



The Options Clearing Corporation (OCC) welcomes the opportunity to submit these comments on the draft implementing regulation (Draft Regulation) that would extend to December 15, 2017 the transitional periods related to own funds requirements for exposures to central counterparties (CCPs). OCC is directly impacted by the Draft Regulation as a U.S.-based CCP that applied for recognition status (Recognition) with the European Securities and Markets Authority (ESMA). As we noted in our prior comment on the last implementing regulation that extended the transitional periods to June 15, 2017, OCC wholeheartedly agrees with the concerns expressed in the Draft Regulation that European institutions could be harmed and markets could be disrupted if the transitional periods are not extended. OCC therefore is strongly in favor of the European Commission (EC) adopting the Draft Regulation, and also strongly encourages the EC to further extend the transitional periods beyond December 15, 2017 as necessary.

As the sole clearinghouse for the U.S. listed options market, OCC's clearing members include some of the largest banks in the world by asset size, including a number of members affiliated with European banks or other European financial institutions (European Members). Under the European Market Infrastructure Regulation (EMIR), third country CCPs such as OCC must receive Recognition from ESMA in order to, among other things, be deemed a Qualifying Central Counterparty (QCCP) under the EU Capital Requirements Regulation (CRR). The consequences for OCC not receiving Recognition are severe, and would include an uneconomical increase in the amount of capital that European Members are required to hold with respect to their exposures to OCC and the exposures of their clients subject to the CRR to OCC.

To avoid this outcome, and to continue to facilitate the vital role that our European Members and European market participants play in the derivatives markets for which we clear, OCC applied for Recognition with ESMA in September 2013. The next step in the Recognition process is for the EC to make a determination that the regulatory regime in OCC's home country imposes requirements equivalent to those required by EMIR. For OCC, which is primarily regulated by the Securities and Exchange Commission (SEC), we understand that such a determination would need to be made with regard to the CCP regulatory regime of the SEC. The EC made such a determination for the CCP regulatory regime of the Commodity Futures Trading Commission in February of 2016, but it has not done so yet for the SEC's CCP regulatory regime. Once such a determination is made, ESMA will be able to move forward with OCC's application for Recognition.

It is therefore critical for the EC to extend the date by which the CRR capital requirements noted above become effective to give this process sufficient time. Without the extension provided by the Draft Regulation, OCC is very concerned that the increases in capital charges faced by our European Members may force them and impacted market participants to exit the U.S. listed options market, resulting in a loss of liquidity in the options and underlying stock markets and needlessly diverting capital to other types of investment products.

We thank you for the opportunity to submit these comments, and are happy to discuss them with you.