



April 15, 2019

**VIA ELECTRONIC MAIL**

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

**Re: Rule Filing SR-OCC-2019-003 Rule Certification**

Dear Secretary Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Commodity Futures Trading Commission (“CFTC”) Regulation 40.6, enclosed is a copy of the above-referenced rule filing submitted by The Options Clearing Corporation (“OCC”). The rule filing would amend OCC Rule 401 to require that an “Actionable Identifier” be included on all customer and non-customer securities options trades submitted to OCC for processing, other than Market-Maker trades. OCC also proposes to make certain minor, non-substantive amendments to Rule 401 to fix an omission and certain references in the rule. OCC intends to implement this rule change no sooner than 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 (“SEC”) or otherwise becomes effective under the Securities Exchange Act of 1934 (“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 Clearing Member Trade Assignment (“CMTA”) process at OCC allows a Clearing Member that executed a securities options trade (i.e., the Executing Clearing Member) to send the trade directly through OCC to another Clearing Member for clearance and settlement (i.e., the Carrying Clearing Member).<sup>1</sup> In particular, under the CMTA process, an Executing Clearing

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<sup>1</sup> See OCC Rule 407. An “Executing Clearing Member” is defined in Article I, Section 1.E.(12) of the By-Laws as “a Clearing Member, on its own behalf or as the Clearing Member of an Introducing Broker that has been authorized by a Carrying Clearing Member to direct confirmed trades to be transferred to a designated account of the Carrying Clearing Member pursuant to such Clearing Members’ CMTA arrangement.” A “Carrying Clearing Member” is defined in Article I, Section 1.C.(12) of the By-Laws as “a Clearing Member that has authorized an Executing Clearing Member

Member and a Carrying Clearing Member can agree to have securities options trades for customers and non-customers effected by the Executing Clearing Member sent directly through OCC to the Carrying Clearing Member's omnibus accounts at OCC for clearance and settlement.<sup>2</sup> For some time, Clearing Members have been concerned with the risks they face in handling trades they cannot timely identify in connection with the CMTA process. Clearing Members have reached out to OCC to help them address these risks.

In response to these concerns, OCC proposes to amend Rule 401 to require that an "Actionable Identifier," as described below, be included on all customer and non-customer securities options trades submitted to OCC for processing, other than Market-Makers trades.<sup>3</sup> OCC believes that having an Actionable Identifier on customer and non-customer trades (other than Market-Maker trades) will allow Clearing Members to more timely identify trades transmitted as part of a CMTA arrangement as well trades transmitted through the "give-up" process at exchanges, which is described below.

OCC also proposes to make certain minor, non-substantive amendments to Rule 401 to fix an omission and certain references in the rule. These changes to the rule are described at the end of this section.

### **Background on CMTA and Give-Up Trade Processes**

Governed by Rule 407, the CMTA process was created to allow an Executing Clearing Member to seamlessly transfer trades to individual customer and non-customer accounts at a Carrying Clearing Member in a timely fashion.<sup>4</sup> For instance, the process allows a customer to hold

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to direct the transfer of a confirmed trade to a designated account of such Carrying Clearing Member pursuant to a CMTA arrangement."

<sup>2</sup> The term "customer" is defined in Article I, Section 1.C. (37) of the By-Laws with regard to listed options as "a person having a securities account at a broker or dealer other than a non-customer of such broker or dealer." The term "non-customer" is defined in Article I, Section 1.N.(1) of the By-Laws effectively as "a person that is not a customer of a broker or dealer as defined in Rules 8c-1 and 15c2-1 under the Securities Exchange Act of 1934," including "a Member Affiliate that has consented to having its securities account at a Clearing Member treated as a non-customer account." OCC Clearing Members hold omnibus accounts at OCC for customer positions (i.e., a "customers' account" as defined in Article I, Section 1.C.(37) of the By-Laws) and non-customer positions (i.e., a "firm account" as defined in Article I, Section 1.F.(6) of the By-Laws).

<sup>3</sup> Rule 401 specifies the information that Clearing Members need to include in trades submitted to OCC. As described below, Market-Maker trades already include information that allows a Clearing Member that clears for Market-Makers to assign the trades to individual Market-Maker accounts.

<sup>4</sup> Certain provisions related to the CMTA process were never implemented because they contemplated that the exchanges would adopt rules to implement them. In particular, Rule 401(a) provides that confirmed trade information submitted to OCC "include a Customer CMTA Indicator, a CMTA

its positions with its preferred prime broker (i.e., Carrying Clearing Member), but provides the customer with flexibility to use specialized execution brokers (e.g., Executing Clearing Members) that offer cheaper or faster executions of trades. An example of such an arrangement is as follows:

Customer A maintains a prime brokerage account with Carrying Clearing Member that holds all the Customer's securities positions (equities, options, etc.). Customer A wishes to trade an option, but would prefer using Executing Clearing Member to execute the trade due to its trading expertise and cost. Customer A instructs Executing Clearing Member to buy the option and "CMTA" the trade to Customer A's prime brokerage account at Carrying Clearing Member. Carrying Clearing Member and Executing Clearing Member have a CMTA arrangement at OCC. When Executing Clearing Member executes the trade, it includes data on the trade which instructs OCC to settle the trade in Carrying Clearing Member's omnibus customer account at OCC once the trade is received by OCC.

The primary concern raised by Carrying Clearing Members is that they could receive customer trades through the CMTA process that they may not recognize in a timely manner because the trades do not include information that allows them to quickly identify the correct customer account at the Carrying Clearing Member or that the trade should have been sent to another Carrying Clearing Member. If the Carrying Clearing Member is unable to timely identify the correct customer account for the trade or that the trade should have been sent to another Carrying Clearing Member, it ends up holding the position overnight and is responsible for the margin for the position as well as possible assignment risk related to the position. Carrying Clearing Members are concerned about the potential risks they face in such a situation.

Executing Clearing Members have expressed concern that they are not at fault in such a situation, noting that sometimes the orders they execute do not include individual customer or non-customer account information. They note that this could happen, for instance, when an order is sent to them by an Introducing Broker who wishes to keep the customer anonymous for fear of losing the customer business.<sup>5</sup> This also could happen when a trading desk at a Clearing Member Group with multiple trading desks uses an Executing Clearing Member to execute a non-customer (i.e., proprietary) trade but does not include an account identifier on the trade that would allow staff at the Carrying Clearing Member within the Clearing Member Group to identify which trading desk

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Customer Identifier, and an IB Identifier to the extent required under applicable Exchange rules." Such rules were never adopted.

<sup>5</sup> The term "Introducing Broker" is defined in Article I, Section 1.I.(12) of the By-Laws as "a broker-dealer or futures commission merchant that takes an order for a transaction in a cleared contract from a CMTA Customer, executes or arranges for another broker-dealer or futures commission merchant to execute such transaction and, in the case of an Introducing Broker that is not a Clearing Member, arranges for its Clearing Member or the executing broker-dealer's or futures commission merchant's Clearing Member to direct the resulting confirmed trade to be transferred to a designated account of a Carrying Clearing Member."

executed the trade.<sup>6</sup> Nonetheless, Executing Clearing Members recognize and acknowledge that the CMTA process could be further streamlined to make it more efficient.

In addition, OCC understands that Clearing Members are concerned about the length of time it can take them to process trades they receive through the “give-up” process at exchanges.<sup>7</sup> For customer trades under the give-up process, OCC understands that an executing broker (e.g., a floor broker) can execute a customer’s trade on an exchange and give-up (i.e., assign) the trade automatically to the customer’s clearing broker, which must be an OCC Clearing Member. The trade clears directly in the Clearing Member’s omnibus customers’ account at OCC with no reference to the individual customer account, which can make it difficult for the Clearing Member to promptly determine which customer account to assign the trade.

Similarly, for non-customer trades under the give-up process, OCC understands that a trading desk at a Clearing Member Group with multiple trading desks can use an executing broker on an exchange to execute a non-customer (i.e., proprietary) trade. The executing broker can give-up the Clearing Member on the trade without including account identifying information on the trade and the trade clears directly into the Clearing Member’s omnibus firm account at OCC. Because the trade does not include account identifying information, staff at the Clearing Member may not be immediately aware of which trading desk account at the firm executed the trade. Similarly, OCC also understands that this can occur in a joint back office (“JBO”) arrangement at a Clearing Member where one of the JBO Participants in such an arrangement uses an executing broker on an exchange to execute a non-customer (i.e., proprietary) trade.<sup>8</sup> The executing broker can give-up the Clearing Member on the trade without including account identifying information on the trade and the trade clears directly into the Clearing Member’s omnibus firm account at OCC. Because the

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<sup>6</sup> The term “Clearing Member Group” is defined in Article I, Section 1.C.(17) of the By-Laws as “a Clearing Member and any Member Affiliates of such Clearing Member.”

<sup>7</sup> See, e.g., Nasdaq PHLX LLC (“Phlx”) Rules 1037 and 1052. Phlx recently amended its rules regarding give-ups at the exchange. See Release No. 34-85136 (February 14, 2019), 84 FR 5526 (February 21, 2019) (order approving File No. SR-Phlx-2018-72). Under the rule change, Phlx clearing members will be allowed to “opt in” and request that the exchange systematically restrict use of one or more of its OCC clearing numbers (each a “Restricted OCC Number”). Once restricted, Phlx member organizations will not be able to give up the Restricted OCC Number to clear a Phlx transaction unless the Phlx clearing member previously has submitted to the exchange written authorization permitting that member organization to give up that Restricted OCC Number.

<sup>8</sup> A “JBO Participant” is defined in Article I, Section 1.J.(1) of the By-Laws as “a broker-dealer registered with the Securities and Exchange Commission that: (i) maintains a joint back office arrangement with a Clearing Member pursuant to the requirements of Regulation T promulgated by the Board of Governors of the Federal Reserve System; (ii) meets the requirements applicable to JBO Participants as specified in Exchange Rules; and (iii) consents to having his confirmed trades cleared and positions carried in a JBO Participants’ account. A JBO Participant shall be considered a ‘Market-Maker’ for purposes of these By-Laws and Rules, except for purposes of Chapter IV of the Rules, or where the context otherwise requires.”

trade does not include account identifying information, staff at the Clearing Member may not be immediately aware of which JBO Participant account originated the trade.

### **Actionable Identifier Requirement**

In response to these concerns, OCC proposes to amend Rule 401 to require that an Actionable Identifier be included in all customer and non-customer securities options trades submitted to OCC for processing, other than Market-Maker trades. Although Market-Makers are non-customers under OCC's By-Laws and Rules and their trades are occasionally routed through CMTA arrangements, OCC is not proposing that an Actionable Identifier be included on Market-Maker trades because such trades already include an identifier that allows Clearing Members that clear trades for Market-Makers to identify the Market-Maker account in which to clear a Market-Maker trade.<sup>9</sup>

The requirement to include an Actionable Identifier would be added as new paragraph (a)(1)(iii) to Rule 401.<sup>10</sup> Subject to the implementation plan for the Actionable Identifier requirement described in the Proposed Implementation Plan section below, the new paragraph would require the trade information submitted to OCC for a customer or non-customer transaction (other than a Market-Maker transaction) to include an Actionable Identifier from the Purchasing Clearing Member and an Actionable Identifier from the Writing Clearing Member.<sup>11</sup> Because the Actionable Identifier is not necessary for OCC to direct trades to the correct omnibus account at Clearing Members, OCC is not mandating the information as a condition for acceptance of the trade at this point in time. This also will give the industry time to implement the requirement without resulting in trades being rejected by OCC if the Actionable Identifier were omitted from a trade. Thus, OCC has included language in new paragraph (a)(1)(iii) of Rule 401 to clarify that even though an Actionable Identifier is required on trades, it is not required as a condition for OCC to accept a trade.

