



May 16, 2016

VIA ELECTRONIC MAIL

Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: Rule Filing SR-OCC-2016-007 Rule Certification

Dear Secretary Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Commodity Futures Trading Commission Regulation (“CFTC”) 40.6, enclosed is a copy of the above-referenced rule filing submitted by The Options Clearing Corporation (“OCC”). The date of implementation of the rule is at least 10 business days following receipt of the rule filing by the CFTC or the date the proposed rule is approved by the Securities and Exchange Commission (the “SEC”) or otherwise becomes effective under the Securities Exchange Act of 1934 (the “Exchange Act”). This rule filing has been, or is concurrently being, submitted to the SEC under the Exchange Act.

In conformity with the requirements of Regulation 40.6(a)(7), OCC states the following:

Explanation and Analysis

The purpose of this proposed rule change is to streamline OCC’s membership approval process by: (i) allowing OCC’s Executive Chairman or President to approve pro forma applications for clearing membership, and (ii) to vest ultimate authority with OCC’s Risk Committee, not its Board, to approve or disapprove applications for clearing membership that are not approved by either OCC’s Executive Chairman or President. To this end, OCC is proposing to: (i) vest the authority to approve or disapprove new membership applications with OCC’s Risk Committee, and (ii) delegate authority to the Executive Chairman or President of OCC to approve new membership applications provided that: (a) it is not recommended by the Risk Committee’s designated delegates or agents that the Risk Committee impose additional membership criteria upon the applicant pursuant to Section 1, Interpretation and Policy .06 of Article V of OCC’s By-Laws, and (b) the Risk Committee is given not less than five business days to determine that the application should be reviewed at a meeting of the Risk Committee and the Risk Committee has not requested that the application be reviewed at a meeting of the Risk Committee within such five day period. The practical effect of the proposed rule change is

that either OCC's Executive Chairman or President would be approving most applications for clearing membership at OCC since most applicants for clearing membership choose to have their application presented for approval only when such approval is pro forma in nature (i.e., the applicant meets all of the clearing membership requirements at OCC and there is no need to impose additional membership requirements). OCC believes that the proposed rule change would better allocate the time and resources of the Board and Risk Committee and ensure applications for clearing membership are considered in a timely manner.

Background

OCC believes that its membership criteria are objective standards that are designed not to unfairly discriminate in the admission of participants to OCC,¹ as well as to provide for fair and open access to OCC.² Currently, the authority to approve or disapprove new applications for clearing membership resides with the Board.³ Under Article V, Section 2 of OCC's By-Laws, OCC's Risk Committee, including its designated delegates or agents, is responsible for reviewing applications for clearing membership, and the Risk Committee is responsible for making a recommendation of approval or disapproval to the Board (in part, relying on Management's review and recommendation).⁴ OCC's management ("Management") performs the substantive review of applications for clearing membership on behalf of the Risk Committee. Management reviews a given application against OCC's membership criteria, which are set forth in Article V of OCC's By-Laws as well as Chapters 2 and 3 of OCC's Rules. Based on its review, Management, as the subject matter expert on OCC's membership criteria, either recommends an application for approval without conditions, recommends an application for approval with conditions (in accordance with OCC's By-Laws, Article V, Section 1, Interpretation and Policy .06), or does not recommend an application for approval. The Risk Committee, based on Management's review of the application, recommends a course of action to OCC's Board. OCC's Board then approves or disapproves applications for clearing membership based on the Risk Committee's recommendation.

Moreover, since the rules of the SEC and the CFTC require OCC to have rules that do not unfairly discriminate in the admission of participants and provide fair and open access,⁵ OCC believes that, under its rules, it is required to admit applicants for clearing membership that clearly meet OCC's membership criteria, and therefore, the Board's ultimate approval of an

¹ See 15 U.S.C. 78q-1(b)(3)(F).

² See 7 U.S.C. 7a-1(c)(2)(C)(iii)(III).

³ See OCC's By-Laws Article V, Section 2.

⁴ See OCC's By-Laws Article V, Section 2. The Risk Committee, from a practical perspective, has designated OCC's management as its agent to review applications for clearing membership. OCC's management reviews applications for clearing membership and makes a recommendation to the Risk Committee concerning the applicant's satisfaction of OCC's membership criteria.

⁵ See 15 U.S.C. 78q-1(b)(3)(F) and 7 U.S.C. 7a-1(c)(2)(C).

application for clearing membership for which Management does not recommend approval with conditions or disapproval is pro forma. From a timing perspective, applications for clearing membership often do not track the Risk Committee or Board's regular meeting schedule and, on occasion, the Board has had to convene a special meeting for the sole purpose of considering an application for clearing membership or otherwise seek approval via unanimous written consent, which is an inefficient use of the Board's time and resources. In an effort to better allocate the time and resources of OCC's Board and Risk Committee as well as streamline its clearing membership approval process, OCC is proposing the amendments to Articles V and VIII of its By-Laws as well as the Board and Risk Committee Charters described below. The effect of such amendments is that either OCC's Executive Chairman or President would approve most applications for clearing membership, thereby allowing the Board and the Risk Committee to better allocate their time and resources.

Changes to Vest Authority of New Applicant Approvals with the Risk Committee

OCC is proposing to amend Article V, Section 2 of its By-Laws to vest the authority to approve or disapprove new applicants for clearing membership with the Risk Committee. OCC believes that the members of the Board comprising the Risk Committee are capable of appropriately acting on membership applications. The Risk Committee is currently delegated the authority to (1) review applications for clearing membership and recommend approval or disapproval thereof to the Board, (2) conduct hearings if requested by applicants whose applications are proposed to be disapproved, and (3) review and approve or disapprove requests by clearing members to expand clearing activities.⁶ Therefore, OCC believes that requiring the Board to approve or disapprove an application for clearing membership that has already been reviewed by, and received a recommendation for approval or disapproval from, the Risk Committee is redundant and represents an inefficient use of the Board's time. Accordingly, OCC believes that the Risk Committee is the appropriate governing body in which to vest ultimate authority to approve or disapprove applications for clearing membership.⁷ Should the Risk Committee propose to disapprove an application for clearing membership, the Risk Committee must first provide the applicant an opportunity to be heard and present evidence on its own behalf (as is currently the case today with respect to the Board's decision to disapprove an application for clearing membership).⁸

⁶ See Section IV of the Risk Committee Charter attached hereto as Exhibit 5B.

⁷ The Board would continue to oversee OCC's membership criteria and ongoing membership standards through its authority to approve changes to OCC's By-Laws and Rules (and specifically those By-Laws and Rules that concern membership). The Risk Committee would inform the Board, at the Board's next regularly scheduled meeting, of applications for clearing membership pursuant to proposed Article V, Section 2(c) of the By-Laws.

⁸ See OCC's By-Laws Article V, Section 2. Typically, however, if OCC's due diligence review reveals issues that would prevent the Board or the Risk Committee from approving an application for clearing membership, the applicant voluntarily remediates such issues prior to the presentation of the application for clearing membership to the Risk Committee.

In order to effect the foregoing, and in addition to proposed changes to Article V, Section 2 of the By-Laws, OCC is proposing conforming changes to Article V, Sections 1 and 3 of the By-Laws as well as the Board and Risk Committee Charters.⁹ Such conforming changes would identify that the Risk Committee, and not the Board, would approve applications for clearing membership. Additionally, OCC is proposing changes to Article VIII, Section 2 of the By-Laws (as well as the Board and Risk Committee Charters) to identify that the Risk Committee, and not the Board, would set initial clearing fund requirements in connection with the approval of an application for clearing membership.

