

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-100147; File No. SR-OCC-2024-006)

May 15, 2024

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change by The Options Clearing Corporation Concerning Amendments to Its Rules and Comprehensive Stress Testing & Clearing Fund Methodology, and Liquidity Risk Management Description

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 2, 2024, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by OCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

This proposed rule change would (1) implement additional stress scenarios designed to test the sufficiency of its prefunded financial resources and (2) amend OCC’s Rules to provide greater context and detail on margin collection and Clearing Fund sizing that may result from this type of sufficiency stress testing. The proposed changes to OCC’s (A) Comprehensive Stress Testing & Clearing Fund Methodology, and Liquidity Risk Management Description (“Methodology Description”); and (B) Rules are included in Exhibits 5A and 5B [sic] to filing SR-OCC-2024-006. Material proposed to be added is underlined and material proposed to be deleted is marked in strikethrough text. All

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

capitalized terms not defined herein have the same meaning as set forth in the OCC By-Laws and Rules.³

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

As the sole clearing agency for standardized equity options listed on a national securities exchange registered with the Commission, and for the other products it clears, OCC is exposed to certain risks, including credit risk and liquidity risk arising from its Clearing Members' cleared contracts, for which OCC becomes the buyer to every seller and the seller to every buyer. The management of credit and liquidity risks are essential elements of OCC's risk management framework. Given the critical role OCC plays within the U.S. financial markets, it is vital that OCC maintains sufficient financial resources to cover its exposures under normal and stressed conditions and adequate resources to satisfy liquidity needs arising from its settlement obligations. OCC manages its credit risk related to Clearing Members by collecting margin and Clearing Fund resources based on a Clearing Member's risk profile. OCC manages its liquidity risk by maintaining a reliable and diverse set of committed resources and liquidity providers,

³ OCC's By-Laws and Rules can be found on OCC's public website: <https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules>.

establishing a contingent funding plan for additional resources, and performing stress testing that covers a wide range of scenarios.

OCC performs daily stress testing of its financial resources using a wide range of scenarios. OCC's stress testing inventory contains, among others, scenarios⁴ designed to measure the potential exposures that Clearing Member Group portfolios present relative to OCC's credit and liquidity resources and determine potential calls for additional collateral, either as margin or as Clearing Fund collateral, or adjust the forms of collateral on deposit ("Sufficiency Scenarios"); and monitor and assess the size of OCC's prefunded financial resources against a wide range of stress scenarios for informational and risk monitoring purposes ("Informational Scenarios"). OCC's stress tests are used for evaluating both credit and liquidity risk, and the output of these scenarios is also used for liquidity resource evaluation. Informational Scenarios are not used directly to size the Clearing Fund or drive calls for additional financial resources from OCC's Clearing Members. Informational Scenarios may be re-categorized as Adequacy, Sufficiency, or Sizing scenarios upon the approval of OCC's Risk Committee.

As part of the regular review of stress scenario output, OCC identified two of its existing Informational Scenarios that generated exposures that were consistently higher than those generated by the corresponding Sufficiency Scenarios. Such Informational Scenarios are variations of existing Sufficiency Scenarios representing the most extreme market rally and decline moves in 2008. The proposed scenarios differ from the existing scenarios in terms of how individual risk factor price shocks are determined, as further

⁴ OCC's stress testing inventory also contains scenarios designed to assess whether the resources collected are adequate to cover OCC's risk tolerance of a 1-in-50 year statistical market event over a two-year lookback period ("Adequacy Scenarios") and to inform the size of OCC's financial resources ("Sizing Scenarios").

described below. OCC proposes to elevate these Informational Scenarios to Sufficiency Scenarios by amending a list in the Methodology Description,⁵ which is filed as a rule with the Commission.⁶ Such list represents a subset of Adequacy, Sizing, and Sufficiency Scenarios that have been implemented in OCC's stress testing system. OCC believes that the proposed rule change would enhance its ability to manage risks by considering a different approach to the determination of price shocks to evaluate how such an event could occur under current market conditions. While the proposed change to implement additional Sufficiency Scenarios could have an impact on Clearing Members if OCC called for additional financial resources based on the results of the new Sufficiency Scenarios in accordance with OCC's Rules, OCC believes the proposed Sufficiency Scenarios would generate stress test exposures that are generally in line with its current, most impactful Sufficiency Scenarios.⁷

