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WRITER'S DIRECT DIAL:

September 16, 2021

VIA EMAIL

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

Lek Securities Corporation

Dear Madame Secretary:

We represent Lek Securities Corporation ("LSC") in connection with its application to the U.S. Securities and Exchange Commission (the "Commission") pursuant to Rule 19d-3 of the General Rules and Regulations Under the Securities Exchange Act of 1934 and Rule 420 of the Commission's Rules of Practice, 17 CFR § 201.420 for review of the final disciplinary sanctions (the "Sanctions") imposed by The Options Clearing Corporation ("OCC") and upheld following an August 13, 2021 hearing by the Risk Committee of the Board of Directors of OCC (the "Risk Committee"). LSC is a broker registered with the Commission whose business is limited to effecting transactions on an agency basis for customers of LSC and other brokers. LSC's application follows.¹

LSC and OCC are in active discussions to resolve the underlying circumstances that gave rise to the Sanctions. Given the impending deadline to seek review of the Sanctions, however, LSC is filing this application for review to preserve its rights with the hope that it will be in a position to withdraw the application if the underlying circumstances are resolved and the Sanctions are lifted by OCC.

* * *

¹ A copy of the undated decision of the Risk Committee, received on August 18, 2021, is attached as Exhibit 1 hereto, and a copy of the record presented to the Risk Committee in connection with the August 13 hearing is attached as Exhibit 2 hereto.

Application

The stated basis for the Sanctions appealed from was “recent developments related to [LSC’s] financial and operational condition.” As the Risk Committee Decision made clear, OCC’s sole concern with respect to LSC arises out of the contemplated termination of BMO Harris Bank, N.A. (“BMOH”) on October 6, 2021 as LSC’s current “Clearing Bank” at OCC, and that “[t]he failure of [LSC] to timely establish a clearing bank relationship to replace [BMOH] could result in [LSC] being unable to settle its obligations as an OCC clearing member using a clearing bank, including for [LSC’s] customers.” The Risk Committee Decision concludes by stating that the Risk Committee “hopes that [LSC] will establish an arrangement as soon as it reasonably can with a currently-approved clearing bank to replace [BMOH].” As described below, that is now occurring.

The record demonstrates that the Sanctions were originally imposed on July 27, 2021 as a consequence of OCC’s misunderstanding that BMOH, in addition to terminating its settlement relationship with LSC in October, was also significantly reducing LSC’s general line of credit in early August. When OCC’s misunderstanding was corrected, rather than withdraw the Sanctions, OCC attempted to justify them as related to the future anticipated termination of BMOH’s clearing bank relationship with LSC. OCC, however, did not and is unable to now tie the Sanctions to any reasonable and legitimate concerns over BMOH’s anticipated termination of its settlement relationship with LSC. And the Risk Committee Decision simply deferred to OCC’s management in upholding the Sanctions without any independent or reasoned analysis.

The broader issue this matter raises concerns OCC’s failure to discharge its obligation to promote competition, and it instead taking steps to create unreasonable and unnecessary hurdles for its otherwise qualified clearing members to secure necessary settlement services. The Congress directed the Commission to use its authority under the Exchange Act to facilitate the establishment of a national system for the clearance and settlement of securities transactions while “having due regard for the public interest, the protection of investors, the safeguarding of securities and funds, and the maintenance of fair competition among brokers and dealers, clearing agencies, and transfer agents.” 15 U.S.C. § 78q-1(a)(2). Consistent with that dictate, the Exchange Act provides that the rules of any clearing agency, like OCC, cannot “impose any burden on competition not necessary or appropriate in furtherance of the purposes of this title.” 15 U.S.C. 78q-1(b)(3)(I). If the Commission finds that a sanction imposed by OCC imposes any unnecessary or inappropriate burden on competition, the Commission may cancel or reduce that sanction. 15 U.S.C. 78s(e)(2). Similarly, the Exchange Act rules adopted by the Commission mandate that OCC “shall establish, implement, maintain and enforce written policies and procedures reasonably designed to ... [p]rovide the opportunity for a person that does not perform any dealer or security-based swap dealer services [e.g., LSC] to obtain membership on fair and reasonable terms at the clearing agency to clear securities for itself or on behalf of other persons.” Rule 17Ad-22(b)(5). Accordingly, both the Commission and OCC have an obligation to promote competition in the case of LSC.

Even before BMOH advised LSC on July 8, 2021 of its intention to terminate its settlement bank relationship on October 6, LSC had an active dialogue with OCC concerning the

potential termination of that relationship, LSC's efforts to try and continue that relationship and how LSC might proceed in the event that relationship ended.

LSC has worked diligently to establish a settlement relationship with one of the other OCC-approved Clearing Banks. At the time the Sanctions were imposed, OCC had only eight approved Clearing Banks (two of which are BMO Harris and its parent, Bank of Montreal) and had not approved a new Clearing Bank since at least 2010. By comparison, the Depository Trust Company ("DTC") has 45 approved settlement banks. It appeared that only one of those OCC-approved Clearing Banks – BMOH – currently offered settlement services to independent, self-clearing brokers, such as LSC. The balance of the Clearing Banks unaffiliated with BMOH (i.e., Bank of America, Citibank, BNY Mellon, JPMorgan Chase, U.S. Bank and Brown Brothers Harriman) either did not appear to currently provide settlement services, provided those services only for broker dealers with significant capital reserves or offered those services only as an accommodation to broker-dealers with substantial relationships with the bank.

During this period, LSC has worked with a bank, Lakeside Bank ("Lakeside"), that was seeking membership at OCC as an approved Clearing Bank and that had agreed to provide LSC with settlement services at OCC once approved. Also, LSC offered to work with OCC on settlement arrangements under a waiver of the Clearing Bank requirement that would provide OCC settlement-related safeguards until a new Clearing Bank arrangement could be established.

Prior to the decision of the Risk Committee, OCC had declined LSC's requests to assist it in its discussions with BMOH to temporarily extend BMOH's Clearing Bank relationship or to facilitate a relationship with one of the other Clearing Banks. Instead, OCC suggested, on more than one occasion, that LSC should forego its efforts to establish an alternative settlement arrangement and instead withdraw as an OCC clearing member and transfer its client accounts to another clearing member. Since the decision of the Risk Committee, however, OCC officials have participated in discussions with LSC and BMOH concerning BMOH's continued provision of Clearing Bank services to LSC on an interim basis and we understand that OCC has approved Lakeside as a new Clearing Bank.

The obligation of the Commission and OCC to promote competition includes ensuring that there are approved Clearing Banks to provide settlement services to clearing members that are in compliance with their Commission and OCC regulatory obligations, and not to create unnecessary and unreasonable barriers to entry to becoming or, in the case of LSC, continuing to be a clearing member of OCC.

The Sanctions are arbitrary and not reasonably related to the anticipated termination of BMOH's relationship with LSC and imposes an undue, unnecessary and inappropriate burden on competition and potentially prevents LSC from continuing to be an OCC clearing member on fair and reasonable terms. Accordingly, LSC respectfully requests that the Sanctions be cancelled and that the Commission intervene to rationalize OCC's Clearing Bank arrangements.

* * *

September 16, 2021

Page 4

LSC continues to stand ready and willing to work with OCC and the Commission to resolve the foregoing issues and to provide the Commission any information, materials, or briefings that the Commission believes would be useful to its decision on this application.

Respectfully submitted,



Paul T. Clark



Anthony C.J. Nuland

Cc: Jeffrey Mooney (mooneyj@sec.gov)
Michael Macchiaroli (macchiarolim@sec.gov)
Tom McGowan (mcgowant@sec.gov)
Megan Cohen (mcohen@theocc.com)
Joseph P. Kamnik (jkamnik@theocc.com)
Nathan Ice (nice@theocc.com)
Mark D. Kotwick (kotwick@sewkis.com)

EXHIBIT 1



BY EMAIL (charles.lek@leksecurities.com)

Mr. Charles F. Lek
Chief Executive Officer
Lek Securities Corporation
4 World Trade Center, 44th Floor
New York, NY 10007

***Re: Written Notice of Outcome of Risk Committee Review
re: OCC Protective Measures on Lek Securities Corporation***

Dear Mr. Lek:

Pursuant to Rule 305(c) of The Options Clearing Corporation (“OCC”), this letter provides you written notice of the outcome of the hearing by the Risk Committee of OCC’s Board of Directors (“Committee”) on Friday, August 13, 2021 (“Committee Hearing”). The Committee Hearing concerned certain protective measures implemented by OCC regarding the clearing member activities of Lek Securities Corporation (“Lek Securities”).

OCC Rule 305(a) provides that if OCC’s Chief Executive Officer, Chief Operating Officer (or in some cases a different designated officer) determines that the financial or operational condition of a clearing member makes it necessary or advisable for the protection of OCC, clearing members, or the general public, to impose restrictions on that clearing member’s positions and stock loan and borrow positions, then the officer has authority on behalf of OCC to impose protective measures regarding the clearing member. OCC provided notice to Lek Securities on July 27, 2021 that described the ways in which OCC was amending existing protective measures concerning Lek Securities’ clearing membership to implement additional protective measures pursuant to OCC Rule 305(a). The notice stated that this was due to recent developments related to Lek Securities’ financial and operational condition. As permitted under OCC Rule 305(c), on July 30, 2021 Lek Securities requested a review of these actions by the Committee.

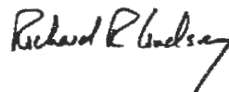
The Committee (with Craig Donohue, the OCC management director, abstaining) reviewed the actions taken by OCC under Rule 305(a) to implement the amended protective measures on Lek Securities and has determined not to modify them. Accordingly, the protective measures implemented by OCC pursuant to OCC Rule 305(a) continue to apply to Lek Securities. The Committee based its determination on the record that was presented to the Committee by OCC’s management and Lek Securities for the Committee Hearing.

Among the factors that contributed to the Committee’s determination, the Committee found the following grounds of note. On July 8, 2021, OCC learned from BMO Harris that it intends to

terminate its existing clearing bank relationship with Lek Securities on October 6, 2021. OCC stated at the Committee Hearing that Lek Securities told OCC that it does not plan to establish a relationship with any of the seven (7) other clearing banks currently approved by OCC, and Lek Securities represented at the Committee Hearing that it does not believe it will be successful in establishing a relationship with any of those approved clearing banks. Furthermore, Lek Securities stated at the Committee Hearing that its only plan to maintain a clearing bank relationship, which is required of all clearing members under OCC Rule 203, is to either establish such a relationship with Lakeside Bank (which OCC is evaluating but has not approved as a clearing bank) or have Lek Securities, which is a broker-dealer but not a bank, act as its own clearing bank (which is not an approved structure as part of OCC's By-Laws and Rules or that OCC has plans to propose). OCC stated at the Committee Hearing that the loss of the clearing bank relationship with BMO Harris and the absence of a timely and viable plan by Lek Securities to establish a replacement relationship are the financial and operational developments referenced in OCC's July 27, 2021 notice to Lek Securities that caused OCC to implement the additional protective measures. The failure of Lek Securities to timely establish a clearing bank relationship to replace BMO Harris could result in Lek Securities being unable to settle its obligations as an OCC clearing member using a clearing bank, including for Lek Securities' customers.

