



December 20, 2017

**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-2017-019 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 date of implementation of the rule is at least 10 business days following receipt of the rule filing by the CFTC or the date the proposed rule is approved by the Securities and Exchange Commission (“SEC”) or otherwise becomes effective under the Securities Exchange Act of 1934 (the “Exchange Act”). This rule filing, as subsequently amended, has been submitted to the SEC under the Exchange Act.<sup>1</sup>

OCC has requested confidential treatment for Exhibit 5C to SR-OCC-2017-019, the Fee Policy, contained in pages 39-43 of the enclosed filing.

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

**Explanation and Analysis**

The proposed change by OCC would (1) revise OCC’s By-Laws to adopt a new minimum cash requirement for the Clearing Fund; (2) revise OCC’s By-Laws to provide for the pass through of interest earned on Clearing Fund cash held in OCC’s Federal Reserve bank account; (3) enact changes to OCC’s Fee Policy that reflect the pass through of interest earned on Clearing Fund cash held in OCC’s Federal Reserve bank account; and (4) make certain conforming changes to OCC’s Rules and By-Laws to effect the aforementioned changes.

**Current Practice**

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<sup>1</sup> Attached please find OCC’s submission to the SEC, including subsequently filed Amendment No. 1.

Presently, Article VIII, Section 3(a) of OCC's By-Laws provides that Clearing Fund contributions shall be in the form of cash and Government securities, but neither OCC's By-Laws nor Rules provides a minimum cash requirement for contributions in the Clearing Fund. Article VIII, Section 4(a) of OCC's By-Laws allows for OCC to invest cash contributions to the Clearing Fund, partially or wholly, in OCC's account in Government securities, and to the extent that such contributions are not so invested they shall be deposited by OCC in a separate account or accounts for Clearing Fund contributions in approved custodians. Article VIII, Section 4(a) of OCC's By-Laws, however, presently does not account for the treatment of interest earned on cash deposits held in the OCC's Federal Reserve bank account.

### Proposed Change

#### *Minimum Cash Clearing Fund Requirement*

OCC proposes to establish a minimum cash contribution requirement for its Clearing Fund in order to increase the amount of highly liquid resources available to OCC to account for extreme scenarios that may result in liquidity demands exceeding OCC's current Cover 1 liquidity resources, as calculated under the current historically-based methodology, and provide for a more consistent level of cash resources in its available prefunded financial resources.<sup>2</sup> Specifically, the proposed rule change would require that Clearing Members collectively contribute \$3 billion in cash to the Clearing Fund ("Cash Clearing Fund Requirement"). Each Clearing Member's proportionate share of the Cash Clearing Fund Requirement shall be equal in percentage to its proportionate share of the Clearing Fund as determined by the Clearing Fund allocation methodology in current Rule 1001.

OCC has historically sized its liquidity resources based on historically observed liquidity demands and analysis of potential large forecasted liquidity demands over at least the next twelve months. OCC forecasts its future daily settlement activity under normal market conditions (e.g., mark-to-market settlements, and settlements resulting from the expiration of derivatives contracts) and compares such demands to its resources to ensure that at all times it will maintain a positive liquidity position to meet settlement obligations.

OCC has performed an analysis of its stress liquidity demands based on a 1-in-70 year hypothetical market event. OCC started its analysis by selecting the largest historical peak monthly settlements that occurred over the historical look back period of data generated by the stress test system. It then also selected certain large non-expiration days to supplement the analysis. From this it estimated the mark-to-market and cash settled exercise and assignment obligations for the members driving the historical peak demand under the proposed stress tests scenario to determine the stressed peak demand. Through this analysis, OCC observed that peak

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<sup>2</sup> OCC's Current Cover 1 liquidity resources are sized based on the liquidity needed to address exposures derived solely from historical results. Introducing the Cash Clearing Fund Requirement would increase OCC's liquidity resources to address the exposures observed in a stress liquidity analysis performed using proposed sizing stress tests for OCC's Clearing Fund.

stressed liquidity demands of the largest 1 or 2 members, which normally occur in conjunction with certain monthly expirations, can exceed the size OCC's committed liquidity facilities (which currently total \$3 billion). In these cases, while OCC did have cash in the Clearing Fund to supplement its liquidity resources, and the total of credit facilities and cash in the Clearing Fund did cover these peak stressed liquidity demands, OCC is unable to rely on these cash contributions to be present at any given time since there is no obligation on members to maintain any amount of their contribution in cash. As a result, OCC believes it is necessary to increase or otherwise ensure the availability of highly liquid resources in the Clearing Fund to account for extreme scenarios that may result in liquidity demands exceeding OCC's Cover 1 liquidity resources, as calculated under the current historically-based methodology. The proposed Cash Clearing Fund Requirement, when taken together with OCC's \$3 billion in committed liquidity facilities, would provide liquidity resources sufficient to cover 100% of the peak stressed liquidity demands of the largest 1 or 2 members observed in OCC's analysis.

In addition, the proposed changes would allow OCC's Executive Chairman, Chief Administrative Officer ("CAO"), or Chief Operating Officer ("COO"), upon providing notice to the Risk Committee, to temporarily increase the amount of cash required to be maintained in the Clearing Fund up to an amount that includes the size of the Clearing Fund as determined in accordance with Rule 1001 for the month in question for the protection of OCC, clearing members or the general public. Any determination by the Executive Chairman, CAO and/or COO to implement a temporary increase in Clearing Fund size would (i) be based upon then-existing facts and circumstances, (ii) be in furtherance of the integrity of OCC and the stability of the financial system, and (iii) take into consideration the legitimate interests of Clearing Members and market participants.

The proposed rule change would require that any temporary increase in the Cash Clearing Fund Requirement be reviewed by the Risk Committee as soon as practicable, but in any event within 20 calendar days of the increase. In its review, the Risk Committee shall determine whether (1) the increase in the minimum Cash Clearing Fund Requirement is no longer required or (2) OCC's Clearing Fund contribution requirements and other related rules should be modified to ensure that OCC continues to maintain sufficient liquid resources to cover its largest aggregate payment obligations in extreme but plausible market conditions. In the event that the Risk Committee would determine to permanently increase the Cash Clearing Fund Requirement, OCC would initiate any regulatory approval process required to effect such a change.<sup>3</sup> A Clearing Member will be required to satisfy any increase in its required cash contribution pursuant to an increase in the Cash Clearing Fund Requirement no later than one hour before the close of the Fedwire on the business day following OCC's issuance of an instruction to increase

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<sup>3</sup> However, OCC will not decrease the Cash Clearing Fund Requirement while the regulatory approvals for a change in the Cash Clearing Fund Requirement are being obtained to ensure that OCC continues to maintain sufficient liquid resources to cover its liquidity demands during that time.

cash contributions.

These changes would be reflected in new paragraph (a)(i) of Section 3 of Article VIII of OCC's By-Laws, as well as in new Interpretation and Policy .04 to Section 3 of Article VIII.

