OCC THE FOUNDATION FOR SECURE MARKETS®

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Via Electronic Submission

Mr. Christopher Kirkpatrick
Secretary of the Commission
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st St. N.W.
Washington, DC 20581

Re: **Inaugural Meeting of the Innovation Advisory Committee**

The Options Clearing Corporation ("OCC") commends Chairman Selig and the Commodity Futures Trading Commission ("CFTC" or "Commission") for establishing the Innovation Advisory Committee ("IAC" or "Committee"), and is honored to serve as a member of the Committee. OCC offers these comments to expand upon the themes it raised at the inaugural meeting held on August 20, 2026 and appreciates the opportunity to submit this statement for the public record in connection with the IAC meeting.

OCC operates as a central counterparty ("CCP") under the jurisdiction of both the CFTC and the Securities and Exchange Commission ("SEC"). As a registered Subpart C derivatives clearing organization ("DCO") under the CFTC's jurisdiction, OCC clears and settles transactions in futures and options on futures. As a registered clearing agency under the SEC's jurisdiction, OCC is the sole clearing agency for equity options listed on national securities exchanges. OCC also provides central counterparty clearing and settlement services for securities lending transactions. OCC has been designated by the Financial Stability Oversight Council as a systemically important financial market utility ("SIFMU") under Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act and is subject to prudential regulation by the Federal Reserve Board. OCC operates as a market utility and is owned by five options exchanges.

OCC has supported safe innovation and growth for over 53 years and continues to do so today. As part of that growth, OCC continues to expand access to central clearing and the benefits clearing provides. OCC clears for over 20 exchanges across futures and equity options and throughout 2026, will expand operations to include three new exchanges. Further, since the beginning of 2025, OCC has welcomed 10 new clearing members and expanded the products numerous others are authorized to clear. This continued expansion underscores OCC's commitment to strengthening the resilience and stability of the financial industry through responsible innovation and prudent risk management.

OCC's comments are informed by its position as a dual registrant of both the CFTC and the SEC and guided by four principles: that regulation should be determined by the activity performed and the risk it presents, not on the technology used or the label affixed to the product; that regulatory clarity is itself a benefit to market participants; that harmonization between the CFTC and SEC can reduce duplication, without lowering any standard; and that innovation is best measured by its contribution to the resiliency of the financial system. OCC applies these principles to the topics discussed below and to the cross-cutting question of interagency harmonization.

Same Activity, Same Risk, Same Regulatory Outcome

OCC believes it is a foundational principle that where a market participant performs the same activity and brings the same risk, it should be subject to the same regulatory outcome as a traditional registrant, regardless of the technology used or the label affixed to the product. The existing frameworks governing clearing and market intermediation are sound and have been tested under real market stress. Further, the existing frameworks, especially the CFTC's principles-based regulations, allow for responsible innovation that simultaneously complies with existing regulations. If a new technology can be applied to improve efficiency or risk management, the incumbent framework can acknowledge that without the need for new regulations or exemptions.

Both crypto assets and artificial intelligence ("AI") are examples of innovative technologies that can be applied within the existing regulatory framework. OCC currently clears crypto asset products regulated as securities under the SEC's jurisdiction and has previously cleared bitcoin futures under the CFTC's jurisdiction. In both cases, the products fit within existing regulatory frameworks, notwithstanding their innovative nature. Similarly, many market participants, including OCC, are exploring the possibility of using tokenized assets as collateral while ensuring those assets are available and accessible when needed. While the technology underlying the collateral is innovative, the existing regulatory structure is well suited to accommodate these new assets. The Commission's Guidance on Tokenized Collateral[1] provides a strong example of how current rules can be applied to this new technology. The existing standards around, among other topics, credit and liquidity risks, legal enforceability, and collateral haircuts can be applied to tokenized assets to evaluate whether or not those assets are appropriate to be accepted as margin collateral.