The Committee determined that OCC had reasonable grounds to believe that Lek Securities posed risk to OCC, other clearing members and the public based on the representations of Lek Securities. As a result, the Committee concluded that the nature and timing of the amended protective measures implemented by OCC on Lek Securities were in accordance with Rule 305(a). So that OCC will no longer need to impose the protective measures, the Committee also hopes that Lek Securities will establish an arrangement as soon as it reasonably can with a currently-approved clearing bank to replace BMO Harris.

Very truly yours,



Richard R. Lindsey
Risk Committee Chair

cc: John P. Davidson, OCC Chief Executive Officer
Scot E. Warren, OCC Chief Operating Officer
Janet Angstadt, OCC Chief Legal Officer and General Counsel
Joseph P. Kamnik, OCC Chief Regulatory Counsel
Dale Michaels, OCC Chief Financial Risk Officer
Paul T. Clark, Partner, Seward & Kissell LLP
Mark D. Kotwick, Partner, Seward & Kissell LLP
Anthony C.J. Nuland, Senior Counsel, Seward & Kissell LLP
Clearing Member's File

EXHIBIT 2

Conferencing to Attend Remotely
1-844-621-3956
Meeting number (access code): 145 906 6025
Meeting password: pF3Zs3ynYv6

Clearing Member Hearing

Friday, 8/13/2021
11:30 AM - 12:30 PM CT

I. Lek Securities Corporation Hearing

Item I - Lek Securities Corporation Hearing - Page 2

Discussion Chair 11:30 AM - 12:00 PM

A. Notice of Hearing

Item I (A) - Notice of Hearing - Page 3

B. Supporting Materials from Lek Securities Corporation

Item I (B) - Supporting Materials from Lek Securities Corporation - Page 8

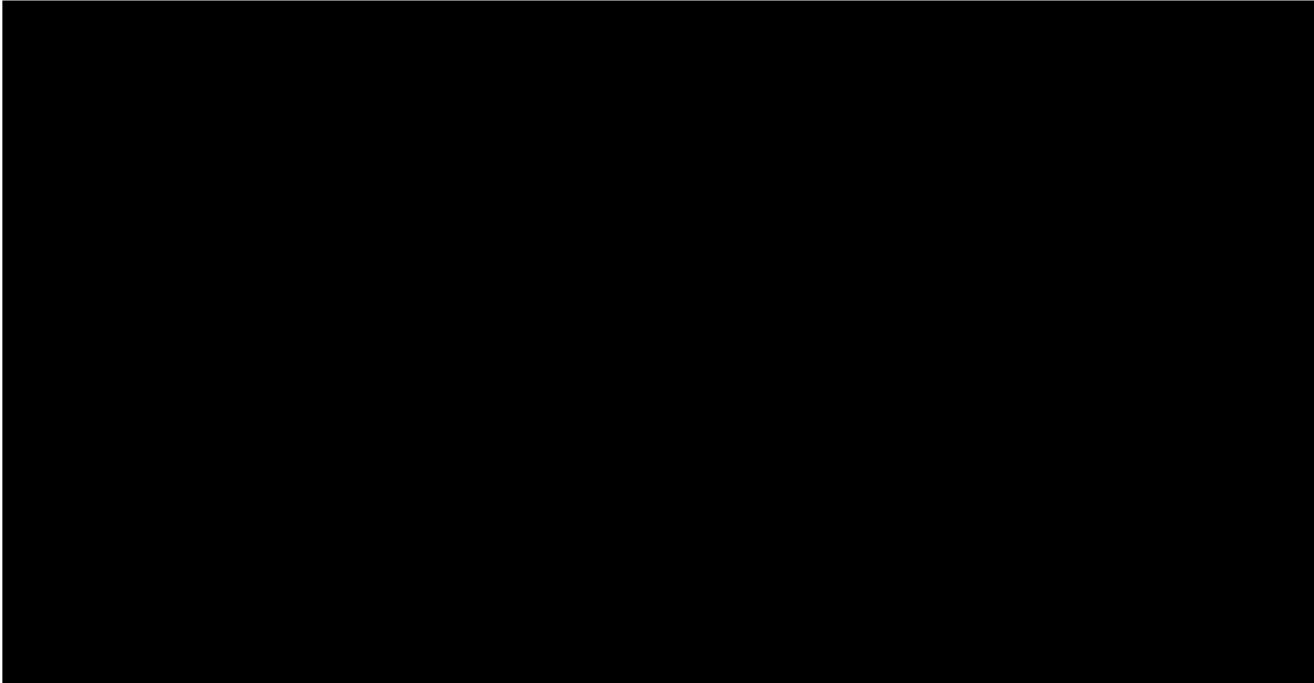
C. Supporting Materials from OCC

Item I (C) - Supporting Materials from OCC - Page 42

II. Executive Session

Item II - Executive Session - Page 47

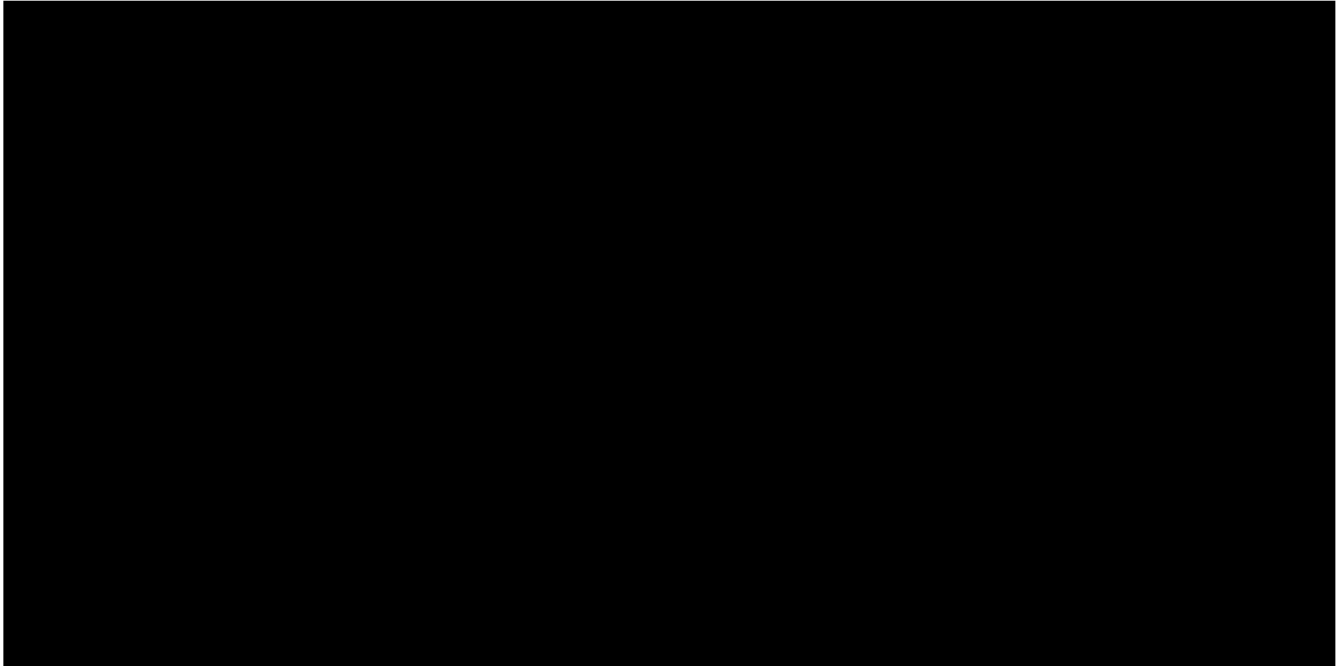
Discussion Chair 12:00 - 12:30 PM



Confidential

Master Page # 2 of 47 - Clearing Member Hearing 8/13/2021

OS Received 10/05/2021



Confidential

Master Page # 3 of 47 - Clearing Member Hearing 8/13/2021

OS Received 10/05/2021



August 6, 2021

VIA Email (charles.lek@leksecurities.com)

Charles F. Lek
Chief Executive Officer
Lek Securities Corporation

Dear Mr. Lek,

Enclosed is a Notice of Hearing stating that the Risk Committee of the Options Clearing Corporation ("OCC") shall hold a hearing pursuant to OCC Rule 305(c) in the matter of Lek Securities Corporation on Friday, August 13, at 12:30 p.m. ET. In light of the ongoing COVID pandemic, the hearing shall take place via Webex video conference. A Webex invitation will be sent to you at the email address listed above in advance of the hearing.

Please read the enclosed Notice of Hearing closely, as it contains details about OCC's hearing process and procedures. If you have any questions about the Notice, please contact the undersigned at officeofthecorporatesecretary@theocc.com or (312) 322-4467.

Very truly yours,

Megan Malone Cohen
Deputy General Counsel and Corporate Secretary

Enclosures

cc: Richard R. Lindsey, OCC Risk Committee
Scot E. Warren, Chief Operating Officer
Janet Angstadt, Chief Legal Officer and General Counsel
Joseph P. Kamnik, Chief Regulatory Counsel
Dale Michaels, Chief Financial Risk Officer
Clearing Member's Fil

THE OPTIONS CLEARING CORPORATION

In the Matter of:

Lek Securities Corporation

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Notice of Hearing

I.

- A. The Options Clearing Corporation (“OCC”) hereby provides notice pursuant to OCC Rule 305(c) that OCC’s Risk Committee shall conduct a hearing regarding Lek Securities Corporation (“Lek Securities” or the “Respondent”) on Friday, August 13, at 12:30 p.m. ET. In light of the ongoing COVID pandemic, the hearing shall take place via Webex.
- B. As set forth in OCC’s letter to Lek Securities dated July 27, 2021, OCC’s Office of the Chief Executive Officer (“OCEO”) has, in accordance with OCC’s By-Laws and Rules, elected to amend protective measures imposed upon Lek Securities due to recent developments related to Respondent’s financial and operational condition. The OCEO approved the implementation of the following protective measures:
- a. In accordance with OCC Rule 305, to prohibit the clearance of opening purchase transactions or opening writing transactions for option contracts in its firm and market makers accounts;
 - b. In accordance with OCC Rule 305, to prohibit the clearance of opening purchase transactions or opening writing transactions for security futures in its customers’, firm, and market makers accounts;
 - c. In accordance with OCC Rule 305, to prohibit the acceptance of Stock Loans entered into by Lek in its customers’ and market makers accounts;
 - d. In accordance with OCC Rule 305, to impose limitations on the acceptance of Stock Loans entered into by Lek Securities in its firm account reflecting activity end-of-day levels as of July 23, 2021, specifically:
 - i. Maximum end-of-day contract value of borrows totaling \$13.6 million
 - ii. Maximum end-of-day contract value of loans totaling \$4.4 million
 - iii. No new counterparties beyond Mirae Asset Securities (USA), Inc., Axos Clearing LLC, Wedbush Securities Inc., and StoneX Financial Inc.;

- e. In accordance with OCC Rules 601 and 609, to raise additional margin charges from 25% to 50% to mitigate exposures observed in OCC's sufficiency and adequacy stress test shortfalls; and,
 - f. In accordance with OCC Rule 306, to require Lek Securities to provide daily end-of-day liquidity sources and uses reporting covering all available bank lines of credit, parent lines of credit, securities financing, unencumbered cash-on-hand, etc.
- C. On July 28, 2021, Lek Securities responded to OCC's letter. On July 30, 2021, Lek Securities requested a review of the protective measures set forth above under OCC Rule 305(c).