Based on the results of the Sufficiency Scenarios, OCC may call for additional financial resources from its Clearing Members. For example, the results of OCC's Sufficiency Stress Tests may require the collection of intra-day margin from a Clearing Member Group under OCC Rule 609⁸ or an intra-month resizing of the Clearing Fund

⁵ The Methodology Description describes the Comprehensive Stress Testing & Clearing Fund Methodology, and Liquidity Risk Management that OCC uses to analyze the adequacy of its financial resources and to challenge its risk management framework.

⁶ See Exchange Act Release Nos. 90827 (Dec. 30, 2020), 86 FR 659 (Jan. 6, 2021) (SR-OCC-2020-015); 89014 (June 4, 2020), 85 FR 35446 (June 10, 2020) (SR-OCC-2020-003); 87718 (Dec. 11, 2019), 84 FR 68992 (Dec. 17, 2019) (SR-OCC-2019-010); 87717 (Dec. 11, 2019), 84 FR 68985 (Dec. 17, 2019) (SR-OCC-2019-009); 83735 (July 27, 2018), 83 FR 37855 (Aug. 2, 2018) (SR-OCC-2018-008).

⁷ See infra note 17 and accompanying text.

⁸ See OCC Rule 609(a)(5) (providing that OCC may require the deposit of intra-day margin when a Sufficiency Stress Test identifies an exposure that exceeds 75% of the current Clearing Fund requirement less deficits).

under OCC Rule 1001(c).⁹ While these Rules provide the authority or requirement to call for additional resources based on the Sufficiency Stress Tests, details about how the calculations related to the relevant thresholds are made are documented in OCC's Clearing Fund Methodology Policy,¹⁰ which is itself filed as a rule with the Commission.¹¹ Based on feedback received from staff of the Commission, OCC proposes to amend Rules 609 and 1001(c) to provide additional context and detail about the circumstances in which OCC would exercise this authority to call for additional resources. OCC does not believe the proposed changes to the Rules would have any effect on Clearing Members because the changes would merely incorporate additional detail already in effect under the Commission-approved Clearing Fund Methodology Policy.

(1) Purpose

OCC is proposing to (1) take two of its existing informational stress scenarios and add them to the list of stress scenarios designed to test the sufficiency of OCC's

⁹ See OCC Rule 1001(c) (providing that if a Sufficiency Stress Test identifies a breach that exceeds 90% of the size of the Clearing Fund requirement (less any margin collected as a result of a Sufficiency Stress Test breach pursuant to Rule 609), the calculated size of the Clearing Fund shall be increased by the greater of \$1 billion or 125% of the difference between the relevant risk exposure and the then-current Clearing Fund size).

¹⁰ OCC's Clearing Fund Methodology Policy summarizes the manner in which OCC determines the level of financial resources necessary to satisfy the regulatory requirements and the Board's direction with respect to the additional financial resources necessary to withstand a wide range of foreseeable stress scenarios including, but are not limited to, the default of the two Clearing Member Groups that would potentially cause the largest aggregate credit exposure in extreme but plausible market conditions.

¹¹ See Exchange Act Release Nos. 96566 (Dec. 22, 2022), 87 FR 80207 (Dec. 29, 2022) (SR-OCC-2022-010); 94950 (May 19, 2022), 87 FR 31916 (May 25, 2022) (SR-OCC-2022-004); 93436 (Oct. 27, 2021), 86 FR 60499 (Nov. 2, 2021) (SR-OCC-2021-010); 92038 (May 27, 2021), 86 FR 29861 (June 3, 2021) (SR-OCC-2021-003); 89037 (June 10, 2020), 85 FR 36442 (June 16, 2020) (SR-OCC-2020-006); 89014 (June 4, 2020), 85 FR 35446 (June 10, 2020) (SR-OCC-2020-003); 87718 (Dec. 11, 2019), 84 FR 68992 (Dec. 17, 2019) (SR-OCC-2019-010); 86436 (July 23, 2019), 84 FR 36632 (July 29, 2019) (SR-OCC-2019-006); 83735 (July 27, 2018), 83 FR 37855 (Aug. 2, 2018) (SR-OCC-2018-008).

prefunded financial resources in the Methodology Description and (2) amend Rules 609 and 1001(c) to provide greater context and detail in the Rules on margin collection and Clearing Fund sizing that may result from this type of sufficiency stress testing.