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<sup>9</sup> Currently, all Market-Maker trades submitted to OCC include a three-character identifier that identifies the Market-Maker that executed the trade. OCC understands that exchange rules require that Market-Maker trades have identifiers on them. See, e.g., Cboe Rule 6.51. Thus, Market-Maker trades already have their own form of identifier. These identifiers are used by Clearing Members and OCC to book Market-Maker trades in the correct Market-Maker accounts at the Clearing Members.

<sup>10</sup> Pursuant to a recent rule change, OCC amended Rule 401 to make certain clarifying changes to the rule. See Securities Exchange Act Release No. 83321 (May 24, 2018), 83 FR 25087 (May 31, 2018) (SR-OCC-2018-007) (Notice of Filing of Amendment No. 1 and Order Approving Proposed Rule Change, as Modified by Amendment No. 1, Related to The Options Clearing Corporation's Trade Acceptance and Novation Rules).

<sup>11</sup> A "Purchasing Clearing Member" is defined in Article I, Section 1.P.(16) of the By-Laws as "the Clearing Member acting as, or on behalf of, the purchaser of a cleared contract." A "Writing Clearing Member" is defined in Article I, Section 1.W.(3) as "the Clearing Member acting as, or on behalf of, the writer (as defined, in the case of, in this Article I, and in the case of BOUNDS, in Article XXIV of the By-Laws) of a cleared contract."

An Actionable Identifier would be defined in Interpretation and Policy .06 to Rule 401 as either the name, series of numbers, or other identifying information assigned by a Purchasing Clearing Member or Writing Clearing Member to a customer or non-customer account (other than a Market-Maker account) at the Clearing Member that originated the options transaction. If the Clearing Member transmits the Actionable Identifier to another Clearing Member to clear the transaction as part of a CMTA arrangement, the Clearing Member transmitting the Actionable Identifier must establish and maintain policies and procedures reasonably designed to include sufficient information in the Actionable Identifier field regarding the account that originated the trade to allow that other Clearing Member to promptly clear the transaction.

The Actionable Identifier definition is intended to give Clearing Members flexibility in determining what they include in the field by providing that Clearing Members can use either the name, series of numbers, or other identifying information assigned to the individual customer or non-customer account at the Clearing Member that originated the options transaction.<sup>12</sup> For instance, with regard to customer trades in a CMTA arrangement, an Executing Clearing Member and Carrying Clearing Member in such an arrangement can work together to agree upon the type of account identifying information to be included in such trades to allow staff at the Carrying Clearing Member to promptly assign such trades to the correct individual customer accounts. Similarly, with regard to non-customer trades in a CMTA arrangement, a Carrying Clearing Member can work with trading desks at the Carrying Clearing Member and/or its affiliates within a Clearing Member Group to establish the type of account identifying information to be included in such trades by the Executing Clearing Member to allow staff at the Carrying Clearing Member to promptly assign such trades to the correct individual non-customer accounts. In both of these situations, while the obligation to include the Actionable Identifier on a trade is with the Executing Clearing Member, coordination and agreement between the Executing Clearing Member and Carrying Clearing Member is needed in order to assure that the Carrying Clearing Member can use the Actionable Identifier on a trade to promptly clear the trade in the correct customer or non-customer account.

The Actionable Identifier requirement also is intended to address concerns about give-up trades. As noted, OCC understands that an executing broker can execute a customer's trade on an exchange and give-up the trade automatically to the customer's OCC Clearing Member. The trade clears directly in the Clearing Member's omnibus customers' account at OCC, sometimes with no reference to the customer account that originated the trade. OCC understands that the requirement to include an Actionable Identifier on such a trade will enable the Clearing Member to timely identify the individual customer account associated with the trade. Also, Clearing Members that are part of Clearing Member Groups with multiple trading desks have indicated that an Actionable Identifier

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<sup>12</sup> OCC currently provides Clearing Members with the functionality to designate sub-accounts within their omnibus customer and firm accounts held at OCC. See Interpretation and Policy .04 to Article VI, Section 3 of OCC's By-Laws. To the extent Clearing Members start to use sub-accounts to identify which individual customer or non-customer account at the Clearing Member to book a trade, OCC believes that such sub-account identifying information on the trade would satisfy the Actionable Identifier requirement in this proposed rule change.

would help them timely identify which trading desk account at the firm initiated a non-customer trade received by the Clearing Member through the give-up process. Similarly, Clearing Members with JBO arrangements have indicated that an Actionable Identifier would help them timely identify which JBO Participant account initiated a non-customer trade received by the Clearing Member through the give-up process.<sup>13</sup>

The Actionable Identifier requirement is different than a traditional customer identification requirement in that it is solely designed to provide enough information to the Clearing Member receiving the trade to allow the Clearing Member to clear the trade for the account that originated the trade; it is not intended to provide any other information regarding the account that originated the trade. OCC does not anticipate that the Actionable Identifier will involve any personally identifiable information (“PII”) regarding the account that originated the trade. Rather, with regard to CMTA arrangements, OCC expects that the Actionable Identifier will consist of a series of numbers or institutional name that would allow the Executing Clearing Member and Carrying Clearing Member to identify the account that originated the trade, neither of which by itself is PII. Similarly, with regard to give-up arrangements, OCC expects that the Actionable Identifier will consist of a series of numbers or institutional name that would allow the Clearing Member clearing the give-up trade to identify the account that originated the trade.

OCC worked very closely with Clearing Members in developing the proposed Actionable Identifier requirement. They requested flexibility in deciding what information to include in the Actionable Identifier field. Thus, the proposed rule change is designed to provide this flexibility by allowing Clearing Members to work together to agree on the way they will identify customers and non-customers subject to CMTA and give-up arrangements. This flexibility also would allow them to avoid including PII in the Actionable Identifier field.

Consistent with this flexibility, OCC has determined to implement the obligation that Actionable Identifiers include sufficient information through a policies and procedures-based approach. Under Interpretation and Policy .06 to Rule 401, Clearing Members transmitting Actionable Identifiers to other Clearing Members to clear purchase or sale transactions would be required to establish and maintain policies and procedures reasonably designed to include sufficient information in the Actionable Identifier fields to allow the Clearing Members receiving such Actionable Identifiers to promptly clear the transactions. OCC believes that implementing the requirement in this manner will provide Clearing Members in CMTA arrangements with flexibility in how they operationalize the requirement, allowing Executing Clearing Members to work with Carrying Clearing Members to establish processes that they believe are reasonably designed to provide enough information in the Actionable Identifier fields to allow the Carrying Clearing

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<sup>13</sup> As noted in the “JBO Participant” definition, a JBO Participant is treated as a Market-Maker for purposes of OCC’s By-Laws and Rules other than for purposes of Chapter IV of OCC’s Rules. Thus, by the terms of this definition, even though proposed Rule 401’s Actionable Identifier requirement would exclude Market-Maker trades, it would not exclude JBO Participant trades.

Members to promptly direct CMTA transactions to the correct individual customer and non-customer accounts.

OCC believes that having such an identifier on trades would allow Clearing Members to more timely identify trades transmitted as part of CMTA and give-up arrangements. As indicated, OCC has had extensive conversations over time with Clearing Members related to this proposed Actionable Identifier requirement. OCC's primary takeaway from these conversations is that the requirement should help further improve the CMTA process. Carrying Clearing Members believe the requirement will help them address above noted concerns they have about the CMTA process by immediately identifying to them the specific customer or non-customer account on a CMTA trade sent to them by an Executing Clearing Member. Executing Clearing Members have expressed support for the requirement because they recognize that it should help streamline the CMTA process, requiring less back-and-forth communication between them and Carrying Clearing Members about which individual customer or non-customer account originated a CMTA trade. OCC's other takeaway from these conversations is that Clearing Members believe the requirement will help them address above noted concerns they have about the give-up process by allowing them to timely identify which account to assign a trade received through the give-up process.

### **Proposed Implementation Plan**

With regard to CMTA trades, both the Executing Clearing Member and Carrying Clearing Member will need to work together to determine appropriate Actionable Identifiers for the accounts subject to their CMTA arrangement. Similarly, with regard to give-up trades, Clearing Members will need to coordinate on processes to include Actionable Identifiers on trades submitted through the give-up process. Since this will take some time, OCC plans to implement the Actionable Identifier requirement in a phased manner and to work with Clearing Members to make sure the requirement is implemented in a workable manner for them.

OCC proposes to include the implementation plan for the requirement in new Interpretation and Policy .06 to the Rule. The plan sets forth the effective dates for the rule change, providing that (a) from the date on which the Actionable Identifier requirement is approved ("approval date") to the end of the twelfth month from such approval date, OCC will not treat as a violation of Rule 401 the failure to include an Actionable Identifier or the failure of a Clearing Member's policies and procedures to provide that sufficient information is included in the Actionable Identifier field to allow the Clearing Member receiving such Actionable Identifier to promptly clear the transaction, (b) from the thirteenth to the end of the eighteenth month from such approval date, an Actionable Identifier will be required but OCC will not treat as a violation of Rule 401 the failure of a Clearing Member's policies and procedures to provide that sufficient information is included in the Actionable Identifier field to allow the Clearing Member receiving such Actionable Identifier to promptly clear the transaction, and (c) from the nineteenth month after such approval date and thereafter, OCC will treat as a violation of Rule 401 the failure to include an Actionable Identifier or the failure of a Clearing Member's policies and procedures to provide that sufficient information is included in the Actionable Identifier field to allow the Clearing Member receiving such Actionable



Identifier to promptly clear the transaction, subject to the manner in which OCC enforces violations of its rules in Rule 1201. OCC also has included rule text at the end of Interpretation and Policy .06 to Rule 401 to provide that the rule text that sets forth the proposed implementation plan described above will automatically be deleted at the end of the nineteenth month after the approval date. Nonetheless, OCC plans to continue to enforce the Actionable Identifier requirement in Rule 401 as set forth in (c) above, treating as a violation of Rule 401 the failure to include an Actionable Identifier or the failure of a Clearing Member's policies and procedures to provide that sufficient information is included in the Actionable Identifier field to allow the Clearing Member receiving such Actionable Identifier to promptly clear the transaction.

Throughout this implementation period, OCC plans to create summary reports and statistics on Clearing Members that do not include Actionable Identifiers. This information will be shared periodically with firms individually throughout the implementation of the Actionable Identifier requirement to help foster compliance with the requirement. In addition, OCC notes that listed options trade reports to OCC currently include a field that is labelled at the exchange-level as the Account field. Once implemented, the Actionable Identifier information will be required to be populated in this field. Thus, Clearing Members will be able to see on OCC's trade screen, which allows Clearing Members to view trades in OCC's Encore system, and detect in OCC's trade messages whether this field is populated. OCC plans to enhance the trade screen to include additional filter criteria to allow Clearing Members to view trades with no Actionable Identifier.

Once the Actionable Identifier requirement becomes fully effective eighteen months after the approval date of the requirement, OCC anticipates monitoring compliance with the requirement through an annual certification process in which OCC would require Clearing Members to certify, in a form and manner specified by OCC, that they have policies and procedures reasonably designed to provide that sufficient information is included in the Actionable Identifier fields to allow the Clearing Member(s) receiving such Actionable Identifiers to promptly clear the transactions. OCC also anticipates including a review of Clearing Members' Actionable Identifier policies and procedures when it conducts its periodic risk-based examinations.