II.

The hearing shall proceed pursuant to the procedures set forth below:

- A. If the Respondent fails to appear at the hearing, it may be deemed to have waived the right to review under Rule 305(c).
- B. OCC shall cause a verbatim record of the hearing to be prepared, which shall be the official record of the hearing. The Respondent shall refrain from making audio or video recordings or transmissions of the hearing. Pursuant to OCC Rule 305(c), the cost of the transcript may, in the discretion of the Risk Committee, be charged in whole or in part to the Respondent if the Risk Committee does not modify the action of the OCEO.
- C. The Respondent may be represented by counsel, but such representation is not required.
- D. OCC and the Respondent (each a "Party") may offer evidence through documentary evidence entered as exhibits in the proceeding.
- E. Parties must provide copies of any documents or other materials that they plan to use at the hearing as evidence. Such evidence must be exchanged no later than Tuesday, August 10, at 5:00 p.m. ET.
- F. Parties may argue that any documentary evidence presented by the opposing party should not be considered by the Risk Committee by objecting orally at the hearing. After considering the objecting party's reasons for excluding the evidence, the Committee members will determine if the document will be admitted into evidence and into the record.
- G. Following the presentation of each document, members of the Risk Committee may pose questions to the presenter of the document about the evidence offered.

H. A hearing typically shall be conducted in this order, although the Risk Committee retains authority to change the order:

- a. Open of record;
- b. OCC: Presentation of facts of the case, including documents;
- c. Respondent: Presentation of facts of the case, including documents;
- d. OCC: Rebuttal;
- e. Respondent: Rebuttal;
- f. Close of record.

I. Following the hearing, if necessary, the Risk Committee may submit questions in writing to either party, with copies of all communications provided to each party.

III.

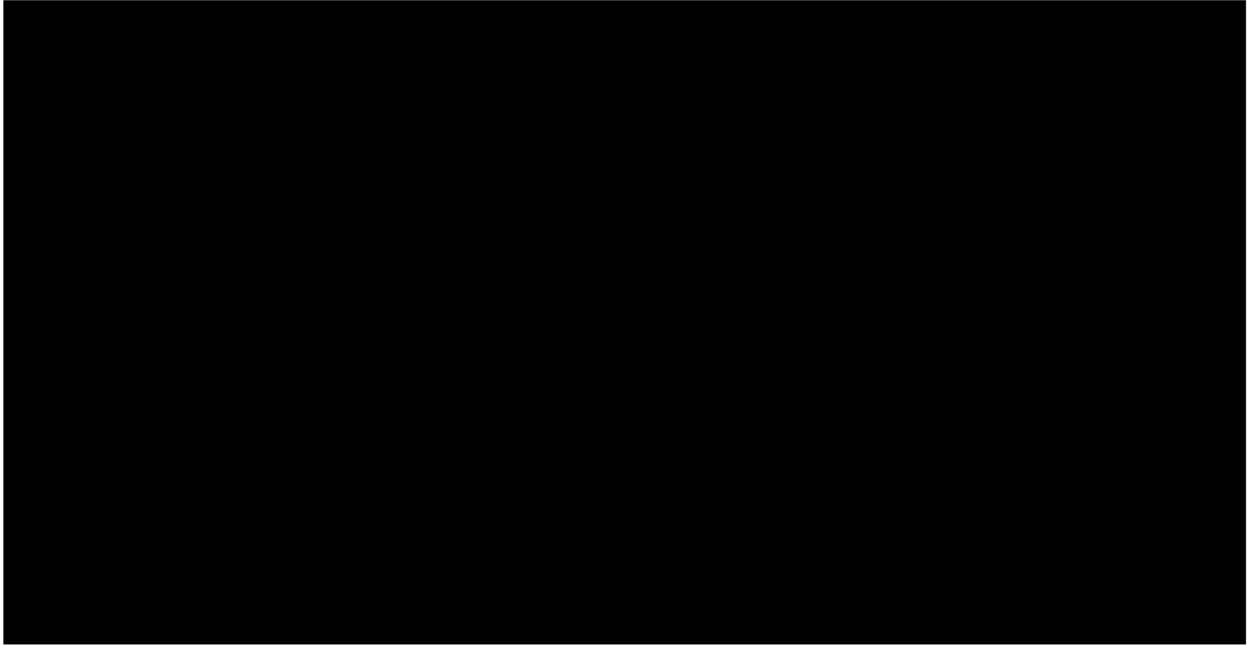
Respondent shall be notified in writing of the outcome of the Risk Committee's review.

Dated: August 6, 2021

Respectfully Submitted,

THE OPTIONS CLEARING CORPORATION

By: Megan Malone Cohen
Megan Malone Cohen
Deputy General Counsel and
Corporate Secretary



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Master Page # 8 of 47 - Clearing Member Hearing 8/13/2021

OS Received 10/05/2021

LEK 1

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June 23, 2021

VIA FEDEX

Mr. David Casper, President
Chief Executive Officer
BMO Harris Bank, N.A.
111 W. Monroe Street
Chicago, IL 60603

Lek Securities Corporation

Dear Mr. Casper:

We represent Lek Securities Corporation ("LSC") in connection with BMO Harris Bank's ("BMOH") proposed termination of its banking relationship with LSC. LSC is a New York-based, self-clearing broker-dealer registered with the Securities and Exchange Commission (the "SEC") that provides brokerage services for more than one million retail customers. LSC is required by the rules of the Options Clearing Corporation (the "OCC") to maintain a settlement account ("Settlement Account") at an approved settlement bank in order to settle trades made on behalf of its customers. Except for a brief period during the 2008 financial crisis, BMOH has served as LSC's OCC-approved settlement bank without incident or issue for some twenty-five years.

We have twice requested from Linda Haven, Managing Director, Financial Institutions, a written explanation of the reasoning behind BMOH's decision to close the LSC's Settlement Account and terminate its long-standing relationship with LSC. We did not receive any explanation and subsequently received an email from Christina Kiel, Associate General Counsel, North American Commercial Banking, which did not suggest that an explanation would be forthcoming or that BMOH has any interest in resolving any issues with the LSC banking relationship. For your convenience, copies of the relevant correspondence are attached.

The crux of the problem with BMOH's arbitrary termination of its relationship with LSC is that, other than BMOH and Bank of Montreal, there are only six other OCC-approved settlement banks. We are exploring why, despite its statutory mandate to promote competition, the OCC has permitted the number of approved settlement banks to remain at eight, which is a potential limitation on the number of clearing members. We also note that the staff of the SEC has recently acknowledged that the current consolidation among clearing members serves as a barrier to entry in the market for clearance and settlement. Further, we are concerned

Mr. David Casper
June 23, 2021
Page 2

that the OCC will be proposing a rule change that would increase capital requirements for settlement banks, posing additional barriers to entry.

With this background, as one of the few banking organizations approved by the OCC to provide settlement services, BMOH has an obligation to provide LSC with bona fide reasons for its proposed termination and permit LSC to address any deficiencies in the relationship.

LSC has been diligently working to establish a relationship with one of the six other OCC-approved settlement banks (*i.e.*, Bank of America, Citibank, BNY Mellon, JPMorgan Chase, U.S. Bank and Brown Brothers Harriman) and has contacted each of those six institutions. As of yet, however, LSC has not been able to confirm that any of the other six approved settlement banks will provide the settlement services that LSC has been receiving from BMOH. Based on the responses received to date, it appears to LSC that these banks are not seeking or taking on any new customers for these services. One institution suggested that the services LSC was seeking would be offered only as an accommodation service to broker-dealers with a substantial pre-existing relationship with that bank.

While LSC continues to pursue a relationship with one of the other approved settlement banks, it appears that BMOH may be the only OCC-approved settlement bank that provides settlement services to independent self-clearing brokers like LSC. If that is the case, BMOH has a unique and critical role in the marketplace and a heightened responsibility not to arbitrarily terminate its relationship with LSC without LSC having a landing place with another OCC-approved settlement bank.

The commitment of BMOH, as stated in Ms. Kiel's e-mail, "to work with [LSC] towards an orderly wind down of our banking relationship," while helpful, does not resolve the critical issue of transitioning LSC's settlement bank relationship to another OCC-approved banking organization or the limited options available to LSC. As one of the limited number of OCC-approved settlement banks, we believe BMOH is obligated to work with LSC and the OCC (which we understand itself uses BMOH as its own bank) to find a pathway to transition LSC's banking relationship to another OCC-approved settlement bank if BMOH insists on terminating its relationship with LSC.


BMOH's termination of its relationship with LSC without a suitable pathway forward for LSC to transition its banking relationship not only would cause LSC immediate and irreparable harm and risk forcing it to wind down, but would cause upheaval in the market and significant harm to LSC's more than one million retail customers who rely on LSC to clear their trades through the OCC. Ironically, some of LSC's customers were former customers of the commodity futures broker MF Global, which itself failed and was wound down in 2011. BMOH's proposal to close the Settlement Account also implicates numerous regulatory issues, including the statutory obligation of clearing corporations to promote fair competition among brokers and dealers, and BMOH's role as one of the limited number of OCC-approved settlement banks in assisting the OCC in satisfying that obligation.

Mr. David Casper
June 23, 2021
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Given the long relationship between BMOH and LSC, LSC believes that a constructive dialogue with BMOH and the OCC can result in a satisfactory resolution of any outstanding issues and address any apparent concerns of BMOH that may be driving the decision to terminate the LSC relationship or, alternatively, facilitate the orderly transition of that relationship to another OCC-approved settlement bank. To be clear, however, it remains LSC's strong preference to continue what has been a mutually beneficial (LSC paid almost \$6 million in fees and interest to BMOH during the period 2007-2010) and productive relationship with BMOH. Toward this end, we welcome the opportunity to discuss the current situation.