*Interest Pass Through for Clearing Fund Cash Held at the Federal Reserve*

In connection with the proposed Cash Clearing Fund Requirement, substantially all of OCC's Clearing Fund deposits consisting of cash would be held in an account established by OCC at a Federal Reserve Bank.<sup>4</sup> OCC proposes that it would pass the interest income earned in such account through to its Clearing Members. As a result, OCC proposes to revise Article VIII, Section 4(a) of OCC's By-Laws to include a sentence to provide that any interest earned on cash deposits held at a Federal Reserve Bank shall accrue to the benefit of Clearing Members (calculated daily based on each Clearing Member's pro rata share of Clearing Fund cash deposits), provided that such Clearing Members have provided OCC with all tax documentation as OCC may from time to time require in order to effectuate such payment.<sup>5</sup>

*Changes to the Fee Policy to Accommodate Interest Passed Through to Clearing Members*

In order to accommodate the pass through of interest income, OCC would also amend its Fee Policy to add definitions for "Pass-Through Interest Revenue" and "Operating Expenses" to exclude from the calculation of the Business Risk Buffer projected interest revenue and expense, respectively, related to the pass-through of earned interest from OCC to Clearing Members.<sup>6</sup> OCC also proposes to add a new example of the Business Risk Buffer calculation reflecting this change and make clarifying changes throughout the Policy to incorporate the use of the new defined terms. In addition, OCC proposes to amend the Fee Policy to remove references to "Proposed Rule 17Ad-22(e)(15)" to reflect the adoption of the SEC's Covered Clearing Agency Standards.

*Conforming Changes*

In conjunction with the aforementioned changes, OCC is also proposing to make four related conforming changes. First, OCC proposes to revise Interpretation and Policy .01 of Rule

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<sup>4</sup> OCC notes that it would retain the discretion to maintain a small portion of Clearing Fund cash deposits in other accounts (e.g., accounts with commercial banks) for various reasons, including facilitating normal substitution activity by its Clearing Members.

<sup>5</sup> Article VIII, Section 4(a) currently states that all interested gained on cash Clearing Fund deposits belongs to OCC.

<sup>6</sup> While interest income earned by OCC from its Federal Reserve bank account would be passed on to its Clearing Members, OCC anticipates that it would charge a cash management fee to cover associated costs (i.e., administrative and similar costs). OCC would file a separate proposed rule change, subject to receiving all necessary regulatory approvals for the proposed changes described herein, prior to implementing any cash management fee.

1001 to reflect that the new minimum Clearing Fund size is \$3 billion (instead of \$1 billion) plus 110% of the size of OCC's committed liquidity facilities, which conforms to the proposed new minimum cash requirement for the Clearing Fund. Second, OCC proposes to amend the definition of "Approved Custodian" in Article I, Section 1 of the By-Laws to clarify that the Federal Reserve Bank may also be an Approved Custodian, to the extent it is available to OCC. Third, OCC is proposing to delete existing Article VIII, Section 4(b), regarding the establishment of a segregated funds account for cash contributions to the Clearing Fund. The segregated funds account allows a Clearing Member to contribute cash to a bank or trust company account maintained in the name of OCC, subject to OCC's exclusive control, but the account also includes the name of the Clearing Member and any interest accrues to the Clearing Member rather than OCC. OCC proposes to eliminate the account type because Clearing Members have not expressed interest in using such an account, no such accounts are in use today, and moving forward, substantially all cash Clearing Fund contributions will held in OCC's account at the Federal Reserve Bank. Fourth, OCC proposes to introduce new language to Article VIII, Section 4(a) to clarify that cash contributions to the Clearing Fund that are deposited at approved custodians may be commingled with the Clearing Fund contributions of different Clearing Members.

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

**Financial Resources.** OCC believes that implementing the proposed rule change will be consistent with the requirement in Core Principle B that each DCO have adequate financial, operational and managerial resources to discharge each of its responsibilities.<sup>7</sup> Rule 39.11(e)(1)(i) further implements Core Principle B by requiring a DCO to maintain sufficient liquid resources such that it can, at a minimum, fulfill its cash obligations when due.<sup>8</sup> The proposed rule change is designed to improve the resiliency of OCC's liquidity resources by establishing a new \$3 billion minimum cash requirement for the Clearing Fund and by providing OCC authority to temporarily increase the Cash Clearing Fund Requirement from \$3 billion up to an amount that includes the size of the Clearing Fund as determined in accordance with Rule 1001 for the month in question. The proposed rule change also is designed to improve the position of OCC's Clearing Members by permitting OCC to pass through interest earned on Clearing Fund cash deposits held at OCC's account with the Federal Reserve. In this regard, the proposed changes would further OCC's compliance with Core Principle B and Rule 39.11(e)(1)(i).

**Public Information.** OCC believes that implementing the proposed rule change will be aligned with the requirement in Core Principle L that a DCO make information concerning the rules and operation and default procedures governing the clearing and settlement systems of the

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<sup>7</sup> 7 U.S.C. 7a-1(c)(2)(B)(i).

<sup>8</sup> 17 C.F.R. 39.11(e)(1)(i).

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DCO available to market participants.<sup>9</sup> The proposed changes to Article I and Article VIII of OCC's By-Laws and Rule1001 of OCC's rulebook would be published on OCC's publicly accessible website.

#### Opposing Views

No opposing views were expressed related to the rule amendments.

#### Notice of Pending Rule Certification

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

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<sup>9</sup> 7 U.S.C. 7a-1(c)(2)(L)(ii).

Certification

OCC hereby certifies that the rule set forth at Item 1 of the enclosed filing (and Amendment No. 1 thereto) 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,

A handwritten signature in black ink, appearing to read "DK II", written in a cursive style.

Daniel S. Konar II  
Vice President, Associate General Counsel

Enclosure

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="43"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2017"/> - * <input type="text" value="019"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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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"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<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"/>
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**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

Proposed rule change concerning the adoption of a new minimum cash requirement for the Clearing Fund.

**Contact Information**

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 President, 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"/>

**Signature**

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="11/14/2017"/>	<input type="text" value="Vice President, Regulatory Filings"/>
By <input type="text" value="Justin W. Byrne"/>	<input type="text" value="Justin W. Byrne"/>
(Name *)	<input type="text" value="Justin Byrne, jbyrne@theocc.com"/>

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.



SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

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

Add Remove View

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 \***

Add Remove View

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 \***

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

This proposed rule change by The Options Clearing Corporation (“OCC”) would (1) revise OCC’s By-Laws to adopt a new minimum cash requirement for the Clearing Fund; (2) revise OCC’s By-Laws to provide for the pass through of interest earned on Clearing Fund cash held in OCC’s Federal Reserve bank account; (3) enact changes to OCC’s Fee Policy that reflect the pass through of interest earned on Clearing Fund cash held in OCC’s Federal Reserve bank account; and (4) make certain conforming changes to OCC’s Rules and By-Laws to effect the aforementioned changes.<sup>1</sup>

The proposed revisions to OCC’s By-Laws, Rules and Fee Policy are attached hereto as Exhibits 5A – 5C, respectively. Material proposed to be added to OCC’s By-Laws, Rules and Fee Policy as currently in effect is marked by underlining and material proposed to be deleted is marked by strikethrough text.

The proposed changes are described in detail in Item 3, below.

