EXHIBIT C

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for discussion purposes only

[Letterhead of Broadridge Business Process Outsourcing LLC]

March__, 2023

Via E-Mail: rule-comments@sec.gov

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

RE: File No. SR-OCC-2023-003; Release No. 34-_____
Proposed Amendments to Options Clearing Corporation By-Laws and Rules to Replace Managing Clearing Member Framework with Outsourcing by Third-Party Service Providers

Dear Ms. Countryman:

Broadridge Business Process Outsourcing LLC ("Broadridge")[1] appreciates the opportunity to comment on the above-referenced rule filing (the "Proposal") of the Options Clearing Corporation (the "OCC"). Broadridge currently provides broker-dealer outsourcing services to fifteen OCC members and for the past two decades has been an industry leader in providing outsourcing services to OCC members and other broker-dealers in options and all other asset classes. One portion of the Proposal seeks to remove the portions of the OCC By-Laws and Rules that currently require outsourcing service providers to be registered as OCC Managing Clearing Members even though such service providers are not responsible for, and bear no economic risk in connection with, the clearing of options transactions effected by OCC clearing members. In its place, the Proposal seeks to implement an outsourcing framework, consistent with the framework adopted by FINRA and banking regulators, that would allow OCC clearing members to perform clearing functions through their own personnel or "maintain contractual arrangements with third-party service providers acceptable to" the OCC.[2]

[1] Broadridge Business Process Outsourcing LLC is the broker-dealer subsidiary of Broadridge Financial Solutions, Inc. (NYSE: BR), a $5 billion global Fintech firm, and a leading provider of investor communications and technology-driven solutions to banks, broker-dealers, asset and wealth managers, mutual funds, and corporate issuers. Broadridge Financial Solutions' technology solutions assist market participants, including registered broker-dealers, investment advisers, hedge funds, and other institutional investors, in managing their orders, executions, and trading interest by facilitating communications with others. Broadridge is part of the S&P 500® Index and employs over 13,000 associates in 21 countries. For more information about Broadridge, please visit www.broadridge.com.

[2] Proposed OCC Rule 303(a).

Broadridge fully supports these aspects of the Proposal and applauds the OCC and its staff's efforts to remove unnecessary financial impediments to OCC clearing members' ability to obtain high-quality services from third-party service providers with the necessary skill, experience, and expertise to provide such services. We urge the Securities and Exchange Commission (the "SEC" or the "Commission") to approve the Proposal, but offer limited comments to clarify certain aspects of the Proposal. Specifically, by commenting we seek to avoid potential misinterpretations of portions of proposed OCC Rule 303, which sets forth the OCC's outsourcing framework. In particular, we seek to make clear that it is the OCC clearing member (and not the contracted third-party service provider) that remains obligated to comply with the OCC rules and other applicable regulatory requirements. Further, OCC clearing members meet this requirement by supervising and overseeing the activities and functions performed by third-party service providers and their personnel.[3]

With this background, and in full support of the OCC's Proposal, we offer the specific comments below.

Comment on Proposed Rule 303(a)

Proposed Rule 303(a) contains the requirement that "[e]very Clearing Member must maintain supervisory authority over all internal and third-party staff conducting business with the Corporation." While we agree that OCC Clearing Members remain obligated to comply with OCC and other regulatory requirements even when such Clearing Members engage third parties to assist them in the performance of the tasks supporting those requirements, we are concerned that the above language could be misinterpreted to suggest that OCC Clearing Members have an obligation to directly supervise third-party staff, an unrealistic task given that OCC Clearing Members would neither employ nor have control over such third-party staff. Such a misinterpretation could inadvertently be aided by the language of the Proposal which designates together both "internal and third-party staff" as the group over which the member must maintain supervisory authority.

[3] As discussed more fully with our comments below, this is the regulatory framework for outsourcing that FINRA (then known as the NASD) pioneered nearly two decades ago. In its seminal Notice to Members on Outsourcing, FINRA/NASD made clear that "outsourcing an activity or function to a third party does not relieve members of their ultimate responsibility for compliance with applicable federal securities laws and [self-regulatory organization] rules regarding the outsourced activity or function." NASD Notice to Members 05-48 (July 2005) at 1. NASD/FINRA also makes clear that "the member has a continuing responsibility to oversee, supervise, and monitor the service provider's performance of covered activities." Id. at 3. FINRA recently affirmed this guidance in Regulatory Notice 21-29: "FINRA is publishing this *Notice* to remind member firms of their obligation to establish and maintain a supervisory system, including written supervisory procedures (WSPs), for any activities and functions performed by third-party vendors." Regulatory Notice 21-29 (August 13, 2021) at 1 (emphasis in original). See also Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency, Proposed Interagency Guidance on Third-Party Relationships: Risk Management, 86 Fed. Reg. 38182 (July 19, 2021) (providing similar guidance).

