



Joseph P. Kamnik
Senior Vice President
and General Counsel

July 5, 2016

Via Electronic Mail

Mr. Christopher J. Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: Notice of Proposed Order and Request for Comment on a Proposal to Exempt, Pursuant to the Authority in Section 4(c) of the Commodity Exchange Act, the Federal Reserve Banks From Sections 4d and 22 of the Commodity Exchange Act

Dear Mr. Kirkpatrick:

The Options Clearing Corporation (“OCC”) appreciates the opportunity to comment on the Commission’s proposed order¹ (the “Proposal”) to exempt Federal Reserve Banks (“FRBs”) from Sections 4d and 22 of the Commodity Exchange Act (“CEA”). We support the Commission’s decision to propose this relief, as we agree that promoting the establishment of segregated customer accounts at FRBs by systemically important derivatives clearing organizations (“SIDCOs”) would enhance the protection of customer funds and further the purposes of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”). However, we urge the Commission to expand this relief so that it applies to FRBs with respect to the accounts of *all* systemically important financial market utilities (“SIFMUs”) that are registered derivatives clearing organizations (“DCOs”), and not just those for which the CFTC is the supervisory agency.

OCC is registered as a DCO with the Commission and as a clearing agency with the Securities and Exchange Commission (“SEC”),² and it has been designated as a SIFMU by the Financial Stability Oversight Council under Title VIII of the Dodd-Frank Act. For purposes of Title VIII, the SEC is OCC’s “supervisory agency,” and as a result OCC is not labeled a “SIDCO” under applicable CFTC regulations.

¹ 81 FR 35337 (June 2, 2016).

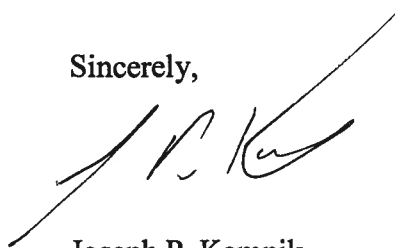
² OCC clears and settles all listed options transactions on U.S. options exchanges, as well as security futures and other securities contracts under SEC jurisdiction, and commodity futures and commodity options under CFTC jurisdiction.

Consequently, even though OCC is a SIFMU that is also a DCO, an FRB would not qualify for the Proposal's relief with respect to an OCC segregated customer account, thereby effectively denying OCC the ability to deposit its futures customer funds at an FRB and depriving OCC's clearing members and their customers of the added protections that would otherwise be available to them. We are unaware of any reason FRBs should be ineligible for this relief with respect to an OCC segregated customer account simply because OCC is not labeled a SIDCO. Title VIII of the Dodd-Frank Act supports FRBs acting as depositories for all SIFMUs³ – not just SIDCOs – because the public has a keen interest in lowering the credit and liquidity risks that SIFMUs face, thereby strengthening the SIFMUs' ability to meet their cash obligations to members during stressed market conditions. Denying OCC the opportunity to deposit segregated customer funds in an FRB account would undermine this purpose of Title VIII.

Not only would denying OCC this opportunity undermine the purpose of Title VIII, but such an action would also place OCC at an unjustified competitive disadvantage with respect to other SIFMUs that hold segregated customer funds associated with futures clearing. Furthermore, the risk mitigation offered by holding funds at an FRB instead of a commercial bank would be lost for these customers solely as a result of an unnecessary – and non-substantive – narrowing of the class for which the exemption would apply. The CFTC is the only regulator that can remedy this inequitable situation, because OCC's supervisory agency, the SEC, does not have the authority to provide an exemption from the CEA's futures customer protection provisions.

We appreciate the opportunity to provide the foregoing comments to the Commission. If you have any questions regarding our comments, please do not hesitate to contact the undersigned at 312.322.7570.

Sincerely,



Joseph P. Kamnik
Senior Vice President and General Counsel

cc: Timothy G. Massad
Chairman
Commodity Futures Trading Commission

Sharon Y. Bowen
Commissioner

J. Christopher Giancarlo
Commissioner

³ Section 806(a) of the Dodd-Frank Act, Public Law 111-203, 124 Stat. 1376 (2010).