Sincerely,

Paul T. Clark



Anthony C.J. Nuland

Enclosures

Cc: John P. Davidson, OCC Chief Executive Officer (jdavidson@theocc.com)
Joseph Kamnik, Esq, OCC Chief Regulatory Counsel (jkamnik@theocc.com)
Linda Haven (linda.haven@bmo.com)
Christina Kiel, Esq. (christina.kiel@bmo.com)
Mark D. Kotwick, Esq. (kotwick@sewkis.com)

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May 14, 2021

Linda C. Haven
Managing Director, Financial Institutions
BMO Harris Bank, N.A.
115 S. LaSalle Street - 18W
Chicago, IL 60603

Ms. Haven:

We have been retained by Lek Securities Corporation ("LSC") in connection with BMO Harris Bank's ("BMOH") proposed closing of LSC's settlement account ("Settlement Account") at BMOH. We understand that BMOH has informed LSC that it intends to close the Settlement Account and terminate its relationship with LSC as of June 30, 2021. BMOH's closing of the Settlement Account would end a long-standing relationship between the parties.

Given the long history of the relationship, and the commercial ramifications of termination, we request that BMOH disclose to us in writing the facts, assumptions, and rationale on which it is basing its intention to close the Settlement Account. We further request a teleconference so that we can discuss these issues more fully.

LSC is a self-clearing broker-dealer registered with the Securities and Exchange Commission ("SEC") providing brokerage services for nearly a million retail customers with more than \$5 billion in customer equity. LSC's net capital greatly exceeds the minimum regulatory requirements. As a member of the Options Clearing Corporation ("OCC") and the Depository Trust and Clearing Corporation ("DTCC") LSC is required to maintain a banking relationship in order to settle cash transactions. BMOH has provided this service to LSC for over 20 years.

If BMOH closes the Settlement Account, immediate and irreparable harm to LSC would result. On the basis of its contacts with other depository institutions, LSC understands that BMOH is one of the few depository institutions, if not the only depository institution, providing clearing corporation settlement services to independent self-clearing broker-dealers. In the likely event that no other depository institution is able to replicate the services currently provided by BMOH, LSC may be forced to dramatically curtail or cease operations. This would cause


Linda C. Haven
May 14, 2021
Page 2

immediate and irreparable harm to LSC's customers and the independent introducing broker-dealers to which LSC provides clearing and settlement services.


BMOH's intention to close the Settlement Account implicates numerous potential regulatory and contractual issues, including regulatory obligations of the clearing corporations to promote fair competition among brokers and dealers. Consultation with the various regulatory and self-regulatory authorities with jurisdiction over BMOH, LSC, or both, may be required if BMOH proceeds with its intended closing of the Settlement Account.

We hope a dialogue between BMOH and LSC can result in a satisfactory resolution of any outstanding issues. It is LSC's sincere desire to continue what has been a productive relationship with BMOH. We look forward to hearing from you.

Sincerely,



Paul T. Clark



Anthony C.J. Nuland

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June 15, 2021

Linda C. Haven
Managing Director, Financial Institutions
BMO Harris Bank, N.A.
115 S. LaSalle Street - 18W
Chicago, IL 60603

Ms. Haven:

As you know, we represent Lek Securities Corporation ("LSC") in connection with BMO Harris Bank's ("BMOH") proposed closing of LSC's settlement account ("Settlement Account"). In our letter to you on May 14, 2021 (the "May Letter"), we explained that BMOH's closing of the Settlement Account would cause LSC immediate and irreparable harm. We also requested that you respond to us in writing with the facts, assumptions, and rationale on which BMOH is basing its intention to close the Settlement Account and schedule a teleconference with us to discuss these issues more fully. We reiterate the requests made in our May Letter.

Since sending you the May Letter, we have had discussions with counsel at the Options Clearing Corporation ("OCC"). As you know, LSC and all other OCC members are required to have a Settlement Account with an OCC-approved bank. We understand that in response to our discussions with OCC counsel, BMOH has informed the OCC that BMOH will not terminate its relationship with LSC until LSC has established a Settlement Account at another OCC-approved settlement bank. We request that you confirm your position to us.


LSC has been diligently working to establish a Settlement Account with another OCC-approved bank. Only eight banks are currently approved, and this total includes both BMOH itself and its affiliate, Bank of Montreal. As yet, LSC has not been able to confirm that any of the other six OCC-approved banks offers the settlement services that LSC has been receiving from BMOH.

Given the long history of the relationship between BMOH and LSC, LSC continues to hope a dialogue between BMOH and LSC can result in a satisfactory resolution of any outstanding issues. It remains LSC's desire to continue what has been a productive relationship with BMOH. Toward this end, we and our client believe a resolution can best be achieved by

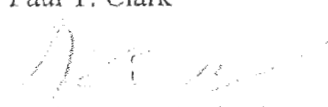
Linda C. Haven
June 15, 2021
Page 2

scheduling a teleconference with us at which these issues can be explored more fully. We look forward to hearing from you regarding a mutually acceptable time for that teleconference.

Sincerely,



Paul T. Clark



Anthony C.J. Nuland

SK 07392 0001 8868883 v3

Clark, Paul

From: Kiel, Christina <Christina.Kiel@bmo.com>
Sent: Wednesday, June 16, 2021 3:04 PM
To: Clark, Paul
Cc: Bellendir, Eric; Haven, Linda C; Charles Lek; Nuland, Anthony
Subject: [EXTERNAL] RE: Lek Securities

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Paul - Following up on Linda's note, I wanted to introduce myself by email. I'm a Managing Director and Associate General Counsel at BMO, and Linda has kept me up to date on her team's efforts to work with Lek towards an orderly wind down of our banking relationship. If a call would be helpful to run through the suggestions we've given to Lek, I would be happy to join. We are glad to hear that Lek has been pursuing other options. As Linda says, we will need to firm up a date for the wind down.

Please include me on any correspondence going forward.

Best regards,

-Christina

Christina Kiel
Managing Director, Associate General Counsel, North American Commercial Banking | Legal & Regulatory Compliance | BMO Financial Group | 312-350-4714 | christina.kiel@bmo.com
www.bmo.com

From: Haven, Linda C <linda.haven@bmo.com>
Sent: Wednesday, June 16, 2021 1:51 PM
To: Clark, Paul <clark@sewkis.com>; Charles Lek <charles.lek@leksecurities.com>
Cc: Nuland, Anthony <nuland@sewkis.com>; Kiel, Christina <Christina.Kiel@bmo.com>; Bellendir, Eric <Eric.Bellendir@bmo.com>
Subject: RE: Lek Securities

Mr. Clark,

I appreciate the follow-up, given your note below. We did not tell OCC that the banking relationship with Lek will not be wound down until Lek establishes a relationship with another OCC-approved bank. BMO first gave Lek notice of its intention to terminate the relationship on October 19, 2020 and while we remain willing to work with Lek to facilitate an orderly transition, as we have for the past 8 months, our decision to terminate has not changed. Conversations regarding reducing credit exposures began the prior year in October 2019, and the discussions on our exit of the banking relationship have been consistent throughout.

Regards,

Linda Haven

Linda C. Haven | Managing Director | Financial Institutions
BMO Harris Bank NA | 115 S. LaSalle Street - 18W | Chicago, IL 60603
Linda.Haven@BMO.com
(T): 312.461.3993 | (M): 312.636.4715

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From: Clark, Paul <clark@sewkis.com>
Sent: Wednesday, June 16, 2021 10:01 AM
To: Haven, Linda C <linda.haven@bmo.com>; Charles Lek <charles.lek@leksecurities.com>
Cc: Nuland, Anthony <nuland@sewkis.com>
Subject: RE: Lek Securities

Ms. Haven,

Thank you for your response. We look forward to hearing from your counsel.

That being said, we are confused by your response. The OCC represented to us that you, or a representative of BMOH, told the OCC that the banking relationship with Lek Securities will not be wound down until Lek establishes a relationship with another OCC-approved bank. Lek is diligently pursuing options with the other 6 approved banking entities and is working with another bank that is seeking OCC approval. Discussions about winding down the relationship with Lek at this point in time are inconsistent with our understanding from the OCC.

Do we misunderstand BMOH's position? Does the OCC misunderstand your position?

Thanks and regards,

Paul Clark

From: Haven, Linda C <linda.haven@bmo.com>
Sent: Tuesday, June 15, 2021 4:50 PM
To: Clark, Paul <clark@sewkis.com>; Charles Lek <charles.lek@leksecurities.com>
Cc: Nuland, Anthony <nuland@sewkis.com>
Subject: [EXTERNAL] RE: Lek Securities

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Mr. Clark,

I will share your letter/request with our counsel and communicate our next steps.

Charlie, we are scheduled for our regular update meeting tomorrow which Lek had postponed from last week. I look forward to having that meeting, sans attorney's, to get an update on the open items, including your credit facility with BMO Harris, BMO Canadian activity for Lek and CDS, etc.

Regards,
Linda Haven

Linda C. Haven | Managing Director | Financial Institutions
BMO Harris Bank NA | 115 S. LaSalle Street - 18W | Chicago, IL 60603
Linda.Haven@BMO.com
(T): 312.461.3993 | (M): 312.636.4715

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From: Clark, Paul <clark@sewkis.com>
Sent: Tuesday, June 15, 2021 3:29 PM
To: Haven, Linda C <linda.haven@bmo.com>
Cc: Charles Lek <charles.lek@leksecurities.com>; Nuland, Anthony <nuland@sewkis.com>
Subject: Lek Securities

External Email: Use caution with links and attachments. | Courriel externe : Faites preuve de prudence en ce qui a trait aux liens et aux pièces jointes.

Ms. Haven,

Attached is a follow-up letter to our May 14, 2021, correspondence concerning Lek Securities Corporation.

We understand that you have regular meetings with representatives of Lek to discuss the winding down of the relationship. Mr. Lek has requested that we participate in these meetings.

We look forward to your response.

Regards,
Paul Clark

Paul T. Clark
Partner
Tel: (202) 737-8833
Email: clark@sewkis.com
ESTABLISHED 1890

SEWARD & KISSEL LLP
901 K Street N.W.
Washington, DC 20001
Fax: (202) 737-5184
Web: www.sewkis.com

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From: DC Temp Secretary <DCTempSecretary@sewkis.com>
Sent: Tuesday, June 15, 2021 4:20 PM
To: Clark, Paul <clark@sewkis.com>
Cc: Aikens, Regina L. <aikens@sewkis.com>
Subject: BMO/Lek

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LEK 2

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Jeffrey J. Chapman
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McGUIREWOODS

jchapman@mcguirewoods.com
Fax: 212.715.6277

July 8, 2021

Via E-Mail and Federal Express

Mr. Paul T. Clark
Mr. Anthony C.J. Nuland
Seward & Kissel LLP
One Battery Park Plaza
New York, New York 10004

Re: Lek Securities Corporation

Dear Messrs. Clark and Nuland:

I write on behalf of BMO Harris Bank, N.A. (“BMOH”) in response to your letters of May 14, 2021, June 15, 2021, and June 23, 2021 concerning Lek Securities Corporation (“LSC”). BMOH provides settlement services to LSC pursuant to a Clearinghouse Settlement Instructions Authentication Agreement (the “Agreement”) entered into by the parties on September 12, 2011.¹ Your most recent correspondence asserts “BMOH has an obligation to provide LSC with bona fide reasons for its proposed termination” of these settlement services and that BMOH is further obligated to “permit LSC to address any deficiencies in the relationship.”

