



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-102202; File No. SR-OCC-2024-010]

### **Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Amendment No. 3 to Proposed Rule Change by The Options Clearing Corporation to Establish a Margin Add-On Charge That Would Be Applied to All Clearing Member Accounts to Help Mitigate the Risks Arising from Intraday and Overnight Trading Activity**

January 15, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 14, 2025, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) This amendment (“Amendment No. 3”) to 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**

On July 25, 2024, OCC filed the proposed rule change File No. SR-OCC-2024-010 (“Initial Filing”).<sup>3</sup> On January 8, 2025, OCC filed Amendment No. 2 to the Initial Filing (“Amendment No. 2”). This Amendment No. 3 to the Initial Filing is identical in substance to Amendment No. 2 but includes changes to references and table format to facilitate publication of the notice of filing in the Federal Register and supersedes

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Exchange Act Release No. 100664 (Aug.6, 2024), 89 FR 65695 (Aug. 12, 2024) (File No. SR-OCC-2024-010).

Amendment No. 2. Amendment No. 3 would establish a margin add-on charge that would be applied to all Clearing Member accounts to help mitigate the risks arising from intraday and overnight trading activity. Through this amendment OCC is incorporating certain modifications to its proposal to address comments from industry participants. OCC also intends to conform the proposed rule change to the Commission's final rule<sup>4</sup> amending the Covered Clearing Agency ("CCA") Standards concerning intraday margin calls, and to extend the implementation timeframe to address industry concerns and participants' desire for additional time to prepare for the proposed changes. This Amendment No. 3 would modify those aspects of the proposal as further described below and amend and restate the Initial Filing.

Proposed changes to OCC's Rules are contained in Exhibit 5A to Amendment No. 3 to File No. SR-OCC-2024-010. Proposed changes to OCC's Margin Policy are contained in confidential Exhibit 5B to Amendment No. 3 to File No. SR-OCC-2024-010. Material proposed to be added is marked by italicizing and material proposed to be deleted is marked with strikethrough text. All terms with initial capitalization that are not otherwise defined herein have the same meaning as set forth in the OCC By-Laws and Rules.<sup>5</sup>

## 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.

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<sup>4</sup> See Exchange Act Release No. 101446 (Oct. 25, 2024), 89 FR 91000 (Nov 18, 2024) (File No. S7-10-23).

<sup>5</sup> 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>.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

On July 25, 2024, OCC filed with the Commission a proposed rule change, SR-OCC-2024-010 to establish a margin add-on charge (the "Intraday Risk Charge") that would be applied to all Clearing Member accounts to assist with mitigating the risks arising from intraday and overnight trading activity. On September 4, 2024, OCC amended the filing to include as Exhibit 2 an information memorandum OCC published on its website informing OCC's membership of the details of the margin add-on charge. The Commission received comments regarding the proposed rule change<sup>6</sup> and on November 7, 2024, issued an order instituting proceedings, pursuant to Section 19(b)(2)(B) of the Exchange Act, to determine whether to approve or disapprove the proposed rule change.

Based on the comments the Commission received and a recent release of the Commission's October 25, 2024, final rule amending the CCA Standards,<sup>7</sup> OCC is filing this amendment to the Initial Filing. Material changes to the Initial Filing and the rationale for such amendments are summarized in the following table:

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<sup>6</sup> Comments on the proposed rule change are available at <http://www.sec.gov/comments/sr-occ-2024-010/srocc2024010.htm>.

<sup>7</sup> See Exchange Act Release No. 101446 (Oct. 25, 2024), 89 FR 91000 (Nov. 18, 2024) (amending 17 CFR 240.17Ad-22-22(e)(6)(ii)).

**Table 1 – Summary of Changes Proposed by Amendment No. 3**

(Footnotes at end of table.)

<b>Initial Filing</b>	<b>Amendment</b>	<b>Rationale for Amendment</b>
<p>The Intraday Risk Charge would be calculated based on the average of the previous month’s daily peak intraday risk increases observed from 20- minute snapshots in overnight and regular trading hours, between <b>12:30 a.m. through 3:15 p.m. Central Time.</b></p>	<p>The Intraday Risk Charge would be calculated based on the average of the previous month’s daily peak intraday risk increases observed from 20-minute snapshots between <b>11:00 a.m. through 12:30 p.m. Central Time.</b></p>	<p>Industry participants commented that 20-minute snapshots during trading hours were too frequent, and suggested the OCC use fewer snapshots at predictable intervals.<sup>a</sup></p> <p>OCC would continue to manage the intraday risk associated with overnight trading activity through its existing extended trading hour procedures.<sup>b</sup></p>
<p>An OCC Officer may issue a margin call if a verified intraday risk increase during regular trading hours is greater than 3 standard deviations of a Clearing Member’s Intraday Risk Charge.</p>	<p>An OCC Officer may issue a margin call <b>at a single intraday collection time</b> if a Clearing Member’s verified intraday risk increase at or around <b>12:00 p.m. Central Time</b> is greater than 3 standard deviations of the previous month’s daily peak intraday risk increases, observed from 20-minute snapshots between 12:30 a.m. through 3:15 p.m. Central Time.</p>	<p>The single collection timeframe aligns with (1) the timeframe in which the observations for the Intraday Risk Charge are measured, and (2) OCC’s current scheduled Portfolio Revaluation margin calls previously approved by the Commission.<sup>c</sup></p> <p>Measuring against the Clearing Member’s peak intraday risk increases from both overnight and regular trading hours would result in a manageable number of potential risk increases to investigate for purposes of issuing margin calls, allowing OCC to focus on intraday activity presenting the most risk.</p>

**Table 1 – Summary of Changes Proposed by Amendment No. 3**

(Footnotes at end of table.)

<b>Initial Filing</b>	<b>Amendment</b>	<b>Rationale for Amendment</b>
	OCC would continue to monitor for breaches of the 3 standard deviation threshold in 20-minute snapshots throughout the trading day, and would continue to have authority to issue an intraday margin call under Rule 609, as it does today. <b>Margin calls issued outside of the single intraday collection time must be approved by the Chief Financial Risk Officer, Chief Executive Officer, Chief Operation Officer, or Chief Risk Officer.</b>	This amendment aligns with (1) Commission guidance in the above-referenced final rule that schedule intraday margin calls may not be sufficient and that CCAs need to have the ability to make unscheduled intraday margin calls, <sup>d</sup> and (2) OCC’s current Portfolio Revaluation margin call process in allowing margin calls to be issued outside the single intraday collection time with escalated approvals.
120-day implementation period following receipt of all necessary regulatory approval	OCC would implement the changes in September 2025.	Industry participants have commented that 120 days is insufficient for them to prepare for the changes.  The proposed implementation dates are within the compliance period for the Commission’s above-referenced final rule, which requires a CCA to implement rule-filed changes by December 15, 2025. <sup>e</sup>

<sup>a</sup> See, e.g., letter from Kimberly Unger, CEO and Executive Director, The Security Traders Association of New York, Inc. dated October 30, 2024, available at <https://www.sec.gov/comments/sr-occ-2024-010/srocc2024010.htm>.