All terms with initial capitalization not defined here have the same meaning set forth in OCC’s By-Laws and Rules.<sup>2</sup>

**Item 2. Procedures of the Self-Regulatory Organization**

The proposed revisions concerning the adoption of a new minimum cash requirement for the Clearing Fund were approved for filing with the Commission by the Board of Directors of

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<sup>1</sup> OCC has filed an advance notice with the Commission in connection with this proposal. See SR-OCC-2017-808.

<sup>2</sup> OCC’s By-Laws and Rules can be found on OCC’s public website: <http://optionsclearing.com/about/publications/bylaws.jsp>.

OCC (“Board”) at meetings held on July 19, 2016 and April 4, 2017. At a meeting held on October 6, 2016, the Board approved the proposed amendments to OCC’s Fee Policy.

On October 6, 2016, the holders of all of the outstanding common stock of OCC also unanimously consented to the proposed amendments to the Fee Policy.

Questions should be addressed to Daniel S. Konar II, Vice President and Associate General Counsel, at (312) 322-2020.

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

A. Purpose

OCC proposes to establish a minimum cash contribution requirement for its Clearing Fund in order to increase the amount of qualifying liquid resources available to OCC to account for extreme scenarios that may result in liquidity demands exceeding OCC’s current Cover 1 liquidity resources, as calculated under the current historically-based methodology, and provide for a more consistent level of cash resources in its available prefunded financial resources. The proposed rule change also would provide for the pass-through of interest income earned on such deposits to its Clearing Members. OCC’s current practices and the proposed changes to such practices are described in more detail below.

**Current Practice**

Presently, Article VIII, Section 3(a) of OCC’s By-Laws provides that Clearing Fund contributions shall be in the form of cash and Government securities, but neither OCC’s By-Laws nor Rules provides a minimum cash requirement for contributions in the Clearing Fund. Article VIII, Section 4(a) of OCC’s By-Laws allows for OCC to invest cash contributions to the

Clearing Fund, partially or wholly, in OCC's account in Government securities, and to the extent that such contributions are not so invested they shall be deposited by OCC in a separate account or accounts for Clearing Fund contributions in approved custodians. Article VIII, Section 4(a) of OCC's By-Laws, however, presently does not account for the treatment of interest earned on cash deposits held in the OCC's Federal Reserve bank account.

### **Proposed Change**

#### ***1. Minimum Cash Clearing Fund Requirement***

OCC proposes to establish a minimum cash contribution requirement for its Clearing Fund in order to increase the amount of highly liquid resources available to OCC to account for extreme scenarios that may result in liquidity demands exceeding OCC's current Cover 1 liquidity resources, as calculated under the current historically-based methodology, and provide for a more consistent level of cash resources in its available prefunded financial resources.<sup>3</sup> Specifically, the proposed rule change would require that Clearing Members collectively contribute \$3 billion in cash to the Clearing Fund ("Cash Clearing Fund Requirement"). Each Clearing Member's proportionate share of the Cash Clearing Fund Requirement shall be equal in percentage to its proportionate share of the Clearing Fund as determined by the Clearing Fund allocation methodology in current Rule 1001.

OCC has historically sized its liquidity resources based on historically observed liquidity

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<sup>3</sup> OCC's Current Cover 1 liquidity resources are sized based on the liquidity needed to address exposures derived solely from historical results. Introducing the Cash Clearing Fund Requirement would increase OCC's liquidity resources to address the exposures observed in a stress liquidity analysis performed using proposed sizing stress tests for OCC's Clearing Fund.

demands and analysis of potential large forecasted liquidity demands over at least the next twelve months. OCC forecasts its future daily settlement activity under normal market conditions (e.g., mark-to-market settlements, and settlements resulting from the expiration of derivatives contracts) and compares such demands to its resources to ensure that at all times it will maintain a positive liquidity position to meet settlement obligations.

OCC has performed an analysis of its stress liquidity demands based on a 1-in-70 year hypothetical market event. OCC started its analysis by selecting the largest historical peak monthly settlements that occurred over the historical look back period of data generated by the stress test system. It then also selected certain large non-expiration days to supplement the analysis. From this it estimated the mark-to-market and cash settled exercise and assignment obligations for the members driving the historical peak demand under the proposed stress tests scenario to determine the stressed peak demand. Through this analysis, OCC observed that peak stressed liquidity demands of the largest 1 or 2 members, which normally occur in conjunction with certain monthly expirations, can exceed the size OCC's committed liquidity facilities (which currently total \$3 billion). In these cases, while OCC did have cash in the Clearing Fund to supplement its liquidity resources, and the total of credit facilities and cash in the Clearing Fund did cover these peak stressed liquidity demands, OCC is unable to rely on these cash contributions to be present at any given time since there is no obligation on members to maintain any amount of their contribution in cash. As a result, OCC believes it is necessary to increase or otherwise ensure the availability of highly liquid resources in the Clearing Fund to account for extreme scenarios that may result in liquidity demands exceeding OCC's Cover 1 liquidity

resources, as calculated under the current historically-based methodology. The proposed Cash Clearing Fund Requirement, when taken together with OCC's \$3 billion in committed liquidity facilities, would provide liquidity resources sufficient to cover 100% of the peak stressed liquidity demands of the largest 1 or 2 members observed in OCC's analysis.

In addition, the proposed changes would allow OCC's Executive Chairman, Chief Administrative Officer ("CAO"), or Chief Operating Officer ("COO"), upon providing notice to the Risk Committee, to temporarily increase the amount of cash required to be maintained in the Clearing Fund up to an amount that includes the size of the Clearing Fund as determined in accordance with Rule 1001 for the month in question for the protection of OCC, clearing members or the general public. Any determination by the Executive Chairman, CAO and/or COO to implement a temporary increase in Clearing Fund size would (i) be based upon then-existing facts and circumstances, (ii) be in furtherance of the integrity of OCC and the stability of the financial system, and (iii) take into consideration the legitimate interests of Clearing Members and market participants.

The proposed rule change would require that any temporary increase in the Cash Clearing Fund Requirement be reviewed by the Risk Committee as soon as practicable, but in any event within 20 calendar days of the increase. In its review, the Risk Committee shall determine whether (1) the increase in the minimum Cash Clearing Fund Requirement is no longer required or (2) OCC's Clearing Fund contribution requirements and other related rules should be modified to ensure that OCC continues to maintain sufficient liquid resources to cover its largest aggregate payment obligations in extreme but plausible market conditions. In the event that the

Risk Committee would determine to permanently increase the Cash Clearing Fund Requirement, OCC would initiate any regulatory approval process required to effect such a change.<sup>4</sup> A Clearing Member will be required to satisfy any increase in its required cash contribution pursuant to an increase in the Cash Clearing Fund Requirement no later than one hour before the close of the Fedwire on the business day following OCC's issuance of an instruction to increase cash contributions.

These changes would be reflected in new paragraph (a)(i) of Section 3 of Article VIII of OCC's By-Laws, as well as in new Interpretation and Policy .04 to Section 3 of Article VIII.