Respectfully, BMOH has no such obligations. The Agreement provides, in relevant part: “Customer agrees that Bank may *in its sole good faith discretion discontinue the services contemplated by this letter without prior notice at any time.*” (Emphasis supplied.) By the plain terms of the Agreement, BMOH is under no obligation to provide LSC with “bona fide reasons” for discontinuing provision of settlement services, much less to “permit LSC to address any deficiencies.” To the contrary, BMOH may discontinue provision of settlement services upon its “sole good faith discretion” and “without prior notice at any time.” BMOH is acting within its sole good faith discretion so long as it is acting reasonably and not arbitrarily. *See, e.g., Cont’l Mobile Tel. Co. v. Chicago SMSA Ltd. P’ship*, 587 N.E.2d 1169, 1174 (Ill. App. 1992) (good faith requires a party to act “reasonably, not arbitrarily”).

While BMOH has no obligation to provide LSC with its reasons for terminating the Agreement, I nevertheless note the following facts and chronology that demonstrate BMOH is exercising its contractual right to terminate in good faith. On March 10, 2017, the Securities and Exchange Commission filed a complaint in the U.S. District Court for the Southern District of New York alleging that LSC and its principal Samuel Lek aided and abetted violations of the federal securities laws. On October 1, 2019, final judgment in the action was entered against LSC

¹ A copy of the Agreement is enclosed for reference.

and Mr. Lek pursuant to which they admitted to the conduct alleged in the complaint and agreed to pay substantial monetary penalties. Mr. Lek was also permanently barred from the industry by the SEC and FINRA.

During this time period, BMOH held frequent discussions with LSC regarding its concerns about LSC's business, including collateral deficiencies, intraday overdrafts, and net capital. On October 22, 2019, following the entry of final judgment against LSC and Mr. Lek, BMOH communicated to LSC that it would reduce its National Securities Clearing Corporation ("NSCC") sublimit and advised LSC to find another bank for NSCC financing. BMOH further informed LSC that it intended eventually to reduce LSC's sublimit to \$0.

While BMOH initially held off reducing LSC's NSCC sublimit due to the impact of COVID-19, BMOH reduced the sublimit on September 8, 2020. On October 19, 2020, BMOH proposed further reductions and explicitly informed LSC that it needed to find another banking relationship for settlements. On November 9, 2020, BMOH further reduced the sublimit and established with LSC that the timeframe for complete termination of the parties' relationship would be the first or second quarter of 2021. Since that time, BMOH has held multiple meetings with LSC where it has consistently expressed its concerns, its intent to terminate the parties' relationship, and that LSC should find an alternative bank for settlement services.

In sum, BMOH has the contractual right to terminate its settlement relationship with LSC at its own good faith discretion and without prior notice pursuant to the Agreement. Your letters provide no authority to the contrary – indeed they cite not a single case, rule or law for the numerous duties you seek to create. Moreover, BMOH's decision to terminate the relationship is grounded in numerous valid concerns, including but not limited to: loss of confidence in LSC and its current management; regulatory concerns prompted by the SEC and FINRA actions; financial and reputational risk; and concerns about LSC's financial status. While BMOH is not required to provide any form of notice to terminate the Agreement, it nevertheless provided ample notice and in fact continued to provide settlement services to LSC for months while it sought an alternative settlement bank. These facts demonstrate BMOH's good faith here. *See, e.g., Nat'l Westminster Bank, U.S.A. v. Ross*, 130 B.R. 656, 679–80 (S.D.N.Y. 1991) (where lending agreement could be terminated "at any time without notice," Bank exercised good faith by providing "reasonable notice" to counterparty "of the Bank's desire to have [counterparty] obtain alternate financing, as well as the Bank's accommodation of [counterparty's] request that it be given a reasonable time to do so"), *aff'd sub nom. Yaeger v. Nat'l Westminster*, 962 F.2d 1 (2d Cir. 1992). To the extent your letters argue BMOH owes extra-contractual obligations to LSC because LSC cannot secure a settlement arrangement with another bank, this argument is without legal basis. *See, e.g., Mid-W. Energy Consultants, Inc. v. Covenant Home, Inc.*, 815 N.E.2d 911, 915-16 (Ill. App. 2004) (good faith "does not require a party with discretion to forbear from exercising its right to terminate a contract for the benefit of the other party to the agreement"); *Manufacturers Hanover Tr. Co. v. Yanakas*, 7 F.3d 310, 318 (2d Cir. 1993) (rejecting attempt to apply extra-contractual duties to bank based on allegation that borrower "was unable to find financing elsewhere").

* * *

As noted, BMOH provided LSC with advance notice of its intent to terminate the parties' contractual relationship and has in fact provided LSC with months to find an alternative settlement bank. I am now formally notifying you that BMOH will discontinue the settlement services it provides pursuant to the Agreement **ninety days** from the date of this letter, on **October 6, 2021**. In the interim, BMOH is reducing LSC's uncommitted broker line of credit down from \$75,000,000 to \$50,000,000, effective immediately. Additionally, BMOH will reduce LSC's NSCC sublimit to \$4,000,000 on August 9, 2021, and will reduce the sublimit to \$0 on September 6, 2021. BMOH will not extend any of these deadlines.

To be clear, and for the avoidance of doubt, it remains BMOH's position that LSC must transition all of its business (including, but not limited to, its settlement business with BMOH) away from BMOH and Bank of Montreal. Should you have any questions regarding the foregoing, please contact me directly.

Very truly yours,
/s/ Jeffrey J. Chapman
Jeffrey J. Chapman
Counsel to BMO Harris Bank. N.A.

Enclosure

Cc: John P. Davidson, OCC Chief Executive Officer (j davidson@theocc.com)
Joseph Kamnik, Esq., OCC Chief Regulatory Officer (jkamnik@theocc.com)
Linda Haven (linda.haven@bmo.com)
Christina Kiel, Esq. (christina.kiel@bmo.com)
Mark D. Kotwick, Esq. (kotwick@sewkis.com)
William E. Goydan, Esq. (wgoydan@mcguirewoods.com)
Alex Madrid, Esq. (amadrid@mcguirewoods.com)

BMO Harris Bank N.A.
111 West Monroe Street
Chicago, Illinois 60690

Attention: Futures and Securities Division

Re: Clearinghouse Settlement Instructions Authentication Agreement

The undersigned Customer does now and/or may from time to time hereafter participate in settlement programs established and operated by one or more clearinghouses, and the Customer has authorized such clearinghouses to issue settlement instructions to BMO Harris Bank N.A. ("*BMO Harris*") from time to time to charge or credit, as the case may be, the Customer's deposit account or accounts opened and established by Customer with BMO Harris from time to time (the "*Accounts*"). The terms of the BMO Harris Commercial Account Agreement ("*Account Agreement*") apply to and govern the Accounts and this letter of authorization and are hereby incorporated into this letter as through fully set forth herein. In the event a conflict between the terms of this authorization letter and terms of the Account Agreement, the terms of this authorization letter shall control.

The Customer hereby authorizes BMO Harris to charge or credit, as the case may be, any of the Accounts in accordance with the settlement instructions received by BMO Harris from any recognized clearinghouse. In making such charges and credits in accordance with settlement instructions, BMO Harris shall be entitled to (a) assume without further inquiry that the Customer is participating in a given settlement program for which BMO Harris receives settlement instructions from any recognized clearinghouse to charge or credit any Account, and (b) rely and act upon all information appearing in such settlement instructions as being correct, complete and authorized by Customer provided that such settlement instructions were received by BMO Harris in compliance with the security procedures agreed upon by BMO Harris and the applicable clearinghouse from time to time or was otherwise actually sent by such clearinghouse whether or not such security procedures were followed. The authority herein to charge the Customer's Accounts shall be unlimited as to amount.

All such settlement instructions shall be effective and binding upon the Customer, whether or not such settlement instructions were authorized and correct instructions of such clearinghouse. In the event that any settlement instruction contains an error or is unauthorized, the Customer agrees to resolve the related funds transfers directly with the applicable clearinghouse, and BMO Harris shall have no liability for such unauthorized or erroneous settlement instructions if BMO Harris acted in good faith and in compliance with the applicable security procedures.

The Customer will maintain at all times balances of available funds in the Accounts which are sufficient to satisfy all charges resulting from clearinghouse settlement instructions. In the event that the balance of available funds in any Account is insufficient to satisfy any such charges, BMO Harris may at its sole discretion, but without any obligation to do so, honor such charges which will result in a

deficiency or overdraft in such Account. Any such deficiency shall be immediately repaid to BMO Harris by the Customer upon your demand at the BMO Harris principal office in Chicago, Illinois, together with interest until paid at the rate then established by BMO Harris for such deficiencies, and all costs and expenses, including attorneys' fees and court costs, paid or incurred by BMO Harris in order to collect the same.

The authorization and agreements contained in this letter shall become effective upon the execution and delivery of this letter to BMO Harris by the Customer and it shall not be necessary for BMO Harris to execute any acceptance or acknowledgement hereof. This authorization shall supersede any previous authorization given by the Customer to BMO Harris with respect to clearinghouse settlement instructions. Notwithstanding the terms of the Account Agreement or any other agreement between Customer and Bank, Customer agrees that Bank may in its sole good faith discretion discontinue the services contemplated by this letter without prior notice at any time. This authorization shall remain in full force and effect until BMO Harris actually receives at the BMO Harris principal office in Chicago, Illinois, written notice addressed to BMO Harris, to the attention of the BMO Harris Futures and Securities Division, and signed by an officer of the Customer revoking or modifying this authorization. No such revocation or modification shall impair the authority contained herein with respect to any actions taken by BMO Harris prior to the actual receipt of such written notice, and thereafter for such period of time as may be reasonably required by BMO Harris to act upon such revocation or modification.

The foregoing authorization to change any and all Accounts applies to Accounts currently maintained with BMO Harris by the Customer which will be charged and/or credited pursuant to clearinghouse settlement instructions and any new Accounts established after the date hereof to be maintained with BMO Harris by the Customer which shall be charged and/or credited pursuant to clearinghouse settlement instructions.

The undersigned Customer hereby agrees to the terms of this authorization agreement as of the date set forth below.

Dated, 9/12/14

CUSTOMER NAME

Wells Securities Corp.

By: [Signature]

Name: Daniel M. Hawks

Its: Chief Financial Officer

LEK 3



July 16, 2021

BY EMAIL

Charles Lek
Lek Securities Corporation
4 World Trade Center, 44th Floor
New York, NY 10007

Re: Lek Securities Corp. – Operational Condition

Dear Mr. Lek,

This letter is to inform you of protective measures that The Options Clearing Corporation (“OCC”) may take under the authority in its By-Laws and Rules regarding the clearing membership of Lek Securities Corp. (“Lek Securities”) if Lek Securities does not take timely action to address the approaching termination of its settlement bank relationship with BMO Harris Bank, N.A. (“BMO Harris”).