In addition to this oversight of the process by OCC, it is anticipated that if a Carrying Clearing Member believes that the Actionable Identifier transmitted to it does not provide sufficient information to allow it to identify the correct account, the Carrying Clearing Member would reach out to the Executing Clearing Member on the trading day when this happens to resolve the issue. It is also anticipated that if a Carrying Clearing Member experiences a pattern or practice in which Actionable Identifiers transmitted to it by an Executing Clearing Member do not provide sufficient information to allow it to identify the correct accounts, the Carrying Clearing Member could reach out to OCC to report such activity and/or terminate the CMTA arrangement. It is anticipated that a Clearing Member in a give-up arrangement would take similar courses of action if it believed

Actionable Identifier(s) transmitted to it do(es) not provide sufficient information to allow it to identify the correct account(s).

### **Rule 401 Clean-Up Edits**

OCC proposes to amend the last sentence of first paragraph (a) of rule to add the phrase “in this rule” so that it would read, “[t]he acceptance of every confirmed trade and the issuance of every cleared contract by the Corporation as provided in this rule shall be subject to the conditions that this reported trade information (i) passes the Corporation’s trade validation process, (ii) is provided to the Corporation during such times as the Corporation shall prescribe, and (iii) satisfies certain criteria, as specified in paragraphs (a)(1) and (a)(2) of this Rule 401.” This change is intended to include a phrase that was inadvertently omitted when the rule was updated and to further clarify the scope of the rule.

OCC also proposes to change the references to “the security type” in paragraphs (a)(1)(i)(G) and (a)(2)(G) of the rule to “the product type” to more accurately reflect the information this trade field requires. In particular, the field mandates the inclusion of information indicating that the trade was for a security, a future, or an option on future. Since OCC now clears products that are securities and products that are commodity futures or options on such futures, OCC has determined to change these references in the rule to more accurately reflect the information mandated by the field.

Finally, OCC proposes to change the references to “the Give-Up Clearing Member” in paragraphs (a)(1)(i)(P) and (a)(2)(N) of the rule to “the Given-Up Clearing Member.” The defined term in OCC’s By-Laws is “Given-Up Clearing Member” rather than “Give-up Clearing Member.” The definition of Given-Up Clearing Member can be found in Article I, Section 1.G.(3) of the By-Laws.

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 Principle as potentially being impacted:

**Participant and product eligibility.** OCC believes that implementing the proposed rule change will be consistent with Core Principle L governing public information regarding DCOs. CFTC Regulation 39.21(b) provides that, “[e]ach derivatives clearing organization shall make information concerning the rules and the operating and default procedures governing the clearing and settlement systems of the derivatives clearing organization available to market participants.” The proposed rule change would require that an Actionable Identifier be included on all customer and non-customer trades, other than Market-Maker trades, to allow Clearing Members to more promptly and accurately clear and settle securities options trades in the appropriate account. Upon implementation, OCC will post the amended Rules to its public website thereby providing market participants with relevant information regarding OCC’s operating procedures governing its clearing and settlement systems.

In this regard, the proposed changes would further OCC's compliance with Core Principle L.

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 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.

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,

Joseph P. Corcoran  
Vice President, Legal

Enclosure

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 51	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2019 - * 003	Amendment No. (req. for Amendments *)
Filing by Options Clearing Corporation Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934				
Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>
			Section 19(b)(3)(B) * <input type="checkbox"/>	
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)	
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934	
Section 806(e)(1) * <input type="checkbox"/>		Section 806(e)(2) * <input type="checkbox"/>	Section 3C(b)(2) * <input type="checkbox"/>	
Exhibit 2 Sent As Paper Document <input type="checkbox"/>		Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
<b>Description</b>				
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).				
<input type="text" value="Proposed rule change to require that an Actionable Identifier be included on Customer and Non-Customer securities options trades other than Market Maker trades."/>				
<b>Contact Information</b>				
Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.				
First Name *	<input type="text" value="Justin"/>	Last Name *	<input type="text" value="Byrne"/>	
Title *	<input type="text" value="Vice Presidents, Regulatory Filings"/>			
E-mail *	<input type="text" value="jbyrne@theocc.com"/>			
Telephone *	<input type="text" value="(202) 971-7238"/>	Fax	<input type="text" value="(312) 322-6280"/>	
<b>Signature</b>				
Pursuant to the requirements of the Securities Exchange Act of 1934,				
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.				
(Title *)				
Date	<input type="text" value="03/20/2019"/>	<input type="text" value="Vice President, Regulatory Filings"/>		
By	<input type="text" value="Justin W. Byrne"/>	<input type="text" value="Justin Byrne, jbyrne@theocc.com"/>		
(Name *)				
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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

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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 Options Clearing Corporation (“OCC”) proposes to amend Rule 401 to require that an “Actionable Identifier” be included on all customer and non-customer securities options trades submitted to OCC for processing, other than Market-Maker trades. OCC also proposes to make certain minor, non-substantive amendments to Rule 401 to fix an omission and certain references in the rule. The proposed changes to OCC’s Rules are attached hereto as Exhibit 5. Material proposed to be added to OCC’s Rules as currently in effect is marked by underlining and material proposed to be deleted is marked with strikethrough text. All terms with initial capitalization that are not otherwise defined herein have the same meaning as set forth in the By-Laws and Rules.<sup>1</sup>

**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 (“Board”) at a meeting held on May 2, 2018.

Questions should be addressed to Joseph Corcoran, Vice President, Legal, Government Relations, at (202) 971-7231.

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

A. Purpose

The Clearing Member Trade Assignment (“CMTA”) process at OCC allows a Clearing

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<sup>1</sup> OCC’s By-Laws and Rules can be found on OCC’s public website: <http://optionsclearing.com/about/publications/bylaws.jsp>.

Member that executed a securities options trade (i.e., the Executing Clearing Member) to send the trade directly through OCC to another Clearing Member for clearance and settlement (i.e., the Carrying Clearing Member).<sup>2</sup> In particular, under the CMTA process, an Executing Clearing Member and a Carrying Clearing Member can agree to have securities options trades for customers and non-customers effected by the Executing Clearing Member sent directly through OCC to the Carrying Clearing Member's omnibus accounts at OCC for clearance and settlement.<sup>3</sup> For some time, Clearing Members have been concerned with the risks they face in handling trades they cannot timely identify in connection with the CMTA process. Clearing Members have reached out to OCC to help them address these risks.

In response to these concerns, OCC proposes to amend Rule 401 to require that an

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<sup>2</sup> See OCC Rule 407. An "Executing Clearing Member" is defined in Article I, Section 1.E.(12) of the By-Laws as "a Clearing Member, on its own behalf or as the Clearing Member of an Introducing Broker that has been authorized by a Carrying Clearing Member to direct confirmed trades to be transferred to a designated account of the Carrying Clearing Member pursuant to such Clearing Members' CMTA arrangement." A "Carrying Clearing Member" is defined in Article I, Section 1.C.(12) of the By-Laws as "a Clearing Member that has authorized an Executing Clearing Member to direct the transfer of a confirmed trade to a designated account of such Carrying Clearing Member pursuant to a CMTA arrangement."

<sup>3</sup> The term "customer" is defined in Article I, Section 1.C. (37) of the By-Laws with regard to listed options as "a person having a securities account at a broker or dealer other than a non-customer of such broker or dealer." The term "non-customer" is defined in Article I, Section 1.N.(1) of the By-Laws effectively as "a person that is not a customer of a broker or dealer as defined in Rules 8c-1 and 15c2-1 under the Securities Exchange Act of 1934," including "a Member Affiliate that has consented to having its securities account at a Clearing Member treated as a non-customer account." OCC Clearing Members hold omnibus accounts at OCC for customer positions (i.e., a "customers' account" as defined in Article I, Section 1.C.(37) of the By-Laws) and non-customer positions (i.e., a "firm account" as defined in Article I, Section 1.F.(6) of the By-Laws).



“Actionable Identifier,” as described below, be included on all customer and non-customer securities options trades submitted to OCC for processing, other than Market-Makers trades.<sup>4</sup> OCC believes that having an Actionable Identifier on customer and non-customer trades (other than Market-Maker trades) will allow Clearing Members to more timely identify trades transmitted as part of a CMTA arrangement as well trades transmitted through the “give-up” process at exchanges, which is described below.

OCC also proposes to make certain minor, non-substantive amendments to Rule 401 to fix an omission and certain references in the rule. These changes to the rule are described at the end of this section.

### **Background on CMTA and Give-Up Trade Processes**

Governed by Rule 407, the CMTA process was created to allow an Executing Clearing Member to seamlessly transfer trades to individual customer and non-customer accounts at a Carrying Clearing Member in a timely fashion.<sup>5</sup> For instance, the process allows a customer to hold its positions with its preferred prime broker (i.e., Carrying Clearing Member), but provides the customer with flexibility to use specialized execution brokers (e.g., Executing Clearing

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<sup>4</sup> Rule 401 specifies the information that Clearing Members need to include in trades submitted to OCC. As described below, Market-Maker trades already include information that allows a Clearing Member that clears for Market-Makers to assign the trades to individual Market-Maker accounts.

<sup>5</sup> Certain provisions related to the CMTA process were never implemented because they contemplated that the exchanges would adopt rules to implement them. In particular, Rule 401(a) provides that confirmed trade information submitted to OCC “include a Customer CMTA Indicator, a CMTA Customer Identifier, and an IB Identifier to the extent required under applicable Exchange rules.” Such rules were never adopted.

Members) that offer cheaper or faster executions of trades. An example of such an arrangement is as follows:

Customer A maintains a prime brokerage account with Carrying Clearing Member that holds all the Customer's securities positions (equities, options, etc.). Customer A wishes to trade an option, but would prefer using Executing Clearing Member to execute the trade due to its trading expertise and cost. Customer A instructs Executing Clearing Member to buy the option and "CMTA" the trade to Customer A's prime brokerage account at Carrying Clearing Member. Carrying Clearing Member and Executing Clearing Member have a CMTA arrangement at OCC. When Executing Clearing Member executes the trade, it includes data on the trade which instructs OCC to settle the trade in Carrying Clearing Member's omnibus customer account at OCC once the trade is received by OCC.

The primary concern raised by Carrying Clearing Members is that they could receive customer trades through the CMTA process that they may not recognize in a timely manner because the trades do not include information that allows them to quickly identify the correct customer account at the Carrying Clearing Member or that the trade should have been sent to another Carrying Clearing Member. If the Carrying Clearing Member is unable to timely identify the correct customer account for the trade or that the trade should have been sent to another Carrying Clearing Member, it ends up holding the position overnight and is responsible for the margin for the position as well as possible assignment risk related to the position.

Carrying Clearing Members are concerned about the potential risks they face in such a situation.

Executing Clearing Members have expressed concern that they are not at fault in such a situation, noting that sometimes the orders they execute do not include individual customer or non-customer account information. They note that this could happen, for instance, when an order is sent to them by an Introducing Broker who wishes to keep the customer anonymous for

fear of losing the customer business.<sup>6</sup> This also could happen when a trading desk at a Clearing Member Group with multiple trading desks uses an Executing Clearing Member to execute a non-customer (i.e., proprietary) trade but does not include an account identifier on the trade that would allow staff at the Carrying Clearing Member within the Clearing Member Group to identify which trading desk executed the trade.<sup>7</sup> Nonetheless, Executing Clearing Members recognize and acknowledge that the CMTA process could be further streamlined to make it more efficient.