<sup>b</sup> See Exchange Act Release No. 74268 (Feb. 12, 2015), 80 FR 8917 (Feb. 19, 2015) (SR-OCC-2014-24) (SR-OCC-2014-24) (requiring Clearing Members qualified to participate in overnight trading sessions to provide an additional margin requirement in an amount of the lesser of \$10 million or 10% of the Clearing Member’s net capital).

<sup>c</sup> See Exchange Act Release No. 82658 (Feb. 7, 2018), 83 FR 6646, 6648 (SR-OCC-2017-007).

<sup>d</sup> See Exchange Act Release No. 101446, *supra* note 7, 89 FR 91005.

<sup>e</sup> *Id.* at 91037.

## (1) Purpose

### **Background**

OCC is the sole clearing agency for standardized equity options listed on national securities exchanges registered with the Commission. OCC also clears stock loan and futures transactions. In its role as a clearing agency, OCC guarantees the performance of its Clearing Members for all transactions cleared by OCC by becoming the buyer to every seller and the seller to every buyer (or the lender to every borrower and the borrower to every lender, in the case of stock loan transactions). These clearing activities could expose OCC to financial risks if a Clearing Member fails to fulfil its obligations to OCC. In its role as guarantor for all transactions cleared through OCC, one of the more material risks related to a Clearing Member's failure to perform is credit risk arising from the activity of the Clearing Members whose performance OCC guarantees. OCC manages these financial risks through financial safeguards, including the collection of margin collateral from Clearing Members designed to, among other things, address the market risk associated with a Clearing Member's positions during the period of time OCC has determined it would take to liquidate those positions.

At the start of each business day, OCC collects margin requirements for each marginable account calculated by OCC's proprietary System for Theoretical Analysis and Numerical Simulation ("STANS") based on the account's end-of-day positions from the previous business day.<sup>8</sup> OCC also makes intraday margin calls in defined circumstances. For example, pursuant to OCC Rule 609 and OCC's Margin Policy, which has been filed with and approved as a rule by the Commission,<sup>9</sup> OCC requires the deposit of intraday

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<sup>8</sup> OCC makes its STANS Methodology Description available to Clearing Members. An overview of the STANS methodology is posted to OCC's public website: <https://www.theocc.com/Risk-Management/Margin-Methodology>.

<sup>9</sup> See Exchange Act Release Nos. 100998 (Sept. 11, 2024), 89 FR 76171 (Sept. 17, 2024) (SR-OCC-2024-009); 99169 (Dec. 14, 2023), 88 FR 88163 (Dec. 20, 2023) (SR-OCC-2023-008); 98101 (Aug. 10, 2023), 88 FR 55775 (Aug. 16, 2023) (SR-OCC-2022-012); 96566 (Dec. 22, 2022), 87 FR 80207 (Dec. 29, 2022) (SR-OCC-2022-010); 91079 (Feb. 8, 2021), 86 FR 9410 (Feb. 12, 2021) (SR-OCC-2020-016); 90797 (Dec. 23, 2020), 85 FR 86592 (Dec. 30, 2020) (SR-

margin to reflect changes in the value of securities deposited by the Clearing Member as margin when certain defined thresholds are breached.<sup>10</sup> OCC also issues intraday margin calls when unrealized losses observed for an account based on positions from extended trading hours (“ETH”)<sup>11</sup> exceed certain thresholds.<sup>12</sup> In addition, OCC maintains broad authority under OCC Rule 609 to issue intraday margin calls or otherwise set a Clearing Member’s margin requirement in other circumstances, including as a protective measure pursuant to Rule 307.<sup>13</sup>

Since the time these existing margin collection processes were established, OCC has observed a significant increase in contract volume and, in particular, volume in option contracts traded on the day of their expiration—so-called “zero-days-to-expiration” or “0DTE” options.<sup>14</sup> Currently, 0DTE option trading volume can spike to up to 40% of total trading volume on Friday expirations.<sup>15</sup> This increase in 0DTE options trading has coincided with the proliferation of option expiries. Traditionally, listed

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OCC-2020-014); 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); 86119 (June 17, 2019), 84 FR 29267 (June 21, 2019) (SR-OCC-2019-004); 83799 (Aug. 8, 2018), 83 FR 40379 (Aug. 14, 2018) (SR-OCC-2018-010); 82658 (Feb. 7, 2018), 83 FR 6646 (Feb. 14, 2018) (SR-OCC-2017-007).

<sup>10</sup> See OCC Rule 609(a) (“[OCC] may require the deposit of additional margin (‘intra-day margin’) by any Clearing Member in any account at any time during any business day to reflect changes in: . . . (3) the value of securities deposited by the Clearing Member as margin . . . .”); Exchange Act Release No. 82658, *supra* note 9, 83 FR 6648 (“Pursuant to the Margin Policy, OCC issues margin calls during standard trading hours when unrealized losses exceeding 50% of an account’s total risk charges are observed for that account based on start-of-day positions.”).

<sup>11</sup> ETH refers to trades executed in extended and overnight trading sessions offered by exchanges for which OCC provides clearance and settlement services. See Exchange Act Release No. 73343 (Oct. 14, 2014), 79 FR 62684 (Oct. 20, 2014) (SR-OCC-2014-805).

<sup>12</sup> See Exchange Act Release No. 82355 (Dec. 19, 2017), 82 FR 61060, 61064 (Dec. 26, 2017) (SR-OCC-2017-007) (codifying in the Margin Policy the ETH intraday margin call OCC would issue prior to 9:00 a.m. Central Time when: (1) unrealized losses observed for an account, based on new ETH positions, exceed 25% of that account’s total risk charges and (2) the overall Clearing Member portfolio is also experiencing losses).

<sup>13</sup> See OCC Rule 307C(b) (providing for protective measures in the form of requiring Clearing Members to adjust the amount or composition of margin, including but not limited to requiring the deposit of additional margin).

<sup>14</sup> OCC has provided a confidential Exhibit 3A to Amendment No. 3 to File No. SR-OCC-2024-010 a 2023 study it conducted of its risk exposure to short-dated options.