On July 8, 2021, OCC learned of BMO Harris’ intent to terminate its settlement bank relationship with Lek Securities, effective October 6, 2021. Based on communications with OCC staff and Lek Securities, most recently on July 12 and July 13, 2021, OCC understands that Lek Securities has not established and does not have plans to establish a settlement account at another Clearing Bank,¹ as required of Clearing Members by OCC Rule 203. Instead, Lek Securities has informed OCC of its plan to establish a settlement bank relationship with Lakeside Bank—a bank that is not a Clearing Bank.

Lek Securities’ reliance on a plan that would require OCC to onboard Lakeside Bank as a Clearing Bank and for both Lek and OCC to establish settlement bank arrangements with Lakeside Bank by October 6, 2021, is not a reasonable plan by Lek Securities to ensure that as an OCC Clearing Member it maintains a Clearing Bank arrangement as required under OCC’s By-Laws and Rules. Lakeside Bank is not a current Clearing Bank. Onboarding Lakeside Bank would require OCC to approve the relationship after conducting due diligence to ensure Lakeside Bank has the financial resources and operational capacity to serve as a Clearing Bank. In addition, Lakeside Bank and OCC would need to execute agreements governing OCC’s accounts with Lakeside Bank that are consistent with OCC’s By-Laws and Rules and applicable regulatory requirements. To date, Lakeside Bank has provided limited responses to due diligence requests needed to fulfill the

¹ All terms with initial capitalization not defined herein have the same meaning as set forth in OCC’s By-Laws and Rules.



onboarding process. Reliance on OCC approving and establishing this relationship by October 6 is hopeful at best but may not be realistic.

OCC requests a written response providing Lek Securities' plans in the event that settlement bank arrangements with Lakeside Bank are not approved and established by October 6, 2021, including any plan to enter into a correspondent clearing arrangement with another Clearing Member. Please direct your response to the undersigned by **August 16, 2021**.

If Lek Securities does not provide a plan for addressing the termination of its settlement account at BMO Harris acceptable to OCC by August 16, 2021, OCC may implement protective measures under the authority in its By-Laws and Rules at a time of its choosing including, but not limited to: (i) prohibiting or limiting the clearance of new transactions in Lek Securities' firm or Market-Maker account; (ii) prohibiting or limiting new Stock Loans entered into by Lek Securities; (iii) requiring additional margin; or (iv) requiring Lek Securities to transfer accounts and positions to another Clearing Member. The protective measures may increase as BMO Harris' October 6, 2021 deadline approaches. Should Lek Securities fail to timely address this situation, OCC reserves the right to take any and all measures permitted under its By-Laws and Rules it deems necessary and advisable for the protection of OCC, other Clearing Members, and the general public, up to and including suspending Lek Securities' clearing membership.

If you have any questions, please don't hesitate to contact me at 312.322.6214.

Very truly yours,

Scot E. Warren
Chief Operating Officer

cc: Paul T Clark, Seward & Kissel LLP
Anthony C.J. Nuland, Seward & Kissel LLP
Joseph P Kamnik, OCC
Clearing Member's File

LEK 4



July 27, 2021

BY EMAIL

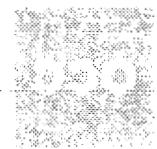
Charles Lek
Lek Securities Corporation
4 World Trade Center, 44th Floor
New York, NY 10007

Re: Change to OCC Protective Measures

Dear Mr. Lek,

This letter is to inform you that OCC's Office of the Chief Executive Officer ("OCEO") has in accordance with OCC's By-Laws and Rules elected to amend protective measures imposed upon Lek Securities Corporation ("Lek Securities") due to recent developments related to your firm's financial and operational condition. Currently, Lek Securities is subject to 25% additional margin based on the daily sum of STANS Expected Shortfall and Stress Test Risk. The OCEO has approved the implementation of the following protective measures:

- (1) In accordance with OCC Rule 305, to prohibit the clearance of opening purchase transactions or opening writing transactions for option contracts in its firm and market makers accounts;
- (2) In accordance with OCC Rule 305, to prohibit the clearance of opening purchase transactions or opening writing transactions for security futures in its customers', firm, and market makers accounts;
- (3) In accordance with OCC Rule 305, to prohibit the acceptance of Stock Loans entered into by Lek in its customers' and market makers accounts;
- (4) In accordance with OCC Rule 305, to impose limitations on the acceptance of Stock Loans entered into by Lek Securities in its firm account reflecting activity end-of-day levels as of July 23, 2021, specifically:
 - a. Maximum end-of-day contract value of borrows totaling \$13.6 million
 - b. Maximum end-of-day contract value of loans totaling \$4.4 million
 - c. No new counterparties beyond Mirae Asset Securities (USA), Inc., Axos Clearing LLC, Wedbush Securities Inc., and StoneX Financial Inc.;
- (5) In accordance with OCC Rules 601 and 609, to raise additional margin charges from 25% to 50% to mitigate exposures observed in OCC's sufficiency and adequacy stress test shortfalls; and,



- (6) In accordance with OCC Rule 306, to require Lek Securities to provide daily end-of-day liquidity sources and uses reporting covering all available bank lines of credit, parent lines of credit, securities financing, unencumbered cash-on-hand, etc.

Items (1) through (3) represent unused products and accounts for which Lek Securities is approved. Item (4) will be enforced for end-of-day balances starting on July 28, 2021 and any breach of the limitations should be resolved on the next business day. Item (5) margin charges are based on the daily sum of STANS 99% Historical Expected Shortfall and Stress Test Risk for each account holding marginable positions at OCC. The new percentage will be reflected in margin requirements settled by 9:00 A.M. Central on July 28, 2021. Item (6) may be satisfied by providing OCC's Credit Risk Management department copies of daily FINRA and/or DTCC liquidity reporting.

These protective measures will remain in place until the aforementioned risks are sufficiently reduced. OCC reserves its right to further amend any and all protective measures imposed upon Lek Securities when facts and circumstances dictate.

You may request Risk Committee review of protective measures taken under Rule 305 by submitting a request for review within five business days to the Secretary of the Corporation. Pursuant to Rule 305(d), the filing of a request for review does not impair the validity or stay the effect of this action.

If you have any questions, please don't hesitate to contact Nathan Ice, Executive Director, Credit Risk Management at (817) 562-3454.

Very truly yours,

Scot E. Warren
Chief Operating Officer

cc: Joseph P Karnnik, OCC
Clearing Member's File

LEK 5

LEK SECURITIES

July 28, 2021

Scot E. Warren
Chief Operating Officer
Options Clearing Corporation
125 S. Franklin Street, Suite 1200
Chicago, IL 60606

Re: Change to OCC Protective Measures

Dear Mr. Warren:

I am writing you concerning your letter dated July 27, 2021, where you propose to seriously limit Lek Securities Corporation's ("LSC's") business. As an initial matter, we have reason to believe that your decision is based on misinterpretations of a letter sent to us by the law firm for BMO Harris Bank ("BMOH"), as we recently became aware that inaccuracies about our firm's financial condition and access to liquidity have been circulating among a number of SROs. Specifically, on July 21, 2021, we received a letter from Michael Leibrock, Managing Director at DTCC in which Mr. Leibrock claimed that DTCC has become aware of the following facts:

- DTCC claimed that BMO Harris Bank ("BMOH") had reduced our \$75MM line of credit to \$50MM, and informed us that it will further reduce the line to \$4MM as of August 4, 2021, and would terminate the line of credit as of September 6, 2021. DTCC noted that we were in discussion with Lakeside Bank to increase our \$7.5MM line of credit and with Investors Bank for new line of credit to compensate for the reduction of the BMOH credit facility, although Mr. Leibrock (incorrectly) thought that no definitive agreements had been reached.

DTCC noted that, unless Lakeside Bank increased the amount available to us under its line of credit, or we obtained another facility from Investor Bank or another bank, as far as DTCC was aware, our firm would have only \$7.5MM of external bank borrowing availability after the termination of the BMO Harris Bank line of credit in September 2021.

- BMO Harris Bank reportedly informed us it will no longer operate as our Settling Bank as of October 6, 2021. DTCC noted that we were reportedly pursuing the engagement of Lakeside Bank as our Settling Bank but doubted that an agreement to establish this relationship had been reached.
- DTCC speculated that FINRA might be assessing the circumstances surrounding our parent company's promissory note, under which our firm is a borrower, and, specifically, the impact of our borrowings under this promissory note on our customer reserve requirement.

As a result, DTCC concluded that our firm's access to liquidity had been greatly reduced.

However, the above "facts" are materially inaccurate, and we are concerned that OCC might have made its decision based on the same inaccuracies. In fact, we now know this to be true, because in today's

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conversation with Darren Tait, Nathan Ice and Bill Chepell, it was confirmed that OCC believed that our credit facility with BMOH would be reduced to \$4MM on August 4, 2021.

We regret that Bank of Montreal Harris ("BMOH") has decided to end its almost 30-year relationship with us at a time when our liquidity and capital are at its strongest. However, as explained below, we do not believe that this will have a significant impact on our liquidity. In fact, BMOH's action has forced us to look for other sources of liquidity and this has resulted in a more diverse and reliable sources of funding available to our firm. We note that our capital is strong and easily meets the regulatory requirement as set forth in the table below:

Equity	13,670,010
Subordinated Debt	4,985,143
Total	18,655,153
Non-Allowable	3,978,871
Net Capital	14,676,282
Requirement	3,531,972
Excess Net Capital	11,144,310
Net Capital as a function of Requirement	4.16

Material inaccuracies:

- BMOH will not reduce our line of credit to \$4MM as of August 4, 2021. The line will stand at \$50MM until October 6, 2021. Moreover, Lakeside Bank has already increased its line of credit from \$12.5MM to \$30MM. Therefore, as of August 6, the firm will have \$80MM in bank credit lines available to it, not \$7.5MM. The confusion may stem from the fact that BMOH had carved out a certain amount of our total line to be used to post margin at NSCC. That portion of our total line was not secured by pledged securities. Instead, the carveout was secured by our receivable from NSCC. It is that portion of the total line that BMOH reduced from \$8MM to \$4MM. However, this will have no effect on our business as the carveout was seldom used. Moreover, as set forth below, Lek Securities has more than replaced whatever lines of credit BMOH has reduced with other sources of liquidity.
- Although BMO Harris Bank has informed us that it will no longer operate as Lek Securities' Settlement Bank as of October 6, 2021, Lakeside is already in the process of taking over this role at NSCC and will step in as our NSCC settlement bank well before BMOH's intended withdrawal date. We understand that Lakeside is not yet an approved OCC settlement bank, but we have been informed that Lakeside has submitted the necessary paperwork to OCC.
- The firm has entered into a borrowing program with Lek Securities Holdings Limited. This program allows the firm to issue unsecured notes and has allowed us to raise almost \$100MM. The program has proven to be successful and provided us with significant liquidity. Specifically, it is difficult to image how this lending program would affect the Customer Reserve Requirement under SEC Rule 15(c)3-3.