In addition, OCC understands that Clearing Members are concerned about the length of time it can take them to process trades they receive through the “give-up” process at exchanges.<sup>8</sup> For customer trades under the give-up process, OCC understands that an executing broker (e.g., a

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<sup>6</sup> The term “Introducing Broker” is defined in Article I, Section 1.I.(12) of the By-Laws as “a broker-dealer or futures commission merchant that takes an order for a transaction in a cleared contract from a CMTA Customer, executes or arranges for another broker-dealer or futures commission merchant to execute such transaction and, in the case of an Introducing Broker that is not a Clearing Member, arranges for its Clearing Member or the executing broker-dealer’s or futures commission merchant’s Clearing Member to direct the resulting confirmed trade to be transferred to a designated account of a Carrying Clearing Member.”

<sup>7</sup> The term “Clearing Member Group” is defined in Article I, Section 1.C.(17) of the By-Laws as “a Clearing Member and any Member Affiliates of such Clearing Member.”

<sup>8</sup> See, e.g., Nasdaq PHLX LLC (“Phlx”) Rules 1037 and 1052. Phlx recently amended its rules regarding give-ups at the exchange. See Release No. 34-85136 (February 14, 2019), 84 FR 5526 (February 21, 2019) (order approving File No. SR-Phlx-2018-72). Under the rule change, Phlx clearing members will be allowed to “opt in” and request that the exchange systematically restrict use of one or more of its OCC clearing numbers (each a “Restricted OCC Number”). Once restricted, Phlx member organizations will not be able to give up the Restricted OCC Number to clear a Phlx transaction unless the Phlx clearing member previously has submitted to the exchange written authorization permitting that member organization to give up that Restricted OCC Number.

floor broker) can execute a customer's trade on an exchange and give-up (i.e., assign) the trade automatically to the customer's clearing broker, which must be an OCC Clearing Member. The trade clears directly in the Clearing Member's omnibus customers' account at OCC with no reference to the individual customer account, which can make it difficult for the Clearing Member to promptly determine which customer account to assign the trade.

Similarly, for non-customer trades under the give-up process, OCC understands that a trading desk at a Clearing Member Group with multiple trading desks can use an executing broker on an exchange to execute a non-customer (i.e., proprietary) trade. The executing broker can give-up the Clearing Member on the trade without including account identifying information on the trade and the trade clears directly into the Clearing Member's omnibus firm account at OCC. Because the trade does not include account identifying information, staff at the Clearing Member may not be immediately aware of which trading desk account at the firm executed the trade. Similarly, OCC also understands that this can occur in a joint back office ("JBO") arrangement at a Clearing Member where one of the JBO Participants in such an arrangement uses an executing broker on an exchange to execute a non-customer (i.e., proprietary) trade.<sup>9</sup>

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<sup>9</sup> A "JBO Participant" is defined in Article I, Section 1.J.(1) of the By-Laws as "a broker-dealer registered with the Securities and Exchange Commission that: (i) maintains a joint back office arrangement with a Clearing Member pursuant to the requirements of Regulation T promulgated by the Board of Governors of the Federal Reserve System; (ii) meets the requirements applicable to JBO Participants as specified in Exchange Rules; and (iii) consents to having his confirmed trades cleared and positions carried in a JBO Participants' account. A JBO Participant shall be considered a 'Market-Maker' for purposes of these By-Laws and Rules, except for purposes of Chapter IV of the Rules, or where the context otherwise requires."

The executing broker can give-up the Clearing Member on the trade without including account identifying information on the trade and the trade clears directly into the Clearing Member's omnibus firm account at OCC. Because the trade does not include account identifying information, staff at the Clearing Member may not be immediately aware of which JBO Participant account originated the trade.

### **Actionable Identifier Requirement**

In response to these concerns, OCC proposes to amend Rule 401 to require that an Actionable Identifier be included in all customer and non-customer securities options trades submitted to OCC for processing, other than Market-Maker trades. Although Market-Makers are non-customers under OCC's By-Laws and Rules and their trades are occasionally routed through CMTA arrangements, OCC is not proposing that an Actionable Identifier be included on Market-Maker trades because such trades already include an identifier that allows Clearing Members that clear trades for Market-Makers to identify the Market-Maker account in which to clear a Market-Maker trade.<sup>10</sup>

The requirement to include an Actionable Identifier would be added as new paragraph

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<sup>10</sup> Currently, all Market-Maker trades submitted to OCC include a three-character identifier that identifies the Market-Maker that executed the trade. OCC understands that exchange rules require that Market-Maker trades have identifiers on them. See, e.g., Cboe Rule 6.51. Thus, Market-Maker trades already have their own form of identifier. These identifiers are used by Clearing Members and OCC to book Market-Maker trades in the correct Market-Maker accounts at the Clearing Members.

(a)(1)(iii) to Rule 401.<sup>11</sup> Subject to the implementation plan for the Actionable Identifier requirement described in the Proposed Implementation Plan section below, the new paragraph would require the trade information submitted to OCC for a customer or non-customer transaction (other than a Market-Maker transaction) to include an Actionable Identifier from the Purchasing Clearing Member and an Actionable Identifier from the Writing Clearing Member.<sup>12</sup> Because the Actionable Identifier is not necessary for OCC to direct trades to the correct omnibus account at Clearing Members, OCC is not mandating the information as a condition for acceptance of the trade at this point in time. This also will give the industry time to implement the requirement without resulting in trades being rejected by OCC if the Actionable Identifier were omitted from a trade. Thus, OCC has included language in new paragraph (a)(1)(iii) of Rule 401 to clarify that even though an Actionable Identifier is required on trades, it is not required as a condition for OCC to accept a trade.

An Actionable Identifier would be defined in Interpretation and Policy .06 to Rule 401 as either the name, series of numbers, or other identifying information assigned by a Purchasing Clearing Member or Writing Clearing Member to a customer or non-customer account (other

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<sup>11</sup> Pursuant to a recent rule change, OCC amended Rule 401 to make certain clarifying changes to the rule. See Securities Exchange Act Release No. 83321 (May 24, 2018), 83 FR 25087 (May 31, 2018) (SR-OCC-2018-007) (Notice of Filing of Amendment No. 1 and Order Approving Proposed Rule Change, as Modified by Amendment No. 1, Related to The Options Clearing Corporation's Trade Acceptance and Novation Rules).

<sup>12</sup> A "Purchasing Clearing Member" is defined in Article I, Section 1.P.(16) of the By-Laws as "the Clearing Member acting as, or on behalf of, the purchaser of a cleared contract." A "Writing Clearing Member" is defined in Article I, Section 1.W.(3) as "the Clearing Member acting as, or on behalf of, the writer (as defined, in the case of, in this Article I, and in the case of BOUNDS, in Article XXIV of the By-Laws) of a cleared contract."

than a Market-Maker account) at the Clearing Member that originated the options transaction. If the Clearing Member transmits the Actionable Identifier to another Clearing Member to clear the transaction as part of a CMTA arrangement, the Clearing Member transmitting the Actionable Identifier must establish and maintain policies and procedures reasonably designed to include sufficient information in the Actionable Identifier field regarding the account that originated the trade to allow that other Clearing Member to promptly clear the transaction.

The Actionable Identifier definition is intended to give Clearing Members flexibility in determining what they include in the field by providing that Clearing Members can use either the name, series of numbers, or other identifying information assigned to the individual customer or non-customer account at the Clearing Member that originated the options transaction.<sup>13</sup> For instance, with regard to customer trades in a CMTA arrangement, an Executing Clearing Member and Carrying Clearing Member in such an arrangement can work together to agree upon the type of account identifying information to be included in such trades to allow staff at the Carrying Clearing Member to promptly assign such trades to the correct individual customer accounts. Similarly, with regard to non-customer trades in a CMTA arrangement, a Carrying Clearing Member can work with trading desks at the Carrying Clearing Member and/or its

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<sup>13</sup> OCC currently provides Clearing Members with the functionality to designate sub-accounts within their omnibus customer and firm accounts held at OCC. See Interpretation and Policy .04 to Article VI, Section 3 of OCC's By-Laws. To the extent Clearing Members start to use sub-accounts to identify which individual customer or non-customer account at the Clearing Member to book a trade, OCC believes that such sub-account identifying information on the trade would satisfy the Actionable Identifier requirement in this proposed rule change.

affiliates within a Clearing Member Group to establish the type of account identifying information to be included in such trades by the Executing Clearing Member to allow staff at the Carrying Clearing Member to promptly assign such trades to the correct individual non-customer accounts. In both of these situations, while the obligation to include the Actionable Identifier on a trade is with the Executing Clearing Member, coordination and agreement between the Executing Clearing Member and Carrying Clearing Member is needed in order to assure that the Carrying Clearing Member can use the Actionable Identifier on a trade to promptly clear the trade in the correct customer or non-customer account.

The Actionable Identifier requirement also is intended to address concerns about give-up trades. As noted, OCC understands that an executing broker can execute a customer's trade on an exchange and give-up the trade automatically to the customer's OCC Clearing Member. The trade clears directly in the Clearing Member's omnibus customers' account at OCC, sometimes with no reference to the customer account that originated the trade. OCC understands that the requirement to include an Actionable Identifier on such a trade will enable the Clearing Member to timely identify the individual customer account associated with the trade. Also, Clearing Members that are part of Clearing Member Groups with multiple trading desks have indicated that an Actionable Identifier would help them timely identify which trading desk account at the firm initiated a non-customer trade received by the Clearing Member through the give-up process. Similarly, Clearing Members with JBO arrangements have indicated that an Actionable Identifier would help them timely identify which JBO Participant account initiated a non-customer trade



received by the Clearing Member through the give-up process.<sup>14</sup>

The Actionable Identifier requirement is different than a traditional customer identification requirement in that it is solely designed to provide enough information to the Clearing Member receiving the trade to allow the Clearing Member to clear the trade for the account that originated the trade; it is not intended to provide any other information regarding the account that originated the trade. OCC does not anticipate that the Actionable Identifier will involve any personally identifiable information (“PII”) regarding the account that originated the trade. Rather, with regard to CMTA arrangements, OCC expects that the Actionable Identifier will consist of a series of numbers or institutional name that would allow the Executing Clearing Member and Carrying Clearing Member to identify the account that originated the trade, neither of which by itself is PII. Similarly, with regard to give-up arrangements, OCC expects that the Actionable Identifier will consist of a series of numbers or institutional name that would allow the Clearing Member clearing the give-up trade to identify the account that originated the trade.

OCC worked very closely with Clearing Members in developing the proposed Actionable Identifier requirement. They requested flexibility in deciding what information to include in the Actionable Identifier field. Thus, the Draft Proposal is designed to provide this flexibility by allowing Clearing Members to work together to agree on the way they will identify customers and non-customers subject to CMTA and give-up arrangements. This flexibility also would

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<sup>14</sup> As noted in the “JBO Participant” definition, a JBO Participant is treated as a Market-Maker for purposes of OCC’s By-Laws and Rules other than for purposes of Chapter IV of OCC’s Rules. Thus, by the terms of this definition, even though proposed Rule 401’s Actionable Identifier requirement would exclude Market-Maker trades, it would not exclude JBO Participant trades.

allow them to avoid including PII in the Actionable Identifier field.

Consistent with this flexibility, OCC has determined to implement the obligation that Actionable Identifiers include sufficient information through a policies and procedures-based approach. Under Interpretation and Policy .06 to Rule 401, Clearing Members transmitting Actionable Identifiers to other Clearing Members to clear purchase or sale transactions would be required to establish and maintain policies and procedures reasonably designed to include sufficient information in the Actionable Identifier fields to allow the Clearing Members receiving such Actionable Identifiers to promptly clear the transactions. OCC believes that implementing the requirement in this manner will provide Clearing Members in CMTA arrangements with flexibility in how they operationalize the requirement, allowing Executing Clearing Members to work with Carrying Clearing Members to establish processes that they believe are reasonably designed to provide enough information in the Actionable Identifier fields to allow the Carrying Clearing Members to promptly direct CMTA transactions to the correct individual customer and non-customer accounts.