Proposed Changes to the Methodology Description

OCC proposes to elevate two of its existing Informational Scenarios to Sufficiency Scenarios. OCC's inventory of Sufficiency Scenarios under the Methodology Description consists of historical scenarios designed to replicate historical events, including the most extreme market rally and decline moves ("Largest Rally/Decline") in 2008 and 2020, under current market conditions. The proposed Sufficiency Scenarios are a variation of the existing Largest Rally/Decline Sufficiency Scenarios from 2008.

Price shocks are applied to individual securities or risk factors to replicate historical events under the Methodology Description. The existing Sufficiency Scenarios are historically based scenarios that employ a waterfall approach to determine which price shocks to apply to risk factors.¹² To start, the actual return of the risk factor during the historical event is utilized as the price shock, if available. If unavailable,¹³ a proxy market return from a corresponding sector is utilized as the price shock. Finally, if data is unavailable for both actual and sector returns, the price shock is determined by the "beta"¹⁴ of the risk factor to its assigned risk driver¹⁵ multiplied by the corresponding risk driver

¹² A "risk factor" is a product or attribute whose historical data is used to estimate and simulate the risk for an associated product. Risk factors include the returns on individual equity securities, returns on equity indexes, and returns on implied volatility risk factors, among others.

¹³ An actual return may be unavailable as not all current risk factors existed during a given historical period. For example, TSLA, a current risk factor, was not a risk factor in 2008.

¹⁴ The "beta" is the sensitivity of a security with respect to its corresponding risk driver (i.e., the sensitivity of the price of the security relative to the price of the risk driver).

shock (the “risk driver beta derived price shock”). The risk driver shock is the actual return of a given risk driver from the historical event. For example, the risk driver beta derived price shock for equity security ABC would be derived by multiplying ABC’s historical beta to SPX (its risk driver) by the SPX risk driver shock.

The proposed Sufficiency Scenarios, which are currently classified as Informational, are a variation of the existing Largest Rally/Decline from 2008 Sufficiency Scenarios, the only difference being the determination of price shocks applied to individual risk factors. Namely, unlike the existing Largest Rally/Decline from 2008 Sufficiency Scenarios, the proposed Sufficiency Scenarios would not utilize the waterfall approach described above to apply price shocks. Instead, the proposed scenarios would directly apply the risk driver beta derived price shock. This approach is consistent with other statistical scenarios, including the Sizing Scenarios, which directly apply risk driver beta derived price shocks. Given that these existing Informational Scenarios generated exposures that were consistently higher than those generated by the corresponding Sufficiency Scenarios,¹⁶ OCC proposes to elevate these Informational Scenarios to Sufficiency Scenarios. To effect such changes, OCC would update the list of scenarios contained in the Methodology Description to include the proposed Sufficiency Scenarios. Additionally, OCC proposes to make minor typographical edits to correct the formatting of footnotes throughout the text of the Methodology Description.

¹⁵ The main risk drivers are price and volatility for equity securities. For example, the Cboe S&P 500 Index (“SPX”) and Cboe Volatility Index (“VIX”) are the main risk drivers for shocks of the equity risk factors. Other relevant risk drivers are utilized, including but not limited to, risk drivers to cover U.S. and Canadian Government Security collateral positions, risk drivers to cover commodity-based exchange traded funds and risk drivers to cover commodity-based futures products.

¹⁶ See infra note 17.