Lek Securities Corporation has access to the following sources of funds:

	Previous	Future	Change
BMO	75,000,000	50,000,000	(25,000,000)
Lakeside	12,500,000	30,000,000	17,500,000
Unsecured Notes	-	96,000,000	96,000,000
			88,500,000

As you can see from the above table, we now have access to more liquidity, not less. Moreover, in addition to the above, we are informed by Investor's Bank that they intend to provide us with a \$20MM line of credit, and that Lakeside Bank is working with a number of other banks to create a large, syndicated loan facility for our benefit.

The foregoing information has been provided to NSCC and to the staff of the Securities and Exchange Commission. We are hopeful that your receipt of accurate information will permit you to revisit your decision about Lek Securities.

Very truly yours,



Charles F. Lek
Chief Executive Officer

cc: Joseph P Kamr
Nathan Ice
Jeffrey Mooney
Michael Macchiaroli

LEK 6



July 29, 2021

BY EMAIL

Mr. Charles Lek
Lek Securities Corporation
4 World Trade Center, 44th Floor
New York, NY 10007

Re: Changes to OCC Protective Measures

Dear Mr. Lek,

On July 27, 2021, the Office of the Chief Executive Officer (“OCEO”) of The Options Clearing Corporation (“OCC” or “Company”) sent to you by e-mail a letter describing certain changes to protective measures that OCC is making regarding the activities of Lek Securities Corp. (“LSC”) as an OCC clearing member. Regarding that letter, OCC is in receipt of an e-mail from you to Mr. Nathan Ice, Mr. Joseph Kamnik, Mr. Bill Chcpell and Mr. Darren Tait, and a letter dated July 28, 2021 to Mr. Scot Warren – all of the Company but none of whom is OCC’s Secretary. As stated in the OCEO’s July 27, 2021 letter to you, please note the following:

“You may request Risk Committee review of protective measures taken under Rule 305 by submitting a request for review within five business days to the Secretary of the Corporation.”

If you would like to request such a review on behalf of LSC, please follow this process. The Company’s Secretary may be contacted at the mailing address for OCC provided above or by e-mail at OfficeoftheCorporateSecretary@theocc.com. Such a request must be made by August 3, 2021.

Very truly yours,

Nathan Ice
Executive Director, Credit Risk Management

cc: Joseph P. Kamnik, OCC
Clearing Member’s File

LEK 7

July 29, 2021

BY EMAIL

Secretary of the Corporation
Options Clearing Corporation
125 S. Franklin Street, Suite 1200
Chicago, IL 60606
OfficeoftheCorporateSecretary@theocc.com

Lek Securities Corporation: Change to OCC Protective Measures

Dear Corporate Secretary:

This letter serves as our request under OCC Rule 305(c) for review of the various protective measures (the “Protective Measures”) imposed on Lek Securities Corporation (“Lek Securities”) by OCC, described in the July 27, 2021 letter of Scot E. Warren to Charles Lek, Chief Executive Officer of Lek Securities (the “July 27 Letter”). Lek Securities responded to the July 27 Letter on July 28, 2021 (the “July 28 Response Letter”). Copies of the July 27 Letter and July 28 Response Letter are attached hereto and incorporated by reference.

The Protective Measures are based on erroneous information and not warranted under OCC Rule 305, and we request that no such action be taken until OCC has conducted a full investigation and Lek Securities has had the opportunity to be heard.

The imposition of the Protective Measures are appropriate under OCC Rule 305(a) only when OCC “determine[s] that the financial or operational condition of a Clearing Member makes it necessary or advisable, for the protection of the Corporation, other Clearing Members, or the general public, to impose [such] restrictions on such Clearing Member’s positions and stock loan and borrow positions within the Corporation.” That predicate for the imposition of the Protective Measures does not exist here. The apparent crux of any purported concerns of OCC, and other SROs, arise from the misunderstanding surrounding a letter from counsel to BMO Harris (“BMOH”) concerning the orderly winddown of BMOH’s relationship with Lek Securities and incorrect assumptions concerning the impact of that winddown on Lek Securities’ liquidity and capital.

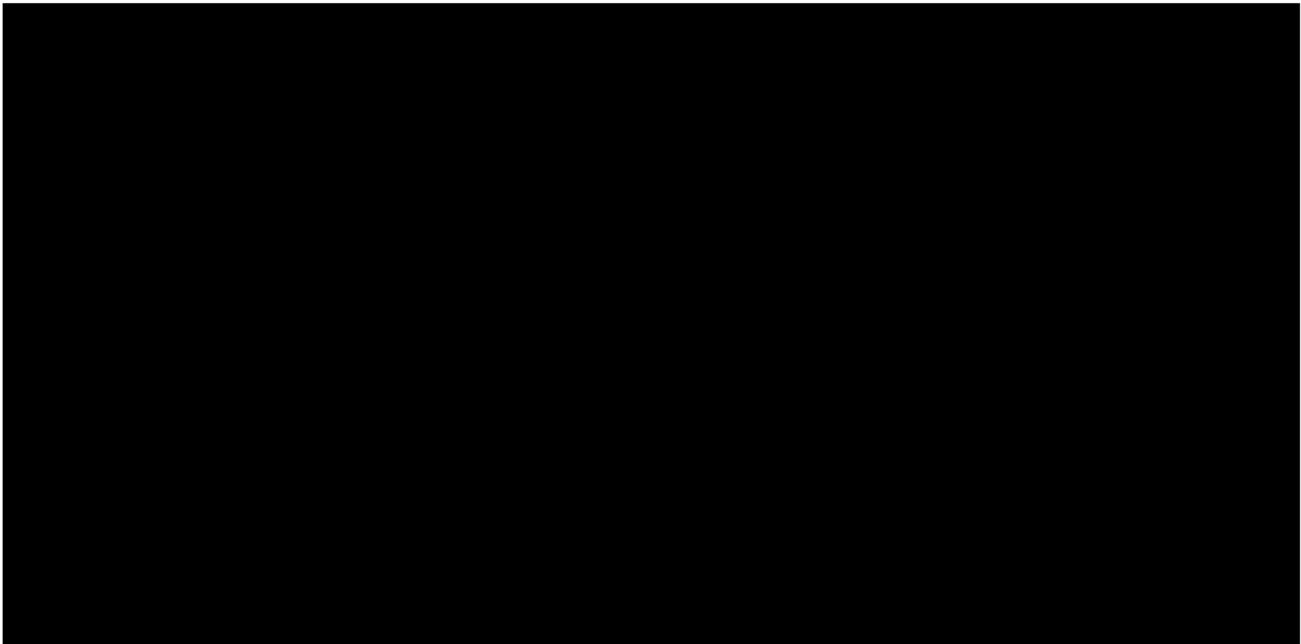
We look forward to the opportunity to be heard and correct the record with respect to this matter.

Respectfully submitted,



Charles F. Lek
Chief Executive Officer

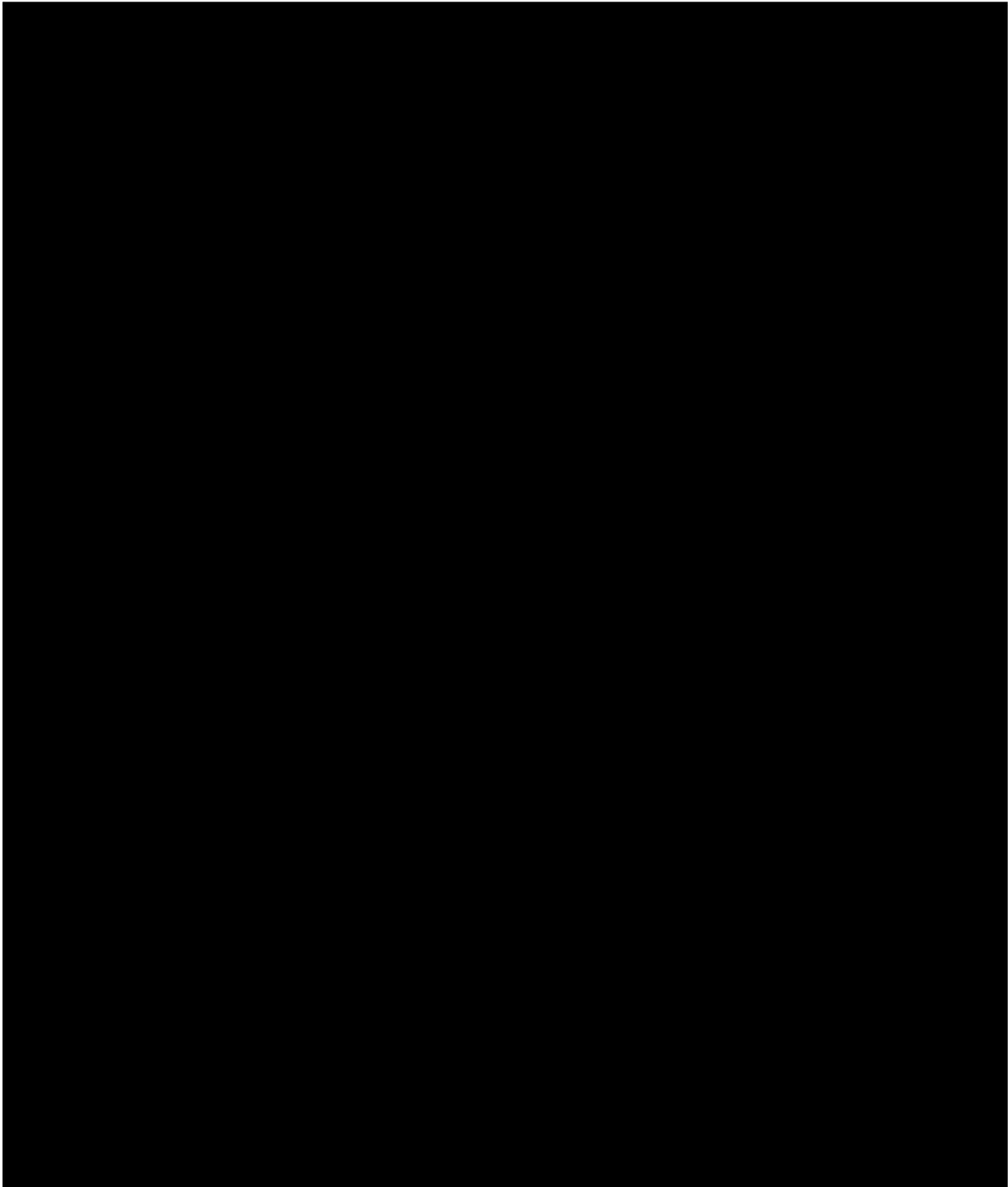
Cc: Scot E. Warren
Joseph P. Kamnik
Nathan Ice