Similarly, OCC's experience with AI suggests that existing supervisory principles governing IT security, model-risk management, third-party risk management, change management, and testing already reach most applications of AI. OCC is actively exploring AI models, agentic and otherwise, to drive efficiencies across its risk, operations, and control functions, in each case paired with strong governance and risk controls. In OCC's view, the most compelling near-term application of AI for a clearinghouse is cyber defense: newer classes of models, and agentic models in particular, can monitor, triage, and respond at machine speed, compressing the interval between the detection of a threat and its containment. Adversaries are already deploying these tools; defenders must be able to as well. OCC has consistently engaged with the CFTC, SEC,

[1] *Tokenized Collateral Guidance*, CFTC Letter No. 25-39 (Dec. 8, 2025) available at https://www.cftc.gov/csl/25-39/download.

and other public sector bodies on its AI implementation as best practices continue to develop. Based on OCC's experience, clarifying how existing regulations apply would be more beneficial, and less disruptive, than constructing a parallel regime.

Regulatory Clarity and Harmonization

OCC believes that regulatory clarity and harmonization around new and innovative products, such as event contracts, are important for market participants. Under the framework established by Congress, economically similar event-style contracts can fall under different regulatory classifications based on the structure of the contract. These contracts are typically categorized as swaps, security-based swaps, or securities. As described more fully in its August 24, 2026, comment letter, OCC believes this reality leads to two important conclusions, that the CFTC and SEC should continue to adhere to the contract definitions established by Congress and that further harmonization would be beneficial to these markets and avoid the possibility of regulatory arbitrage.[2] The bifurcated regulatory structure for event-style contracts highlights the importance of the CFTC and SEC's work to further implement and harmonize rules. For example, a framework for portfolio margining could provide market participants the ability to commingle (separately for proprietary and customer positions) the products and the corresponding collateral that fall under the jurisdiction of both Commissions together in a single account delivering important risk management and capital efficiency benefits to market participants. OCC commends the two Commissions on their efforts in this regard and believes the efforts can bring about positive results for the financial system.

Innovation's Contribution to Resiliency

OCC believes that innovation must be responsible and should not undermine the resiliency of the financial system that the Commission's regulatory framework and market participants have long supported and protected. Based on this, OCC has previously expressed concerns about direct clearing models.[3] These models do not rely on futures commission merchants as intermediaries to provide market participants with access to a DCO or to guarantee the performance of those market participants to the DCO. The intermediated clearing model provides for robust risk management and has served derivatives markets well. OCC's intermediary clearing members deploy their assets in the form of capital held on their balance sheets as well as margin and clearing fund deposits held by OCC to eliminate a customer's default before it impacts the broader market. Direct clearing DCOs, in which retail traders are themselves clearing members, do not provide the same risk management as the intermediated model. Therefore, if event contracts are permitted to trade on margin, that permission should be limited to intermediated markets. OCC also cautions that auto-liquidation is not necessarily a substitute for

[2] *See* OCC Comment Letter Re: Joint Request for Comment on Further Definition of "Swap" and "Security-Based Swap" and on Alternative Compliance (Aug. 24, 2026) available at https://www.regulations.gov/comment/CFTC-2026-1355-0035.

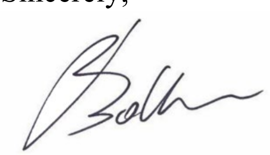
[3] *See* OCC Comment Letter Re: CFTC Advanced Notice of Proposed Rulemaking on Prediction Markets (Apr. 30, 2026), available at https://www.regulations.gov/comment/CFTC-2026-0331-1875; *See also* OCC previously addressed related concerns in its Comment Letter Re: CFTC Request for Comment on the Direct Clearing of Derivatives by Retail Participants (Feb. 27, 2026), available at https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=114033&SearchText=.

intermediation: it depends on liquidity at the precise moment liquidity can be scarce and can amplify volatility through cascading liquidations. Intermediated default management programs, like OCC's, are built and tested to maintain market resilience when multiple crises occur simultaneously. Non-intermediated solutions, on the other hand, may not provide this level of support to market resilience during a crisis and therefore should be carefully and thoroughly evaluated before they are implemented on a large scale.

Conclusion

OCC believes in innovation wholeheartedly and evaluates it by what it contributes to the resiliency and risk management of the financial system. The right question to ask of any innovation is therefore not whether it is new, but whether it strengthens or weakens the system's ability to withstand stress. OCC appreciates the opportunity to comment, commends the Commission for establishing the Innovation Advisory Committee, and remains available to assist the Commission and the Committee in their important work.

Sincerely,



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