<sup>15</sup> *Id.* at 3-4.

options expired on the third Friday of the month.<sup>16</sup> In 2005, the Chicago Board Options Exchange (“Cboe”), one of the participant exchanges for which OCC provides clearance and settlement services, began listing weekly options on the S&P 500 Index (“SPX”) expiring each Friday of the month, and subsequently introduced Monday and Wednesday weekly SPX expirations in 2016 before adding Tuesday and Thursday weekly SPX expirations in 2022.<sup>17</sup> Weekly and daily expiration cycles were introduced to options on other indexes, single-name stocks, and exchange traded products (e.g., ETFs). As a result, options now expire every trading day of the year.

The increase in 0DTE options trading combined with increased intraday trading activity across other products poses challenges to OCC’s risk management, particularly with respect to the management of OCC’s overnight and intraday risk exposure to its Clearing Members in between the collections of margin at the start of each business day. Because OCC’s STANS margin calculation is based on end-of-day positions, the margin requirement may not account for 0DTE options trading activity, since the Clearing Member would have either traded out of or exercised the options position, or the option would have expired by the end of the day. Similarly, in the current system the risk increase from intraday trading activity across other products would only be captured once end-of-day positions are established, which when margin calculations are applied would not account for the intraday risk increase from any positions that were traded out of. In addition, OCC’s portfolio revaluation process for purposes of determining intraday margin calls to address the change in value of margin collateral is based on a Clearing Member’s start-of-day collateral deposits, which would not include margin for 0DTE options or intraday positions. For these reasons OCC proposes to establish the Intraday

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<sup>16</sup> Originally, options expiries occurred on the Saturday following the third Friday before the industry moved to Friday expirations in 2013. See Exchange Act Release No. 69772 (June 17, 2013), 78 FR 37645 (June 21, 2013) (File No. SR-OCC-2013-04).

<sup>17</sup> See Cboe, The Rise of SPX & 0DTE Options, at 5 (July 27, 2023), available at <https://go.cboe.com/1/77532/2023-07-27/ffc83k>.

Risk Charge add-on to capture such risk increases, and the associated Intraday Monitoring Thresholds regime to observe and measure risk increasing activity.

### **Proposed Changes**

Based on industry and participant feedback and to conform to the recent release of the Commission's final rule amending the CCA Standards concerning intraday margin calls, and in order to mitigate OCC's intraday risk exposures, OCC proposes to: (i) narrow the window over which the Intraday Risk Charge would be calculated to between 11:00 a.m. to 12:30 p.m. Central Time, (ii) to remove any reference to the Intraday Risk Charge with respect to the Intraday Monitoring Thresholds and limit the issuance of a margin calls to a single intraday collection time at or around 12:00 p.m. Central Time, (iii) clarify that intraday margin calls would be issued at a single intraday collection time, and any margin calls outside of the collection time must be approved by the Chief Financial Risk Officer, Chief Executive Officer, Chief Operations Officer, or Chief Risk Officer, (iv) provide FRM Officers with discretion on whether to issue or not issue a margin call based on certain facts and circumstances, while also requiring the documentation of such decisions, and (v) extend the implementation time frame from within 120 days of approval to September of 2025 to align with the projected Ovation release date, and provide more time for industry participants to prepare for the proposed rule change.

#### **1. Intraday Risk Charge Add-On**

In the Initial Filing,<sup>18</sup> OCC had proposed a margin add-on charge (the "Intraday Risk Charge"), which would be calculated using the system currently employed to monitor Clearing Members' overnight trading activity. Through OCC's Watch Level surveillance under its Third-Party Risk Management Framework, OCC has also used this

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<sup>18</sup> See Exchange Act Release No. 100664, *supra* note 3, 89 FR 65696-98.

system to identify patterns of risk increasing activity in 0DTE options for purposes of considering and calculating protective measures in the form of additional margin for particular Clearing Members when certain thresholds have been breached relative to a Clearing Member's net capital. OCC proposed to extend that approach to all Clearing Members (without regard to net capital thresholds) and with respect to all products OCC clears.

OCC's current intraday margin system recalculates the STANS margin risk using portfolio position sets updated every 20 minutes between 8:30 a.m. and 6:30 p.m. Central Time, and at-least every hour during ETH sessions. OCC considers that 20 minutes is sufficient time under OCC's current system capabilities to provide consistent and reliable snapshot results at a steady cadence during regular trading hours with heavy trading activity. Outside of regular trading hours and during overnight trading, hourly intervals between snapshots were deemed more appropriate because of the significantly lower trading activity. OCC currently employs and will continue to use the intraday margin system for ETH monitoring, including to determine when to issue an ETH margin call.<sup>19</sup> This system calculates a forecasted margin requirement as if the positions at that point in time were present during the previous night's margin calculation. Results that show an increase to the prior night's margin requirement based on the STANS expected shortfall and stress test components are considered risk increasing. OCC would use the outputs from the previous night's daily STANS methodology calculation, incorporating current portfolio changes, to monitor that day's peak intraday risk increases. Under the Initial Filing,<sup>20</sup> the Intraday Risk Charge would have been calculated monthly as at least the average of the peak intraday risk increases (i.e., an average of the largest risk increase

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<sup>19</sup> See Exchange Act Release No. 74268, supra Table 1 note b, 80 FR 8919 (describing the thresholds for overnight monitoring and potential margin calls).

<sup>20</sup> See Exchange Act Release No. 100664, supra note 3, 89 FR 65696.

calculated on each business day of the lookback period) as measured throughout overnight and regular trading hours (i.e., between 12:30 a.m. through 3:15 p.m).

OCC proposes to amend the proposed Intraday Risk Charge so that it is determined based on a narrower monitoring interval. Specifically, OCC would calculate the Intraday Risk Charge based on the average daily increased risk identified through OCC's current intraday margin system between the hours of 11:00 a.m. and 12:30 p.m. Central Time; provided however, that OCC may adjust the Intraday Risk Charge as described further below. This change would address comments that the 20-minute snapshots during overnight and intraday trading hours were too frequent and suggested that OCC use fewer snapshots at predictable intervals. In particular, by narrowing the window, Execution-Only Clearing Members<sup>21</sup> that are able to allocate trades prior to that window may eliminate or significantly reduce their intraday risk exposure for purposes of determining an Intraday Risk Charge.