Elevating the subject Informational Scenarios to Sufficiency Scenarios will serve to enhance the existing suite of Sufficiency Scenarios by considering a different determination of price shocks to evaluate how such an event could occur under current market conditions. In their current state as Informational Scenarios, these scenarios do not drive the size of the Clearing Fund or calls for additional resources. However, as Sufficiency Scenarios, they would be used to measure the exposure of OCC's Clearing Fund to the portfolios of individual Clearing Member Groups and determine whether any such exposure is sufficiently large as to necessitate OCC calling for additional resources in the form of margin or an intra-month resizing of the Clearing Fund. The proposed rule change would enable OCC to test the sufficiency of its financial resources under a wider range of relevant stress scenarios and respond quickly when OCC believes additional financial resources are necessary. The proposed rule change would thereby improve OCC's ability to measure, monitor and manage its exposures to its participants and enhance OCC's ability to manage risks in its role as a systemically important financial market utility. OCC's analysis indicates that the proposed Sufficiency Scenarios generate stress test exposures that are generally in line with its current, most impactful Sufficiency Scenarios.¹⁷

Proposed Changes to the Rules

OCC proposes to provide further context and detail in the Rules on current Sufficiency Stress Test practices. As described above, Sufficiency Stress Tests are run

¹⁷ OCC has provided data and analysis concerning the proposed rule change in Confidential Exhibit 3A [sic] to SR-OCC-2024-006, including the performance of the proposed scenarios relative to the existing 2008 scenarios, an assessment of the risk drivers for which the proposed scenarios produce more conservative results, and an evaluation of the impact the proposed scenarios would have had on collection of additional financial resources.

through OCC’s Sufficiency Scenarios, which, under the proposal, would include the proposed Sufficiency Scenarios. The results of OCC’s Sufficiency Stress Tests may require the collection of intra-day margin from a Clearing Member Group or an intra-month resizing of the Clearing Fund. For example, pursuant to OCC Rule 609(a)(5),¹⁸ if any of OCC’s Sufficiency Scenarios identify exposures that exceed 75% of the current Clearing Fund requirement less deficits, OCC may require additional margin deposits (“intra-day margin”) from the Clearing Member Group(s) driving the breach.

Additionally, pursuant to Rule 1001(c),¹⁹ if a Sufficiency Scenario identifies a breach that exceeds 90% of the current Clearing Fund requirement (after subtracting any margin collected in accordance with a breach of the 75% threshold), OCC will promptly take action to initiate an increase in the size of the Clearing Fund on an intra-month basis to ensure that it continues to maintain sufficient prefunded financial resources.²⁰

OCC proposes to amend Rule 609 to address the case where a Clearing Member is subject to multiple intra-day margin calls over the course of a month (i.e., between resizing of the Clearing Fund, which is typically conducted monthly). Under OCC Rule 609(a)(5), if any of OCC’s Sufficiency Scenarios identify exposures that exceed 75% of the current Clearing Fund requirement less deficits, OCC may require intra-day margin deposits from the Clearing Member Group(s) driving the breach. Currently, prior to the

¹⁸ See Exchange Act Release No. 83406 (June 11, 2018), 83 FR 28018, 28025 (June 15, 2018).

¹⁹ Id. at 28025-26.

²⁰ In addition to these Rules, which provide OCC authority to call for additional financial resources to mitigate credit risk identified under the Sufficiency Scenarios, OCC also may address liquidity risk identified under such Sufficiency Scenarios. See, e.g., OCC Rules 601(g) & 609(b) (providing OCC authority to require the Clearing Member Group to provide additional cash collateral (“Required Cash Deposits”) if OCC forecasts that a Clearing Member’s potential settlement obligations, including potential settlement obligations under stressed market conditions, could be in excess of OCC’s liquidity resources to satisfy such obligations).

issuance of such margin call, OCC confirms the margin call amount against any existing intra-day margin call amounts for the monthly period under OCC Rule 609(a)(5). If the margin call amount is greater, a new margin call is issued for that amount.²¹ The new margin call remains in effect until the next monthly resizing of the Clearing Fund or it is superseded by a larger margin call amount. Accordingly, OCC proposes language in the Rule to specify that, if a Clearing Member Group is subject to intra-day margin calls under more than one Sufficiency Stress Test, the largest call will be applied and remain in effect until the next monthly resizing. This proposed language is consistent with the language in OCC's Clearing Fund Methodology Policy.²²

OCC also proposes minor changes for clarity and readability in Rule 609(a)(5). For example, OCC proposes replacing "such that" with "from." Additionally, OCC proposes to remove "less deficits" in reference to OCC's Sufficiency Scenarios identifying exposures that exceed 75% of the current Clearing Fund requirement less deficits. Such language was relevant when OCC's Rules provided a two-day period for Clearing Members to deposit additional required Clearing Fund assets.²³ OCC has since shortened this collection period following Clearing Fund resizing from two business days to the next Settlement Time, making the reference to "less deficits" unnecessary as OCC considers such deficits covered.²⁴ The removal of such language is also consistent with

²¹ For the avoidance of doubt, a new margin call is not issued if the margin call amount is equal to, or smaller than, an existing margin call amount for the monthly period.