Delegation of Authority to Approve Applications for Membership to the Executive Chairman or President of OCC

In order to better streamline OCC's membership application approval process, and allow the Board and the Risk Committee to more efficiently allocate their time, OCC is proposing additional amendments to Article V, Section 2 of its By-Laws to allow OCC's Executive Chairman or its President to approve certain applications for clearing membership. As described above: (i) OCC believes that, based on the applicable rules of the SEC and the CFTC, applications for clearing membership that clearly meet OCC's membership criteria must be approved,¹⁰ and (ii) applications for clearing members do not necessarily track the Risk Committee or Board's regular meeting schedule and, on occasion, the Board has had to convene in a special meeting for the sole purpose of considering a clearing member application or otherwise seek approval via unanimous written consent, which is not a good use of either the Board or the Risk Committee's time and resources. Therefore, OCC is proposing to amend Article V, Section 2 of its By-Laws to delegate the authority to approve applications for clearing membership to the Executive Chairman or President of OCC provided that: (i) it is not recommended that the Risk Committee impose additional membership criteria upon the applicant pursuant to Section 1, Interpretation and Policy .06 of Article V of OCC's By-Laws, and (ii) the Risk Committee is given not less than five business days from the date it is notified by its designated delegates or agents that the Executive Chairman or President intends to approve a given application to determine that such application should be reviewed at a meeting of the Risk Committee and the Risk Committee has not requested that the application be reviewed at a meeting of the Risk Committee within such five day period. If five business days pass and no member of the Risk Committee notifies Management that a given application for clearing membership should be reviewed at a meeting of the Risk Committee, then the Executive Chairman and President shall have the authority to approve the application for clearing membership. This proposed change would have the effect of allowing either OCC's Executive Chairman or the President to approve most applications for clearing membership received by OCC. Neither the Executive Chairman nor the President would be allowed to disapprove an application for clearing membership. Instead, if either the Executive Chairman or President

⁹ Marked versions of the Board and Risk Committee Charters are attached as Exhibits 5A and 5B.

¹⁰ See 15 U.S.C. 78q-1(b)(3)(F) and 7 U.S.C. 7a-1(c)(2)(C).

determined he could not approve an application for clearing membership, the application would be considered by the Risk Committee for approval or disapproval at its next regularly scheduled meeting. OCC believes that allowing the Executive Chairman or President to approve applications for clearing membership that clearly meet OCC's membership criteria would allow the Board and the Risk Committee to allocate their time to more efficiently and effectively.

OCC reviewed the derivatives clearing organization ("DCO") core principles ("Core Principles") as set forth in the Act. During this review, OCC identified the following Core Principles as potentially being impacted:

Participant Eligibility. OCC believes that by implementing the proposed rule change to allow OCC's Executive Chairman or President to approve pro forma applications for clearing membership, and (ii) to vest ultimate authority with OCC's Risk Committee to approve or disapprove applications for clearing membership that are not approved by either OCC's Executive Chairman or President, it will be better able to promote fair and open access to the use of OCC's services. The proposed rule change would permit OCC to provide fair and open access to its services in a more timely and efficient manner and better allocate the time and resources of the Board and Risk Committee. In addition, OCC will provide the public with information about its governance structure so that parties may more accurately identify any potential risks associated with using OCC's services.

Opposing Views

No opposing views were expressed related to the rule amendments.

Notice of Pending Rule Certification

OCC hereby certifies that notice of this rule filing has been be given to Clearing Members of OCC in compliance with Regulation 40.6(a)(2) by posting a copy of the submission on OCC's website concurrently with the filing of this submission.

Christopher J. Kirkpatrick
May 16, 2016
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Certification

OCC hereby certifies that the rule set forth at Item 1 of the enclosed filing complies with the Act and the CFTC's regulations thereunder.

Should you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,



Scott M. Kalish
Assistant Secretary

Enclosure

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 19b-4

Proposed Rule Change
by

THE OPTIONS CLEARING CORPORATION

Pursuant to Rule 19b-4 under the
Securities Exchange Act of 1934

Item 1. Text of the Proposed Rule Change

The purpose of this proposed rule change by The Options Clearing Corporation (“OCC”) is to: (i) vest the authority to approve or disapprove new membership applications with OCC’s Risk Committee,¹ and (ii) delegate authority to the Executive Chairman or President of OCC to approve new membership applications provided that: (a) it is not recommended that the Risk Committee impose additional membership criteria upon the applicant pursuant to Section 1, Interpretation and Policy .06 of Article V of OCC’s By-Laws, and (b) the Risk Committee is given not less than five business days to determine that the application should be reviewed at a meeting of the Risk Committee. Material proposed to be added to OCC’s By-Laws and Rules as currently in effect is underlined and material proposed to be deleted is enclosed in bold brackets.

THE OPTIONS CLEARING CORPORATION

BY-LAWS

* * *

ARTICLE V

Clearing Members

Qualifications

SECTION 1. [no change]

...Interpretations and Policies:

.01 *Financial Responsibility*

The Risk Committee will not [recommend the approval of] approve any application for

¹ OCC’s Risk Committee is a committee of OCC’s Board of Directors. See OCC’s By-Laws Article III, Section 9.

clearing membership if:

- a. – d. [no change]

.02 Operational Capability

The Risk Committee will not [recommend the approval of] approve any application for clearing membership unless:

- a. – c. [no change]

.03 Experience and Competence

The Risk Committee has discretion not to [recommend] approve, and will not [recommend] approve if so ordered by the SEC, [the approval of] any application for clearing membership if:

- a. – c. [no change]

* * *

In respect of clause (a) above, the applicant must notify the Corporation in writing if the applicant is or becomes subject to a statutory disqualification as soon as practicable upon learning of such statutory disqualification and in any event within 5 business days. The applicant must provide the Corporation with any information and forms, including amendments thereto, related to the statutory disqualification provided to the SEC, the CFTC or any self-regulatory organization, including, as applicable, any amended Form BD, Financial Industry Regulatory Authority (“FINRA”) Form MC-400A, and any written response to a National Futures Association (“NFA”) Rule 504 Notice of Intent or other written request for relief addressed to a self-regulatory organization. Applicants that are not members of NFA or FINRA must provide to the Risk Committee, at a minimum, the information required by FINRA Form MC-400A in addition to any forms or written responses filed with any self-regulatory organization or regulatory agency with respect to a statutory disqualification or similar provision of the laws or regulations applicable to such applicant. If an applicant fails to provide the notice required by this paragraph, the Risk Committee has discretion not to [recommend the approval of] approve such applicant’s application for clearing membership.

* * *

In addition, the Risk Committee will not [recommend the approval of] approve any application for clearing membership unless:

- d. – e. [no change]

* * *

.04 *Fitness Standards*

In addition to the standards of financial responsibility, operational capability and experience and competence, the Risk Committee shall consider the criteria of the Fitness Standards for Directors, Clearing Members and Others, as adopted or amended by the Board of Directors from time to time, before [recommending the approval of] approving any application for clearing membership

.05 [no change]

.06 *Additional Membership Criteria*

If the Risk Committee determines that the applicant's financial or operational condition, in relation to the business that the applicant is expected to transact with the Corporation, makes it necessary or advisable, for the protection of the Corporation, Clearing Members, or the general public, the Risk Committee may [recommend to the Board of Directors that] impose: (i) additional financial requirements [be imposed] on an applicant for clearing membership, including, but not limited to, requiring such applicant to increase its net capital or to make and maintain an initial margin deposit, or (ii) restrictions [be imposed] on the applicant's clearance of confirmed trades. [The Board of Directors shall independently review such recommendation and shall determine in its discretion whether to impose such requirements or restrictions.] Additional requirements or restrictions imposed pursuant to this Section shall remain in force for the period determined by the [Board of Directors] Risk Committee, but in any event not later than the end of the first three calendar months commencing after the applicant's admission to clearing membership. The imposition of additional requirements or restrictions pursuant to this Section shall not preclude the Corporation from imposing contemporaneous requirements or restrictions pursuant to other provisions of the By-Laws and Rules, including without limitation, Rule 305.

