

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74212; File No. SR-OCC-2015-04)

February 5, 2015

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of a Proposed Rule Change, and Amendment 1 Thereto, to Expand the Officers Who May Declare That a Clearing Member is Summarily Suspended

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 23, 2015, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared OCC. On February 3, 2015, OCC filed Amendment No. 1 to the proposed rule change, which corrects an inadvertent grammatical error. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

OCC proposes to amend its Rules to permit OCC to expand the officers who may declare that a clearing member is summarily suspended from OCC.

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

the places specified in Item IV below. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this proposed rule change is to expand the number of OCC officers with the authority to summarily suspend a clearing member. Currently, OCC Rule 1102 provides that only OCC's Board of Directors ("Board") and its Executive Chairman may summarily suspend a clearing member. OCC believes that, given the time sensitive nature of managing a clearing member default, it is prudent risk management to expand the number of officers with the authority to summarily suspend a clearing member so that OCC may begin its default management process and, in turn, take protective action as soon as possible.

Pursuant to OCC Rule 1102, OCC's Board and Executive Chairman have the authority to summarily suspend a clearing member. As set forth in Interpretation and Policy .01 of Rule 1102, such action constitutes a "default" with respect to the clearing member. OCC's ability to timely and effectively begin its clearing member default management process serves a key role in protecting OCC, non-defaulting clearing members and the public from potential consequential damage(s) that may be caused by the default of a clearing member. In order to provide OCC with the necessary tools to manage a clearing member default, Chapter XI of OCC's Rules provides OCC with the authority to take certain protective action(s) once a clearing member has been summarily

suspended (and declared to be in default).³ While OCC believes that the authority provided to it in Chapter XI of its Rules is sufficiently robust to manage a clearing member default, OCC may not exercise such authority unless and until a clearing member has been summarily suspended by either the Board or the Executive Chairman.

In order to provide greater assurance that OCC would be able to timely and effectively manage a clearing member default, OCC is proposing to amend OCC Rule 1102 in order to expand the list of officers who may summarily suspend a clearing member to include OCC's President or a designee of the Executive Chairman⁴ or President of the rank of Senior Vice President or higher (each a "Designed Officer").⁵ OCC believes that the proposed change will provide it with additional operational flexibility because more individuals would be able to timely summarily suspend a clearing member and thereby allow OCC to exercise its authority to manage a clearing member default. OCC's clearing member default management process is designed to protect OCC, non-defaulting clearing members and the public from the defaulting clearing member without materially impacting financial markets.⁶ By providing additional officers with the authority to summarily suspend a clearing member, and thereby allow OCC to begin its default management processes, there would be greater assurance that OCC would timely take action(s) necessary to protect itself, non-defaulting clearing members and the public from a defaulting clearing member. OCC is also proposing to amend Rule 1102 to require notification to the Board as soon as practicable

³ For example, OCC Rule 1106(a) provides OCC with significant flexibility with respect actions it may take in order to close out a defaulting clearing member's open long positions.

should a Designated Officer summarily suspend a clearing member.⁷ The addition of such a requirement would ensure that the Board is timely informed of activities at OCC.

Furthermore, OCC proposes to make conforming amendments consistent with the above to Article VI, Section 25 of its By-Laws and OCC Rule 707, which concern the summary suspension of clearing members that participate in OCC's cross-margining programs. Specifically, Article VI, Section of OCC's By-Laws and OCC Rule 707 will be amended to explicitly state that the Board of Directors or a Designated Officer may summarily suspend a clearing member based on a cross-margining related default.

Except for the changes described above, no other changes are proposed to OCC's suspension or default management processes as set forth in the Rules, including a clearing member's right to appeal a summary suspension in accordance with OCC Rule 1110.

2. Statutory Basis

OCC believes the proposed rule change is consistent with Section 17A(b)(3)(F) of the Securities Exchange Act of 1934, as amended (the "Act") because the proposed rule change is intended to safeguard the securities and funds which are in the custody and

⁴ OCC filed Amendment No. 1 in order to correct an inadvertent grammatical error. Specifically, a comma after the word "Executive Chairman" was removed because it caused the description of the proposed rule change to not be consistent with the text of the proposed rule change.

⁵ OCC's proposal is similar to the summary suspension process employed by the National Securities Clearing Corporation ("NSCC"). *See* NSCC Rule 46, Section 3.

⁶ A description of OCC's default management process is located at: <http://www.theocc.com/risk-management/default-rules/>

⁷ OCC staff will notify the Board within two hours of the summary suspension.

control of OCC.⁸ As described above, by expanding the list of officers with the authority to summarily suspend a clearing member to include Designated Officers, OCC would better ensure that it timely begins its clearing member default management processes. Such process safeguards the securities and funds which are in the custody or control of OCC, or for which it is responsible, because it protects OCC, non-defaulting clearing members and the public from the defaulting clearing member. OCC does not believe that the proposed rule change is inconsistent with any rules of OCC, including any rules proposed to be amended.

(B) Clearing Agency's Statement on Burden on Competition

OCC does not believe that the proposed rule change would impose a burden on competition.⁹ OCC believes the proposed rule change would not unfairly inhibit access to OCC's services or disadvantage or favor any particular user in relationship to another user because the proposed rule change only concerns the officers with the authority to summarily suspend a clearing member. The proposed rule change does not affect the conditions under which OCC may summarily suspend a clearing member, or OCC's rights with respect to a suspended clearing member.

For the foregoing reasons, OCC believes that the proposed rule change is in the public interest, would be consistent with the requirements of the Act applicable to clearing agencies, and would not impose a burden on competition.

⁸ 15 U.S.C. 78q-1(b)(3)(F).

⁹ 15 U.S.C. 78-q1(b)(3)(I).

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments on the proposed rule change were not and are not intended to be solicited with respect to the proposed rule change and none have been received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-OCC-2015-04 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-OCC-2015-04. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website

(<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of OCC and on OCC's website at

http://www.theocc.com/components/docs/legal/rules_and_bylaws/sr_occ_15_04.pdf.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-OCC-2015-04 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁰

Brent J. Fields
Secretary

¹⁰ 17 CFR 200.30-3(a)(12).