trust in OCC's conclusory assessment figures without any support whatsoever.

OCC provides no argument in favor of its position – it merely asserts it. Clearly, however, OCC's repeated attempts to have the Commission simply "trust the process" are not an allowable basis to find that the fee proposal complies with the Exchange Act; and, as we have pointed out previously, some important OCC forecasts have proven to be widely inaccurate.

OCC's claimed satisfaction of the Staff Guidance is similarly unavailing. In support of this assertion, OCC pointed to mere superficial and conclusory claims that it projected (i) its expenses to increase in 2025 by $23 million, (ii) interest income will decline, and (iii) without a fee increase, OCC's LNAFBE would decline below its Target Capital Requirement in Q1 2025. OCC also asserted that its use of retained earnings for capital expenditures has caused a decline in excess cash, and that its projected expense increase will increase its Target Capital Requirement and entail that OCC hold an additional $12 million in LNAFBE.

None of this comes close to the level of detailed analysis and methodology disclosures required for an SRO fee filing, as set out in SIG's March 11, 2025 comment letter. Once again, OCC fails to provide any analysis, methodology, baseline costs, etc. Once again, OCC presumes upon the Commission to simply "trust the process" in how OCC reached its "projections". As the D.C. Circuit Court noted in its decision in *Susquehanna International Group v. SEC*, the Commission may not do this, as any such approval would be arbitrary and capricious, unsupported by substantial evidence, and otherwise not in accordance with law.[4]

Notably missing from OCC's fee filing and associated representations is any mention of the reasonability of its expenses upon which the fee filing is based. OCC's expenses have skyrocketed over the last several years, significantly in staff and consultant increases. It has no incentive to

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[3] The OCC fee filing notes that, "Pursuant to OCC's rule-filed Capital Management Policy, and as required by Exchange Act rules applicable to OCC, OCC must maintain liquid net assets funded by equity ('LNAFBE') sufficient to cover at least six months of operating expenses, among other measures ('Target Capital Requirement')." OCC Fee Filing, pp, 6-7.

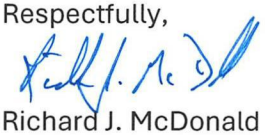
[4] 866 F. 3d 442 (D.C. Cir. 2017)

achieve cost efficiency, because it can simply increase its fees in the security of its monopoly position. By contrast, the SEC has announced that it will discontinue its transaction fees for the remainder of the year.

Similarly missing is any response to SIG's point that option linkage trades still have a $55 cap for transactions of greater than 2,750 contracts. Not only has OCC failed to reconcile its argument that removal of the fee cap is reasonable as an allocation of costs with its prior argument of the exact opposite when it proposed the fee cap, it has also failed to reconcile its current argument with its retention of the fee cap for linkage trades.[5]

For these reasons, and those included in our prior comment letters, we again respectfully urge the Commission to abrogate the OCC fee proposal. Thank you for your consideration.

Respectfully,



Richard J. McDonald

[5] OCC has likewise failed to reconcile its retention of a $0.02 clearing fee rate for linkage trades with its claim to need increased revenue, resulting in a fee increase for all market participants other than exchanges, such as OCC's owners.