May 14, 2014

VIA ELECTRONIC MAIL

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

Re: Rule Filing SR-OCC-2014-10 Rule Certification

Dear Secretary Jurgens:

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

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

Explanation and Analysis

The purpose of the proposed rule change is to modify existing OCC Rules 608 and 609 (collectively, the "Rules"), which address the withdrawal of margin and deposit of intra-day margin, respectively. More specifically, OCC is proposing to modify these Rules to require that intraday margin be collected and to preclude margin assets from being withdrawn, to the extent that a clearing member's reasonably anticipated settlement obligations to OCC would exceed the liquidity resources available to OCC to satisfy such settlement obligations (a "Liquidity Situation").

OCC Rule 608 ("Rule 608") already permits OCC to prohibit margin withdrawals in a Liquidity Situation, and OCC Rule 609 ("Rule 609") already permits OCC to require the collection of intraday margin in a Liquidity Situation. In 2012,[1] OCC adopted an interpretation under each of the Rules to put clearing members on notice that OCC may refuse a margin

[1] *See* Securities Exchange Act Release No. 68308 (November 28, 2012), 77 FR 71848 (December 4, 2012) (SR-OCC-2012-21).

withdrawal request or request additional intra-day margin where a clearing member's future settlement obligations could result in a need for liquidity in excess of liquidity resources available to OCC. In adopting the interpretations, OCC made it clear that such action might be taken even though OCC has made no adverse determination as to the financial condition of the clearing member,[2] the market risk of the clearing member's positions, or the adequacy of the clearing member's total overall margin deposit in the accounts in question.

OCC further identified that a circumstance in which OCC might desire to reject a margin withdrawal request or make an intra-day margin call to ensure it had sufficient liquidity concerned the "unwinding" of a "box spread" position. A box spread position involves a combination of two long and two short options on the same underlying interest with the same expiration date that results in an amount to be paid or received upon settlement that is fixed regardless of fluctuations in the price of the underlying interest. Box spreads can be used as financing transactions, and they may require very large fixed payments upon expiration. In this situation, if much of the margin deposited by the relevant clearing member is in the form of common stock and if the clearing member failed to make the settlement payment, the available liquidity resources might be insufficient to cover the settlement obligation. In anticipation of this settlement, OCC might therefore require the clearing member to deposit intra-day margin in the form of cash, or reject a requested withdrawal of cash or U.S. Government securities, so that liquidity resources would be sufficient to cover the clearing member's obligations. Under the adopted interpretations, OCC would always include margin assets of the relevant clearing member in the form of cash in determining available liquidity resources and could, in its discretion, consider the amount of margin assets in the form of highly liquid U.S. Government securities and/or the amount that OCC would be able to borrow on short order.

Since the adoption of these interpretations, OCC has effected margin calls and precluded clearing members from withdrawing liquid forms of margin assets in three instances, each of which involved the "unwind" of a box spread.[3] In two instances, the affected clearing member had sufficient "liquid" forms of margin (i.e., cash and cash equivalents) already on deposit with OCC to meet the applicable intraday margin calls.[4] However, in the third instance, the affected clearing member did not have a sufficient amount of liquid forms of margin on deposit with

2 *See* page 3 of Securities Exchange Act Release No. 68308. Fn. 1 *supra*.

3 With respect to each of the three instances, there were several different dates on which OCC made an intraday margin call and prohibited the withdrawal of margin assets. Moreover, and with respect to the intraday margin calls, OCC required the clearing member to deposit additional cash, or cash equivalents, so that the clearing member's anticipated settlement obligation less OCC's liquid financial resources equaled the amount of the clearing member's cash, or cash equivalent, margin on deposit at OCC on the day the intraday margin call was made. In this context, OCC only considers letters of credit to be cash equivalents.

4 It is not uncommon for clearing members to deposit with OCC amounts in excess of their margin requirement.

OCC and was required to make a margin deposit in the form of cash.[5] In all of the instances, the amount of margin that OCC prohibited from being withdrawn was less than thirty percent of the affected clearing member's total margin deposit at OCC.

While the current rule authority has achieved its intended purpose, going forward, and for the protection of its clearing members and the public, OCC believes it should make the margin withdrawal prohibition and the intra-day collection of margin mandatory, not discretionary, in a Liquidity Situation. Moreover, making these actions mandatory in a Liquidity Situation would create greater certainty that OCC's liquidity resources, under such circumstances, would be sufficient to cover the clearing member's settlement obligations.