As under the Initial Filing,<sup>22</sup> the Intraday Risk Charge would be calculated on the first business day of the month and would be based on data and STANS outputs generated over the lookback period, which will be set as the previous month. The Intraday Risk Charge would be calculated monthly as at least the average of the peak intraday risk increases over the shorter duration. OCC considers the one-month lookback period, a timeframe that includes one monthly and multiple weekly standard expirations, to be a conservative approach that would react faster to recent changes in the risk behavior of Clearing Members compared to a more extended lookback period and produces more relevant forecasts for the next monitoring cycle.<sup>23</sup>

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<sup>21</sup> OCC's By-Laws define "Execution-Only Clearing Members" to mean a Clearing Member approved to act only as a Clearing Member that transfers confirmed trades or allocates position so other Clearing Members, and not to carry positions in its accounts with the OCC on a routine basis.

<sup>22</sup> See Exchange Act Release No. 100664, *supra* note 3, 89 FR 65696.

<sup>23</sup> OCC also considered lookback periods of less than one-month, including a one-week period, and observed that any lookback period less than one-month was operationally intensive to implement.

As under the Initial Filing,<sup>24</sup> the calculation of the peak intraday activity would capture all products that OCC clears, including 0DTE options. The Intraday Risk Charge would apply to all margin accounts other than cross-margin accounts for OCC's cross-margining program with the Chicago Mercantile Exchange ("CME"), which do not currently support intraday position feeds. OCC would retain authority to increase the amount of the charge for a particular Clearing Member beyond the average of the peaks, either when adjusting the Intraday Risk Charge on a monthly basis or on an intra-month basis, when conditions would warrant a different approach consistent with maintaining sufficient financial resources to cover OCC's intraday credit exposure. Conditions that would cause OCC to increase the Intraday Risk Charge above the minimum amount include when OCC determines it maintains insufficient margin resources to cover the pattern or distribution of risk increases over the previous lookback period, or in cases of an account's business expansion. OCC would also have authority to decrease the amount of the charge, which would be limited to a Clearing Member's business reduction, termination of account(s), transfer of positions to different account(s), or the imposition of protective measures under Rule 307B. Such charge adjustments may apply to particular or all Clearing Members.

To effect the proposed changes, OCC proposes to amend Rule 601 by adding a new paragraph (i) as described above to incorporate the shorter time frame involved in the calculation of the Intraday Risk Charge. As in the Initial Filing,<sup>25</sup> OCC proposes to define the Intraday Risk Charge under proposed Rule 601(i)(1) to mean the additional

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Establishing a monthly cadence allows OCC to investigate and exclude results from the intraday risk system that are not attributable to actual risk increasing activity, such as results caused by corporate actions. In any case, using a one-week lookback period would result in procyclical effects. Intraday Risk Charge moves for Clearing Members from one week to another would reduce the predictability of the add-on charge on Clearing Member margin requirements. As described above, OCC believes the one-month lookback provides a more conservative and relevant forecasts.

<sup>24</sup> See Exchange Act Release No. 100664, *supra* note 3, 89 FR 65696-97.

<sup>25</sup> See Exchange Act Release No. 100664, *supra* note 3, 89 FR 65697.

margin assets required from a Clearing Member to mitigate any increased risk exposure to OCC not otherwise covered by the margin requirements already calculated in accordance with Rule 601 and OCC's policies and procedures. To reflect the narrower time from which the observations that determine the Intraday Risk Charge would be drawn, Rule 601(i)(1) would further provide that OCC may assess the Intraday Risk Charge as part of the Clearing Member's daily margin required, as needed, to mitigate exposure and cover uncollateralized risk resulting from "intraday trading activities," as opposed to "overnight and intraday trading activities" as proposed in the Initial Filing.<sup>26</sup> In the amended proposal, OCC would similarly remove other references to overnight trading activity from the OCC Rules and Margin Policy as proposed in the Initial Filing.

Proposed Rule 601(i)(2) would be modified to provide the method of calculation for the Intraday Risk Charge add-on, which would generally be set as the average of the peak intraday risk increases from portfolio position changes between 11:00 a.m. and 12:30 p.m. Central Time over the preceding month.<sup>27</sup> Proposed Rule 601(i)(3), would remain unchanged from the Initial Filing.<sup>28</sup> Specifically, that Rule would provide that OCC retains authority to adjust the Intraday Risk Charge if OCC determines that circumstances particular to a Clearing Member's activity would warrant a different approach consistent with maintaining sufficient financial resources to cover OCC's intraday credit exposure. Any adjustment under this Rule to decrease the amount of the Intraday Risk Charge calculated from the previous month's intraday risk increases would be limited to a Clearing Member's business reduction, termination of account(s), transfer of positions to different account(s), or the imposition of protective measures under Rule

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<sup>26</sup> As discussed above, OCC would continue to address intraday risk exposure from overnight trading activity as it currently does under its ETH procedures. See supra Table 1 note b and accompanying text. Clearing Members trading during ETH hours will still be obligated to pay an ETH margin add-on charge, and any ETH related risk controls will continue to operate independently from the proposed Intraday Risk Charge changes.

<sup>27</sup> A lookback of one month was selected to represent a complete monthly options expiration cycle.

<sup>28</sup> See Exchange Act Release No. 100664, supra note 3, 89 FR 65697.

307B. Rule 601(i)(3) would also provide that OCC retains the authority to adjust the Intraday Risk Charge more frequently than monthly.

OCC would also amend its Margin Policy to describe material aspects of the Intraday Risk Charge as discussed herein. As under the Initial Filing,<sup>29</sup> the new charge would be added to the “Add-On Charges” section. That proposed addition, as amended, would provide that between 11:00 a.m. through 12:30 p.m., OCC measures the intraday exposure to each margin account for which intraday position information is available to identify intraday risk increases above the baseline STANS risk measurement. The proposed amendments to the Margin Policy would define this time window as the “Intraday Risk Charge Measurement Time.” As under the Initial Filing,<sup>30</sup> the Margin Policy would define “risk increases” in this context as results that show an increase to a portfolio’s prior night calculated risk measurement based on the STANS expected shortfall and stress test components.

As under the Initial Filing,<sup>31</sup> the Margin Policy would further provide that on at least a monthly basis, OCC’s Financial Risk Management department (“FRM”) reviews and verifies the daily peak increases in the Intraday Risk Charge Measurement Time based on a referenced procedure maintained by FRM’s Market Risk business unit.<sup>32</sup> This verification of risk-increasing activity is intended to address certain known limitations in OCC’s existing intraday system.<sup>33</sup> For example, the system does not take into account options affected by corporate action adjustments and newly listed option series or strikes, which do not receive adjusted metrics until the next overnight margin calculation process.

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<sup>29</sup> See Exchange Act Release No. 100664, supra note 3, 89 FR 65697.

<sup>30</sup> Id.

<sup>31</sup> Id.