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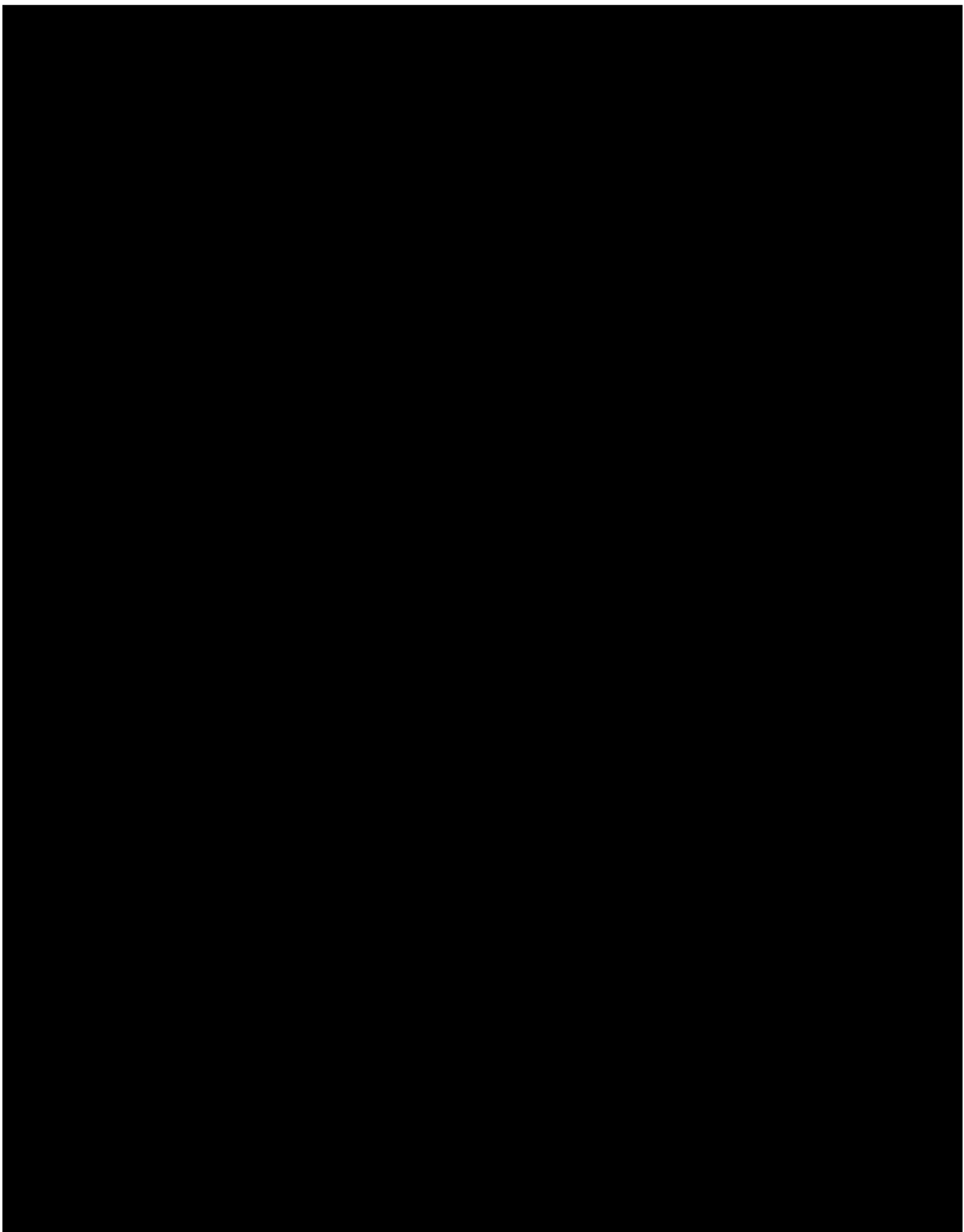
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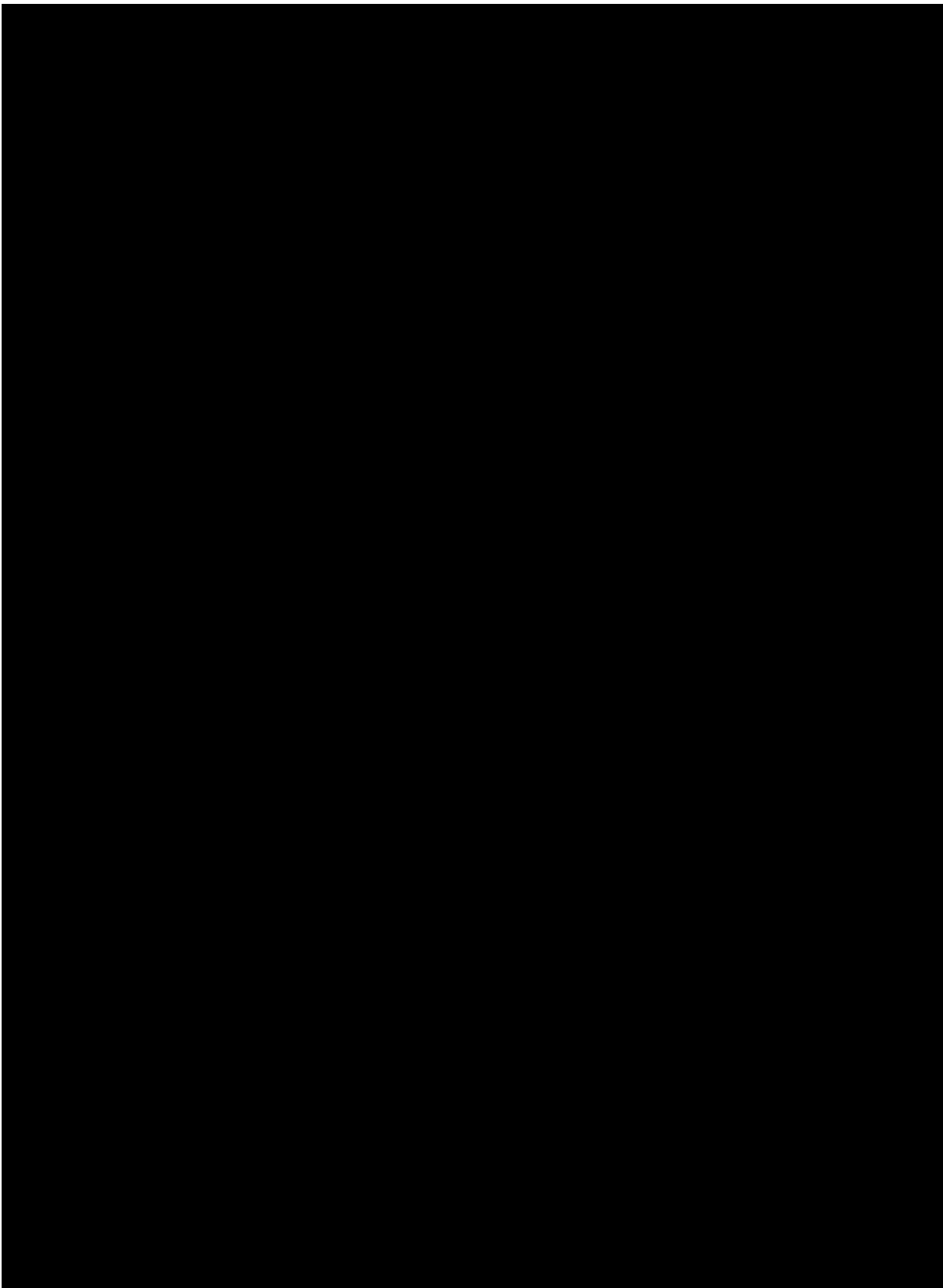
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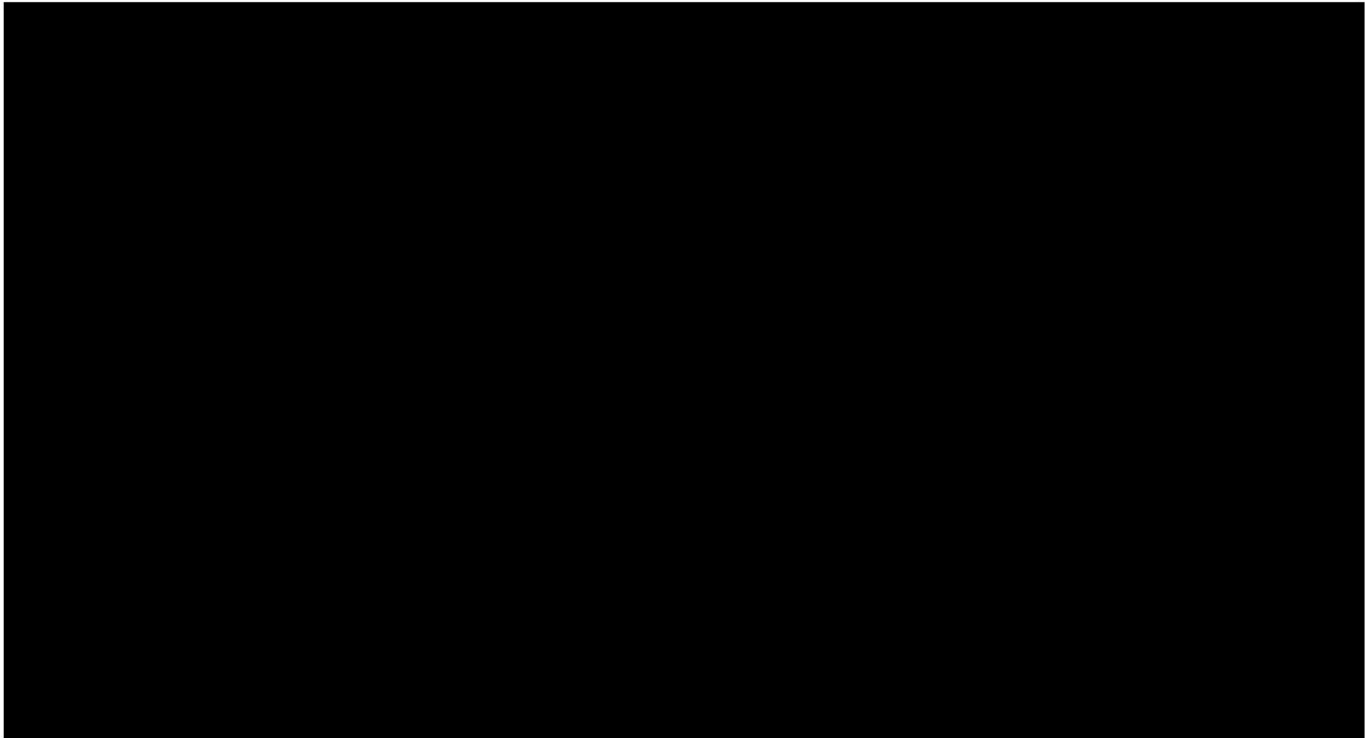
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