Accordingly, the proposed changes to Rules 608 and 609 would make OCC's application of the withdrawal restriction and intraday margin collection requirement non-discretionary in a Liquidity Situation. Additional amendments to Interpretation & Policy .02 to Rule 608 and Interpretation & Policy .01 to Rule 609 are designed to remove any references suggesting that the margin withdrawal restriction or intraday margin collection requirement, respectively, is discretionary.

OCC has already provided its clearing members with notification concerning the proposed rule change. In addition, OCC individually contacted the clearing members that OCC identified to be most affected by the proposed rule change. No concerns were raised.

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:

Risk Management. OCC believes that by implementing the proposed rule change it will be better able to manage the risks associated with discharging its responsibilities as a DCO as set forth in the DCO Core Principles because it will, through the use of margin requirements, limit its exposure to potential losses from large clearing member settlement obligations. In addition, the proposed rule change will also protect clearing members who do not have large settlement obligations because clearing members with large settlement obligations will be required to contribute, in the form of margin, more financial resources to OCC.

Opposing Views

No opposing views were expressed related to the rule amendments.

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5 With respect to the one instance, there were several different dates when OCC required the deposit of additional intra-day margin.

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.

Certification

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

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

Sincerely,

Stephen Szarmack
Vice President & Associate General Counsel

Enclosure

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 19b-4

Proposed Rule Change
by

THE OPTIONS CLEARING CORPORATION

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

Item 1. Text of the Proposed Rule Change

This proposed rule change by The Options Clearing Corporation ("OCC") would amend OCC's Rules to require (rather than continue to permit as a discretionary determination) that intraday margin be collected and margin assets not be withdrawn when a clearing member's reasonably anticipated settlement obligations to OCC would exceed the liquidity resources available to OCC to satisfy such settlement obligations. Proposed amendments to OCC's Rules are set forth below. Material proposed to be added is marked by underlining. Material proposed to be deleted is enclosed in bold brackets.

THE OPTIONS CLEARING CORPORATION

RULES

* * *

CHAPTER VI

Margins

* * *

Withdrawals of Margin

RULE 608. In the event that the amount of a Clearing Member's margin on deposit exceeds the amount required on a particular day, as reported by the Corporation for such day, the Corporation shall authorize the withdrawal of the amount of the excess upon the submission to the Corporation by the Clearing Member between such times as the Corporation may specify of a withdrawal request in such form as the Corporation shall prescribe. Notwithstanding the foregoing, (a) a Clearing Member may not withdraw margin in any form or currency in an amount in excess of the amount of margin of that form or currency deposited in the account from which the withdrawal is made, (b) a Clearing Member may not withdraw margin in any form or currency if such withdrawal would result in the Clearing Member's reasonably anticipated settlement obligations to the Corporation exceeding the liquidity resources available to satisfy such settlement obligations, as determined by the Corporation in its discretion, and **[**(b)**]** (c) the

Corporation may, if it deems it advisable for any of the reasons described in Rule 609, reject any [such] withdrawal request. In the event of any such rejection, credit shall continue to be given for any margin deposit in respect of which withdrawal was rejected until such time as the withdrawal of such margin deposit is authorized.

. . . Interpretations and Policies:

.01 [No change]

.02 [Situations in which the Corporation may reject a Clearing Member's request to withdraw margin from any of the Clearing Member's accounts pursuant to Rule 608 include, but are not limited to, those in which the Corporation determines in its discretion that the Clearing Member's reasonably anticipated settlement obligations to the Corporation would exceed the liquidity resources available to satisfy such settlement obligations.] For purposes of <u>determining whether a Clearing Member's reasonably anticipated settlement obligations to the Corporation would exceed the liquidity resources available to the Corporation to satisfy such settlement obligations</u> [such determination], the Corporation shall consider as liquidity resources the margin assets remaining on deposit with respect to such account that are in the form of U.S. dollars and may, in its discretion, consider the amount remaining on deposit with respect to such Clearing Member's account that are in the form of U.S. Government securities and/or the Corporation's other available liquidity resources. In situations in which the anticipated settlement obligations exceed the liquidity resources available, the Corporation [may] <u>shall</u> reject a withdrawal of margin assets in the form of U.S. dollars and, if it has considered such assets in calculating the Corporation's liquidity resources, in the form of U.S. Government securities.