<sup>32</sup> OCC has provided as confidential Exhibit 3B to Amendment No. 3 to File No. SR-OCC-2024-010 a copy of the referenced procedure, the Market Risk Monitoring Procedure, marked to indicate changes that OCC intends to implement upon regulatory approval of this proposal.

In addition, the 20-minute snapshot generated by the system may not capture a complete trade in a single snapshot, which may result in a misalignment of the peak calculation for an account. The snapshot timing may also cause collateral movements to be recorded as risk-increasing deposits instead of being risk-reducing movements. Pursuant to the referenced procedures, Market Risk would verify the peak daily results to prevent erroneous results from affecting the calculation of the Intraday Risk Charge. This verification process is similar to, and would proceed in a similar manner as, Market Risk's long-standing process for verifying results from OCC's system for monitoring a portfolio's unrealized losses based on current prices and start-of-day positions for purposes of charging intraday margin calls.<sup>34</sup> Upon completion of the verification process, OCC would apply the Intraday Risk Charge to Clearing Members for the upcoming month.

As under the Initial Filing,<sup>35</sup> the Margin Policy would provide that OCC may impose the Intraday Risk Charge in the amount of the average of the verified peak daily risk increases in the Intraday Risk Charge Measurement Time over the prior month with FRM Officer<sup>36</sup> approval. Adjustments to the charge can occur at the time of the monthly review or on an intramonth basis, e.g., in response to the intraday monitoring thresholds discussed below. Reductions would be limited to persistent changes in clearing activity that would reduce the risk profile of the account, e.g., business reduction, account terminations transfer of positions to different account(s), or the imposition of protective measures under Rule 307B. Any changes that would increase the charge over the minimum calculated may result from changes in the pattern or distribution of risk

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<sup>35</sup> See Exchange Act Release No. 100664, *supra* note 3, 89 FR 65697-98.

<sup>36</sup> Officers are identified in OCC's By-Laws. See OCC By-Law Art IV. In this context, an FRM Officer would include any member of FRM appointed by the Chief Executive Officer or Chief Operating Officer, including a Managing Director, Executive Director or Executive Principal. *Id.*, at § 9.

increases over the previous lookback period or persistent changes in clearing activity that would increase the risk profile of the account, e.g. business expansions. If the FRM Officer recommends any changes to an Intraday Risk Charge, the Model Risk Working Group (“MRWG”) must review and is authorized to escalate the recommendation to the Office of the Chief Executive Officer, who must review and is authorized to approve the changes.<sup>37</sup> The Margin Policy vests review responsibility and escalation authority to the MRWG because it is a cross-functional group responsible for assisting OCC’s management in overseeing OCC’s model-related risk comprised of representatives from relevant OCC business units. OCC believes that the MRWG is the appropriate decisionmaker to consider whether a higher Intraday Risk Charge is warranted because it is composed of the subject matter experts most familiar with the performance of and risks associated with OCC’s margin models, including personnel in OCC’s Model Risk Management business unit, who, under OCC’s Risk Management Framework, are responsible for evaluating model parameters and assumptions and providing effective and independent challenge through OCC’s model lifecycle.<sup>38</sup>

OCC has reviewed the potential impact of the proposed add-on charge on all Clearing Members over a thirteen-month period.<sup>39</sup> OCC has observed that the proposed add-on would have generated a margin increase of less than 1.1% in the aggregate on average,<sup>40</sup> representing almost \$1.099 billion across all Clearing Members out of margin

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<sup>37</sup> Such changes to the Intraday Risk Charge must be based on the current charge being insufficient as defined in Exhibit 5A and confidential Exhibit 5B to Amendment No. 3 to File No. SR-OCC-2024-010.

<sup>38</sup> See Exchange Act Release No. 95842, 87 FR 58416 (File No. SR-OCC-2022-010) (filing to establish OCC’s Risk Management Framework). OCC Risk Management Framework is available on OCC’s public website: <https://www.theocc.com/risk-management/risk-management-framework>.

<sup>39</sup> This impact assessment does not account for potential changes in Clearing Member behavior that might further reduce the impact. To the extent a Clearing Member allocates trades to other Clearing Members under OCC’s Clearing Member Trade Assignment (“CMTA”) Rules or otherwise reduces its intraday risk in advance of the Intraday Risk Measurement Time, the actual impact of the Intraday Risk Charge may be less.

<sup>40</sup> OCC has included as confidential Exhibit 3C to Amendment No. 3 to File No. SR-OCC-2024-010 an assessment of the impact of the Intraday Risk Charge on OCC’s Clearing Members. Exhibit

requirements. For comparison, under the Initial Filing, the proposed add-on would have generated an average margin increase of approximately \$1.968 billion, less than a 1.9% increase. Of the ten firms that would be most impacted, which collectively represent approximately 73% of the additional margin that would have been assessed, the average daily margin percentage increases ranges from approximately 1% to less than 15%, based on data from September 2023 to September 2024, or between \$22 million and \$315 million.

As compared to the Initial Filing, that aggregate amount of the additional margin would be distributed across market-maker, firm and customer accounts as follows:

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3C to the Initial Filing used data from 2023. Exhibit 3C to Amendment No. 3 uses data from September 2023 through September 2024.

**Table 2 – Impact by Account Type**

	<b>Initial Filing</b>	<b>Proposed Amendment</b>
Market-Maker Accounts	\$392.1 million	\$276.6 million
Firm Accounts	\$590.5 million	\$306.3 million
Customer Accounts	\$986.1 million	\$516.7 million
<b>All Accounts</b>	\$1.9686 billion	\$1.0996 billion

With respect to firms classified as Execution-Only Clearing Members, the add-on charge would generate approximately \$23.4 million of additional margin in the aggregate, down from \$39.4 million under the Initial Filing, assuming that Execution-Only Clearing Members made no changes to allocate trades prior to the Intraday Risk Charge Measurement Time.

## **2. Intraday Monitoring Thresholds**

Under the Initial Filing,<sup>41</sup> OCC proposed to establish monitoring and escalation criteria when a Clearing Member’s intraday risk increase departs significantly from the activity that set the Intraday Risk Charge (“Intraday Monitoring Thresholds”). Generally, the new credit risk thresholds would have been specified as a set of levels based on standard deviations from a Clearing Member’s Intraday Risk Charge. While OCC has narrowed the window of time for purposes of calculating the Intraday Risk Charge, OCC intends to continue to monitor for intraday risk increases throughout regular trading hours.

OCC proposes to establish the Intraday Monitoring Thresholds as statistical measures (e.g., one, two or three standard deviations) above a Clearing Member’s peak intraday risk increases over the prior month. OCC would measure the Intraday

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<sup>41</sup> See Exchange Act Release No. 100664, *supra* note 3, 89 FR 65698.