.07 - .11 [no change]

Admission Procedure

SECTION 2. (a) Applications for clearing membership shall be in such form and contain such information as the Corporation shall from time to time prescribe. The Risk Committee shall review and approve or disapprove such applications for clearing membership [and shall recommend, approval or disapproval to the Board of Directors]. The Risk Committee [or the Board of Directors], or its [their] designated delegates or agents, may examine the books and papers of any applicant, take such evidence as they may deem necessary or employ such other means as they may deem desirable or appropriate to ascertain relevant facts bearing upon the applicant's qualifications. If the Risk Committee proposes to [recommend to the Board of Directors that an application for clearing membership be disapproved] disapprove an application

for clearing membership, it shall first furnish the applicant with a written statement of its proposed recommendation and the specific grounds therefor, and afford the applicant an opportunity to be heard and to present evidence on its own behalf. [If the applicant fails to request a hearing within such reasonable time as the Risk Committee may prescribe; or if, after a hearing, the Risk Committee still proposes to recommend disapproval, the Risk Committee shall make its recommendation to the Board of Directors in writing, accompanied by a statement of the specific grounds therefor, and a copy thereof shall be furnished to the applicant on request. The Board of Directors shall independently review any recommendation by the Committee, and may, in its discretion, if the applicant so requests, afford the applicant a further opportunity to be heard and to present evidence.] If the [Board of Directors] Risk Committee disapproves the application, written notice of its decision, accompanied by a statement of the specific grounds therefor, shall be mailed or delivered to the applicant. An applicant shall have right to present such evidence as it may deem relevant to its application. A verbatim record shall be kept of any hearing held pursuant hereto.

(b) Authority to approve applications for clearing membership shall be delegated to the Executive Chairman or to the President, provided that: (i) the Risk Committee's designated delegates or agents do not recommend that the Risk Committee impose additional membership criteria upon the applicant pursuant to Section 1, Interpretation and Policy .06 of this Article V, and (ii) the Risk Committee is given not less than five business days from the date it is notified by its designated delegates or agents that the Executive Chairman or President intend to approve a given application to determine that such application should be reviewed at a meeting of the Risk Committee and the Risk Committee has not requested that the application be reviewed at a meeting of the Risk Committee within such five day period.

(c) The Board of Directors shall be informed of all applications for membership at its next regularly scheduled meeting.

Conditions to Admission

SECTION 3. [no change]

...Interpretations and Policies:

.01 Each applicant that has been approved for clearing membership subject to satisfaction of specified conditions shall meet all conditions applicable to its admission within six months from the date on which its application was approved, unless the [Board of Directors] Risk Committee prescribed an earlier date at the time the applicant was approved for clearing membership. In the event that an applicant fails to meet such conditions within the applicable time period, the approval of the application shall be deemed withdrawn and the application shall be deemed to have lapsed, unless the Corporation shall determine to extend the deadline for fulfilling such conditions. Any applicant seeking an extension under this paragraph shall submit a written

request to the Secretary, specifying in detail any material changes that have occurred in applicant's financial condition, operational capability and experience and competence in clearing securities transactions from the date on which its application for clearing membership was approved by the [Board of Directors] Risk Committee. The Executive Chairman, the Management Vice Chairman, or the President shall have the authority to approve or disapprove the applicant's request for an extension, which shall be communicated in writing to the applicant. In no event may that deadline be extended beyond one year from the date the application originally was approved.

* * *

Article VIII

Clearing Fund

* * *

Contributions of Clearing Members

SECTION 2. (a) The initial contribution of each Clearing Member to the Clearing Fund shall be \$150,000 or such greater amount as may be fixed by the [Board of Directors] Risk Committee in its discretion at the time such Clearing Member's application is approved. Notwithstanding anything else to the contrary herein, the initial Clearing Fund contribution of a Futures-Only Affiliated Clearing Member may be fixed by the [Board of Directors] Risk Committee to be the amount calculated pursuant to clause (y) of Rule 1001 (b) if the conditions set forth in Rule 1001(f) are satisfied. The amount of such initial contribution shall remain in force until such time as determined by the [Board of Directors] Risk Committee (but in any event not later than the end of the first three calendar months commencing after the Clearing Member's admission to membership), after which time the amount of the Clearing Member's required contribution to the Clearing Fund shall be determined in accordance with the Rules.

(b) [no change]

* * *

Additionally, OCC is proposing to make changes to its Board of Directors ("Board") and Risk Committee Charters. The proposed changes to the charters are attached hereto as Exhibits 5A and 5B.

Item 2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved for filing with the Commission by OCC's Board of Directors on February 19, 2016.

Questions should be addressed to Justin Byrne, Vice President, Regulatory Filings, at (202) 971-7238.

Item 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

A. Purpose

The purpose of this proposed rule change is to streamline OCC's membership approval process by: (i) allowing OCC's Executive Chairman or President to approve pro forma applications for clearing membership, and (ii) to vest ultimate authority with OCC's Risk Committee, not its Board, to approve or disapprove applications for clearing membership that are not approved by either OCC's Executive Chairman or President. To this end, OCC is proposing to: (i) vest the authority to approve or disapprove new membership applications with OCC's Risk Committee, and (ii) delegate authority to the Executive Chairman or President of OCC to approve new membership applications provided that: (a) it is not recommended by the Risk Committee's designated delegates or agents that the Risk Committee impose additional membership criteria upon the applicant pursuant to Section 1, Interpretation and Policy .06 of Article V of OCC's By-Laws, and (b) the Risk Committee is given not less than five business days to determine that the application should be reviewed at a meeting of the Risk Committee and the Risk Committee has not requested that the application be reviewed at a meeting of the Risk Committee within such five day period. The practical effect of the proposed rule change is that either OCC's Executive Chairman or President would be approving most applications for clearing membership at OCC since most applicants for clearing membership choose to have their application presented for approval only when such approval is pro forma in nature (i.e., the applicant meets all of the clearing membership requirements at OCC and there is no need to

impose additional membership requirements). OCC believes that the proposed rule change would better allocate the time and resources of the Board and Risk Committee and ensure applications for clearing membership are considered in a timely manner.

Background

OCC believes that its membership criteria are objective standards that are designed not to unfairly discriminate in the admission of participants to OCC,² as well as to provide for fair and open access to OCC.³ Currently, the authority to approve or disapprove new applications for clearing membership resides with the Board.⁴ Under Article V, Section 2 of OCC's By-Laws, OCC's Risk Committee, including its designated delegates or agents, is responsible for reviewing applications for clearing membership, and the Risk Committee is responsible for making a recommendation of approval or disapproval to the Board (in part, relying on Management's review and recommendation).⁵ OCC's management ("Management") performs the substantive review of applications for clearing membership on behalf of the Risk Committee. Management reviews a given application against OCC's membership criteria, which are set forth in Article V of OCC's By-Laws as well as Chapters 2 and 3 of OCC's Rules. Based on its

² See 15 U.S.C. 78q-1(b)(3)(F).

³ See 7 U.S.C. 7a-1(c)(2)(C)(iii)(III).

⁴ See OCC's By-Laws Article V, Section 2.

⁵ See OCC's By-Laws Article V, Section 2. The Risk Committee, from a practical perspective, has designated OCC's management as its agent to review applications for clearing membership. OCC's management reviews applications for clearing membership and makes a recommendation to the Risk Committee concerning the applicant's satisfaction of OCC's membership criteria.

review, Management, as the subject matter expert on OCC's membership criteria, either recommends an application for approval without conditions, recommends an application for approval with conditions (in accordance with OCC's By-Laws, Article V, Section 1, Interpretation and Policy .06), or does not recommend an application for approval. The Risk Committee, based on Management's review of the application, recommends a course of action to OCC's Board. OCC's Board then approves or disapproves applications for clearing membership based on the Risk Committee's recommendation.