²² The Clearing Fund Methodology Policy states that, if a Clearing Member Group's Clearing Fund draws exceed the 75% threshold in more than one Sufficiency Stress Test scenario, the Clearing Member Group "shall be subject to the largest margin call." See supra note 18 at 28025.

²³ See Exchange Act Release No. 94950 (May 19, 2022), 87 FR 31916, 31918 (May 25, 2022) (File No. SR-OCC-2022-004) (describing the then-current process that allows members two business days to meet routine funding obligations related to the Clearing Fund).

²⁴ Id. (describing the changes designed to require funding by the next Settlement Time, effectively

the Commission-approved Clearing Fund Methodology Policy.²⁵ OCC believes such changes would provide additional transparency in the Rules by including greater context and detail, would not change current practices, and would promote consistency between OCC Rules and related policies.

OCC also proposes to amend Rule 1001(c) to provide additional transparency and clarity regarding intra-month Clearing Fund sizing adjustments. Under OCC Rule 1001(c), if a Sufficiency Scenario identifies a breach that exceeds 90% of the size of the Clearing Fund requirement (after subtracting any margin “collected” in accordance with a breach of the 75% threshold), OCC will promptly take action to initiate an increase in the size of the Clearing Fund on an intra-month basis. OCC proposes to amend the parenthetical to more clearly include amounts to be collected from a breach of the 75% threshold by adding “or to be collected.” This change would provide greater clarity to reflect that any margin calls issued pursuant to Rule 609(a)(5) are also subtracted in the calculation in Rule 1001(c).²⁶ Such change would conform with OCC’s current practices set out in the Clearing Fund Methodology Policy, which does not limit the parenthetical in Rule 1001(c) to previously collected margin call amounts.²⁷

requiring funding by the business day following notice of an obligation).

²⁵ A conforming reference to remove “less deficits” was made to OCC’s Clearing Fund Methodology Policy in reference to OCC’s Sufficiency Scenarios identifying exposures that exceed 75% of the current Clearing Fund requirement as part of File No. SR-OCC-2022-004. Id. (“These changes are intended to conform the Clearing Fund Methodology Policy with the proposed changes to OCC’s Rules and support the reduced operational complexity that OCC expects to achieve by creating a more uniform settlement time.”).

²⁶ In practice deficits due to an intra-month resizing are due by the first Settlement Time following notification or such later time as provided by OCC pursuant to Rule 1005(b).

²⁷ The current Commission-approved Clearing Fund Methodology Policy, which OCC has provided as Exhibit 3B [sic] to File No. SR-OCC-2024-006, states that, if a Sufficiency Stress Test identifies a Clearing Fund draw that exceeds 90% of the current Clearing Fund requirement “after subtracting margin calls resulting from a breach of [the 75% threshold],” OCC will promptly act to initiate an intra-month increase in the Clearing Fund size.

OCC believes the proposed changes are intended to better align the descriptions in the Rules with OCC's current practices for the collection of intra-day margin or an intra-month resizing of the Clearing Fund resulting from OCC's Sufficiency Stress Tests. These changes would have no impact on Clearing Members and would not affect the Clearing Fund size, as they are consistent with the Commission-approved Clearing Fund Methodology Policy.

Implementation Timeframe

OCC expects to implement the proposed changes no later than sixty days from the date that OCC receives all necessary regulatory approvals for the filing in light of the technical system changes that are required to implement the additional stress scenarios. OCC will announce the implementation date of the proposed changes by an Information Memorandum posted to its public website at least seven days prior to implementation.²⁸

(2) Statutory Basis

OCC believes the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. In particular, OCC believes that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act²⁹ and Rule 17Ad-22(e)(4)³⁰ and Rule 17ad-22(e)(7)³¹ thereunder, for the reasons described below.