OCC believes that having such an identifier on trades would allow Clearing Members to more timely identify trades transmitted as part of CMTA and give-up arrangements. As indicated, OCC has had extensive conversations over time with Clearing Members related to this proposed Actionable Identifier requirement. OCC's primary takeaway from these conversations is that the requirement should help further improve the CMTA process. Carrying Clearing Members believe the requirement will help them address above noted concerns they have about the CMTA process by immediately identifying to them the specific customer or non-customer

account on a CMTA trade sent to them by an Executing Clearing Member. Executing Clearing Members have expressed support for the requirement because they recognize that it should help streamline the CMTA process, requiring less back-and-forth communication between them and Carrying Clearing Members about which individual customer or non-customer account originated a CMTA trade. OCC's other takeaway from these conversations is that Clearing Members believe the requirement will help them address above noted concerns they have about the give-up process by allowing them to timely identify which account to assign a trade received through the give-up process.

#### **Proposed Implementation Plan**

With regard to CMTA trades, both the Executing Clearing Member and Carrying Clearing Member will need to work together to determine appropriate Actionable Identifiers for the accounts subject to their CMTA arrangement. Similarly, with regard to give-up trades, Clearing Members will need to coordinate on processes to include Actionable Identifiers on trades submitted through the give-up process. Since this will take some time, OCC plans to implement the Actionable Identifier requirement in a phased manner and to work with Clearing Members to make sure the requirement is implemented in a workable manner for them.

OCC proposes to include the implementation plan for the requirement in new Interpretation and Policy .06 to the Rule. The plan sets forth the effective dates for the rule change, providing that (a) from the date on which the Actionable Identifier requirement is approved ("approval date") to the end of the twelfth month from such approval date, OCC will not treat as a violation of Rule 401 the failure to include an Actionable Identifier or the failure of

a Clearing Member's policies and procedures to provide that sufficient information is included in the Actionable Identifier field to allow the Clearing Member receiving such Actionable Identifier to promptly clear the transaction, (b) from the thirteenth to the end of the eighteenth month from such approval date, an Actionable Identifier will be required but OCC will not treat as a violation of Rule 401 the failure of a Clearing Member's policies and procedures to provide that sufficient information is included in the Actionable Identifier field to allow the Clearing Member receiving such Actionable Identifier to promptly clear the transaction, and (c) from the nineteenth month after such approval date and thereafter, OCC will treat as a violation of Rule 401 the failure to include an Actionable Identifier or the failure of a Clearing Member's policies and procedures to provide that sufficient information is included in the Actionable Identifier field to allow the Clearing Member receiving such Actionable Identifier to promptly clear the transaction, subject to the manner in which OCC enforces violations of its rules in Rule 1201. OCC also has included rule text at the end of Interpretation and Policy .06 to Rule 401 to provide that the rule text that sets forth the proposed implementation plan described above will automatically be deleted at the end of the nineteenth month after the approval date. Nonetheless, OCC plans to continue to enforce the Actionable Identifier requirement in Rule 401 as set forth in (c) above, treating as a violation of Rule 401 the failure to include an Actionable Identifier or the failure of a Clearing Member's policies and procedures to provide that sufficient information is included in the Actionable Identifier field to allow the Clearing Member receiving such Actionable Identifier to promptly clear the transaction.

Throughout this implementation period, OCC plans to create summary reports and

statistics on Clearing Members that do not include Actionable Identifiers. This information will be shared periodically with firms individually throughout the implementation of the Actionable Identifier requirement to help foster compliance with the requirement. In addition, OCC notes that listed options trade reports to OCC currently include a field that is labelled at the exchange-level as the Account field. Once implemented, the Actionable Identifier information will be required to be populated in this field. Thus, Clearing Members will be able to see on OCC's trade screen, which allows Clearing Members to view trades in OCC's Encore system, and detect in OCC's trade messages whether this field is populated. OCC plans to enhance the trade screen to include additional filter criteria to allow Clearing Members to view trades with no Actionable Identifier.

Once the Actionable Identifier requirement becomes fully effective eighteen months after the approval date of the requirement, OCC anticipates monitoring compliance with the requirement through an annual certification process in which OCC would require Clearing Members to certify, in a form and manner specified by OCC, that they have policies and procedures reasonably designed to provide that sufficient information is included in the Actionable Identifier fields to allow the Clearing Member(s) receiving such Actionable Identifiers to promptly clear the transactions. OCC also anticipates including a review of Clearing Members' Actionable Identifier policies and procedures when it conducts its periodic risk-based examinations.

In addition to this oversight of the process by OCC, it is anticipated that if a Carrying Clearing Member believes that the Actionable Identifier transmitted to it does not provide

sufficient information to allow it to identify the correct account, the Carrying Clearing Member would reach out to the Executing Clearing Member on the trading day when this happens to resolve the issue. It is also anticipated that if a Carrying Clearing Member experiences a pattern or practice in which Actionable Identifiers transmitted to it by an Executing Clearing Member do not provide sufficient information to allow it to identify the correct accounts, the Carrying Clearing Member could reach out to OCC to report such activity and/or terminate the CMTA arrangement. It is anticipated that a Clearing Member in a give-up arrangement would take similar courses of action if it believed Actionable Identifier(s) transmitted to it do(es) not provide sufficient information to allow it to identify the correct account(s).

#### **Rule 401 Clean-Up Edits**

OCC proposes to amend the last sentence of first paragraph (a) of rule to add the phrase “in this rule” so that it would read, “[t]he acceptance of every confirmed trade and the issuance of every cleared contract by the Corporation as provided in this rule shall be subject to the conditions that this reported trade information (i) passes the Corporation’s trade validation process, (ii) is provided to the Corporation during such times as the Corporation shall prescribe, and (iii) satisfies certain criteria, as specified in paragraphs (a)(1) and (a)(2) of this Rule 401.” This change is intended to include a phrase that was inadvertently omitted when the rule was updated and to further clarify the scope of the rule.

OCC also proposes to change the references to “the security type” in paragraphs (a)(1)(i)(G) and (a)(2)(G) of the rule to “the product type” to more accurately reflect the information this trade field requires. In particular, the field mandates the inclusion of

information indicating that the trade was for a security, a future, or an option on future. Since OCC now clears products that are securities and products that are commodity futures or options on such futures, OCC has determined to change these references in the rule to more accurately reflect the information mandated by the field.

Finally, OCC proposes to change the references to “the Give-Up Clearing Member” in paragraphs (a)(1)(i)(P) and (a)(2)(N) of the rule to “the Given-Up Clearing Member.” The defined term in OCC’s By-Laws is “Given-Up Clearing Member” rather than “Give-up Clearing Member.” The definition of Given-Up Clearing Member can be found in Article I, Section 1.G.(3) of the By-Laws.

B. Statutory Basis

Section 17A(b)(3)(F) of the Securities Exchange Act of 1934, as amended (“Act”)<sup>15</sup> requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities and derivatives transactions and to foster cooperation and coordination with persons engaged in clearance and settlement. OCC believes the proposed rule change will promote the prompt and accurate clearance and settlement of securities transactions and foster cooperation and coordination with persons engaged in clearance and settlement. In this regard, as noted above, the proposed rule change is designed to allow Clearing Members to more promptly and accurately clear and settle securities options trades that are subject to CMTA and give-up arrangements.

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<sup>15</sup> 15 U.S.C. 78q-1(b)(3)(F).

With regard to CMTA arrangements, the proposed rule change furthers this statutory goal by requiring that an Actionable Identifier be included on all customer and non-customer trades, other than Market-Maker trades, that would provide sufficient information regarding the account that originated the trade to allow a Carrying Clearing Member to promptly clear and settle the trade in the appropriate customer or non-customer account. While the vast majority of trades allocated through the CMTA process flow through to the correct individual customer or non-customer account at a Carrying Clearing Member without issue, Clearing Members involved in such arrangements have observed that the Actionable Identifier requirement will provide additional information to them to allow them to more promptly and accurately clear and settle securities options trades that are subject to CMTA arrangements. The proposed rule change also furthers the statutory goal of fostering cooperation and coordination with persons engaged in clearance and settlement by implementing the obligation that Actionable Identifiers include sufficient information through a policies and procedures-based approach. Implementing the requirement in this manner will provide Clearing Members in CMTA arrangements with flexibility in how they operationalize the requirement, allowing them to establish processes that they believe are reasonably designed to provide enough information in the Actionable Identifier fields to allow the Clearing Members receiving such Actionable Identifiers to promptly direct CMTA transactions to the correct individual customer and non-customer accounts.

Similarly, with regard to give-up arrangements, the proposed rule change furthers the statutory goal of prompt and accurate clearance and settlement by requiring that an Actionable Identifier be included in customer and non-customer trades received by Clearing Members



through the give-up process. Clearing Members have indicated that the inclusion of an Actionable Identifier on such trades would allow them to more promptly and accurately clear and settle securities options trades that are subject to give-up arrangements. The proposed rule change also furthers the statutory goal of fostering cooperation and coordination with persons engaged in clearance and settlement by implementing the obligation that Actionable Identifiers include sufficient information through a policies and procedures-based approach. Such an approach would allow Clearing Members involved in give-up arrangements to establish processes that they believe are reasonably designed to provide enough information in the Actionable Identifier fields to provide for the prompt clearance and settlement of give-up transactions.

In addition, the proposed rule change is not inconsistent with the existing By-Laws and Rules of OCC, including any rules proposed to be amended.

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

Section 17A(b)(3)(I) of the Act<sup>16</sup> requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the Act. OCC does not believe that the proposed rule change would impact or impose any burden on competition.<sup>17</sup> The proposed rule change would not affect the competitive dynamics between clearing members in that it would apply to all Clearing Members equally. The proposed rule change also would not

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<sup>16</sup> 15 U.S.C. 78q-1(b)(3)(I).

<sup>17</sup> 15 U.S.C. 78q-1(b)(3)(I).

inhibit access to OCC's services or disadvantage or favor any particular user in relationship to another. In this regard, as described above, the proposed rule change is designed to further facilitate the prompt and accurate clearance and settlement of securities transaction. It would require that an Actionable Identifier be included on all customer and non-customer trades, other than Market-Maker trades, to allow Clearing Members to more promptly and accurately clear and settle securities options trades in the appropriate account.

**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**

Not applicable.

**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 Rule 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 Register.

Exhibit 5. OCC By-Laws.

**SIGNATURES**

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

**THE OPTIONS CLEARING CORPORATION**

**By:** \_\_\_\_\_  
**Joseph Corcoran**  
**Vice President, Legal, Government Relations**

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-[\_\_\_\_\_]; File No. SR-OCC-2019-003)

March \_\_, 2019

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change to Require that an Actionable Identifier be Included on Customer and Non-Customer Securities Options Trades Other than Market Maker Trades

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 20, 2019, 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

OCC proposes to amend Rule 401 to require that an “Actionable Identifier” be included on all customer and non-customer securities options trades submitted to OCC for processing, other than Market-Maker trades. OCC also proposes to make certain minor, non-substantive amendments to Rule 401 to fix an omission and certain references in the rule. The proposed changes to OCC’s Rules can be found in Exhibit 5 to the filing. All terms with initial capitalization that are not otherwise defined herein have the same meaning as set forth in the By-Laws and Rules.<sup>3</sup>

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> OCC’s By-Laws and Rules can be found on OCC’s public website: <http://optionsclearing.com/about/publications/bylaws.jsp>.