## ***2. Interest Pass Through for Clearing Fund Cash Held at the Federal Reserve***

In connection with the proposed Cash Clearing Fund Requirement, substantially all of OCC's Clearing Fund deposits consisting of cash would be held in an account established by OCC at a Federal Reserve Bank.<sup>5</sup> OCC proposes that it would pass the interest income earned in such account through to its Clearing Members. As a result, OCC proposes to revise Article VIII, Section 4(a) of OCC's By-Laws to include a sentence to provide that any interest earned on cash deposits held at a Federal Reserve Bank shall accrue to the benefit of Clearing Members, provided that such Clearing Members have provided OCC with all tax documentation as OCC

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<sup>4</sup> However, OCC will not decrease the Cash Clearing Fund Requirement while the regulatory approvals for a change in the Cash Clearing Fund Requirement are being obtained to ensure that OCC continues to maintain sufficient liquid resources to cover its liquidity demands during that time.

<sup>5</sup> OCC notes that it would retain the discretion to maintain a small portion of Clearing Fund cash deposits in other accounts (e.g., accounts with commercial banks) for various reasons, including facilitating normal substitution activity by its Clearing Members.



may from time to time require in order to effectuate such payment.<sup>6</sup>

### ***3. Changes to the Fee Policy to Accommodate Interest Passed Through to Clearing Members***

In order to accommodate the pass through of interest income, OCC would also amend its Fee Policy to add definitions for “Pass-Through Interest Revenue” and “Operating Expenses” to exclude from the calculation of the Business Risk Buffer projected interest revenue and expense, respectively, related to the pass-through of earned interest from OCC to Clearing Members.<sup>7</sup>

OCC also proposes to add a new example of the Business Risk Buffer calculation reflecting this change and make clarifying changes throughout the Policy to incorporate the use of the new defined terms. In addition, OCC proposes to amend the Fee Policy to remove references to “Proposed Rule 17Ad-22(e)(15)” to reflect the adoption of the Commission’s Covered Clearing Agency Standards.

### ***4. Conforming Changes***

In conjunction with the aforementioned changes, OCC is also proposing to make four related conforming changes. First, OCC proposes to revise Interpretation and Policy .01 of Rule 1001 to reflect that the new minimum Clearing Fund size is \$3 billion (instead of \$1 billion) plus 110% of the size of OCC’s committed liquidity facilities, which conforms to the proposed new

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<sup>6</sup> Article VIII, Section 4(a) currently states that all interested gained on cash Clearing Fund deposits belongs to OCC.

<sup>7</sup> While interest income earned by OCC from its Federal Reserve bank account would be passed on to its Clearing Members, OCC anticipates that it would charge a cash management fee to cover associated costs (*i.e.*, administrative and similar costs). OCC would file a separate proposed rule change with the Commission, subject to receiving all necessary regulatory approvals for the proposed changes described herein, prior to implementing any cash management fee.

minimum cash requirement for the Clearing Fund. Second, OCC proposes to amend the definition of “Approved Custodian” in Article I, Section 1 of the By-Laws to clarify that the Federal Reserve Bank may also be an Approved Custodian, to the extent it is available to OCC. Third, OCC is proposing to delete existing Article VIII, Section 4(b), regarding the establishment of a segregated funds account for cash contributions to the Clearing Fund. The segregated funds account allows a Clearing Member to contribute cash to a bank or trust company account maintained in the name of OCC, subject to OCC’s exclusive control, but the account also includes the name of the Clearing Member and any interest accrues to the Clearing Member rather than OCC. OCC proposes to eliminate the account type because Clearing Members have not expressed interest in using such an account, no such accounts are in use today, and moving forward, substantially all cash Clearing Fund contributions will held in OCC’s account at the Federal Reserve Bank. Fourth, OCC proposes to introduce new language to Article VIII, Section 4(a) to clarify that cash contributions to the Clearing Fund that are deposited at approved custodians may be commingled with the Clearing Fund contributions of different Clearing Members.

**B. Statutory Basis**

Section 17A(b)(3)(F) of the Securities Exchange Act of 1934 (“Act”),<sup>8</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 transactions and, in general, to protect investors and the public interest. The proposed rule change is designed to improve the resiliency of OCC’s

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<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F).

liquidity resources by establishing a new \$3 billion minimum cash requirement for the Clearing Fund and by providing OCC authority to temporarily increase the Cash Clearing Fund Requirement from \$3 billion up to an amount that includes the size of the Clearing Fund as determined in accordance with Rule 1001 for the month in question. The proposed rule change also is designed to improve the position of OCC's Clearing Members by permitting OCC to pass through interest earned on Clearing Fund cash deposits held at OCC's account with the Federal Reserve. In this regard, OCC believes the proposed rule change is designed to promote the prompt and accurate clearance and settlement of securities transactions and to protect investors and the public interest, in accordance with the requirements of Section 17A(b)(3)(F) of the Act.<sup>9</sup>

Additionally, Rule 17Ad-22(e)(7)<sup>10</sup> requires that a covered clearing agency ("CCA") establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively measure, monitor and manage liquidity risk that arises in or is borne by the CCA. Rule 17Ad-22(e)(7)(i)<sup>11</sup> requires CCAs to establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by OCC by maintaining sufficient liquid resources at the minimum in all relevant currencies to effect same-day settlement, and where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of stress scenarios, that includes but is not limited to, the default of the participant

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<sup>9</sup> Id.

<sup>10</sup> 17 CFR 240.17Ad-22(e)(7).

<sup>11</sup> 17 CFR 240.17Ad-22(e)(7)(i).

family that would generate the largest aggregate payment obligation for OCC in extreme but plausible market conditions. As explained above, OCC has performed an analysis of its stress liquidity demands using proposed sizing stress tests for the Clearing Fund and has observed that peak stressed liquidity demands of the largest 1 or 2 members, which normally occur in conjunction with certain monthly expirations, can exceed the size OCC's committed liquidity facilities (which currently total \$3 billion). OCC believes that the proposed minimum \$3 billion Cash Clearing Fund Requirement will adjust OCC's available liquidity resources to account for extreme scenarios that may result in liquidity demands exceeding OCC's Cover 1 liquidity resources. In this regard, OCC believes the proposed Cash Clearing Fund Requirement is designed to satisfy the requirements of Rule 17Ad-22(e)(7)(i).<sup>12</sup>

Further, Rule 17Ad-22(e)(7)(viii)<sup>13</sup> requires that a CCA address foreseeable liquidity shortfalls that would not be covered by its liquid resources and Rule 17Ad-22(e)(7)(ix)<sup>14</sup> requires that a CCA describe its process to replenish any liquid resources that it may employ during a stress event. OCC believes that the proposed authority to temporarily increase the minimum cash requirement from \$3 billion up to an amount that includes the size of the Clearing Fund (as determined in accordance with Rule 1001 for the month in question) would provide OCC with an additional means of addressing liquidity shortfalls that otherwise would not be covered by OCC's liquid resources. Further, because the Clearing Fund is a resource that is replenished in

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<sup>12</sup> 17 CFR 240.17Ad-22(e)(7)(i).

<sup>13</sup> 17 CFR 240.17Ad-22(e)(7)(viii).

