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SEC / TM

August 25, 2017

OCC Board of Directors  
Options Clearing Corporation  
1 N. Wacker Drive, Suite 500  
Chicago, IL 60606

Attention: Mr. Joseph P. Kamnik,  
Corporate Secretary

Board Members:

We write to you in light of the recent decision in Susquehanna International Group, LLP, ET AL., v. Securities and Exchange Commission (the "Case"), in which the United States Court of Appeals for the District of Columbia Circuit (the "Court") remanded the Case to the Securities and Exchange Commission to properly evaluate the Options Clearing Corporation's ("OCC") controversial capital plan (the "Capital Plan"). Given the extent of the Court's concerns and the availability of less expensive funding alternatives (e.g., see below), the Board should terminate the Capital Plan, return the \$150 Million of equity capital contributed by the Shareholder Exchanges and initiate a new and transparent review process to assess OCC's operating capital needs. If such a review determines that OCC requires additional capital, OCC should conduct a transparent, competitive process to raise the needed capital at the lowest available cost.

Although we were unable to find common ground during the Capital Plan's comment and approval process, the Court's decision is an impetus to all parties to redouble our efforts and find a mutually agreeable solution to ensuring OCC's long term business, operational and pension funding. Our concern remains that the Capital Plan's high cost, evidenced by annual dividends of approximately 17% and likely to rise significantly hereafter, will result in the continuation of higher fees to market participants, higher costs to customers and, ultimately, reduced trading volume. Less expensive alternatives exist that will allow OCC to meet its genuine operational and/or business capital needs and remain compliant with all regulatory requirements. We remain willing to work with OCC to identify and enact one of those alternatives.

During the Board's prior capital raising review process, we discussed with various Board members<sup>1</sup> a less expensive plan that was either not considered or rejected in favor of the Capital Plan. To that end, we are willing to provide any such necessary capital up to \$150 Million<sup>2</sup> at an annual rate of LIBOR + 3.00%. Additionally, we will work with OCC to ensure that the transaction is structured in a manner fully compliant with all applicable regulatory guidelines, including, among other possible structures, lending

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<sup>1</sup> We were and remain willing to testify about certain of those discussions.

<sup>2</sup> In the unlikely event that additional capital is required, we would be pleased to discuss the possibility of our providing the additional capital as well.

the funds to the Shareholder Exchanges for down-streaming into OCC as equity. If the review concludes that contingent funds (replenishment capital) are required in case of unforeseen shortfalls, we are likewise willing to commit such funds "at cost" for the commitment and at the same LIBOR + 3.00% annual rate to the extent any such contingent funds are drawn.<sup>3</sup> If the Board is able to secure lower cost capital, we support it doing so.

For more than four decades OCC's role as a public utility served the interests of all market participants and enabled the options market to flourish. While the past few years have been tumultuous, the Court's decision provides an opportunity to correct course and regain public trust. We look forward to speaking with you about that process.

Sincerely,



David M. Pollard,  
Head of Strategic Planning  
and Special Counsel

cc: OCC Board Members:  
Craig S. Donohue  
Andrej Bolkovic  
Dr. Thomas R. Cardello  
Mark F. Dehnert  
Thomas W. Farley  
Thomas A. Frank  
Meyer S. Frucher  
David S. Goone  
Susan E. Lester  
Richard R. Lindsey  
Robert Litterman  
Jamil Nazarali  
Christine L. Show  
Edward T. Tilly  
Jonathan B. Werts  
Alice "Patricia" White  
Thomas A. Wittman  
William T. Yates

Richard Holley, SEC  
Gina Lei, SEC  
Heather Seidel, SEC

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<sup>3</sup> Given OCC's 40+ year history of operating without disruption with equity of \$10 Million - \$25 Million, the independent review may conclude that only replenishment capital (i.e., no immediate capital infusion) need be available to OCC.