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 Clearing Member Trade Assignment (“CMTA”) process at OCC allows a Clearing Member that executed a securities options trade (i.e., the Executing Clearing Member) to send the trade directly through OCC to another Clearing Member for clearance and settlement (i.e., the Carrying Clearing Member).<sup>4</sup> In particular, under the CMTA process, an Executing Clearing Member and a Carrying Clearing Member can agree to have securities options trades for customers and non-customers effected by the Executing Clearing Member sent directly through OCC to the Carrying Clearing

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<sup>4</sup> See OCC Rule 407. An “Executing Clearing Member” is defined in Article I, Section 1.E.(12) of the By-Laws as “a Clearing Member, on its own behalf or as the Clearing Member of an Introducing Broker that has been authorized by a Carrying Clearing Member to direct confirmed trades to be transferred to a designated account of the Carrying Clearing Member pursuant to such Clearing Members’ CMTA arrangement.” A “Carrying Clearing Member” is defined in Article I, Section 1.C.(12) of the By-Laws as “a Clearing Member that has authorized an Executing Clearing Member to direct the transfer of a confirmed trade to a designated account of such Carrying Clearing Member pursuant to a CMTA arrangement.”

Member's omnibus accounts at OCC for clearance and settlement.<sup>5</sup> For some time, Clearing Members have been concerned with the risks they face in handling trades they cannot timely identify in connection with the CMTA process. Clearing Members have reached out to OCC to help them address these risks.

In response to these concerns, OCC proposes to amend Rule 401 to require that an "Actionable Identifier," as described below, be included on all customer and non-customer securities options trades submitted to OCC for processing, other than Market-Makers trades.<sup>6</sup> OCC believes that having an Actionable Identifier on customer and non-customer trades (other than Market-Maker trades) will allow Clearing Members to more timely identify trades transmitted as part of a CMTA arrangement as well trades transmitted through the "give-up" process at exchanges, which is described below.

OCC also proposes to make certain minor, non-substantive amendments to Rule 401 to fix an omission and certain references in the rule. These changes to the rule are described at the end of this section.

### **Background on CMTA and Give-Up Trade Processes**

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<sup>5</sup> The term "customer" is defined in Article I, Section 1.C. (37) of the By-Laws with regard to listed options as "a person having a securities account at a broker or dealer other than a non-customer of such broker or dealer." The term "non-customer" is defined in Article I, Section 1.N.(1) of the By-Laws effectively as "a person that is not a customer of a broker or dealer as defined in Rules 8c-1 and 15c2-1 under the Securities Exchange Act of 1934," including "a Member Affiliate that has consented to having its securities account at a Clearing Member treated as a non-customer account." OCC Clearing Members hold omnibus accounts at OCC for customer positions (i.e., a "customers' account" as defined in Article I, Section 1.C.(37) of the By-Laws) and non-customer positions (i.e., a "firm account" as defined in Article I, Section 1.F.(6) of the By-Laws).

<sup>6</sup> Rule 401 specifies the information that Clearing Members need to include in trades submitted to OCC. As described below, Market-Maker trades already include information that allows a Clearing Member that clears for Market-Makers to assign the trades to individual Market-Maker accounts.

Governed by Rule 407, the CMTA process was created to allow an Executing Clearing Member to seamlessly transfer trades to individual customer and non-customer accounts at a Carrying Clearing Member in a timely fashion.<sup>7</sup> For instance, the process allows a customer to hold its positions with its preferred prime broker (i.e., Carrying Clearing Member), but provides the customer with flexibility to use specialized execution brokers (e.g., Executing Clearing Members) that offer cheaper or faster executions of trades. An example of such an arrangement is as follows:

Customer A maintains a prime brokerage account with Carrying Clearing Member that holds all the Customer's securities positions (equities, options, etc.). Customer A wishes to trade an option, but would prefer using Executing Clearing Member to execute the trade due to its trading expertise and cost. Customer A instructs Executing Clearing Member to buy the option and "CMTA" the trade to Customer A's prime brokerage account at Carrying Clearing Member. Carrying Clearing Member and Executing Clearing Member have a CMTA arrangement at OCC. When Executing Clearing Member executes the trade, it includes data on the trade which instructs OCC to settle the trade in Carrying Clearing Member's omnibus customer account at OCC once the trade is received by OCC.

The primary concern raised by Carrying Clearing Members is that they could receive customer trades through the CMTA process that they may not recognize in a timely manner because the trades do not include information that allows them to quickly identify the correct customer account at the Carrying Clearing Member or that the trade should have been sent to another Carrying Clearing Member. If the Carrying Clearing Member is unable to timely identify the correct customer account for the trade or that the trade should have been sent to another Carrying Clearing Member, it ends up holding the

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<sup>7</sup> Certain provisions related to the CMTA process were never implemented because they contemplated that the exchanges would adopt rules to implement them. In particular, Rule 401(a) provides that confirmed trade information submitted to OCC "include a Customer CMTA Indicator, a CMTA Customer Identifier, and an IB Identifier to the extent required under applicable Exchange rules." Such rules were never adopted.



position overnight and is responsible for the margin for the position as well as possible assignment risk related to the position. Carrying Clearing Members are concerned about the potential risks they face in such a situation.

Executing Clearing Members have expressed concern that they are not at fault in such a situation, noting that sometimes the orders they execute do not include individual customer or non-customer account information. They note that this could happen, for instance, when an order is sent to them by an Introducing Broker who wishes to keep the customer anonymous for fear of losing the customer business.<sup>8</sup> This also could happen when a trading desk at a Clearing Member Group with multiple trading desks uses an Executing Clearing Member to execute a non-customer (i.e., proprietary) trade but does not include an account identifier on the trade that would allow staff at the Carrying Clearing Member within the Clearing Member Group to identify which trading desk executed the trade.<sup>9</sup> Nonetheless, Executing Clearing Members recognize and acknowledge that the CMTA process could be further streamlined to make it more efficient.

In addition, OCC understands that Clearing Members are concerned about the length of time it can take them to process trades they receive through the “give-up”

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<sup>8</sup> The term “Introducing Broker” is defined in Article I, Section 1.I.(12) of the By-Laws as “a broker-dealer or futures commission merchant that takes an order for a transaction in a cleared contract from a CMTA Customer, executes or arranges for another broker-dealer or futures commission merchant to execute such transaction and, in the case of an Introducing Broker that is not a Clearing Member, arranges for its Clearing Member or the executing broker-dealer’s or futures commission merchant’s Clearing Member to direct the resulting confirmed trade to be transferred to a designated account of a Carrying Clearing Member.”

<sup>9</sup> The term “Clearing Member Group” is defined in Article I, Section 1.C.(17) of the By-Laws as “a Clearing Member and any Member Affiliates of such Clearing Member.”

process at exchanges.<sup>10</sup> For customer trades under the give-up process, OCC understands that an executing broker (e.g., a floor broker) can execute a customer's trade on an exchange and give-up (i.e., assign) the trade automatically to the customer's clearing broker, which must be an OCC Clearing Member. The trade clears directly in the Clearing Member's omnibus customers' account at OCC with no reference to the individual customer account, which can make it difficult for the Clearing Member to promptly determine which customer account to assign the trade.

Similarly, for non-customer trades under the give-up process, OCC understands that a trading desk at a Clearing Member Group with multiple trading desks can use an executing broker on an exchange to execute a non-customer (i.e., proprietary) trade. The executing broker can give-up the Clearing Member on the trade without including account identifying information on the trade and the trade clears directly into the Clearing Member's omnibus firm account at OCC. Because the trade does not include account identifying information, staff at the Clearing Member may not be immediately aware of which trading desk account at the firm executed the trade. Similarly, OCC also understands that this can occur in a joint back office ("JBO") arrangement at a Clearing Member where one of the JBO Participants in such an arrangement uses an executing

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<sup>10</sup> See, e.g., Nasdaq PHLX LLC ("Phlx") Rules 1037 and 1052. Phlx recently amended its rules regarding give-ups at the exchange. See Release No. 34-85136 (February 14, 2019), 84 FR 5526 (February 21, 2019) (order approving File No. SR-Phlx-2018-72). Under the rule change, Phlx clearing members will be allowed to "opt in" and request that the exchange systematically restrict use of one or more of its OCC clearing numbers (each a "Restricted OCC Number"). Once restricted, Phlx member organizations will not be able to give up the Restricted OCC Number to clear a Phlx transaction unless the Phlx clearing member previously has submitted to the exchange written authorization permitting that member organization to give up that Restricted OCC Number.

broker on an exchange to execute a non-customer (i.e., proprietary) trade.<sup>11</sup> The executing broker can give-up the Clearing Member on the trade without including account identifying information on the trade and the trade clears directly into the Clearing Member's omnibus firm account at OCC. Because the trade does not include account identifying information, staff at the Clearing Member may not be immediately aware of which JBO Participant account originated the trade.

### **Actionable Identifier Requirement**

In response to these concerns, OCC proposes to amend Rule 401 to require that an Actionable Identifier be included in all customer and non-customer securities options trades submitted to OCC for processing, other than Market-Maker trades. Although Market-Makers are non-customers under OCC's By-Laws and Rules and their trades are occasionally routed through CMTA arrangements, OCC is not proposing that an Actionable Identifier be included on Market-Maker trades because such trades already include an identifier that allows Clearing Members that clear trades for Market-Makers to identify the Market-Maker account in which to clear a Market-Maker trade.<sup>12</sup>

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<sup>11</sup> A "JBO Participant" is defined in Article I, Section 1.J.(1) of the By-Laws as "a broker-dealer registered with the Securities and Exchange Commission that: (i) maintains a joint back office arrangement with a Clearing Member pursuant to the requirements of Regulation T promulgated by the Board of Governors of the Federal Reserve System; (ii) meets the requirements applicable to JBO Participants as specified in Exchange Rules; and (iii) consents to having his confirmed trades cleared and positions carried in a JBO Participants' account. A JBO Participant shall be considered a 'Market-Maker' for purposes of these By-Laws and Rules, except for purposes of Chapter IV of the Rules, or where the context otherwise requires."

<sup>12</sup> Currently, all Market-Maker trades submitted to OCC include a three-character identifier that identifies the Market-Maker that executed the trade. OCC understands that exchange rules require that Market-Maker trades have identifiers on them. See, e.g., Cboe Rule 6.51. Thus, Market-Maker trades already have their own form of identifier. These identifiers are used by Clearing Members and

The requirement to include an Actionable Identifier would be added as new paragraph (a)(1)(iii) to Rule 401.<sup>13</sup> Subject to the implementation plan for the Actionable Identifier requirement described in the Proposed Implementation Plan section below, the new paragraph would require the trade information submitted to OCC for a customer or non-customer transaction (other than a Market-Maker transaction) to include an Actionable Identifier from the Purchasing Clearing Member and an Actionable Identifier from the Writing Clearing Member.<sup>14</sup> Because the Actionable Identifier is not necessary for OCC to direct trades to the correct omnibus account at Clearing Members, OCC is not mandating the information as a condition for acceptance of the trade at this point in time. This also will give the industry time to implement the requirement without resulting in trades being rejected by OCC if the Actionable Identifier were omitted from a trade. Thus, OCC has included language in new paragraph (a)(1)(iii) of Rule 401 to clarify that even though an Actionable Identifier is required on trades, it is not required as a condition for OCC to accept a trade.

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OCC to book Market-Maker trades in the correct Market-Maker accounts at the Clearing Members.

<sup>13</sup> Pursuant to a recent rule change, OCC amended Rule 401 to make certain clarifying changes to the rule. See Securities Exchange Act Release No. 83321 (May 24, 2018), 83 FR 25087 (May 31, 2018) (SR-OCC-2018-007) (Notice of Filing of Amendment No. 1 and Order Approving Proposed Rule Change, as Modified by Amendment No. 1, Related to The Options Clearing Corporation's Trade Acceptance and Novation Rules).