Moreover, since the rules of the Commission and the Commodity Futures Trading Commission require OCC to have rules that do not unfairly discriminate in the admission of participants and provide fair and open access,⁶ OCC believes that, under its rules, it is required to admit applicants for clearing membership that clearly meet OCC's membership criteria, and therefore, the Board's ultimate approval of an application for clearing membership for which Management does not recommend approval with conditions or disapproval is pro forma. From a timing perspective, applications for clearing membership often do not track the Risk Committee or Board's regular meeting schedule and, on occasion, the Board has had to convene a special meeting for the sole purpose of considering an application for clearing membership or otherwise seek approval via unanimous written consent, which is an inefficient use of the Board's time and resources. In an effort to better allocate the time and resources of OCC's Board and Risk Committee as well as streamline its clearing membership approval process, OCC is proposing the amendments to Articles V and VIII of its By-Laws as well as the Board and Risk Committee

⁶ See 15 U.S.C. 78q-1(b)(3)(F) and 7 U.S.C. 7a-1(c)(2)(C).

Charters described below. The effect of such amendments is that either OCC's Executive Chairman or President would approve most applications for clearing membership, thereby allowing the Board and the Risk Committee to better allocate their time and resources.

Changes to Vest Authority of New Applicant Approvals with the Risk Committee

OCC is proposing to amend Article V, Section 2 of its By-Laws to vest the authority to approve or disapprove new applicants for clearing membership with the Risk Committee. OCC believes that the members of the Board comprising the Risk Committee are capable of appropriately acting on membership applications. The Risk Committee is currently delegated the authority to (1) review applications for clearing membership and recommend approval or disapproval thereof to the Board, (2) conduct hearings if requested by applicants whose applications are proposed to be disapproved, and (3) review and approve or disapprove requests by clearing members to expand clearing activities.⁷ Therefore, OCC believes that requiring the Board to approve or disapprove an application for clearing membership that has already been reviewed by, and received a recommendation for approval or disapproval from, the Risk Committee is redundant and represents an inefficient use of the Board's time. Accordingly, OCC believes that the Risk Committee is the appropriate governing body in which to vest ultimate authority to approve or disapprove applications for clearing membership.⁸ Should the

⁷ See Section IV of the Risk Committee Charter attached hereto as Exhibit 5B.

⁸ The Board would continue to oversee OCC's membership criteria and ongoing membership standards through its authority to approve changes to OCC's By-Laws and Rules (and specifically those By-Laws and Rules that concern membership). The Risk Committee would inform the Board, at the Board's next regularly scheduled meeting, of applications for clearing membership pursuant to proposed Article V, Section 2(c) of the By-Laws.

Risk Committee propose to disapprove an application for clearing membership, the Risk Committee must first provide the applicant an opportunity to be heard and present evidence on its own behalf (as is currently the case today with respect to the Board's decision to disapprove an application for clearing membership).⁹

In order to effect the foregoing, and in addition to proposed changes to Article V, Section 2 of the By-Laws, OCC is proposing conforming changes to Article V, Sections 1 and 3 of the By-Laws as well as the Board and Risk Committee Charters.¹⁰ Such conforming changes would identify that the Risk Committee, and not the Board, would approve applications for clearing membership. Additionally, OCC is proposing changes to Article VIII, Section 2 of the By-Laws (as well as the Board and Risk Committee Charters) to identify that the Risk Committee, and not the Board, would set initial clearing fund requirements in connection with the approval of an application for clearing membership.

Delegation of Authority to Approve Applications for Membership to the Executive Chairman or President of OCC

In order to better streamline OCC's membership application approval process, and allow the Board and the Risk Committee to more efficiently allocate their time, OCC is proposing additional amendments to Article V, Section 2 of its By-Laws to allow OCC's Executive

⁹ See OCC's By-Laws Article V, Section 2. Typically, however, if OCC's due diligence review reveals issues that would prevent the Board or the Risk Committee from approving an application for clearing membership, the applicant voluntarily remediates such issues prior to the presentation of the application for clearing membership to the Risk Committee.

¹⁰ Marked versions of the Board and Risk Committee Charters are attached as Exhibits 5A and 5B.

Chairman or its President to approve certain applications for clearing membership. As described above: (i) OCC believes that, based on the applicable rules of the Commission and the Commodity Futures Trading Commission, applications for clearing membership that clearly meet OCC's membership criteria must be approved,¹¹ and (ii) applications for clearing members do not necessarily track the Risk Committee or Board's regular meeting schedule and, on occasion, the Board has had to convene in a special meeting for the sole purpose of considering a clearing member application or otherwise seek approval via unanimous written consent, which is not a good use of either the Board or the Risk Committee's time and resources. Therefore, OCC is proposing to amend Article V, Section 2 of its By-Laws to delegate the authority to approve applications for clearing membership to the Executive Chairman or President of OCC provided that: (i) it is not recommended that the Risk Committee impose additional membership criteria upon the applicant pursuant to Section 1, Interpretation and Policy .06 of Article V of OCC's By-Laws, and (ii) the Risk Committee is given not less than five business days from the date it is notified by its designated delegates or agents that the Executive Chairman or President intends to approve a given application to determine that such application should be reviewed at a meeting of the Risk Committee and the Risk Committee has not requested that the application be reviewed at a meeting of the Risk Committee within such five day period. If five business days pass and no member of the Risk Committee notifies Management that a given application for clearing membership should be reviewed at a meeting of the Risk Committee, then the Executive Chairman and President shall have the authority to approve the application for clearing

¹¹ See 15 U.S.C. 78q-1(b)(3)(F) and 7 U.S.C. 7a-1(c)(2)(C).

membership. This proposed change would have the effect of allowing either OCC's Executive Chairman or the President to approve most applications for clearing membership received by OCC. Neither the Executive Chairman nor the President would be allowed to disapprove an application for clearing membership. Instead, if either the Executive Chairman or President determined he could not approve an application for clearing membership, the application would be considered by the Risk Committee for approval or disapproval at its next regularly scheduled meeting. OCC believes that allowing the Executive Chairman or President to approve applications for clearing membership that clearly meet OCC's membership criteria would allow the Board and the Risk Committee to allocate their time to more efficiently and effectively.

B. Statutory Basis

OCC believes that the proposed rule change is consistent with Section 17A(b)(3)(F)¹² of the Securities Exchange Act of 1934, as amended ("Act"), because it is designed to remove impediments to a national system for the prompt and accurate clearance and settlement of securities transactions by streamlining OCC's membership approval process. By vesting the authority to approve or disapprove applications for clearing membership with the Risk Committee and by delegating authority to the Executive Chairman or the President to approve new applications provided that: (i) it is not recommended that the Risk Committee impose additional membership criteria upon the applicant pursuant to Section 1, Interpretation and Policy .06 of Article V of OCC's By-Laws, and (ii) the Risk Committee is given not less than five business days to determine that the application should be reviewed at a meeting of the Risk

¹² 15 U.S.C. 78q-1(b)(3)(F).

Committee and the Risk Committee has not requested that the application be reviewed at a meeting of the Risk Committee within such five day period, OCC will not subject applicants for clearing membership to the regular meeting cycle of the Board or the Risk Committee, particularly when the approval of an application for clearing membership is pro forma in nature. Additionally, by streamlining OCC's membership approval process in this manner, OCC's Board and Risk Committee will be able to deploy their time and resources in a more efficient manner and allow the Board and Risk Committee more time to focus on other matters of significance to OCC and its role as a systemically important financial market utility. As a result, OCC believes the proposed rule change is also reasonably designed to provide for governance arrangements that are clear and transparent to fulfill the public interest requirements in Section 17A of the Act¹³ applicable to clearing agencies and support the objectives of owners and participants in accordance with Rule 17Ad-22(d)(8).¹⁴ The proposed rule change is not inconsistent with any rules of OCC, including those rules proposed to be amended.

Item 4. Self-Regulatory Organization's Statement on Burden on Competition

OCC does not believe that the proposed rule change would impact or impose a burden on competition.¹⁵ OCC believes that the proposed rule change would not disadvantage or favor any particular user of OCC's services in relationship to another user because it would apply equally to all potential users of OCC, and would not impact current users of OCC. For the foregoing

¹³ 15 U.S.C. 78q-1.

¹⁴ 17 CFR 240.17Ad-22(d)(8).

¹⁵ 15 U.S.C. 78q-1(b)(3)(I).

reasons, OCC does not believe that the proposed rule change would have any impact or impose a burden on competition.