To avoid such a misconstruction of the rule, we suggest that sentence be modified slightly (additions and deletions shown) to read: "Every Clearing Member must maintain supervisory authority over all internal ~~and third-party~~ staff conducting business with the Corporation and over the activities and functions performed by third-party vendors." We do not believe the proposed revision affects the OCC's intended meaning of the language originally proposed and it would aid significantly in avoiding a misinterpretation of applicable regulatory requirements. Both OCC Clearing Members interpreting the rule and the OCC staff charged with enforcing the rule would benefit from a more clear statement of an OCC Clearing Member's supervisory obligations over third-party services. In addition, those OCC Clearing Members that are also FINRA members (that is, broker-dealers) would benefit from consistent regulatory requirements and language. In this regard, FINRA specifically used the "activities and functions" language proposed in its Regulatory Notice less than two years ago.[4] Banking agencies similarly have proposed guidance including "conducting ongoing monitoring of the third party's activities and performance."[5]

We believe that the clarifying revision proposed above is the best way to avoid misconstruing this requirement in OCC Rule 303(a). If the OCC or the SEC, however, is not amenable to the clarifying revision, we urge the SEC to make clear in its approval Order that an OCC Clearing Member is required to supervise only the activities or functions performed by the third-party service provider and specifically that the OCC Clearing Member is not required to supervise directly (or register as an associated person) any staff of the third-party service provider.

Comment on Proposed Rule 303(b)

Proposed Rule 303(b) provides that "[e]very Clearing Member must employ personnel or maintain contractual arrangements with third-party service personnel who are responsible for such Clearing Member's compliance with applicable net capital, recordkeeping, and other financial, operational, and risk management rules" (emphasis added). The rule then provides that the above requirement "includes" employing or contractually arranging for the services of either a person registered as a Limited Principal Financial Operations with FINRA or a Chief Financial Officer or other qualified person, depending on the registration of the OCC Clearing Member.

[4] See Regulatory Notice 21-29 requiring FINRA members to establish supervisory systems "for any activities or functions performed by third-party vendors." Regulatory Notice 21-29 (August 13, 2021) at 1. This is consistent with FINRA/NASD's prior statements that "outsourcing an activity or function . . . does not relieve members of their ultimate responsibility for compliance with [applicable rules] regarding that outsourced activity or function." Id. at 3 (quoting NASD Notice to Members 05-48 at 1).

[5] Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency, Proposed Interagency Guidance on Third-Party Relationships: Risk Management, 86 Fed. Reg. 38182, 38185 (July 19, 2021) (emphasis added).

We are concerned that the underlined language above, coupled with the uses of the non-exclusive word "including" might suggest that a third-party service provider -- rather than the OCC Clearing Members itself -- is "responsible for such Clearing Member's compliance" with regulatory requirements. While such a reading would be inconsistent with clear statements from FINRA and other regulators (with which we understand that the OCC staff agrees) that a member cannot delegate its supervisory obligations to an outsourced third party, it could still find comfort in the plain language of the rule. To avoid any confusion, we suggest that the OCC, or the SEC in its adopting Order, clarify that this requirement applies only to an OCC Clearing Member's FinOp or Chief Financial Officer, whether the OCC Clearing Member directly employs such person or arranges for such person's services on a contracted third-party basis.

Comment on Proposed Rule 303(c)

Proposed Rule 303(c) provides that "[e]ach Clearing Member must submit to the Corporation a list of such personnel in such form as is acceptable to the Corporation, including without limitation, the names, titles, primary offices, email addresses, and business phone numbers for all such personnel." We believe that the use of the modifier "such personnel" refers back to the provision earlier in Rule 303(c) that a Clearing Member must have "an appropriate number of clearing operations personnel or adequate contractual arrangements with third-party service providers" for such purpose. Proposed Rule 303(c)(emphasis added). Accordingly, we understand (and the OCC staff has confirmed to us in separate communications) that this provision requires that an OCC Clearing Member provide only the names and other information for its own personnel and that there is no obligation to provide names or other information of third-party personnel engaged by contractual arrangement with a third-party service provider. It would be helpful for the OCC, or the SEC in its approval Order, to clarify the scope of the obligation so that OCC Clearing Members can know authoritatively that they are not required to provide information on third-party personnel that specifically may provide them third-party services.

Comment on Proposed Rule 303(d)(3)

Proposed Rule 303(d)(3) provides that any contractual agreement with a third-party service provider must "provide the Corporation with the authority and ability to perform initial and ongoing due diligence on the third-party service provider." The rule does not indicate the scope of due diligence that the OCC will perform, nor does it list that standards that a service provider must meet to satisfy the OCC's initial or ongoing due diligence. We understand from communications with the OCC staff that the OCC contemplates conducting due diligence on third-party service providers in the same manner and to the same extent that it currently conducts due diligence on those providing facilities management services under the current framework. Specifically, the Rule 303(d)(3) due diligence would consist of the OCC obtaining information from a third-party service provider on whether the provider maintains a business continuity plan, information on the provider's systems resiliency, and information similar to the Risk Questionnaire that the OCC currently obtains from Managing Clearing Members providing facilities management services under the current framework. Further, we understand (and

appreciate) that the OCC staff would require the OCC Clearing Member to provide the OCC staff with direct access to the third-party service provider during the course of the third-party provider's provision of services to the OCC Clearing Member. If the OCC or its staff seeks to conduct "initial and ongoing due diligence" beyond the scope described above or applying a standard different than it has applied with respect to facilities management services, we ask that the OCC staff clarify that point and provide OCC Clearing Members and their third-party services providers with notice and the opportunity for comment.

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We very much appreciate the opportunity to comment on the Proposal and, as indicated above, fully support the efforts of the OCC and its staff to update the framework through which OCC Clearing Members can obtain the services of third-party service providers without unnecessary financial or other barriers. If the OCC or SEC staffs have any questions regarding or otherwise wish to discuss any of our comments or recommendations above, please contact me at 516-472-5008 or by email at Adam.Behar@broadridge.com.

Respectfully submitted.

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