<sup>14</sup> A "Purchasing Clearing Member" is defined in Article I, Section 1.P.(16) of the By-Laws as "the Clearing Member acting as, or on behalf of, the purchaser of a cleared contract." A "Writing Clearing Member" is defined in Article I, Section 1.W.(3) as "the Clearing Member acting as, or on behalf of, the writer (as defined, in the case of, in this Article I, and in the case of BOUNDS, in Article XXIV of the By-Laws) of a cleared contract."

An Actionable Identifier would be defined in Interpretation and Policy .06 to Rule 401 as either the name, series of numbers, or other identifying information assigned by a Purchasing Clearing Member or Writing Clearing Member to a customer or non-customer account (other than a Market-Maker account) at the Clearing Member that originated the options transaction. If the Clearing Member transmits the Actionable Identifier to another Clearing Member to clear the transaction as part of a CMTA arrangement, the Clearing Member transmitting the Actionable Identifier must establish and maintain policies and procedures reasonably designed to include sufficient information in the Actionable Identifier field regarding the account that originated the trade to allow that other Clearing Member to promptly clear the transaction.

The Actionable Identifier definition is intended to give Clearing Members flexibility in determining what they include in the field by providing that Clearing Members can use either the name, series of numbers, or other identifying information assigned to the individual customer or non-customer account at the Clearing Member that originated the options transaction.<sup>15</sup> For instance, with regard to customer trades in a CMTA arrangement, an Executing Clearing Member and Carrying Clearing Member in such an arrangement can work together to agree upon the type of account identifying information to be included in such trades to allow staff at the Carrying Clearing Member to promptly assign such trades to the correct individual customer accounts. Similarly,

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<sup>15</sup> OCC currently provides Clearing Members with the functionality to designate sub-accounts within their omnibus customer and firm accounts held at OCC. See Interpretation and Policy .04 to Article VI, Section 3 of OCC's By-Laws. To the extent Clearing Members start to use sub-accounts to identify which individual customer or non-customer account at the Clearing Member to book a trade, OCC believes that such sub-account identifying information on the trade would satisfy the Actionable Identifier requirement in this proposed rule change.

with regard to non-customer trades in a CMTA arrangement, a Carrying Clearing Member can work with trading desks at the Carrying Clearing Member and/or its affiliates within a Clearing Member Group to establish the type of account identifying information to be included in such trades by the Executing Clearing Member to allow staff at the Carrying Clearing Member to promptly assign such trades to the correct individual non-customer accounts. In both of these situations, while the obligation to include the Actionable Identifier on a trade is with the Executing Clearing Member, coordination and agreement between the Executing Clearing Member and Carrying Clearing Member is needed in order to assure that the Carrying Clearing Member can use the Actionable Identifier on a trade to promptly clear the trade in the correct customer or non-customer account.

The Actionable Identifier requirement also is intended to address concerns about give-up trades. As noted, OCC understands that an executing broker can execute a customer's trade on an exchange and give-up the trade automatically to the customer's OCC Clearing Member. The trade clears directly in the Clearing Member's omnibus customers' account at OCC, sometimes with no reference to the customer account that originated the trade. OCC understands that the requirement to include an Actionable Identifier on such a trade will enable the Clearing Member to timely identify the individual customer account associated with the trade. Also, Clearing Members that are part of Clearing Member Groups with multiple trading desks have indicated that an Actionable Identifier would help them timely identify which trading desk account at the firm initiated a non-customer trade received by the Clearing Member through the give-up process. Similarly, Clearing Members with JBO arrangements have indicated that an

Actionable Identifier would help them timely identify which JBO Participant account initiated a non-customer trade received by the Clearing Member through the give-up process.<sup>16</sup>

The Actionable Identifier requirement is different than a traditional customer identification requirement in that it is solely designed to provide enough information to the Clearing Member receiving the trade to allow the Clearing Member to clear the trade for the account that originated the trade; it is not intended to provide any other information regarding the account that originated the trade. OCC does not anticipate that the Actionable Identifier will involve any personally identifiable information (“PII”) regarding the account that originated the trade. Rather, with regard to CMTA arrangements, OCC expects that the Actionable Identifier will consist of a series of numbers or institutional name that would allow the Executing Clearing Member and Carrying Clearing Member to identify the account that originated the trade, neither of which by itself is PII. Similarly, with regard to give-up arrangements, OCC expects that the Actionable Identifier will consist of a series of numbers or institutional name that would allow the Clearing Member clearing the give-up trade to identify the account that originated the trade.

OCC worked very closely with Clearing Members in developing the proposed Actionable Identifier requirement. They requested flexibility in deciding what information to include in the Actionable Identifier field. Thus, the Draft Proposal is

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<sup>16</sup> As noted in the “JBO Participant” definition, a JBO Participant is treated as a Market-Maker for purposes of OCC’s By-Laws and Rules other than for purposes of Chapter IV of OCC’s Rules. Thus, by the terms of this definition, even though proposed Rule 401’s Actionable Identifier requirement would exclude Market-Maker trades, it would not exclude JBO Participant trades.

designed to provide this flexibility by allowing Clearing Members to work together to agree on the way they will identify customers and non-customers subject to CMTA and give-up arrangements. This flexibility also would allow them to avoid including PII in the Actionable Identifier field.

Consistent with this flexibility, OCC has determined to implement the obligation that Actionable Identifiers include sufficient information through a policies and procedures-based approach. Under Interpretation and Policy .06 to Rule 401, Clearing Members transmitting Actionable Identifiers to other Clearing Members to clear purchase or sale transactions would be required to establish and maintain policies and procedures reasonably designed to include sufficient information in the Actionable Identifier fields to allow the Clearing Members receiving such Actionable Identifiers to promptly clear the transactions. OCC believes that implementing the requirement in this manner will provide Clearing Members in CMTA arrangements with flexibility in how they operationalize the requirement, allowing Executing Clearing Members to work with Carrying Clearing Members to establish processes that they believe are reasonably designed to provide enough information in the Actionable Identifier fields to allow the Carrying Clearing Members to promptly direct CMTA transactions to the correct individual customer and non-customer accounts.

OCC believes that having such an identifier on trades would allow Clearing Members to more timely identify trades transmitted as part of CMTA and give-up arrangements. As indicated, OCC has had extensive conversations over time with Clearing Members related to this proposed Actionable Identifier requirement. OCC's primary takeaway from these conversations is that the requirement should help further



improve the CMTA process. Carrying Clearing Members believe the requirement will help them address above noted concerns they have about the CMTA process by immediately identifying to them the specific customer or non-customer account on a CMTA trade sent to them by an Executing Clearing Member. Executing Clearing Members have expressed support for the requirement because they recognize that it should help streamline the CMTA process, requiring less back-and-forth communication between them and Carrying Clearing Members about which individual customer or non-customer account originated a CMTA trade. OCC's other takeaway from these conversations is that Clearing Members believe the requirement will help them address above noted concerns they have about the give-up process by allowing them to timely identify which account to assign a trade received through the give-up process.

#### **Proposed Implementation Plan**

With regard to CMTA trades, both the Executing Clearing Member and Carrying Clearing Member will need to work together to determine appropriate Actionable Identifiers for the accounts subject to their CMTA arrangement. Similarly, with regard to give-up trades, Clearing Members will need to coordinate on processes to include Actionable Identifiers on trades submitted through the give-up process. Since this will take some time, OCC plans to implement the Actionable Identifier requirement in a phased manner and to work with Clearing Members to make sure the requirement is implemented in a workable manner for them.

OCC proposes to include the implementation plan for the requirement in new Interpretation and Policy .06 to the Rule. The plan sets forth the effective dates for the rule change, providing that (a) from the date on which the Actionable Identifier

requirement is approved (“approval date”) to the end of the twelfth month from such approval date, OCC will not treat as a violation of Rule 401 the failure to include an Actionable Identifier or the failure of a Clearing Member’s policies and procedures to provide that sufficient information is included in the Actionable Identifier field to allow the Clearing Member receiving such Actionable Identifier to promptly clear the transaction, (b) from the thirteenth to the end of the eighteenth month from such approval date, an Actionable Identifier will be required but OCC will not treat as a violation of Rule 401 the failure of a Clearing Member’s policies and procedures to provide that sufficient information is included in the Actionable Identifier field to allow the Clearing Member receiving such Actionable Identifier to promptly clear the transaction, and (c) from the nineteenth month after such approval date and thereafter, OCC will treat as a violation of Rule 401 the failure to include an Actionable Identifier or the failure of a Clearing Member’s policies and procedures to provide that sufficient information is included in the Actionable Identifier field to allow the Clearing Member receiving such Actionable Identifier to promptly clear the transaction, subject to the manner in which OCC enforces violations of its rules in Rule 1201. OCC also has included rule text at the end of Interpretation and Policy .06 to Rule 401 to provide that the rule text that sets forth the proposed implementation plan described above will automatically be deleted at the end of the nineteenth month after the approval date. Nonetheless, OCC plans to continue to enforce the Actionable Identifier requirement in Rule 401 as set forth in (c) above, treating as a violation of Rule 401 the failure to include an Actionable Identifier or the failure of a Clearing Member’s policies and procedures to provide that sufficient

information is included in the Actionable Identifier field to allow the Clearing Member receiving such Actionable Identifier to promptly clear the transaction.

Throughout this implementation period, OCC plans to create summary reports and statistics on Clearing Members that do not include Actionable Identifiers. This information will be shared periodically with firms individually throughout the implementation of the Actionable Identifier requirement to help foster compliance with the requirement. In addition, OCC notes that listed options trade reports to OCC currently include a field that is labelled at the exchange-level as the Account field. Once implemented, the Actionable Identifier information will be required to be populated in this field. Thus, Clearing Members will be able to see on OCC's trade screen, which allows Clearing Members to view trades in OCC's Encore system, and detect in OCC's trade messages whether this field is populated. OCC plans to enhance the trade screen to include additional filter criteria to allow Clearing Members to view trades with no Actionable Identifier.

Once the Actionable Identifier requirement becomes fully effective eighteen months after the approval date of the requirement, OCC anticipates monitoring compliance with the requirement through an annual certification process in which OCC would require Clearing Members to certify, in a form and manner specified by OCC, that they have policies and procedures reasonably designed to provide that sufficient information is included in the Actionable Identifier fields to allow the Clearing Member(s) receiving such Actionable Identifiers to promptly clear the transactions. OCC also anticipates including a review of Clearing Members' Actionable Identifier policies and procedures when it conducts its periodic risk-based examinations.

In addition to this oversight of the process by OCC, it is anticipated that if a Carrying Clearing Member believes that the Actionable Identifier transmitted to it does not provide sufficient information to allow it to identify the correct account, the Carrying Clearing Member would reach out to the Executing Clearing Member on the trading day when this happens to resolve the issue. It is also anticipated that if a Carrying Clearing Member experiences a pattern or practice in which Actionable Identifiers transmitted to it by an Executing Clearing Member do not provide sufficient information to allow it to identify the correct accounts, the Carrying Clearing Member could reach out to OCC to report such activity and/or terminate the CMTA arrangement. It is anticipated that a Clearing Member in a give-up arrangement would take similar courses of action if it believed Actionable Identifier(s) transmitted to it do(es) not provide sufficient information to allow it to identify the correct account(s).