<sup>14</sup> 17 CFR 240.17Ad-22(e)(7)(ix).

accordance with Section 6 of Article VIII of OCC's By-Laws, to the extent that Clearing Members are required to replenish their required contributions – in whole or in part – with cash following a proportionate charge during, the proposed change would provide a form of replenishment of OCC's liquid resources. In this regard, OCC believes the proposed authority to require up to an all cash Clearing Fund requirement is designed to satisfy the requirements of Rules 17Ad-22(e)(7)(viii) and (ix).<sup>15</sup>

The proposed rule change is not inconsistent with the existing rules of OCC, including any other 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 purposes of the Act. OCC does not believe the proposed rule change would have any impact or impose any burden on competition. The primary purpose of the proposed rule change is to enhance OCC's liquidity resources by establishing a \$3 billion Cash Clearing Fund Requirement, which requirement could be temporarily increased up to an amount that includes the size of the Clearing Fund as determined in accordance with Rule 1001 for the month in question. Further, the proposed rule change is designed to revise Article VIII, Section 4(a) of OCC's By-Laws and the Fee Policy to enable OCC to pass through interest earned on Clearing Fund cash held in OCC's Federal Reserve bank account. The proposed rule change would apply equally to all Clearing Members

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<sup>15</sup> 17 CFR 240.17Ad-22(e)(7)(viii) and (ix).

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

and would not affect Clearing Members' access to OCC's services or disadvantage or favor any particular user in relationship to another user. As such, OCC believes that the proposed changes would not have any impact or impose any burden on competition.

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

Written comments were not and are not intended to be solicited with respect to the proposed change and none have been received. OCC will notify the Commission of any written comments received by OCC.

**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)**

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (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 5A. OCC By-Laws

Exhibit 5B. OCC Rules

Exhibit 5C. Fee Policy

**CONFIDENTIAL TREATMENT IS REQUESTED FOR EXHIBIT 5C**

**PURSUANT TO SEC RULE 24b-2**

**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: \_\_\_\_\_  
**Daniel S. Konar II**  
**Vice President, Associate General Counsel**



EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-[\_\_\_\_\_]; File No. SR-OCC-2017-019)

November \_\_, 2017

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of a Proposed Rule Change Concerning the Adoption of a New Minimum Cash Requirement for the Clearing Fund

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 November 14, 2017, 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

This proposed rule change by the OCC would (1) revise OCC’s By-Laws to adopt a new minimum cash requirement for the Clearing Fund; (2) revise OCC’s By-Laws to provide for the pass through of interest earned on Clearing Fund cash held in OCC’s Federal Reserve bank account; (3) enact changes to OCC’s Fee Policy that reflect the pass through of interest earned on Clearing Fund cash held in OCC’s Federal Reserve bank account; and (4) make certain conforming changes to OCC’s Rules and By-Laws to

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

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

affect the aforementioned changes.<sup>3</sup> All terms with initial capitalization not defined here have the same meaning set forth in OCC's By-Laws and Rules.<sup>4</sup>

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

OCC proposes to establish a minimum cash contribution requirement for its Clearing Fund in order to increase the amount of qualifying liquid resources available to OCC to account for extreme scenarios that may result in liquidity demands exceeding OCC's current Cover 1 liquidity resources, as calculated under the current historically-based methodology, and provide for a more consistent level of cash resources in its available prefunded financial resources. The proposed rule change also would provide for the pass-through of interest income earned on such deposits to its Clearing Members. OCC's current practices and the proposed changes to such practices are described in more detail below.

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<sup>3</sup> OCC has filed an advance notice with the Commission in connection with this proposal. See SR-OCC-2017-808.

<sup>4</sup> OCC's By-Laws and Rules can be found on OCC's public website: <http://optionsclearing.com/about/publications/bylaws.jsp>.

### **Current Practice**

Presently, Article VIII, Section 3(a) of OCC's By-Laws provides that Clearing Fund contributions shall be in the form of cash and Government securities, but neither OCC's By-Laws nor Rules provides a minimum cash requirement for contributions in the Clearing Fund. Article VIII, Section 4(a) of OCC's By-Laws allows for OCC to invest cash contributions to the Clearing Fund, partially or wholly, in OCC's account in Government securities, and to the extent that such contributions are not so invested they shall be deposited by OCC in a separate account or accounts for Clearing Fund contributions in approved custodians. Article VIII, Section 4(a) of OCC's By-Laws, however, presently does not account for the treatment of interest earned on cash deposits held in the OCC's Federal Reserve bank account.

### **Proposed Change**

#### ***1. Minimum Cash Clearing Fund Requirement***

OCC proposes to establish a minimum cash contribution requirement for its Clearing Fund in order to increase the amount of highly liquid resources available to OCC to account for extreme scenarios that may result in liquidity demands exceeding OCC's current Cover 1 liquidity resources, as calculated under the current historically-based methodology, and provide for a more consistent level of cash resources in its available prefunded financial resources.<sup>5</sup> Specifically, the proposed rule change would require that Clearing Members collectively contribute \$3 billion in cash to the Clearing

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<sup>5</sup> OCC's Current Cover 1 liquidity resources are sized based on the liquidity needed to address exposures derived solely from historical results. Introducing the Cash Clearing Fund Requirement would increase OCC's liquidity resources to address the exposures observed in a stress liquidity analysis performed using proposed sizing stress tests for OCC's Clearing Fund.

Fund (“Cash Clearing Fund Requirement”). Each Clearing Member’s proportionate share of the Cash Clearing Fund Requirement shall be equal in percentage to its proportionate share of the Clearing Fund as determined by the Clearing Fund allocation methodology in current Rule 1001.

OCC has historically sized its liquidity resources based on historically observed liquidity demands and analysis of potential large forecasted liquidity demands over at least the next twelve months. OCC forecasts its future daily settlement activity under normal market conditions (e.g., mark-to-market settlements, and settlements resulting from the expiration of derivatives contracts) and compares such demands to its resources to ensure that at all times it will maintain a positive liquidity position to meet settlement obligations.

OCC has performed an analysis of its stress liquidity demands based on a 1-in-70 year hypothetical market event. OCC started its analysis by selecting the largest historical peak monthly settlements that occurred over the historical look back period of data generated by the stress test system. It then also selected certain large non-expiration days to supplement the analysis. From this it estimated the mark-to-market and cash settled exercise and assignment obligations for the members driving the historical peak demand under the proposed stress tests scenario to determine the stressed peak demand. Through this analysis, OCC observed that peak stressed liquidity demands of the largest 1 or 2 members, which normally occur in conjunction with certain monthly expirations, can exceed the size OCC’s committed liquidity facilities (which currently total \$3 billion). In these cases, while OCC did have cash in the Clearing Fund to supplement its liquidity resources, and the total of credit facilities and cash in the Clearing Fund did cover these

peak stressed liquidity demands, OCC is unable to rely on these cash contributions to be present at any given time since there is no obligation on members to maintain any amount of their contribution in cash. As a result, OCC believes it is necessary to increase or otherwise ensure the availability of highly liquid resources in the Clearing Fund to account for extreme scenarios that may result in liquidity demands exceeding OCC's Cover 1 liquidity resources, as calculated under the current historically-based methodology. The proposed Cash Clearing Fund Requirement, when taken together with OCC's \$3 billion in committed liquidity facilities, would provide liquidity resources sufficient to cover 100% of the peak stressed liquidity demands of the largest 1 or 2 members observed in OCC's analysis.