* * *

Intra-Day Margin

RULE 609. The Corporation may require the deposit of such additional margin ("intra-day margin") by any Clearing Member in any account at any time during any business day, as such officer deems advisable to reflect changes in (i) the market price during such day of any series of options held in a short position in such account or of any underlying interest underlying any cleared security (including an exercised option) in such account or of any Loaned Stock that is the subject of a stock loan or borrow position in such account, (ii) the size of such Clearing Member's positions in cleared securities or stock loan or borrow positions, (iii) the value of securities deposited by the Clearing Member as margin, or (iv) the financial position of the Clearing Member, or otherwise to protect the Corporation, other Clearing Members or the general public. <u>The Corporation shall require the deposit of intra-day margin by a Clearing Member in the event that the Corporation, in its discretion, determines that the Clearing Member's reasonably anticipated settlement obligations to the Corporation would exceed the</u>

liquidity resources available to satisfy such settlement obligations. [Such] A Clearing Member shall satisfy a required deposit of intra-day margin in immediately available funds within the time prescribed by such officer or, in the absence thereof, within one hour of the Corporation's issuance of an instruction debiting the applicable bank account of the Clearing Member.

. . . Interpretations and Policies:

.01 [Situations in which the Corporation may require the deposit of intra-day margin by a Clearing Member in any of its accounts pursuant to Rule 609 include, but are not limited to, those in which the Corporation determines in its discretion that the Clearing Member's reasonably anticipated settlement obligations to the Corporation would exceed the liquidity resources available to satisfy such settlement obligations.] For purposes of determining whether a Clearing Member's reasonably anticipated settlement obligations to the Corporation would exceed the liquidity resources available to the Corporation to satisfy such settlement obligations [such determination], the Corporation shall consider as liquidity resources the margin assets remaining on deposit with respect to such account that are in the form of U.S. dollars and may, in its discretion, consider the amount remaining on deposit with respect to such Clearing Member's account that are in the form of U.S. Government securities and/or the Corporation's other available liquidity resources.

Item 2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved for filing with the Commission by the Board of Directors of OCC at a meeting held on July 23, 2013.

Questions should be addressed to Stephen Szarmack, Vice President and Associate General Counsel, at (312) 322-4802.

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

A. Purpose

The purpose of the proposed rule change is to modify existing OCC Rules 608 and 609 (collectively, the "Rules"), which address the withdrawal of margin and deposit of intra-day margin, respectively. More specifically, OCC is proposing to modify these Rules to require that intraday margin be collected and to preclude margin assets from being withdrawn, to the extent that a clearing member's reasonably anticipated settlement obligations to OCC would exceed the liquidity resources available to OCC to satisfy such settlement obligations (a "Liquidity Situation").

OCC Rule 608 ("Rule 608") already permits OCC to prohibit margin withdrawals in a Liquidity Situation, and OCC Rule 609 ("Rule 609") already permits OCC to require the collection of intraday margin in a Liquidity Situation. In 2012,[1] OCC adopted an interpretation under each of the Rules to put clearing members on notice that OCC may refuse a margin withdrawal request or request additional intra-day margin where a clearing member's future settlement obligations could result in a need for liquidity in excess of liquidity resources available to OCC. In adopting the interpretations, OCC made it clear that such action might be taken even though OCC has made no adverse determination as to the financial condition of the clearing member,[2] the market risk of the clearing member's positions, or the adequacy of the clearing member's total overall margin deposit in the accounts in question.

OCC further identified that a circumstance in which OCC might desire to reject a margin withdrawal request or make an intra-day margin call to ensure it had sufficient liquidity concerned the "unwinding" of a "box spread" position. A box spread position involves a combination of two long and two short options on the same underlying interest with the same expiration date that results in an amount to be paid or received upon settlement that is fixed regardless of fluctuations in the price of the underlying interest. Box spreads can be used as

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2 *See* page 3 of Securities Exchange Act Release No. 68308. Fn. 1 *supra*.

financing transactions, and they may require very large fixed payments upon expiration. In this situation, if much of the margin deposited by the relevant clearing member is in the form of common stock and if the clearing member failed to make the settlement payment, the available liquidity resources might be insufficient to cover the settlement obligation. In anticipation of this settlement, OCC might therefore require the clearing member to deposit intra-day margin in the form of cash, or reject a requested withdrawal of cash or U.S. Government securities, so that liquidity resources would be sufficient to cover the clearing member's obligations. Under the adopted interpretations, OCC would always include margin assets of the relevant clearing member in the form of cash in determining available liquidity resources and could, in its discretion, consider the amount of margin assets in the form of highly liquid U.S. Government securities and/or the amount that OCC would be able to borrow on short order.