#### **Rule 401 Clean-Up Edits**

OCC proposes to amend the last sentence of first paragraph (a) of rule to add the phrase “in this rule” so that it would read, “[t]he acceptance of every confirmed trade and the issuance of every cleared contract by the Corporation as provided in this rule shall be subject to the conditions that this reported trade information (i) passes the Corporation’s trade validation process, (ii) is provided to the Corporation during such times as the Corporation shall prescribe, and (iii) satisfies certain criteria, as specified in paragraphs (a)(1) and (a)(2) of this Rule 401.” This change is intended to include a phrase that was inadvertently omitted when the rule was updated and to further clarify the scope of the rule.

OCC also proposes to change the references to “the security type” in paragraphs (a)(1)(i)(G) and (a)(2)(G) of the rule to “the product type” to more accurately reflect the information this trade field requires. In particular, the field mandates the inclusion of information indicating that the trade was for a security, a future, or an option on future. Since OCC now clears products that are securities and products that are commodity futures or options on such futures, OCC has determined to change these references in the rule to more accurately reflect the information mandated by the field.

Finally, OCC proposes to change the references to “the Give-Up Clearing Member” in paragraphs (a)(1)(i)(P) and (a)(2)(N) of the rule to “the Given-Up Clearing Member.” The defined term in OCC’s By-Laws is “Given-Up Clearing Member” rather than “Give-up Clearing Member.” The definition of Given-Up Clearing Member can be found in Article I, Section 1.G.(3) of the By-Laws.

(2) Statutory Basis

Section 17A(b)(3)(F) of the Act<sup>17</sup> requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities and derivatives transactions and to foster cooperation and coordination with persons engaged in clearance and settlement. OCC believes the proposed rule change will promote the prompt and accurate clearance and settlement of securities transactions and foster cooperation and coordination with persons engaged in clearance and settlement. In this regard, as noted above, the proposed rule change is designed to allow Clearing Members to more promptly and accurately clear and settle securities options trades that are subject to CMTA and give-up arrangements.

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<sup>17</sup> 15 U.S.C. 78q-1(b)(3)(F).

With regard to CMTA arrangements, the proposed rule change furthers this statutory goal by requiring that an Actionable Identifier be included on all customer and non-customer trades, other than Market-Maker trades, that would provide sufficient information regarding the account that originated the trade to allow a Carrying Clearing Member to promptly clear and settle the trade in the appropriate customer or non-customer account. While the vast majority of trades allocated through the CMTA process flow through to the correct individual customer or non-customer account at a Carrying Clearing Member without issue, Clearing Members involved in such arrangements have observed that the Actionable Identifier requirement will provide additional information to them to allow them to more promptly and accurately clear and settle securities options trades that are subject to CMTA arrangements. The proposed rule change also furthers the statutory goal of fostering cooperation and coordination with persons engaged in clearance and settlement by implementing the obligation that Actionable Identifiers include sufficient information through a policies and procedures-based approach. Implementing the requirement in this manner will provide Clearing Members in CMTA arrangements with flexibility in how they operationalize the requirement, allowing them to establish processes that they believe are reasonably designed to provide enough information in the Actionable Identifier fields to allow the Clearing Members receiving such Actionable Identifiers to promptly direct CMTA transactions to the correct individual customer and non-customer accounts.

Similarly, with regard to give-up arrangements, the proposed rule change furthers the statutory goal of prompt and accurate clearance and settlement by requiring that an Actionable Identifier be included in customer and non-customer trades received by

Clearing Members through the give-up process. Clearing Members have indicated that the inclusion of an Actionable Identifier on such trades would allow them to more promptly and accurately clear and settle securities options trades that are subject to give-up arrangements. The proposed rule change also furthers the statutory goal of fostering cooperation and coordination with persons engaged in clearance and settlement by implementing the obligation that Actionable Identifiers include sufficient information through a policies and procedures-based approach. Such an approach would allow Clearing Members involved in give-up arrangements to establish processes that they believe are reasonably designed to provide enough information in the Actionable Identifier fields to provide for the prompt clearance and settlement of give-up transactions.

In addition, the proposed rule change is not inconsistent with the existing By-Laws and Rules of OCC, including any rules proposed to be amended.

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

Section 17A(b)(3)(I) of the Act<sup>18</sup> requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the Act. OCC does not believe that the proposed rule change would impact or impose any burden on competition.<sup>19</sup> The proposed rule change would not affect the competitive dynamics between clearing members in that it would apply to all Clearing Members equally. The proposed rule change also would not inhibit access to OCC's services or disadvantage or favor any particular user in relationship to another. In this regard, as described above, the

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<sup>18</sup> 15 U.S.C. 78q-1(b)(3)(I).

<sup>19</sup> 15 U.S.C. 78q-1(b)(3)(I).

proposed rule change is designed to further facilitate the prompt and accurate clearance and settlement of securities transaction. It would require that an Actionable Identifier be included on all customer and non-customer trades, other than Market-Maker trades, to allow Clearing Members to more promptly and accurately clear and settle securities options trades in the appropriate account.

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

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

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

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

(A) by order approve or disapprove 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](mailto:rule-comments@sec.gov). Please include File Number SR-OCC-2019-003 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-OCC-2019-003. 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 <https://www.theocc.com/about/publications/bylaws.jsp>.

All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information

from comment submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-OCC-2019-003 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.<sup>20</sup>

Secretary

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<sup>20</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**



**OCC Rules**

Underlined text indicates new text

~~Strikethrough~~ text indicates deleted text

## *Chapter IV - Trade Reporting, Novation, and Confirmation*

### **RULE 401 - Reporting of Confirmed Trades and Novation**

(a) Each business day each Exchange or OTC Trade Source shall report to the Corporation information with respect to each confirmed trade made on such Exchange or affirmed on such OTC Trade Source during said business day (or on a previous day and reconciled on said business day) and as to which confirmed trade information has been submitted by or on behalf of the Purchasing Clearing Member and the Writing or Selling Clearing Member. Such confirmed trade information shall also include a Customer CMTA Indicator, a CMTA Customer Identifier, and an IB Identifier to the extent required under applicable Exchange rules. The acceptance of every confirmed trade and the issuance of every cleared contract by the Corporation as provided in this rule shall be subject to the conditions that this reported trade information (i) passes the Corporation's trade validation process, (ii) is provided to the Corporation during such times as the Corporation shall prescribe, and (iii) satisfies certain criteria, as specified in paragraphs (a)(1) and (a)(2) of this Rule 401.

(1) Options. (i) If the relevant transaction is in options, the Corporation's acceptance of the confirmed trade shall be subject to the condition that the trade information submitted by participant Exchanges for such transaction includes: (A) the identity of the Purchasing Clearing Member and the Writing Clearing Member to the transaction; (B) the clearing date; (C) the transaction time; (D) the trade source; (E) the trade quantity; (F) the trade price; (G) the ~~product security~~ type; (H) the ticker symbol; (I) the series/contract date; (J) whether the trade is a put or call; (K) the strike price; (L) whether the trade is a purchase or sale; (M) the account type; (N) the allocation indicator, if applicable; (O) the CMTA indicator, if applicable; (P) the ~~Given-Up~~ Give-Up Clearing Member, if applicable; (Q) the trade type, including, in the case of futures options, whether the transaction is a block trade, exchange-for-physical, or any other trade designated by the futures market or security futures market reporting the trade as a non-competitively executed trade; (R) in the case of OTC options transactions in a securities customers' account, a unique customer ID for the customer for whom the trade was executed; and (S) in the case of OTC options, such other variable terms as provided in Section 6 of Article XVII of the By-Laws.

(ii) In addition to the foregoing information that is required as a condition to the Corporation's acceptance of the confirmed trade, the Corporation may also request certain optional trade information that is not required as a condition for acceptance.

(iii) If the relevant transaction is in securities options for a customer or non-customer other than a Market-Maker, the trade information submitted by participant Exchanges for such transaction shall include an Actionable Identifier from the Purchasing Clearing Member and an Actionable Identifier from the Writing Clearing Member, as described in

Interpretation and Policy .06 to this rule. Notwithstanding the foregoing, an Actionable Identifier is not required as a condition to the Corporation's acceptance of the confirmed trade.

(2) *Futures.* (i) If the relevant transaction is in futures, the Corporation's acceptance of the confirmed trade shall be subject to the condition that the trade information submitted by participant Exchanges for such transaction includes: (A) the identity of the Purchasing Clearing Member and the Selling Clearing Member to the transaction; (B) the clearing date, (C) the transaction time; (D) the trade source; (E) the trade quantity; (F) the trade price; (G) the ~~product~~ security type; (H) the ticker symbol; (I) the series/contract date; (J) whether the trade is a purchase or a sale; (K) the account type; (L) the allocation indicator, if applicable; (M) the CMTA indicator, if applicable; (N) the ~~Given-Up~~ Give-Up Clearing Member, if applicable; and (O) whether the trade is an exchange-for-physical or block trade or any other trade designated by the futures market or security futures market reporting the trade as a non-competitively executed trade.

(ii) [No change]

(3) [No change]

(b) - (g) [No change]

***. . . Interpretations and Policies:***

.01 – .05 [No change]

.06 Actionable Identifier.

Each Actionable Identifier that is required to be submitted pursuant to paragraph (a)(1)(iii) of this rule by the Purchasing Clearing Member shall consist of either the name, series of numbers, or other identifying information assigned by the Purchasing Clearing Member to the customer account or non-customer account (other than a Market-Maker account) held at the Purchasing Clearing Member that originated the purchase transaction. Each Actionable Identifier that is required to be submitted pursuant to paragraph (a)(1)(iii) of this rule by the Writing Clearing Member shall consist of either the name, series of numbers, or other identifying information assigned by the Writing Clearing Member to the customer account or non-customer account (other than a Market-Maker account) held at the Writing Clearing Member that originated the sale transaction. In the event an Actionable Identifier is transmitted to another Clearing Member to clear a purchase or sale transaction, the Purchasing Clearing Member in the case of a purchase transaction, and Writing Clearing Member in the case of a sale transaction, shall establish and maintain policies and procedures reasonably designed to include sufficient information in the Actionable Identifier field to allow the Clearing Member receiving such Actionable Identifier to promptly clear the transaction. Each Clearing Member that has adopted such policies and

procedures shall annually certify to the Corporation, in a form and manner specified by the Corporation, that such policies and procedures are reasonably designed to provide that sufficient information is included in the Actionable Identifier fields to allow the Clearing Member(s) receiving such Actionable Identifiers to promptly clear the transactions.

From the date on which the Actionable Identifier requirement in paragraph (a)(1)(iii) of this rule is approved (“approval date”) to the end of the twelfth month from such approval date, the Corporation will not treat as a violation of this rule the failure to include an Actionable Identifier as prescribed in paragraph (a)(1)(iii) of this rule or the failure of a Clearing Member’s policies and procedures to provide that sufficient information is included in the Actionable Identifier field to allow the Clearing Member receiving such Actionable Identifier to promptly clear the transaction. From the thirteenth to the end of the eighteenth month from such approval date, an Actionable Identifier will be required as prescribed in paragraph (a)(1)(iii) of this rule but the Corporation will not treat as a violation of this rule the failure of a Clearing Member’s policies and procedures to provide that sufficient information is included in the Actionable Identifier field to allow the Clearing Member receiving such Actionable Identifier to promptly clear the transaction. From the nineteenth month after such approval date and thereafter, the Corporation will treat as a violation of this rule the failure to include an Actionable Identifier as prescribed in paragraph (a)(1)(iii) of this rule or the failure of a Clearing Member’s policies and procedures to provide that sufficient information is included in the Actionable Identifier field to allow the Clearing Member receiving such Actionable Identifier to promptly clear the transaction, subject to the manner in which the Corporation enforces violations of its rules under Rule 1201. At the end of the nineteenth month after such approval date, the Corporation shall delete this second paragraph in Interpretation and Policy .06 of this rule in its entirety.