In addition, the proposed changes would allow OCC's Executive Chairman, Chief Administrative Officer ("CAO"), or Chief Operating Officer ("COO"), upon providing notice to the Risk Committee, to temporarily increase the amount of cash required to be maintained in the Clearing Fund up to an amount that includes the size of the Clearing Fund as determined in accordance with Rule 1001 for the month in question for the protection of OCC, clearing members or the general public. Any determination by the Executive Chairman, CAO and/or COO to implement a temporary increase in Clearing Fund size would (i) be based upon then-existing facts and circumstances, (ii) be in furtherance of the integrity of OCC and the stability of the financial system, and (iii) take into consideration the legitimate interests of Clearing Members and market participants.

The proposed rule change would require that any temporary increase in the Cash Clearing Fund Requirement be reviewed by the Risk Committee as soon as practicable, but in any event within 20 calendar days of the increase. In its review, the Risk Committee shall determine whether (1) the increase in the minimum Cash Clearing Fund

Requirement is no longer required or (2) OCC's Clearing Fund contribution requirements and other related rules should be modified to ensure that OCC continues to maintain sufficient liquid resources to cover its largest aggregate payment obligations in extreme but plausible market conditions. In the event that the Risk Committee would determine to permanently increase the Cash Clearing Fund Requirement, OCC would initiate any regulatory approval process required to effect such a change.<sup>6</sup> A Clearing Member will be required to satisfy any increase in its required cash contribution pursuant to an increase in the Cash Clearing Fund Requirement no later than one hour before the close of the Fedwire on the business day following OCC's issuance of an instruction to increase cash contributions.

These changes would be reflected in new paragraph (a)(i) of Section 3 of Article VIII of OCC's By-Laws, as well as in new Interpretation and Policy .04 to Section 3 of Article VIII.

## ***2. Interest Pass Through for Clearing Fund Cash Held at the Federal Reserve***

In connection with the proposed Cash Clearing Fund Requirement, substantially all of OCC's Clearing Fund deposits consisting of cash would be held in an account established by OCC at a Federal Reserve Bank.<sup>7</sup> OCC proposes that it would pass the interest income earned in such account through to its Clearing Members. As a result,

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<sup>6</sup> However, OCC will not decrease the Cash Clearing Fund Requirement while the regulatory approvals for a change in the Cash Clearing Fund Requirement are being obtained to ensure that OCC continues to maintain sufficient liquid resources to cover its liquidity demands during that time.

<sup>7</sup> OCC notes that it would retain the discretion to maintain a small portion of Clearing Fund cash deposits in other accounts (e.g., accounts with commercial banks) for various reasons, including facilitating normal substitution activity by its Clearing Members.

OCC proposes to revise Article VIII, Section 4(a) of OCC's By-Laws to include a sentence to provide that any interest earned on cash deposits held at a Federal Reserve Bank shall accrue to the benefit of Clearing Members, provided that such Clearing Members have provided OCC with all tax documentation as OCC may from time to time require in order to effectuate such payment.<sup>8</sup>

**3. *Changes to the Fee Policy to Accommodate Interest Passed Through to Clearing Members***

In order to accommodate the pass through of interest income, OCC would also amend its Fee Policy to add definitions for "Pass-Through Interest Revenue" and "Operating Expenses" to exclude from the calculation of the Business Risk Buffer projected interest revenue and expense, respectively, related to the pass-through of earned interest from OCC to Clearing Members.<sup>9</sup> OCC also proposes to add a new example of the Business Risk Buffer calculation reflecting this change and make clarifying changes throughout the Policy to incorporate the use of the new defined terms. In addition, OCC proposes to amend the Fee Policy to remove references to "Proposed Rule 17Ad-

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<sup>8</sup> Article VIII, Section 4(a) currently states that all interest earned on cash Clearing Fund deposits belongs to OCC.

<sup>9</sup> While interest income earned by OCC from its Federal Reserve bank account would be passed on to its Clearing Members, OCC anticipates that it would charge a cash management fee to cover associated costs (i.e., administrative and similar costs). OCC would file a separate proposed rule change with the Commission, subject to receiving all necessary regulatory approvals for the proposed changes described herein, prior to implementing any cash management fee.

22(e)(15)” to reflect the adoption of the Commission’s Covered Clearing Agency Standards.

#### ***4. Conforming Changes***

In conjunction with the aforementioned changes, OCC is also proposing to make four related conforming changes. First, OCC proposes to revise Interpretation and Policy .01 of Rule 1001 to reflect that the new minimum Clearing Fund size is \$3 billion (instead of \$1 billion) plus 110% of the size of OCC’s committed liquidity facilities, which conforms to the proposed new minimum cash requirement for the Clearing Fund. Second, OCC proposes to amend the definition of “Approved Custodian” in Article I, Section 1 of the By-Laws to clarify that the Federal Reserve Bank may also be an Approved Custodian, to the extent it is available to OCC. Third, OCC is proposing to delete existing Article VIII, Section 4(b), regarding the establishment of a segregated funds account for cash contributions to the Clearing Fund. The segregated funds account allows a Clearing Member to contribute cash to a bank or trust company account maintained in the name of OCC, subject to OCC’s exclusive control, but the account also includes the name of the Clearing Member and any interest accrues to the Clearing Member rather than OCC. OCC proposes to eliminate the account type because Clearing Members have not expressed interest in using such an account, no such accounts are in use today, and moving forward, substantially all cash Clearing Fund contributions will held in OCC’s account at the Federal Reserve Bank. Fourth, OCC proposes to introduce new language to Article VIII, Section 4(a) to clarify that cash contributions to the Clearing Fund that are deposited at approved custodians may be commingled with the Clearing Fund contributions of different Clearing Members.



2. Statutory Basis

Section 17A(b)(3)(F) of the Act,<sup>10</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 transactions and, in general, to protect investors and the public interest. The proposed rule change is designed to improve the resiliency of OCC's liquidity resources by establishing a new \$3 billion minimum cash requirement for the Clearing Fund and by providing OCC authority to temporarily increase the Cash Clearing Fund Requirement from \$3 billion up to an amount that includes the size of the Clearing Fund as determined in accordance with Rule 1001 for the month in question. The proposed rule change also is designed to improve the position of OCC's Clearing Members by permitting OCC to pass through interest earned on Clearing Fund cash deposits held at OCC's account with the Federal Reserve. In this regard, OCC believes the proposed rule change is designed to promote the prompt and accurate clearance and settlement of securities transactions and to protect investors and the public interest, in accordance with the requirements of Section 17A(b)(3)(F) of the Act.<sup>11</sup>

Additionally, Rule 17Ad-22(e)(7)<sup>12</sup> requires that a covered clearing agency ("CCA") establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively measure, monitor and manage liquidity risk that arises in or is borne by the CCA. Rule 17Ad-22(e)(7)(i)<sup>13</sup> requires CCAs to establish,

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<sup>10</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>11</sup> Id.

<sup>12</sup> 17 CFR 240.17Ad-22(e)(7).