Item 5. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

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

Item 6. Extension of Time Period for Commission Action

OCC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act.¹⁶

Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

Not applicable.

Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable

Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

Item 11. Exhibits

Exhibit 1A. Completed Notice of Proposed Rule Change for publication in the Federal

¹⁶ 15 U.S.C. 78s(b)(2).

Register.

Exhibit 5A. Board of Directors Charter.

Exhibit 5B. Risk Committee Charter.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, The Options Clearing Corporation has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

THE OPTIONS CLEARING CORPORATION

By: _____
Justin Byrne
Vice President, Regulatory Filings

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_____]; File No. SR-OCC-2016-007)

May 16, 2016

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change Related to The Options Clearing Corporation's Membership Approval Process

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 May 16, 2016, 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 primarily by OCC. 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

The purpose of this proposed rule change is to: (i) vest the authority to approve or disapprove new membership applications with OCC's Risk Committee,³ and (ii) delegate authority to the Executive Chairman or President of OCC to approve new membership applications provided that: (a) it is not recommended that the Risk Committee impose additional membership criteria upon the applicant pursuant to Section 1, Interpretation and Policy .06 of Article V of OCC's By-Laws, and (b) the Risk Committee is given not less than five business days to determine that the application should be reviewed at a meeting of the Risk Committee

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ OCC's Risk Committee is a committee of OCC's Board of Directors. See OCC's By-Laws Article III, Section 9.

and the Risk Committee has not requested that the application be reviewed at a meeting of the Risk Committee within such five day period.

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 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 these 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 streamline OCC's membership approval process by: (i) allowing OCC's Executive Chairman or President to approve pro forma applications for clearing membership, and (ii) to vest ultimate authority with OCC's Risk Committee, not its Board, to approve or disapprove applications for clearing membership that are not approved by either OCC's Executive Chairman or President. To this end, OCC is proposing to: (i) vest the authority to approve or disapprove new membership applications with OCC's Risk Committee, and (ii) delegate authority to the Executive Chairman or President of OCC to approve new membership applications provided that: (a) it is not recommended by the Risk Committee's designated delegates or agents that the Risk Committee impose additional membership criteria upon the applicant pursuant to Section 1, Interpretation and Policy .06 of Article V of OCC's By-Laws, and (b) the Risk Committee is given not less than five business days to determine that the application should be reviewed at a meeting of the Risk Committee

and the Risk Committee has not requested that the application be reviewed at a meeting of the Risk Committee within such five day period. The practical effect of the proposed rule change is that either OCC's Executive Chairman or President would be approving most applications for clearing membership at OCC since most applicants for clearing membership choose to have their application presented for approval only when such approval is pro forma in nature (i.e., the applicant meets all of the clearing membership requirements at OCC and there is no need to impose additional membership requirements). OCC believes that the proposed rule change would better allocate the time and resources of the Board and Risk Committee and ensure applications for clearing membership are considered in a timely manner.

Background

OCC believes that its membership criteria are objective standards that are designed not to unfairly discriminate in the admission of participants to OCC,⁴ as well as to provide for fair and open access to OCC.⁵ Currently, the authority to approve or disapprove new applications for clearing membership resides with the Board.⁶ Under Article V, Section 2 of OCC's By-Laws, OCC's Risk Committee, including its designated delegates or agents, is responsible for reviewing applications for clearing membership, and the Risk Committee is responsible for making a recommendation of approval or disapproval to the Board (in part, relying on Management's review and recommendation).⁷ OCC's management ("Management") performs

⁴ See 15 U.S.C. 78q-1(b)(3)(F).

⁵ See 7 U.S.C. 7a-1(c)(2)(C)(iii)(III).

⁶ See OCC's By-Laws Article V, Section 2.

⁷ See OCC's By-Laws Article V, Section 2. The Risk Committee, from a practical perspective, has designated OCC's management as its agent to review applications for clearing membership. OCC's management reviews applications for clearing membership

the substantive review of applications for clearing membership on behalf of the Risk Committee. Management reviews a given application against OCC's membership criteria, which are set forth in Article V of OCC's By-Laws as well as Chapters 2 and 3 of OCC's Rules. Based on its review, Management, as the subject matter expert on OCC's membership criteria, either recommends an application for approval without conditions, recommends an application for approval with conditions (in accordance with OCC's By-Laws, Article V, Section 1, Interpretation and Policy .06), or does not recommend an application for approval. The Risk Committee, based on Management's review of the application, recommends a course of action to OCC's Board. OCC's Board then approves or disapproves applications for clearing membership based on the Risk Committee's recommendation.

Moreover, since the rules of the Commission and the Commodity Futures Trading Commission require OCC to have rules that do not unfairly discriminate in the admission of participants and provide fair and open access,⁸ OCC believes that, under its rules, it is required to admit applicants for clearing membership that clearly meet OCC's membership criteria, and therefore, the Board's ultimate approval of an application for clearing membership for which Management does not recommend approval with conditions or disapproval is pro forma. From a timing perspective, applications for clearing membership often do not track the Risk Committee or Board's regular meeting schedule and, on occasion, the Board has had to convene a special meeting for the sole purpose of considering an application for clearing membership or otherwise seek approval via unanimous written consent, which is an inefficient use of the Board's time and

and makes a recommendation to the Risk Committee concerning the applicant's satisfaction of OCC's membership criteria.

⁸ See 15 U.S.C. 78q-1(b)(3)(F) and 7 U.S.C. 7a-1(c)(2)(C).

resources. In an effort to better allocate the time and resources of OCC's Board and Risk Committee as well as streamline its clearing membership approval process, OCC is proposing the amendments to Articles V and VIII of its By-Laws as well as the Board and Risk Committee Charters described below. The effect of such amendments is that either OCC's Executive Chairman or President would approve most applications for clearing membership, thereby allowing the Board and the Risk Committee to better allocate their time and resources.

Changes to Vest Authority of New Applicant Approvals with the Risk Committee

OCC is proposing to amend Article V, Section 2 of its By-Laws to vest the authority to approve or disapprove new applicants for clearing membership with the Risk Committee. OCC believes that the members of the Board comprising the Risk Committee are capable of appropriately acting on membership applications. The Risk Committee is currently delegated the authority to (1) review applications for clearing membership and recommend approval or disapproval thereof to the Board, (2) conduct hearings if requested by applicants whose applications are proposed to be disapproved, and (3) review and approve or disapprove requests by clearing members to expand clearing activities.⁹ Therefore, OCC believes that requiring the Board to approve or disapprove an application for clearing membership that has already been reviewed by, and received a recommendation for approval or disapproval from, the Risk Committee is redundant and represents an inefficient use of the Board's time. Accordingly, OCC believes that the Risk Committee is the appropriate governing body in which to vest ultimate authority to approve or disapprove applications for clearing membership.¹⁰ Should the

⁹ See Section IV of the Risk Committee Charter attached hereto as Exhibit 5B.

¹⁰ The Board would continue to oversee OCC's membership criteria and ongoing membership standards through its authority to approve changes to OCC's By-Laws and Rules (and specifically those By-Laws and Rules that concern membership). The Risk Committee would inform the Board, at the Board's next regularly scheduled meeting, of

Risk Committee propose to disapprove an application for clearing membership, the Risk Committee must first provide the applicant an opportunity to be heard and present evidence on its own behalf (as is currently the case today with respect to the Board's decision to disapprove an application for clearing membership).¹¹

In order to effect the foregoing, and in addition to proposed changes to Article V, Section 2 of the By-Laws, OCC is proposing conforming changes to Article V, Sections 1 and 3 of the By-Laws as well as the Board and Risk Committee Charters.¹² Such conforming changes would identify that the Risk Committee, and not the Board, would approve applications for clearing membership. Additionally, OCC is proposing changes to Article VIII, Section 2 of the By-Laws (as well as the Board and Risk Committee Charters) to identify that the Risk Committee, and not the Board, would set initial clearing fund requirements in connection with the approval of an application for clearing membership.