Monitoring Threshold for each Clearing Member against the average over the lookback period of the verified peak intraday risk increases determined between 12:30 a.m. and 3:15 p.m. (i.e., the same window as for the Intraday Risk Charge under the Initial Filing). OCC believes that measuring the thresholds using this longer window, rather than against the Intraday Risk Charge as proposed to be amended above,<sup>42</sup> would result in a more manageable number of potential risk increases for escalation, allowing OCC decisionmakers to focus on potential changes in activity that present the most risk. As under the Initial Filing,<sup>43</sup> OCC proposes to amend the section of the Margin Policy that currently addresses margin calls and adjustments. The Margin Policy would provide that FRM would establish and maintain Intraday Monitoring Thresholds in referenced market risk procedures for verified intraday risk increases that are greater than statistical measures above a Clearing Member's average over the lookback period determined between 12:30 a.m. and 3:15 p.m. Central Time. This average would be determined separately and independently of the Intraday Risk Charge across Clearing Member accounts.

As under the Initial Filing,<sup>44</sup> the Margin Policy would also provide that FRM coordinates a review of those thresholds, as well as the calculation and lookback period, on an at least annual basis, or on an ad-hoc basis, as needed. OCC retains the authority to adjust the Intraday Monitoring Thresholds, as well as the calculation and lookback period, based on the review of intraday risk posed by Clearing Member's portfolio changes. Any such adjustment to the Intraday Monitoring Thresholds, calculation, or lookback period may apply to particular or all Clearing Members depending on an

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<sup>42</sup> As indicated in the impact assessment above, the proposed amendments to the Intraday Risk Charge would have the effect of reducing the charge, which would make breaches of the Intraday Monitoring Thresholds more likely if measured against the Intraday Risk Charge as proposed to be amended.

<sup>43</sup> See Exchange Act Release No. 100664, *supra* note 3, 89 FR 65698.

<sup>44</sup> *Id.*

analysis of the activity generating peak intraday margin numbers, the number of breaches above the monitoring thresholds, and overall market activity and trends within the lookback period. The review would be presented to the MRWG, which must review and is authorized to escalate any recommended changes to the Office of the Chief Executive Officer, who must review and is authorized to approve them. OCC's Risk Committee will be notified of all changes. As discussed above,<sup>45</sup> OCC believes that the MRWG is the appropriate decision-maker to consider any changes to the Monitoring Thresholds because it is composed of the subject matter experts most familiar with the performance of and risks associated with OCC's margin models.

### **3. Intraday Margin Calls**

In the Initial Filing,<sup>46</sup> OCC proposed to issue margin calls on individual Clearing Member accounts if the verified intraday risk increases for those accounts breach and exceed the Intraday Risk Monitoring thresholds (e.g., in excess of three standard deviations). Under the proposed amendments, OCC would maintain the proposed margin call, but would specify a scheduled, single collection time in which such a margin call would be collected in the ordinary course while maintaining authority to issue an unscheduled margin call outside that timeframe in extraordinary circumstances with additional escalations. As discussed below, these amendments are intended to align with OCC's existing intraday margin call processes and the Commission's October 25, 2024, final order amending the CCA Standards.

As under the Initial Filing,<sup>47</sup> the Margin Policy would provide that on at least a daily basis, FRM would review the intraday risk increases generated by the intraday risk system against the Intraday Monitoring Thresholds. As proposed to be amended, the

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<sup>45</sup> See supra note 25 and accompanying text.

<sup>46</sup> See Exchange Act Release No. 100664, supra note 3, 89 FR 65698.

<sup>47</sup> Id.

Margin Policy would provide that if a verified intraday risk increase breach at or around 12:00 p.m. Central Time is greater than the Intraday Monitoring Thresholds, the Margin Policy would provide that an FRM Officer may issue a margin call,<sup>48</sup> make a margin adjustment to lock up excess collateral, or recommend protective measures under Rule 307. The Margin Policy would further be amended to provide that any such margin call issued by an FRM Officer would be collected as a single intraday collection time. Accordingly, the Margin Policy as amended would now provide a single, scheduled time for the issuance and collection of such intraday margin calls. This collection timeframe aligns with the timeframe during which the observations for the Intraday Risk Charge are measured, and gives Clearing Members greater certainty about when the activity that would inform the call would be measured and the call imposed. The timing also aligns with the timing for OCC's current Portfolio Revaluation margin calls, which are generally collected at a single time based on a measurement of a portfolio's profit and loss at or around noon.<sup>49</sup> As with OCC's existing margin calls, the proposed margin call would be subject to a price minimum below which OCC generally would not issue a call.<sup>50</sup> Specifically, OCC has established a \$500,000 price minimum for issuing margin calls, which aligns with the minimum Clearing Fund deposit required of each Clearing Member.<sup>51</sup>

The Margin Policy would further provide that any margin calls issued outside of the standard processing time window must be approved by the Chief Financial Risk Officer, Chief Executive Officer, Chief Operating Officer, or Chief Risk Officer. This

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<sup>48</sup> Margin calls in this context are demands by OCC to Clearing Members for the deposit of additional margin in immediately available funds to increase their margin resources to meet increased margin requirements. Margin calls are issued subject to OCC's policies and procedures.

<sup>49</sup> See Exchange Act Release No. 82658, supra Table 1 note c, 83 FR 6648 (approving OCC's Margin Policy, including the timing of margin calls).

<sup>50</sup> Id. (approving OCC's Margin Policy, including the price minimum for margin calls).

<sup>51</sup> See OCC Rule 1002(d).

change aligns with OCC's current Portfolio Revaluation margin call process in allowing margin calls to be issued outside the single intraday collection time in exceptional circumstances with escalated approval. OCC believes that margin calls issued outside the single intraday collection time would be the exception, rather than the rule. This change also aligns with Commission guidance from its October 25, 2024, final rule amending the CCA Standards, suggesting that scheduled intraday margin calls may not be sufficient and that CCAs would need to have the ability to make unscheduled intraday margin calls.<sup>52</sup>

The Margin Policy would be further revised to state that any margin call would be calculated as the difference between the reviewed intraday risk increase at the single intraday collection time at or around 12:00 p.m. Central Time and the Intraday Risk Charge. Intraday margin calls would only be increasing financial resources to OCC. Generally, an intraday margin call would be released the next business day.

Data from September 2023 to September 2024 indicates there would have been approximately 1024 potential margin calls issued under the proposed changes, as amended. The number of potential margin calls would not change as a result of the amendments to the Initial Filing. As amended, the average daily margin call amount would have been \$27 million, as opposed to \$25.1 million under the Initial Filing. This increase is attributable to the decrease in the pre-funded Intraday Risk Charge resulting from the proposed amendments to the Initial Filing.