Since the adoption of these interpretations, OCC has effected margin calls and precluded clearing members from withdrawing liquid forms of margin assets in three instances, each of which involved the "unwind" of a box spread.[3] In two instances, the affected clearing member had sufficient "liquid" forms of margin (i.e., cash and cash equivalents) already on

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[3] With respect to each of the three instances, there were several different dates on which OCC made an intraday margin call and prohibited the withdrawal of margin assets. Moreover, and with respect to the intraday margin calls, OCC required the clearing member to deposit additional cash, or cash equivalents, so that the clearing member's anticipated settlement obligation less OCC's liquid financial resources equaled the amount of the clearing member's cash, or cash equivalent, margin on deposit at OCC on the day the intraday margin call was made. In this context, OCC only considers letters of credit to be cash equivalents.

deposit with OCC to meet the applicable intraday margin calls.[4] However, in the third instance, the affected clearing member did not have a sufficient amount of liquid forms of margin on deposit with OCC and was required to make a margin deposit in the form of cash.[5] In all of the instances, the amount of margin that OCC prohibited from being withdrawn was less than thirty percent of the affected clearing member's total margin deposit at OCC.

While the current rule authority has achieved its intended purpose, going forward, and for the protection of its clearing members and the public, OCC believes it should make the margin withdrawal prohibition and the intra-day collection of margin mandatory, not discretionary, in a Liquidity Situation. Moreover, making these actions mandatory in a Liquidity Situation would create greater certainty that OCC's liquidity resources, under such circumstances, would be sufficient to cover the clearing member's settlement obligations.

Accordingly, the proposed changes to Rules 608 and 609 would make OCC's application of the withdrawal restriction and intraday margin collection requirement non-discretionary in a Liquidity Situation. Additional amendments to Interpretation & Policy .02 to Rule 608 and Interpretation & Policy .01 to Rule 609 are designed to remove any references suggesting that the margin withdrawal restriction or intraday margin collection requirement, respectively, is discretionary.

OCC has already provided its clearing members with notification concerning the

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5 With respect to the one instance, there were several different dates when OCC required the deposit of additional intra-day margin.

proposed rule change. In addition, OCC individually contacted the clearing members that OCC identified to be most affected by the proposed rule change. No concerns were raised.

B. Statutory Basis

OCC believes the proposed rule change is consistent with Section 17A(b)(3)(F) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"),[6] and the rules and regulations thereunder, including Rule 17Ad-22(b)(3),[7] because the proposed rule change provides for the safeguarding of securities and funds in the custody and control of OCC for which it is responsible as well as ensuring that OCC maintains sufficient liquid financial resources to withstand the default of a clearing member to which it has the largest exposure in extreme, but plausible, market conditions. The proposed change will enhance OCC's margin policies by making certain intra-day margin calls and certain prohibitions of margin withdrawals mandatory rather than discretionary, thereby strengthening OCC's risk management process as its relates to OCC's access to financial resources with minimal delay in the event of clearing member default (including the default of the clearing member to which OCC has the largest exposure) in extreme, but plausible, market conditions. Improving OCC's available liquid financial resources enhances OCC's financial stability and, consequently, reduces systemic risk within the financial system as a whole. Additionally, making the margin withdrawal restriction and intraday margin collection requirements mandatory, rather than applied only at OCC's

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6 15 U.S.C. 78q-1(b)(3)(F).

7 17 CFR 240.17Ad-22(b)(3).

discretion, furthers the goal of Rule 17Ad-22(d)(1)[8] by ensuring that OCC will maintain written policies and procedures that provide for a well-founded, transparent, and enforceable legal framework for its activities. 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**

OCC does not believe that the proposed rule change would impose a burden on competition.[9] This proposed rule change affects OCC clearing members and OCC believes that the proposed rule change would not disadvantage or favor any particular clearing member in relationship to another clearing member because the non-discretionary margin collection requirements and margin withdrawal restrictions will be applied equally to every clearing member in a Liquidity Situation. Accordingly, the proposed rule change will not 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 rule change and none have been received.