Delegation of Authority to Approve Applications for Membership to the Executive Chairman or President of OCC

In order to better streamline OCC's membership application approval process, and allow the Board and the Risk Committee to more efficiently allocate their time, OCC is proposing additional amendments to Article V, Section 2 of its By-Laws to allow OCC's Executive Chairman or its President to approve certain applications for clearing membership. As described

applications for clearing membership pursuant to proposed Article V, Section 2(c) of the By-Laws.

¹¹ See OCC's By-Laws Article V, Section 2. Typically, however, if OCC's due diligence review reveals issues that would prevent the Board or the Risk Committee from approving an application for clearing membership, the applicant voluntarily remediates such issues prior to the presentation of the application for clearing membership to the Risk Committee.

¹² Marked versions of the Board and Risk Committee Charters are attached as Exhibits 5A and 5B.

above: (i) OCC believes that, based on the applicable rules of the Commission and the Commodity Futures Trading Commission, applications for clearing membership that clearly meet OCC's membership criteria must be approved,¹³ and (ii) applications for clearing members do not necessarily track the Risk Committee or Board's regular meeting schedule and, on occasion, the Board has had to convene in a special meeting for the sole purpose of considering a clearing member application or otherwise seek approval via unanimous written consent, which is not a good use of either the Board or the Risk Committee's time and resources. Therefore, OCC is proposing to amend Article V, Section 2 of its By-Laws to delegate the authority to approve applications for clearing membership to the Executive Chairman or President of OCC provided that: (i) it is not recommended that the Risk Committee impose additional membership criteria upon the applicant pursuant to Section 1, Interpretation and Policy .06 of Article V of OCC's By-Laws, and (ii) the Risk Committee is given not less than five business days from the date it is notified by its designated delegates or agents that the Executive Chairman or President intends to approve a given application to determine that such application should be reviewed at a meeting of the Risk Committee and the Risk Committee has not requested that the application be reviewed at a meeting of the Risk Committee within such five day period. If five business days pass and no member of the Risk Committee notifies Management that a given application for clearing membership should be reviewed at a meeting of the Risk Committee, then the Executive Chairman and President shall have the authority to approve the application for clearing membership. This proposed change would have the effect of allowing either OCC's Executive Chairman or the President to approve most applications for clearing membership received by OCC. Neither the Executive Chairman nor the President would be allowed to disapprove an

¹³ See 15 U.S.C. 78q-1(b)(3)(F) and 7 U.S.C. 7a-1(c)(2)(C).

application for clearing membership. Instead, if either the Executive Chairman or President determined he could not approve an application for clearing membership, the application would be considered by the Risk Committee for approval or disapproval at its next regularly scheduled meeting. OCC believes that allowing the Executive Chairman or President to approve applications for clearing membership that clearly meet OCC's membership criteria would allow the Board and the Risk Committee to allocate their time to more efficiently and effectively.

(2) Statutory Basis

OCC believes that the proposed rule change is consistent with Section 17A(b)(3)(F)¹⁴ of the Act because it is designed to remove impediments to a national system for the prompt and accurate clearance and settlement of securities transactions by streamlining OCC's membership approval process. By vesting the authority to approve or disapprove applications for clearing membership with the Risk Committee and by delegating authority to the Executive Chairman or the President to approve new applications provided that: (i) it is not recommended that the Risk Committee impose additional membership criteria upon the applicant pursuant to Section 1, Interpretation and Policy .06 of Article V of OCC's By-Laws, and (ii) the Risk Committee is given not less than five business days to determine that the application should be reviewed at a meeting of the Risk Committee and the Risk Committee has not requested that the application be reviewed at a meeting of the Risk Committee within such five day period, OCC will not subject applicants for clearing membership to the regular meeting cycle of the Board or the Risk Committee, particularly when the approval of an application for clearing membership is pro forma in nature. Additionally, by streamlining OCC's membership approval process in this manner, OCC's Board and Risk Committee will be able to deploy their time and resources in a

¹⁴ 15 U.S.C. 78q-1(b)(3)(F).

more efficient manner and allow the Board and Risk Committee more time to focus on other matters of significance to OCC and its role as a systemically important financial market utility. As a result, OCC believes the proposed rule change is also reasonably designed to provide for governance arrangements that are clear and transparent to fulfill the public interest requirements in Section 17A of the Act¹⁵ applicable to clearing agencies and support the objectives of owners and participants in accordance with Rule 17Ad-22(d)(8).¹⁶ The proposed rule change is not inconsistent with any rules of OCC, including those rules proposed to be amended.

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

OCC does not believe that the proposed rule change would impact or impose a burden on competition.¹⁷ OCC believes that the proposed rule change would not disadvantage or favor any particular user of OCC's services in relationship to another user because it would apply equally to all potential users of OCC, and would not impact current users of OCC. For the foregoing reasons, OCC does not believe that the proposed rule change would have any impact or impose a burden on competition.

(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

¹⁵ 15 U.S.C. 78q-1.

¹⁶ 17 CFR 240.17Ad-22(d)(8).

¹⁷ 15 U.S.C. 78q-1(b)(3)(I).

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 the 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-2016-007 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-OCC-2016-007. 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 a.m. and 3:00 p.m. Copies of such 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_16_007.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-2016-007 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.¹⁸

Robert W. Errett
Deputy Secretary

Action as set forth recommended herein
APPROVED pursuant to authority delegated by
the Commission under Public Law 87-592.
For: Division of Trading and Markets

By: _____

Print Name: _____

Date: _____

¹⁸ 17 CFR 200.30-3(a)(12).

**THE OPTIONS CLEARING CORPORATION
BOARD OF DIRECTORS
CHARTER**

I. INTRODUCTION

Oversight of the management of the business and affairs of The Options Clearing Corporation (“OCC” or the “Corporation”) is vested in its Board of Directors (the “Board”) except as may otherwise be provided in OCC’s Certificate of Incorporation or its by-laws and rules.¹ The Board discharges its responsibilities in a manner consistent with legal and regulatory requirements applicable to OCC and the expectations of OCC’s stakeholders (i.e., stockholders, clearing members, cleared markets, market participants, and regulatory authorities). In doing so, the Board exercises its authority to promote the safe, sound and efficient operation of OCC and the development of safe, sound and prudent principles for risk assessment, monitoring and management in light of OCC’s role as a systemically important financial market utility.

Capitalized terms used in this Charter shall have the meanings set forth in OCC’s by-laws and rules unless otherwise indicated.

II. MEMBERSHIP AND ORGANIZATION

A. Size and Composition. As provided for in the by-laws, the Board presently is comprised of two (2) Management Directors one of whom is the Executive Chairman of the Board and the other of whom is the President; five (5) Exchange Directors representing each of OCC’s Equity Exchanges (i.e., stockholders); nine (9) Member Directors representing OCC clearing members; and three (3) Public Directors. Board size may be increased or decreased as specified in the by-laws.¹

B. Qualification Standards. As provided for in the by-laws, the Board has adopted certain criteria to be used by designated persons in considering nominees for service as a Director (i.e., a member of OCC’s Board). The Fitness Standards for Directors, Clearing

¹ For example, Article III, Section 8 of OCC’s by-laws states that the Board shall not take action in respect of matters as to which the Corporation has agreed to limit its authority under the provisions of its agreements with its Equity Exchanges. Such provisions include the requirement that amendment of certain by-law provisions requires the unanimous consent of OCC’s stockholders.

