



April 12, 2016

Via Electronic Mail (rule-comments@sec.gov)

Robert W. Errett, Deputy Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: File No. SR-OCC-2016-004; Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change Related to the Adoption of an Options Exchange Risk Control Standards Policy

Dear Mr. Errett:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates the opportunity to comment on the above referenced proposed rule change filed with the Securities and Exchange Commission (“SEC”) by The Options Clearing Corporation (“OCC”).² In its rule filing, OCC proposes to adopt a new Options Exchange Risk Control Standards Policy (“Policy”), which details OCC’s policy for addressing the potential risks arising from erroneous trades executed on an options exchange that has not demonstrated the existence of certain risk controls (“Risk Controls”) that are consistent with a set of principles-based risk control standards (“Risk Control Standards”) developed by OCC in consultation with the exchanges³. For the reasons outlined below, SIFMA supports OCC’s request to create Risk Control Standards.

OCC is proposing that Listed-Option Exchanges create a set of Risk Controls that meet the Risk Control Standards in four categories: 1) price reasonability checks; 2) drill through protections; 3) activity-based protections and 4) kill switch protections. OCC’s proposed policy will encourage Options Exchanges to develop and implement risk controls in these four categories since OCC will require that the Options Exchanges

¹ The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

² See Securities Exchange Act Release No. 34-77358 (March 14, 2016), 81 FR 14921 (March 18, 2016)

³ *Id.*

complete a certification process. This process will verify that each entity has the mandated Risk Controls in production, in coordination with OCC's timeline. SIFMA is a strong proponent of improved risk management tools that are designed to alleviate the risk that arises from erroneous trades and are "complementary to efforts undertaken by the Commission to strengthen critical market infrastructure and improve its resilience, consistent with current Commission requirements, international guidance, and in furtherance of remarks made by Chair White... to encourage self-regulatory organizations to consider such complementary efforts⁴".

SIFMA promotes the safety and soundness of the listed-options market, and supports strong operational standards and financial safeguards. SIFMA believes that this can be achieved through an effective risk management control infrastructure at an Options Exchange. Enhanced tools and capabilities benefit all market participants. The OCC proposal provides strong incentives for Options Exchanges to comply with the new requirements since non-compliance with the requirements will be punitive to Clearing Members transacting on that Exchange.

SIFMA recognizes the critical role that the clearance and settlement system plays in the financial markets, including the listed-options market. OCC's proposal, combined with the requirements under Exchange Act Rule 15c3-5 ("Market Access Rule") advances a strong, centralized structure of risk controls. This should minimize the likelihood of erroneous transactions occurring and thereby, reduce risk. SIFMA further recognizes that strong and resilient markets promote investor trust and confidence.

For the reasons set forth above, SIFMA supports OCC's proposed rule.

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SIFMA greatly appreciates the SEC's consideration of SIFMA's comments in reference to the above. If you have any questions, please do not hesitate to contact me at (212) 313-1287 or egreene@sifma.org.

Respectfully Submitted,



Ellen Greene
Managing Director

⁴ *Id.* at 14922

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cc: Mary Jo White, Chairman
Michael S. Piwowar, Commissioner
Kara M. Stein, Commissioner

Stephen Luparello, Director, Division of Trading and Markets
Gary Goldsholle, Deputy Director, Division of Trading and Markets
David S. Shillman, Associate Director, Division of Trading and Markets

Michael McClain, President and Chief Operating Officer, OCC