²⁸ Implementation of this rule change will be delayed until this change is deemed certified under CFTC Regulation 40.6.

²⁹ 15 U.S.C. 78q-1(b)(3)(F).

³⁰ 17 CFR 240.17Ad-22(e)(4).

³¹ 17 CFR 240.17Ad-22(e)(7).

Section 17A(b)(3)(F) of the Exchange Act³² requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities and derivatives transactions and, in general, protect investors and the public interest. OCC proposes to (1) implement additional Sufficiency Scenarios in the Methodology Description and (2) provide greater context and detail in the OCC Rules on margin collection and Clearing Fund sizing that may result from this type of sufficiency stress testing. The proposed rule change would enhance OCC's framework for measuring, monitoring, and managing its credit risks. Implementation of the additional Sufficiency Scenarios would enable OCC to test the sufficiency of its prefunded financial resources under a wider range of stress scenarios and respond quickly when OCC believes the collection of additional financial resources is necessary. The ability to appropriately size and test the sufficiency of prefunded financial resources is critical to ensuring that OCC can continue to provide prompt and accurate clearance and settlement of securities and derivatives transactions in the event of a Clearing Member default and manage the risks associated with its role as a systemically important financial market utility. Amending the Methodology Description to incorporate the proposed Sufficiency Scenarios and make minor typographical edits would help ensure that such document remains clear and effective so that the requirements under this document continue to be carried out properly. Additionally, the proposed changes to the OCC Rules would enhance clarity and transparency regarding OCC practices on intra-day margin collection and intra-month Clearing Fund sizing adjustments resulting from Sufficiency Stress Tests. Such changes would promote understanding of the Rules by

³² 15 U.S.C. 78q-1(b)(3)(F).

market participants and ensure consistency of the Rules with existing policies to reduce potential confusion, which would promote the prompt and accurate clearance and settlement of securities and derivatives transactions and, in general, protect investors and the public interest. Accordingly, OCC believes the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act.³³

Rule 17Ad-22(e)(4)(iii)³⁴ requires, in part, that a covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, including by maintaining additional financial resources (beyond those collected as margin) at the minimum to enable it to cover a wide range of foreseeable stress scenarios that include, but are not limited to, the default of the participant family that would potentially cause the largest aggregate credit exposure for the covered clearing agency in extreme but plausible market conditions. Rule 17Ad-22(e)(4)(vi)(A)³⁵ further requires, in part, that such policies and procedures are reasonably designed to test the sufficiency of the covered clearing agency's total financial resources available to meet the minimum financial resource requirements under Rule 17Ad-22(e)(4)(iii)³⁶ by conducting stress testing of its total financial resources once each day using standard predetermined parameters and assumptions. As described above, OCC's Sufficiency Stress Tests are run through OCC's Sufficiency Scenarios, which, under the proposal, would include the

³³ Id.

³⁴ 17 CFR 240.17Ad-22(e)(4)(iii).

³⁵ 17 CFR 240.17Ad-22(e)(4)(vi)(A).

³⁶ 17 CFR 240.17Ad-22(e)(4)(iii).

proposed Sufficiency Scenarios. The results of Sufficiency Stress Tests may require collection of intra-day margin from a Clearing Member Group or an intra-month resizing of the Clearing Fund. The proposed changes would thus enable OCC to test the sufficiency of its prefunded financial resources under a wider range of stress scenarios, respond quickly to collect additional financial resources from its Clearing Members if the Sufficiency Scenario exposures breach the predetermined thresholds established in OCC's Rules and Clearing Fund Methodology Policy, and promote clarity and transparency on its Sufficiency Stress Tests in the OCC Rules. Moreover, the proposed Sufficiency Scenarios were constructed in accordance with OCC's existing Methodology Description using standard predetermined parameters and assumptions. As a result, OCC believes the proposed rule change is designed to further OCC's compliance with the requirements of Rules 17Ad-22(e)(4)(iii) and (vi)(A).³⁷

Rule 17Ad-22(e)(7)(vi)³⁸ requires, in part, that a covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by determining the amount and regularly testing the sufficiency of the liquid resources held for purposes of meeting the minimum liquid resource requirement. The proposed changes would allow OCC to test the sufficiency of its liquid resources under a wider range of stress scenarios and respond quickly to collect additional liquid resources from its Clearing Members if the Sufficiency Scenario output breaches the predetermined

³⁷ 17 CFR 240.17Ad-22(e)(4)(iii) and (vi)(A).