Members and Others (“Fitness Standards”), as adopted and amended by the Board, set forth such criteria and is attached hereto. Such Fitness Standards are periodically reviewed by the Board. In addition, the by-laws set forth other considerations to be taken into account in the nomination of Member Directors for purposes of achieving balanced representation on the Board among Member Directors. Those considerations include the various business activities of clearing members and their geographical distribution.ⁱⁱ

- C. Election of Directors, Resignation and Disqualification. Election of the categories of Directors shall occur as provided in the by-laws. Resignations and disqualifications from the Board as well as the filling of any vacancy shall be addressed as provided in the by-laws.ⁱⁱⁱ
- D. Tenure, Term and Age Limitations. The tenure of service of each category of Director is specified in OCC’s by-laws. The Management Directors and the Exchange Directors are elected at each annual stockholder meeting. There are no term limitations with respect to such categories of Directors. Each class of Member Director and Public Director is elected to a term of three years subject to the term limitations set forth in the by-laws. No age limitations are imposed with respect to any category of Director.^{iv}
- E. Vice Chairmen of the Board. If elected by the Board and serving, the Management Vice Chairman of the Board shall have the responsibilities and duties set forth in the by-laws in the event of the absence or disability of the Executive Chairman. The Member Vice Chairman, who is elected by the Board from the Member Directors, shall have the responsibilities and duties set forth in the by-laws, including those in the event of the absence or disability of the Executive Chairman and the Management Vice Chairman, if elected and serving.^v
- F. Meetings. Generally, the Board regularly meets a minimum of five times per year. Directors are expected to attend all meetings of the Board, review all materials in advance and be prepared to participate fully in the meeting. Special meetings may be called as provided for in the by-laws. Briefing materials are generally distributed in advance of each Board meeting.^{vi}

The Executive Chairman of the Board, in consultation with the President as well as the Secretary, shall establish the agenda for each Board meeting. A Director may request that an item be included on any meeting agenda. The Executive Chairman may ask

members of management or others to attend the meeting and provide pertinent information as is necessary. The Board may call executive sessions from which guests of the Board may be excluded. Directors may participate in meetings by means of a conference telephone call or other means of communication that allows all participants in the meeting to hear each other.

- G. Quorum. Except as may otherwise be provided in the by-laws, a majority of the Directors then in office, but not less than six (6) Directors, shall constitute a quorum of the Board for the conduct of business.^{vii}
- H. Minutes. The Secretary or such other person appointed by the Board will prepare the minutes of each meeting of the Board, which shall be furnished to the Directors for review.^{viii}

III. AUTHORITY

- A. Scope. Except as otherwise provided in the Certificate of Incorporation and the by-laws, the Board oversees the management of the business and affairs of OCC. As required by the by-laws, the Board annually elects certain corporate officers including the Executive Chairman of the Board and the President (who are also the Management Directors), the Secretary, and the Treasurer. Each of these officers has the authorities, responsibilities and duties set forth in the by-laws and rules and such other duties as may be delegated to them in accordance with the by-laws.^{ix}

In discharging its oversight role, the Board may inquire into any matter it considers appropriate to carry out its duties and responsibilities. The Board shall confer with management and other employees of the Corporation to the extent it may deem necessary or appropriate to fulfill its duties.

The Board shall have the authority to hire specialists or rely upon other outside advisors or specialists to assist it in carrying out its activities. The Board also shall have the authority to approve the fees and retention terms applicable to such advisors and specialists.

- B. Board Committees and Delegation. The Board shall establish any standing and other committees that it deems necessary or appropriate to discharge its responsibilities. The Board presently has established three standing committees: the Audit Committee, the Risk Committee and the Performance Committee.^x

For each standing Committee the Board shall establish a written charter which shall set forth the responsibilities of that Committee, as well as Committee structure and operations, and any required reporting to the full Board. The Chairs of such Committees shall be determined in accordance with the terms of the applicable Committee Charter and, if applicable, the by-laws. Subject to and as provided in the by-laws, the Board shall approve and annually review Committee assignments. Directors are expected to attend all meetings of Committees to which they are appointed, review all materials in advance and be prepared to participate fully in the Committee's meetings.

The Board may form such other committees, including subcommittees, as it from time to time deems appropriate, and may delegate authority to one or more designated members of such committees.

- C. Review of Charter. This Charter shall be periodically reviewed by the Board of Directors.

IV. FUNCTIONS AND RESPONSIBILITIES

The Board performs an oversight role to ensure that OCC is managed and operated in a manner consistent with the discharge of OCC's regulatory responsibilities in connection with its provision of clearance and settlement services as an industry utility. The Board is responsible for acting as a steward of OCC to make certain OCC has the critical capabilities necessary to achieve its objectives and obligations in a safe, sound, efficient and prudential manner.

Either directly or indirectly through delegating certain responsibilities to its Committees, the Board has the following functions to discharge its management oversight responsibilities:

- To oversee governance processes in a manner consistent with this Charter, including reviewing Committee charters and reports of Committee activities, effecting Committee appointments, and periodically evaluating the Fitness Standards;
- To approve and oversee OCC's business strategies, including expansions of clearing and settlement services to new business lines;
- To monitor OCC's performance in delivering clearance and settlement services;

- To oversee OCC's processes and framework for assessing, managing and monitoring strategic, financial and operational risk;
- To oversee OCC's financial reporting, auditing, accounting and compliance processes;
- To foster OCC's processes designed to ensure compliance with applicable laws and regulations and to conduct business in a legal and ethical manner;
- To oversee OCC's system of internal controls;
- To oversee major capital expenditures and to approve the annual budget and corporate plan;
- To assure management succession; and
- To oversee the development and design of employee compensation, incentive and benefit programs and to regularly evaluate senior management performance and approve the compensation of the Executive Chairman and President.

In addition, the Board shall perform such functions and responsibilities as set forth in OCC's by-laws and rules, including, but not limited to:

- Determining disqualifications from Board service and making appointments to fill vacancies among the Management Directors, Member Directors and Public Directors as specified in the by-laws^{xi};
- Electing designated corporate officers^{xii};
- ~~Approving applications for clearing membership and initial contributions to the clearing fund of newly admitted clearing members, subject to the by-laws and rules^{xiii};~~
- Approving OCC's fee structure consistent with the by-law requirements as well as rebates, discounts and refunds of clearing fees^{xivxiii};
- Approving additions to, amendments of, and deletions from OCC's by-laws and rules subject to the provisions of the by-laws^{xvixiv};
- Conducting convened hearings in connection with a denial of membership or a suspension determination^{xvixv};
- Suspending a clearing member^{xvixvi}; and

- Performing such other functions reserved to the Board under the by-laws and rules.

V. DUTIES AND RESPONSIBILITIES OF DIRECTORS

Each Director is required to act in good faith in the best interests of OCC and with due regard to the fiduciary responsibilities owed to OCC as a business and systemically important financial market utility. In addition, each Director is required to comply with the provisions of the Code of Conduct for OCC Directors, including, without limitation, the provisions relating to conflicts of interest and confidentiality.

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- ⁱ Article III, Section 1.
- ⁱⁱ Article III, Sections 2, 5, 6, 6A and 7.
- ⁱⁱⁱ Article III, Sections 5, 6, 6A, 7, 10, 11 and 12.
- ^{iv} Article III, Sections 2, 6, 6A and 7; Article IV, Section 1.
- ^v Article IV, Sections 1 and 7.
- ^{vi} Article III, Section 14.
- ^{vii} Article III, Section 13.
- ^{viii} Article IV, Section 10.
- ^{ix} Article III, Section 8; Article IV Sections 1, 2 and 5.
- ^x Article III, Section 9.
- ^{xi} See end note iii.
- ^{xii} See end note ix.
- ~~^{xiii} Article V, Section 2; Article VIII, Section 2.~~
- ^{xiv}~~xiii~~ Article III, Section 8; Article IX, Section 9.
- ^{xv}~~xiv~~ Article XI, Sections 1 and 2.
- ^{xvi}~~xv~~ Article V, Section 2; Rule 1110.
- ^{xvii}~~xvi~~ Article III, Section 8; Rule 1102.