Item 6. **Extension of Time Period for Commission Action**

Not applicable.

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8 17 CFR 240.17Ad-22(d)(1).

9 15 U.S.C. 78q-1(b)(3)(I).

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)**

Pursuant to Section 19(b)(3)(A) of the Exchange Act[10] and Rule 19b-4(f)(1) thereunder,[11] the proposed rule change is filed for immediate effectiveness inasmuch as it constitutes a stated policy, practice or interpretation with respect to the meaning, administration, or enforcement of an existing rule. As described above, the proposed rule change makes certain existing interpretations to the Rules governing margin withdrawals and intra-day margin calls mandatory rather than discretionary. At any time within 60 days of the filing of this rule change, the Commission summarily may temporarily suspend the rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of the Exchange Act.[12]

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.

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10 15 U.S.C. 78s(b)(3)(A).

11 17 CFR 240.19b-4(f)(1).

12 Notwithstanding the foregoing, implementation of this rule change will be delayed until this rule change is deemed certified under CFTC Regulation §40.6.

Item 11. **Exhibits**

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

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: Stephen Szarmack
Stephen Szarmack
Vice President and Associate General Counsel

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[______________]; File No. SR-OCC-2014-10)

May 14, 2014

Clearing Agency; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change to Require That Intraday Margin be Collected and Margin Assets Not be Withdrawn When a Clearing Member's Reasonably Anticipated Settlement Obligations to OCC Would Exceed the Liquidity Resources Available to OCC to Satisfy Such Settlement Obligations.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder[2] notice is hereby given that on May 14, 2014, 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. OCC filed the proposed rule change pursuant to Section 19(b)(3)(A)[3] of the Act and Rule 19b-4(f)(1)[4] thereunder.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

This proposed rule change by OCC would amend OCC's Rules to require (rather than continue to permit as a discretionary determination) that intraday margin be collected and margin assets not be withdrawn when a clearing member's reasonably anticipated settlement obligations to OCC would exceed the liquidity resources available to OCC to satisfy such settlement obligations.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 15 U.S.C. 78s(b)(3)(A).

4 17 CFR 240.19b-4(f)(1).

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to modify existing OCC Rules 608 and 609 (collectively, the "Rules"), which address the withdrawal of margin and deposit of intra-day margin, respectively. More specifically, OCC is proposing to modify these Rules to require that intraday margin be collected and to preclude margin assets from being withdrawn, to the extent that a clearing member's reasonably anticipated settlement obligations to OCC would exceed the liquidity resources available to OCC to satisfy such settlement obligations (a "Liquidity Situation").

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settlement obligations could result in a need for liquidity in excess of liquidity resources available to OCC. In adopting the interpretations, OCC made it clear that such action might be taken even though OCC has made no adverse determination as to the financial condition of the clearing member,[6] the market risk of the clearing member's positions, or the adequacy of the clearing member's total overall margin deposit in the accounts in question.

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6 *See* page 3 of Securities Exchange Act Release No. 68308. Fn. 1 *supra*.

discretion, consider the amount of margin assets in the form of highly liquid U.S. Government securities and/or the amount that OCC would be able to borrow on short order.

Since the adoption of these interpretations, OCC has effected margin calls and precluded clearing members from withdrawing liquid forms of margin assets in three instances, each of which involved the "unwind" of a box spread.[7] In two instances, the affected clearing member had sufficient "liquid" forms of margin (i.e., cash and cash equivalents) already on deposit with OCC to meet the applicable intraday margin calls.[8] However, in the third instance, the affected clearing member did not have a sufficient amount of liquid forms of margin on deposit with OCC and was required to make a margin deposit in the form of cash.[9] In all of the instances, the amount of margin that OCC prohibited from being withdrawn was less than thirty percent of the affected clearing member's total margin deposit at OCC.