#### **4. Discretion to Issue Margin Calls**

OCC also proposes to modify the Margin Policy to add a provision whereby an FRM Officer will have the discretion to decide whether to issue or not issue a margin call, if in their judgement the call is not necessary to effectively manage the risk posed to

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<sup>52</sup> See supra Table 1 note d and accompanying text.

OCC based on the specific facts and circumstances. As under the Initial Filing, such circumstances would include instances where OCC's intraday risk system may produce results that may not indicate actual risk increasing activity,<sup>53</sup> such as (i) when the intraday risk increase can be attributed to one or more intraday events or actions including but not limited to portfolio level changes resulting from positive offsetting P&L amounts or positive offsetting asset values for options and collateral, or from non-risk increasing events such as the substitution of collateral or the pledging of additional valued securities within the same account, or (ii) if the risk increase in the account is the result of a corporate action, or the result of position transfers between accounts such as delayed CMTA's from execution-only accounts, or when a P&L unrealized loss generates a margin call that exceeds the intraday margin call. In addition, as proposed to be amended, the Margin Policy would provide that such circumstances also, including but not limited to, circumstances in which issuing a call would not align with broader systemic objectives such as minimizing potential procyclical effects and potential participant defaults.

In all such cases, the FRM Officer would be required to document the basis for their decision not to issue a margin call at the single intraday collection time for an account breaching the Intraday Risk Monitoring Threshold at or around 12:00 p.m. Central Time.<sup>54</sup> These proposed change from the Initial Filing are aligned with the Commission's guidance on intraday margin calls issued in its October 25, 2024, final rule amending the CCA Standards, concerning intraday margin calls.<sup>55</sup> The change is also

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<sup>53</sup> The Initial Filing discussed certain limitations of the intraday risk system that may result in erroneous intraday risk increases. See Exchange Act Release No. 100664, supra note 3, 89 FR 65697.

<sup>54</sup> For the avoidance of doubt, this documentation requirement would not extend to monitoring of Intraday Risk Monitoring Threshold breaches outside of the single intraday collection period, notwithstanding OCC's authority to make an exception to its written policies and procedures to issue a margin call for activity falling outside that period.

<sup>55</sup> See Exchange Act Release No. 101446, supra note 4, 89 FR 91009-10 (discussing factors for CCAs to consider when determining whether to issue an intraday margin call).

aligned with the documentation requirement in new SEC Rule 17Ad-22(e)(6)(ii)(D), which requires a CCA to document when it determines not to issue an intraday call pursuant to its written policies and procedures.<sup>56</sup>

## 5. Implementation Timeframe

In the Initial Filing,<sup>57</sup> OCC proposed a 120-day implementation timeframe based on the amount of time OCC believed it would need to deploy system changes following receipt of all necessary regulatory approval. Industry participants have commented on the proposal that more time is required for them to prepare for the changes. Accordingly, OCC proposes to extend the implementation period. Subject to regulatory approval of the proposal, OCC plans to implement the proposed changes in September of 2025. OCC will announce the implementation date of the proposed changes by an Information Memorandum posted to its public website at least 4 weeks prior to implementation. This proposed implementation is designed to align with, but is not contingent on, OCC's planned replacement of its core clearance and settlement system, ENCORE, with a new system, Ovation. The proposed implementation dates are within the compliance period for the Commission's October 25, 2024, final rule, which requires a CCA to implement rule-filed changes by December 15, 2025.<sup>58</sup>

### (2) Statutory Basis

OCC believes that the proposed changes are consistent with Section 17A(b)(3)(F) of the Exchange Act<sup>59</sup> and SEC Rule 17Ad-22(e)(6)(ii) thereunder.<sup>60</sup> Section 17A(b)(3)(F) of the Act<sup>61</sup> requires, among other things, that the rules of a clearing agency

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<sup>56</sup> 17 CFR 240.17Ad-22(e)(6)(ii)(D).

<sup>57</sup> See Exchange Act Release No. 100664, supra note 3, 89 FR 65698.

<sup>58</sup> See supra Table 1 note e and accompanying text.

<sup>59</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>60</sup> 17 CFR 240.17Ad-22(e)(6)(ii).

<sup>61</sup> 15 U.S.C. 78q-1(b)(3)(F).

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 introduce a new Intraday Risk Charge add-on with certain associated monitoring procedures and establish new risk-based credit risk monitoring thresholds. The proposed rule change as described above would enhance OCC's framework for measuring, monitoring, and managing its credit risk. Currently, OCC may be exposed to increased credit exposure from uncollateralized intraday trading activity, including that of 0DTE options that is not otherwise collateralized and captured by OCC's current margin system at the start of each business day. OCC believes the proposed changes would enable OCC to mitigate the credit exposure resulting from the increased risk of intraday trading that includes 0DTE option contracts by using the system it currently operates to monitor overnight trading activity. The Intraday Risk Charge would provide OCC with additional margin resources to help mitigate this risk and allow OCC to continue to provide prompt and accurate clearance and settlement services of securities and derivatives transactions without disruption in the event of a Clearing Member default. Given OCC's designation as a systemically important financial market utility,<sup>62</sup> OCC believes that changes that promote the prompt and accurate clearance and settlement thereby is in the public interest and the interests of investors. For these reasons, OCC believes the proposed changes are designed to promote the prompt and accurate clearance and settlement of securities transactions in accordance with Section 17A(b)(3)(F) of the Exchange Act.<sup>63</sup>

Rule 17Ad-22(e)(6)(ii), as recently amended, requires OCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to

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<sup>62</sup> The Financial Stability Oversight Council designated OCC as a SIFMU under Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, 12 U.S.C. 5463.

<sup>63</sup> 15 U.S.C. 78q-1(b)(3)(F).

cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum:

- (A) Marks participant positions to market and collects margin (including variation margin or equivalent charges if relevant) at least daily;
- (B) Monitors intraday exposures on an ongoing basis;
- (C) Includes the authority and operational capacity to make intraday margin calls, as frequently as circumstances warrant, including (1) when risk thresholds specified by OCC are breached, or (2) when the products cleared or markets served display elevated volatility; and
- (D) Documents when OCC determines not to make an intraday call pursuant to its written policies and procedures required under Rule 17Ad-22(e)(6)(ii)(C).<sup>64</sup>

OCC's existing margin processes are already designed to mark positions to market and collect margin at least daily, consistent with Rule 17Ad-22(e)(6)(ii)(A).<sup>65</sup> Under the proposed changes, OCC would monitor accounts intraday activity in 20 minute intervals and would have the authority and operational capacity under OCC's existing Rule 609 to issue a margin call or take other action under Rule 307 to protect OCC based on the result of such monitoring, consistent with new Rule 17Ad-22(e)(6)(ii)(B).<sup>66</sup> Specifically, the Margin Policy would define risk thresholds—the Intraday Monitoring Threshold—for monitoring intraday exposure for purposes of issuing potential margin calls, consistent with Rule 17Ad-22(e)(6)(ii)(C).<sup>67</sup>

In general, OCC would issue a Clearing Member a margin call during the scheduled intraday collection time in the event that Clearing Member's intraday risk increase, as measured at or around 12:00 pm Central Time breached the proposed

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<sup>64</sup> 17 CFR 240.17Ad-22(e)(6)(ii).