[Redacted]

THE OPTIONS CLEARING CORPORATION RISK COMMITTEE CHARTER

I. PURPOSE

The Board of Directors of OCC (the "Board") has established a Risk Committee (the "Committee") to assist the Board in overseeing the Corporation's policies and processes for identifying and addressing strategic, operational and financial (i.e., credit, market, liquidity and systemic) risks. The Committee is responsible for overseeing the overall enterprise risk management framework implemented by management, including reviewing material policies and processes relating to (i) membership criteria and financial safeguards, (ii) member and other counterparty risk exposure assessments, (iii) liquidity requirements and maintenance of financial resources, (iv) risk modeling and assessments, and (v) default management planning. The Committee is also responsible for performing those functions delegated to the Committee under the Corporation's By-Laws and Rules.

II. MEMBERSHIP AND ORGANIZATION

- A. Composition. The Committee shall consist of the Executive Chairman, the Member Vice Chairman, and three or more Member Directors appointed annually by the Board. At least one member of the Committee shall be a Public Director. The Board may remove or replace any member of the Committee at any time. The Committee shall be chaired by a Public Director. In the absence of the Chair at any meeting of the Committee, those members of the Committee present shall designate a Committee member to serve as the Acting Chair.
- B. Meetings. Generally, the Committee will meet at least seven times a year. Other meetings may be called by the Chair as circumstances dictate. The Committee Chair or its designee, in consultation with management as well as the Corporate Secretary, shall establish the agenda for Committee meetings. The members of the Committee may ask members of management or others to attend the meeting and provide pertinent information as is necessary. The Committee may call executive sessions from which guests of the Committee may be excluded. The Chair shall determine whether minutes of executive sessions are to be maintained, taking into consideration the sensitivity of the matters to be discussed and the possibility that candor might be limited if minutes are maintained. Members of the Committee may participate in meetings by means of a conference telephone call or other means of communication that allows all participants in the meeting to hear each other.

The Committee shall meet at least annually with the Chief Risk Officer and any other corporate officers the Committee deems appropriate in separate executive sessions to discuss any matters that either side believes should be discussed privately.

A Committee member shall recuse himself from any matter in which his firm has an interest, other than a common interest shared with Clearing Members generally or a particular class of Clearing Members.

- C. Quorum. A majority of the Committee members shall constitute a quorum for the transaction of business.
- D. Minutes and Reports. Except as otherwise noted above, the Committee shall maintain minutes of all Committee meetings and shall make such reports to the Board as deemed necessary or advisable. Copies of Committee minutes shall be circulated to the Board. On an annual basis, the Committee shall provide a report to the Board summarizing its activities during the previous year. The Committee Chair is responsible for ensuring that important issues discussed at the Committee meetings are reported timely to the full Board.

III. AUTHORITY

- A. Scope. Subject to the direction of the Board, the Committee is authorized to act on behalf of the Board with respect to any matter necessary or appropriate to the accomplishment of the purpose and responsibilities set forth in this Charter. In discharging its role, the Committee may inquire into any matter it considers appropriate to carry out its purpose and responsibilities. The Committee shall confer with management and other employees of the Corporation to the extent it may deem necessary or appropriate to fulfill its duties.

Subject to the approval of the Board, the Committee shall have the authority to hire specialists or rely upon other outside advisors or specialists to assist it in carrying out its activities. The Committee also shall have the authority to approve the fees and retention terms applicable to such advisors and specialists.

- B. Delegation. The Committee may form and delegate authority to subcommittees and may delegate authority to one or more designated members of the Committee.
- C. Authority of the Chair. The Chair of the Committee may act on behalf of the Committee in such circumstances when immediate action is required and it is impractical to convene the Committee. In such instances, the Chair shall report on any actions taken as soon as practicable to the Committee for its ratification.

IV. FUNCTIONS AND RESPONSIBILITIES

The Committee's role is one of oversight. Management is responsible for identifying, addressing and reporting on strategic, operational and financial risks arising from the Corporation's clearance, settlement and other business activities in light of the Corporation's role as an important financial market utility.

The Risk Committee shall have the following functions and responsibilities in discharging its oversight role:

- ~~To review applications for Clearing Membership and recommend approval or disapproval thereof to the Board on such conditions as the Committee may deem appropriate.~~ Approving applications for clearing membership and initial contributions to the clearing fund of newly admitted clearing members, subject to the By-Laws and Rules.
- To conduct hearings, as required by the By-Laws, if requested by applicants whose applications are proposed to be disapproved by the Committee.
- To approve or disapprove continued Clearing Membership by (i) Clearing Members that propose to become managed Clearing Members and (ii) managed Clearing Members after termination of their facilities management agreements, and to ratify, modify or reverse temporary approvals of such requests by the Executive Chairman, the Management Vice Chairman, or the President.
- To review and approve or disapprove requests by Clearing Members to expand clearing activities to include additional account types and/or products, and to ratify, modify, or reverse temporary approvals of such requests by the Executive Chairman, the Management Vice Chairman, or the President.
- To review and approve or disapprove requests by Clearing Members to participate in the Stock Loan Programs.
- To periodically review the Corporation's initial and ongoing requirements for Clearing Membership and to recommend to the Board such changes therein as the Committee deems appropriate.
- If required, to develop and recommend to the Board membership requirements and standards for entities other than broker-dealers.
- To periodically review the inputs to the Corporation's margin formula and modify them to the extent that the Committee deems such action consistent with the protection of the Corporation, Clearing Members, or the general public.
- To increase the amount of margin required in respect of any contract or position if the Committee deems such increase advisable for the protection of the Corporation, Clearing Members, or the general public.

- To establish and periodically review guidelines for requiring the deposit of additional margin for the purpose of protecting the Corporation, Clearing Members, or the general public.
- To periodically review the methodologies used for determining margin and clearing fund requirements and to recommend to the Board such changes therein as the Committee deems appropriate.
- To periodically review Clearing Member surveillance criteria and make such changes therein as the Committee deems appropriate.
- To review, as appropriate, the adequacy and effectiveness of the Corporation's contingency plan for Clearing Member failures and to approve or recommend to the Board such changes therein as the Committee deems appropriate.
- To review the financial and operational condition of Clearing Members that are subject to closer than normal surveillance (Watch Levels III and IV) and impose such restrictions on their activities, consistent with the By-Laws and Rules, as the Committee deems appropriate.
- To advise management regarding actions to be taken with respect to Clearing Members that are subject to closer than normal surveillance or are otherwise in or approaching financial or operational difficulty.
- To review in accordance with the Rules, if timely requested by a Clearing Member, and to modify or reverse, restrictions and/or requirements imposed on the Clearing Member by the Executive Chairman, the Management Vice Chairman, or the President pursuant to Rule 305.
- To approve classes of GSE debt securities for deposit as margin.
- To prescribe intervals for revaluing debt securities deposited as margin or clearing fund deposits as provided in the Rules.
- To specify "haircuts" for securities deposited as margin as provided in the Rules.
- To make the determinations regarding approval of non-U.S. institutions to issue letters of credit provided for in the Interpretations under Rule 604.
- To review and recommend the OCC Risk Appetite Statement for approval by the Board annually.
- To review and monitor the risk profile of OCC for consistency with OCC's Risk Appetite Statement.
- To review periodic reports from the Enterprise Risk Management program.

- To review and assess OCC's Enterprise Risk Management program annually.
- Approve management's recommendation to appoint or replace the Chief Risk Officer. The Chief Risk Officer shall report functionally to the Committee and administratively to the Executive Chairman.
- Assess the performance of the Chief Risk Officer and the Enterprise Risk Management department. Also approve any Chief Risk Officer annual compensation or salary adjustments, but delegate to the Chair the ability to modify the approved amount as a result of the Chair's participation in the annual meeting of the Performance Committee at which the compensation for senior management is determined.
- Oversee the structure, staffing and resources of the Enterprise Risk Management department.
- Confirm annually that all responsibilities outlined in this Charter have been carried out.
- Evaluate the Committee's and individual members' performance on a regular basis and provide results of such assessment to the Governance Committee for review.
- To perform such other functions as shall from time to time be assigned to it by the By-Laws and Rules or delegated to it by the Board.

V. REVIEW CYCLE

The Committee will review this Charter annually. The Committee shall submit this Charter to the Board for reapproval, with such changes, if any, as the Committee deems advisable.