<sup>13</sup> 17 CFR 240.17Ad-22(e)(7)(i).

implement, maintain, and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by OCC by maintaining sufficient liquid resources at the minimum in all relevant currencies to effect same-day settlement, and where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of stress scenarios, that includes but is not limited to, the default of the participant family that would generate the largest aggregate payment obligation for OCC in extreme but plausible market conditions. As explained above, OCC has performed an analysis of its stress liquidity demands using proposed sizing stress tests for the Clearing Fund and has observed that peak stressed liquidity demands of the largest 1 or 2 members, which normally occur in conjunction with certain monthly expirations, can exceed the size OCC's committed liquidity facilities (which currently total \$3 billion). OCC believes that the proposed minimum \$3 billion Cash Clearing Fund Requirement will adjust OCC's available liquidity resources to account for extreme scenarios that may result in liquidity demands exceeding OCC's Cover 1 liquidity resources. In this regard, OCC believes the proposed Cash Clearing Fund Requirement is designed to satisfy the requirements of Rule 17Ad-22(e)(7)(i).<sup>14</sup>

Further, Rule 17Ad-22(e)(7)(viii)<sup>15</sup> requires that a CCA address foreseeable liquidity shortfalls that would not be covered by its liquid resources and Rule 17Ad-22(e)(7)(ix)<sup>16</sup> requires that a CCA describe its process to replenish any liquid resources

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<sup>14</sup> 17 CFR 240.17Ad-22(e)(7)(i).

<sup>15</sup> 17 CFR 240.17Ad-22(e)(7)(viii).

<sup>16</sup> 17 CFR 240.17Ad-22(e)(7)(ix).

that it may employ during a stress event. OCC believes that the proposed authority to temporarily increase the minimum cash requirement from \$3 billion up to an amount that includes the size of the Clearing Fund (as determined in accordance with Rule 1001 for the month in question) would provide OCC with an additional means of addressing liquidity shortfalls that otherwise would not be covered by OCC's liquid resources. Further, because the Clearing Fund is a resource that is replenished in accordance with Section 6 of Article VIII of OCC's By-Laws, to the extent that Clearing Members are required to replenish their required contributions – in whole or in part – with cash following a proportionate charge during, the proposed change would provide a form of replenishment of OCC's liquid resources. In this regard, OCC believes the proposed authority to require up to an all cash Clearing Fund requirement is designed to satisfy the requirements of Rules 17Ad-22(e)(7)(viii) and (ix).<sup>17</sup>

The proposed rule change is not inconsistent with the existing rules of OCC, including any other 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 purposes of the Act. OCC does not believe the proposed rule change would have any impact or impose any burden on competition. The primary purpose of the proposed rule change is to enhance OCC's liquidity resources by establishing a \$3 billion Cash Clearing Fund Requirement, which requirement could be temporarily increased up to an

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<sup>17</sup> 17 CFR 240.17Ad-22(e)(7)(viii) and (ix).

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

amount that includes the size of the Clearing Fund as determined in accordance with Rule 1001 for the month in question. Further, the proposed rule change is designed to revise Article VIII, Section 4(a) of OCC's By-Laws and the Fee Policy to enable OCC to pass through interest earned on Clearing Fund cash held in OCC's Federal Reserve bank account. The proposed rule change would apply equally to all Clearing Members and would not affect Clearing Members' access to OCC's services or disadvantage or favor any particular user in relationship to another user. As such, OCC believes that the proposed changes would not have any impact or impose any burden on competition.

(C) Clearing Agency'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.

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 Commissions 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-2017-019 on the subject line.

##### Paper Comments:

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

All submissions should refer to File Number SR-OCC-2017-019. 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, N.E., 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; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-OCC-2017-019 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>19</sup>

Robert W. Errett  
Deputy Secretary

Action as set forth recommended herein

APPROVED pursuant to authority delegated by the Commission under Public Law 87-592.

For: Division of Trading and Markets

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

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<sup>19</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5A**



**By-Laws**

Underlined text indicates new text

~~Strikethrough~~ text indicates deleted text



## Article I - Definitions

### Approved Custodian

(13) The term “approved custodian” means a bank or trust company or a Federal Reserve Bank approved by the Executive Chairman, Chief Operating Officer or Chief Administrative Officer.

\* \* \*

## Article VIII - Clearing Fund

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### Form of Contributions

**SECTION 3.** (a) Form and Method of Contributions. Contributions to the Clearing Funds shall be in cash or in government securities.

(i) Cash Clearing Fund Requirement. Clearing Members shall collectively contribute \$3 billion in cash to the Clearing Fund (“Cash Clearing Fund Requirement”). Each Clearing Member’s proportionate share of the Cash Clearing Fund Requirement shall be equal in percentage to its proportionate share of the Clearing Fund as determined by Rule 1001. The Executive Chairman, Chief Administrative Officer, or Chief Operating Officer, upon providing notice to the Risk Committee, shall have the authority to temporarily increase the amount of cash required to be maintained in the Clearing Fund, up to an amount that includes the size of the Clearing Fund as determined in accordance with Rule 1001, for the protection of OCC, Clearing Members or the general public in accordance with the Corporation’s policies and procedures. Any determination by the Executive Chairman, Chief Administrative Officer, or Chief Operating Officer to implement a temporary increase in Clearing Fund size would (i) be based upon then-existing facts and circumstances, (ii) be in furtherance of the integrity of OCC and the stability of the financial system, and (iii) take into consideration the legitimate interests of Clearing Members and market participants. Any temporary increase in the cash Clearing Fund requirement shall be reviewed by the Risk Committee as soon as practical (but in any event, such review must occur within 20 calendar days of such increase) and, if such temporary increase is still in effect, the Risk Committee shall determine whether (A) the increase in the cash Clearing Fund requirement is no longer required, or (B) OCC’s rules should be modified to ensure that OCC continues to maintain sufficient liquidity resources.

(ii) Government Securities. Government securities shall be valued at (1) 99.5% of the current market value for maturities less than one year; (2) 98% of the current market value for maturities between one and five years; (3) 96.5% of the current market value for maturities between five and ten years; and (4) 95% of the current market value for maturities in excess of ten years. For the purposes of this Section, the current market value of Government securities shall be determined by the Corporation at such intervals

as the Risk Committee shall from time to time prescribe, but not less often than monthly, on the basis of the quoted bid price therefor supplied by a source designated by the Corporation. Contributions of Government securities shall be deposited by the Clearing Member in an account of the Corporation in an approved custodian in the name of the Corporation or by such other method as the Corporation may from time to time approve.

~~Any interest or gain received or accrued on such securities shall belong to the contributing Clearing Member, and any interest on, or proceeds from the maturity of, such securities received by the Corporation shall be credited by the Corporation to an account of the Clearing Member on the records of the Corporation.~~

(b) Assets Denominated in a Foreign Currency. Notwithstanding any other provision of this Section 3 of Article VIII, in determining the U.S. dollar amount of clearing fund credit to be given to any foreign currency or asset denominated in a foreign currency, the Corporation may use such exchange rates and apply such “haircuts” as it deems appropriate for its protection.

(c) Interest or Gains on Government Securities. Any interest or gain received or accrued on such securities shall belong to the contributing Clearing Member, and any interest on, or proceeds from the maturity of, such securities received by the Corporation shall be credited by the Corporation to an account of the Clearing Member on the records of the Corporation.