<sup>65</sup> 17 CFR 240.17Ad-22(e)(6)(ii)(A).

<sup>66</sup> 17 CFR 240.17Ad-22(e)(6)(ii)(B).

<sup>67</sup> 17 CFR 240.17Ad-22(e)(6)(ii)(C).

Intraday Monitoring Threshold. The scheduled intraday margin call aligns with the timing of OCC's existing intraday margin calls when unrealized losses exceeding 50% of an account's total risk charges are observed for that account based on start-of-day positions, which were previously approved by the Commission.<sup>68</sup> However, as the Commission has noted, covered clearing agencies also need the authority and operational capacity to issue unscheduled margin calls.<sup>69</sup> Accordingly, OCC would maintain authority to make an exception to its general policy of issuing scheduled intraday margin calls with escalated approvals from OCC's most senior Officers.

In addition, consistent with Commission guidance from its October 25, 2024, final rule,<sup>70</sup> OCC's policies and procedures would preserve OCC's authority to determine not to issue an intraday margin call at the scheduled time, notwithstanding a breach of the Intraday Monitoring Thresholds, if OCC determines that the call is not necessary to effectively manage the risk posed to OCC based on the specific facts and circumstances, including, but not limited to, in circumstances in which the intraday risk system may not reflect actual intraday risk increases,<sup>71</sup> or in circumstances in which issuing a call would not align with broader systemic objectives such as minimizing potential procyclical effects and potential participant defaults. In cases in which OCC does not issue a margin call at the single collection time under its policies and procedures when the Intraday Monitoring Thresholds are breached, the Margin Policy would require that an FRM Officer document that decision, consistent with, consistent with Rule 17Ad-

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<sup>68</sup> See supra Table 1 note c and accompanying text.

<sup>69</sup> See supra Table 1 note d and accompanying text.

<sup>70</sup> See supra note 55 and accompanying text.

<sup>71</sup> See, e.g., supra notes 32-46 and accompanying text.

22(e)(6)(ii)(D).<sup>72</sup> Accordingly, OCC believes that the proposal is consistent with Rule 17Ad-22(e)(6)(ii).<sup>73</sup>

For the above reasons, OCC believes that the proposed rule change is consistent with Section 17A of the Exchange Act<sup>74</sup> and the rules and regulations thereunder applicable to OCC.

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

Section 17A(b)(3)(I) requires that the rules of a clearing agency do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.<sup>75</sup> The proposed introduction of the new Intraday Risk Charge add-on and establishment of new credit risk monitoring thresholds would be used by OCC to manage its credit risk across all Clearing Members. Accordingly, OCC does not believe that the proposed rule change would unfairly hinder access to OCC's services.

While the proposed rule change may impact different accounts to a greater or lesser degree depending on each Clearing Member's trading activity, including portfolios containing a greater volume of 0DTE option positions, 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 Exchange Act. As discussed above, OCC is obligated under the Exchange Act and the regulations thereunder to establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, among other things, (i) considers, and produces margin levels commensurate with the risks and particular attributes of each relevant product, portfolio, and market, (ii) monitor intraday exposures on an ongoing basis, and (iii) maintain the authority and

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<sup>72</sup> 17 CFR 240.17Ad-22(e)(6)(ii)(D).

<sup>73</sup> Id.

<sup>74</sup> 15 U.S.C. 78q-1.

<sup>75</sup> 15 U.S.C. 78q-1(b)(3)(I).

operational capacity to make intraday margin calls, as frequently as circumstances warrant, including when thresholds specified by the CCA are breached or when the products cleared or markets served display elevated volatility.<sup>76</sup> Overall, the impact analysis from the proposed baseline approach indicates there would be on average a small add-on included across all Clearing Member margin requirements, with the more significant add-on charges attributed to Clearing Members in a manner that ties with their intraday trading activities and the increased risk they present. OCC notes that while the impact analysis is based on prior activity, OCC expects that the impact of the add-on charge when released in production may be less than predicted. This is because OCC expects Clearing Members may adjust their behaviors through different means such as allocating their trades earlier and more often throughout the day, or working to better understand their customers trading and allocation strategies, in order to minimize the effects of the Intraday Risk Charge on their portfolios.

Moreover, the proposed rule change relates to risk management changes designed to mitigate OCC's credit exposure from the increased risk generated from Clearing Member trading activities that includes 0DTE option contracts. As noted above, the risk exposure from the significant increase in intraday trading activity of 0DTE options may not be adequately captured under OCC's current margin system. OCC believes the Intraday Risk Charge would be a risk-based approach suitable to mitigate the increased intraday risk exposure presented to OCC from such trading activities.

Furthermore, the proposed rule change would be applied uniformly across all Clearing Members and affect all cleared products. In response to feedback from industry participants, the amendments to the proposal would provide additional clarity to participants by shortening the time horizon for assessing the Intraday Risk Charge, while

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<sup>76</sup> See 17 CFR 240.17Ad-22(e)(6)(i)-(ii).

also designating a singular intraday margin issue collection time for potential margin calls in the ordinary course. These changes are designed to address feedback from industry participants to provide them with the necessary predictability they need to allocate trades within their portfolio more often throughout the day while also allowing Clearing Members to actively manage their exposure to the Intraday Risk Charge. Accordingly, OCC believes that the proposed rule change would not impose any burden or impact on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act.

(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 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 this 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-regulations/self-regulatory-organization-rulemaking>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-OCC-2024-010 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-2024-010. 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-regulations/self-regulatory-organization-rulemaking>). 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 a.m. and 3 p.m. 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-2024-010 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>77</sup>

**Sherry R. Haywood,**  
*Assistant Secretary.*

[FR Doc. 2025-01412 Filed: 1/21/2025 8:45 am; Publication Date: 1/22/2025]

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<sup>77</sup> 17 CFR 200.30-3(a)(12).