While the current rule authority has achieved its intended purpose, going forward, and for the protection of its clearing members and the public, OCC believes it should make the margin withdrawal prohibition and the intra-day collection of margin mandatory, not discretionary, in a Liquidity Situation. Moreover, making these actions mandatory in a Liquidity

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7 With respect to each of the three instances, there were several different dates on which OCC made an intraday margin call and prohibited the withdrawal of margin assets. Moreover, and with respect to the intraday margin calls, OCC required the clearing member to deposit additional cash, or cash equivalents, so that the clearing member's anticipated settlement obligation less OCC's liquid financial resources equaled the amount of the clearing member's cash, or cash equivalent, margin on deposit at OCC on the day the intraday margin call was made. In this context, OCC only considers letters of credit to be cash equivalents.

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9 With respect to the one instance, there were several different dates when OCC required the deposit of additional intra-day margin.

Situation would create greater certainty that OCC's liquidity resources, under such circumstances, would be sufficient to cover the clearing member's settlement obligations.

Accordingly, the proposed changes to Rules 608 and 609 would make OCC's application of the withdrawal restriction and intraday margin collection requirement non-discretionary in a Liquidity Situation. Additional amendments to Interpretation & Policy .02 to Rule 608 and Interpretation & Policy .01 to Rule 609 are designed to remove any references suggesting that the margin withdrawal restriction or intraday margin collection requirement, respectively, is discretionary.

OCC has already provided its clearing members with notification concerning the proposed rule change. In addition, OCC individually contacted the clearing members that OCC identified to be most affected by the proposed rule change. No concerns were raised.

2. Statutory Basis

OCC believes the proposed rule change is consistent with Section 17A(b)(3)(F) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"),[10] and the rules and regulations thereunder, including Rule 17Ad-22(b)(3),[11] because the proposed rule change provides for the safeguarding of securities and funds in the custody and control of OCC for which it is responsible as well as ensuring that OCC maintains sufficient liquid financial resources to withstand the default of a clearing member to which it has the largest exposure in extreme, but plausible, market conditions. The proposed change will enhance OCC's margin policies by making certain intra-day margin calls and certain prohibitions of margin withdrawals

[10] 15 U.S.C. 78q-1(b)(3)(F).

[11] 17 CFR 240.17Ad-22(b)(3).

mandatory rather than discretionary, thereby strengthening OCC's risk management process as its relates to OCC's access to financial resources with minimal delay in the event of clearing member default (including the default of the clearing member to which OCC has the largest exposure) in extreme, but plausible, market conditions. Improving OCC's available liquid financial resources enhances OCC's financial stability and, consequently, reduces systemic risk within the financial system as a whole. Additionally, making the margin withdrawal restriction and intraday margin collection requirements mandatory, rather than applied only at OCC's discretion, furthers the goal of Rule 17Ad-22(d)(1)[12] by ensuring that OCC will maintain written policies and procedures that provide for a well-founded, transparent, and enforceable legal framework for its activities. The proposed rule change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

(B) <u>Clearing Agency's Statement on Burden on Competition</u>

OCC does not believe that the proposed rule change would impose a burden on competition.[13] This proposed rule change affects OCC clearing members and OCC believes that the proposed rule change would not disadvantage or favor any particular clearing member in relationship to another clearing member because the non-discretionary margin collection requirements and margin withdrawal restrictions will be applied equally to every clearing member in a Liquidity Situation. Accordingly, the proposed rule change will not impose any burden on competition.

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[12] 17 CFR 240.17Ad-22(d)(1).

[13] 15 U.S.C. 78q-1(b)(3)(I).

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

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

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

Pursuant to Section 19(b)(3)(A) of the Exchange Act[14] and Rule 19b-4(f)(1) thereunder,[15] the proposed rule change is filed for immediate effectiveness inasmuch as it constitutes a stated policy, practice or interpretation with respect to the meaning, administration, or enforcement of an existing rule. As described above, the proposed rule change makes certain existing interpretations to the Rules governing margin withdrawals and intra-day margin calls mandatory rather than discretionary. At any time within 60 days of the filing of this rule change, the Commission summarily may temporarily suspend the rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of the Exchange Act.[16]

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:

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14 15 U.S.C. 78s(b)(3)(A).

15 17 CFR 240.19b-4(f)(1).

16 Notwithstanding the foregoing, implementation of this rule change will be delayed until this rule change is deemed certified under CFTC Regulation §40.6.

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. Please include File Number SR-OCC-2014-10 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-OCC-2014-10. 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 Section, 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 http://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-2014-10 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.[17]

Kevin M. O'Neill
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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17 17 CFR 200.30-3(a)(12).