\* \* \*

*... Interpretations and Policies:*

\* \* \*

.04 For purposes of paragraph (a)(i) of Section 3, a Clearing Member shall satisfy any increase in its required cash contribution pursuant to an increase in Cash Clearing Fund Requirement no later than one hour before the close of the Fedwire on the business day following the Corporation’s issuance of an instruction to increase cash contributions.

\* \* \*

### Investment of Cash Clearing Fund Contributions

**SECTION 4.** (a) ~~Subject to the provisions of subsection (b) of this Section, e~~Cash contributions to the Clearing Fund may from time to time be partially or wholly invested by the Corporation for its account in Government securities, and to the extent that such contributions are not so invested they shall be deposited by the Corporation in a separate account or accounts for Clearing Fund contributions in approved custodians, provided that such account or accounts may commingle the Clearing Fund contributions of different Clearing Members. Interest earned on cash deposits held at a Federal Reserve Bank shall accrue to the benefit of Clearing Members, provided that each such Clearing Member has provided OCC with all tax documentation as OCC may from time to time require in order to effectuate such payment, and all other interest earned on investments will accrue to the benefit of the Corporation. ~~Any interest or gain received or~~

~~accrued on the investment or deposit of cash contributions to the Clearing Fund in accordance with this subsection (a) shall belong to the Corporation.~~

~~(b) At the request of any Clearing Member, the Corporation will establish at a bank or trust company designated by the Clearing Member and acceptable to the Corporation a separate demand deposit account ("segregated funds account") confined to the cash Clearing Fund contribution of that Clearing Member. Segregated funds accounts shall be maintained in the name of the Corporation and shall be subject to its exclusive control, but the designation of each such account shall include the name of the Clearing Member for which it was established. Interest, if any, paid on deposits in a segregated funds account shall accrue to the Clearing Member for which the account is maintained, and the Clearing Member shall bear the risk of any loss, whether by reason of the insolvency of the depository institution or otherwise, of funds deposited in such account.~~

\* \* \*

**EXHIBIT 5B**



**OCC Rules**

Underlined text indicates new text

~~Strikethrough~~ text indicates deleted text

**Chapter X - Clearing Fund Contributions**

\* \* \*

**RULE 1001 – Size of Clearing Fund and Amount of Contribution**

\* \* \*

*. . . Interpretations and Policies:*

.01 Notwithstanding the foregoing provisions of Rule 1001, in no event shall the total size of the clearing fund be set at less than ~~the greater of either~~ \$31 billion ~~or plus~~ 110% of the size of the committed ~~credit liquidity~~ facilities of the Corporation that are secured by the clearing fund on the date of the calculation.

\* \* \*

*Required fields are shown with yellow backgrounds and asterisks.*

Filing by Options Clearing Corporation  
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

<b>Initial *</b>	<b>Amendment *</b>	<b>Withdrawal</b>	<b>Section 19(b)(2) *</b>	<b>Section 19(b)(3)(A) *</b>	<b>Section 19(b)(3)(B) *</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			Rule		
<b>Pilot</b>	<b>Extension of Time Period for Commission Action *</b>	<b>Date Expires *</b>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<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)	

<b>Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010</b>	<b>Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934</b>
<b>Section 806(e)(1) *</b>	<b>Section 806(e)(2) *</b>
<input type="checkbox"/>	<input type="checkbox"/>
	<b>Section 3C(b)(2) *</b>
	<input type="checkbox"/>

Exhibit 2 Sent As Paper Document	Exhibit 3 Sent As Paper Document
<input type="checkbox"/>	<input type="checkbox"/>

**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

**Contact Information**

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 \*       Last Name \*

Title \*

E-mail \*

Telephone \*       Fax

**Signature**

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      

By      

(Name \*)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

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

Add Remove View

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 \***

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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



The Options Clearing Corporation (“OCC”) hereby submits this partial amendment, constituting Amendment No. 1, to its proposed rule change SR-OCC-2017-019, in which OCC proposes to amend OCC’s By-Laws and Rules to (1) revise OCC’s By-Laws to adopt a new minimum cash requirement for the Clearing Fund; (2) revise OCC’s By-Laws to provide for the pass through of interest earned on Clearing Fund cash held in OCC’s Federal Reserve bank account; (3) enact changes to OCC’s Fee Policy that reflect the pass through of interest earned on Clearing Fund cash held in OCC’s Federal Reserve bank account; and (4) make certain conforming changes to OCC’s Rules and By-Laws to effect the aforementioned changes (“Initial Filing”).

Under the Initial Filing, OCC proposes that it would pass to Clearing Members the interest income earned on Clearing Fund cash deposits held in an account established by OCC at a Federal Reserve Bank. Accordingly, under the Initial Filing OCC proposed to revise Article VIII, Section 4(a) of OCC’s By-Laws to include a sentence to provide that any interest earned on cash deposits held at a Federal Reserve Bank shall accrue to the benefit of Clearing Members, provided that such Clearing Members have provided OCC with all tax documentation as OCC may from time to time require in order to effectuate such payment. The Initial Filing did not, however, expressly state that interest earned on Clearing Fund cash deposits held at a Federal Reserve Bank accruing to the benefit of Clearing Members would be calculated daily based on each Clearing Member’s pro rata share of Clearing Fund cash. Therefore, OCC proposes to amend the proposed text of Article VIII, Section 4(a) of the By-Laws in Exhibit 5A on page 35 of the Initial Filing to read as follows (for the avoidance of doubt, the text being added by this Amendment No. 1 appears double underscored below):

#### **Investment of Cash Clearing Fund Contributions**

**SECTION 4.** (a) ~~Subject to the provisions of subsection (b) of this Section, c~~Cash contributions to the Clearing Fund may from time to time be partially or wholly invested by the Corporation for its account in Government securities, and to the extent that such contributions are not so invested they shall be deposited by the Corporation in a separate account or accounts for Clearing Fund contributions in approved custodians, provided that such account or accounts may commingle the Clearing Fund contributions of different Clearing Members. Interest earned on cash deposits held at a Federal Reserve Bank shall accrue to the benefit of Clearing Members (calculated daily based on each Clearing Member’s pro rata share of Clearing Fund cash deposits), provided that each such Clearing Member has provided OCC with all tax documentation as OCC may from time to time require in order to effectuate such payment, and all other interest earned on investments will accrue to the benefit of the Corporation. ~~Any interest or gain received or accrued on the investment or deposit of cash contributions to the Clearing Fund in accordance with this subsection (a) shall belong to the Corporation.~~

OCC also proposes to amend the last sentence of the last paragraph on pages 9 and the carryover paragraph on page 23 of the Initial Filing to read as follows:

As a result, OCC proposes to revise Article VIII, Section 4(a) of OCC's By-Laws to include a sentence to provide that any interest earned on cash deposits held at a Federal Reserve Bank shall accrue to the benefit of Clearing Members (calculated daily based on each Clearing Member's pro rata share of Clearing Fund cash deposits), provided that such Clearing Members have provided OCC with all tax documentation as OCC may from time to time require in order to effectuate such payment.

The partial amendment would not change the purpose of or statutory basis for the proposed rule change. All other representations in the Initial Filing remain as stated therein and no other changes are being made.

**SIGNATURES**

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

**THE OPTIONS CLEARING CORPORATION**

By: \_\_\_\_\_

**Daniel S. Konar II**  
**Vice President and Associate General Counsel**