³⁸ 17 CFR 240.17Ad-22(e)(7)(vi).

threshold established in OCC's Liquidity Risk Management Framework. The inclusion of the proposed scenarios as Sufficiency Scenarios would increase the likelihood that OCC maintains sufficient liquid resources at all times. OCC thus believes the proposed rule change is consistent with the requirements of Rules 17Ad-22(e)(7)(vi).³⁹

(B) Clearing Agency's Statement on Burden on Competition

Section 17A(b)(3)(I) of the Exchange Act⁴⁰ requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. The proposed changes to the OCC Rules would have no impact on Clearing Members and would not affect the Clearing Fund size as they are consistent with current OCC policies, as described above. Such changes would enhance clarity and transparency regarding OCC practices for the collection of intra-day margin and intra-month resizing of the Clearing Fund resulting from Sufficiency Stress Tests by providing further detail and context in the Rules. While the proposed change to implement additional Sufficiency Scenarios could have an impact on certain Clearing Members, OCC does not believe that the proposed rule change would impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. OCC's analysis indicates that the proposed Sufficiency Scenarios generate stress test exposures that are generally in line with its current, most impactful Sufficiency Scenarios.⁴¹ OCC notes, however, that the results of these proposed scenarios may vary depending on the composition of each individual Clearing Member's portfolio at a given

³⁹ Id.

⁴⁰ 15 U.S.C. 78q-1(b)(3)(I).

⁴¹ OCC has provided data and analysis concerning the proposed rule change in Confidential Exhibit 3A [sic] to SR-OCC-2024-006.

point in time. As a result, the proposed scenarios could from time to time result in more frequent or larger sufficiency stress test margin calls.

The implementation of the new Sufficiency Scenarios would enable OCC to test the sufficiency of its financial resources under a wider range of relevant stress scenarios and respond quickly when OCC believes additional financial resources are required. The proposed changes are designed to improve OCC's ability to measure, monitor and manage its credit exposures to its participants consistent with its regulatory requirements under Rule 17Ad-22(e)(4)⁴², to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by OCC under Rule 17Ad-22(e)(7)⁴³, and to enhance OCC's ability to manage risks in its role as a systemically important financial market utility. Moreover, the proposed Sufficiency Scenarios were constructed in accordance with OCC's approved stress testing methodology using standard predetermined parameters and assumptions. These scenarios provide diversification in terms of how price shocks are applied to individual risk factors and would help capture risks that OCC's current inventory of Sufficiency Scenarios may not capture. Accordingly, OCC believes that any impact on competition or OCC's Clearing Members would be necessary and appropriate in furtherance of the protection of investors and the public interest under the Act. For the foregoing reasons, OCC believes that the proposed rule change is in the public interest, would be consistent with the requirements of the Exchange Act applicable to clearing agencies, and would not impose a burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act.⁴⁴

⁴² 17 C.F.R. 240.17Ad-22(e)(4).

⁴³ 17 C.F.R. 240.17Ad-22(e)(7).

⁴⁴ 15 U.S.C. 78s(b)(1).

(C) Clearing Agency'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.

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

Within 45 days of the date of publication of the notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

The proposal shall not take effect until all regulatory actions required with respect to the proposal are completed.

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:

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-OCC-2024-006 on the subject line.

Paper Comments:

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

All submissions should refer to file number SR-OCC-2024-006. This file number should be included on the subject line if email 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 (<https://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 Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10 am and 3 pm. Copies of such filing also will be available for inspection and copying at the principal office of OCC and on OCC's website at <https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules>.

Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-OCC-2024-006 and should be submitted on or before [INSERT DATE 21 DAYS AFTER PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴⁵

Sherry R. Haywood,
Assistant Secretary.

⁴⁵ 17 CFR 200.30-3(a)(12).