



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103587; File No. SR-OCC-2025-005]

### **Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving Proposed Rule Change, as modified by Partial Amendment No. 1, by the Options Clearing Corporation Concerning Modifications to OCC’s Recovery and Orderly Wind-Down (“RWD Plan”)**

July 30, 2025.

#### **I. Introduction**

On April 17, 2025, the Options Clearing Corporation (“OCC”), filed with the Securities and Exchange Commission (“Commission”), 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> a proposed rule change to amend its RWD Plan. On April 28, 2025, OCC filed Partial Amendment No. 1 to the proposed rule change.<sup>3</sup> The proposed rule change, as modified by Partial Amendment No. 1 (hereinafter “Proposed Rule Change”), was published for comment in the *Federal Register* on May 7, 2025.<sup>4</sup> On June 17, 2025, pursuant to Section 19(b)(2) of the Exchange Act,<sup>5</sup> the Commission designated a longer period within which to approve, disapprove, or institute proceedings to determine whether to approve or disapprove the Proposed Rule Change, until August 5, 2025.<sup>6</sup> The

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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> Partial Amendment No. 1 corrects an error in OCC’s original narrative description of the proposed rule change. The amendment also modified the Exhibit 5 to File No. SR-OCC-2025-005 to accurately mark the proposed changes against the currently effective RWD Plan and makes conforming changes to the narrative description of the proposed rule change.

<sup>4</sup> Securities Exchange Act Release No. 102962 (May 1, 2025), 90 FR 19346 (May 7, 2025) (File No. SR-OCC-2025-005) (“Notice”).

<sup>5</sup> 15 U.S.C. 78s(b)(2).

<sup>6</sup> Securities Exchange Act Release No. 103280 (June 17, 2025), 90 FR 26632 (June 23, 2025) (File No. SR-OCC-2025-005).

Commission has not received any comments on the Proposed Rule Change. For the reasons discussed below, the Commission is approving the Proposed Rule Change.

## II. Description of the Proposed Rule Change

OCC is a central counterparty (“CCP”), which means it interposes itself as the buyer to every seller and seller to every buyer for financial transactions. As the CCP for the listed options markets in the U.S., as well as for certain futures, OCC is exposed to certain risks arising from its relationships with its members. OCC maintains various tools for managing such risks.<sup>7</sup> OCC also maintains tools to manage the risk of liquidity shortfalls and credit losses that exceed its routine risk management tools.<sup>8</sup> OCC describes such tools and the governance related to them in its RWD Plan.<sup>9</sup>

OCC is proposing a series of changes to its RWD Plan. One set of changes are intended to achieve compliance with the Commission's recently adopted content requirements for recovery and wind-down plans of covered clearing agencies (“CCAs”), including new Exchange Act Rule 17ad-26.<sup>10</sup> The other set of changes were identified during OCC’s annual review of the RWD Plan.<sup>11</sup> Both sets of changes are described in greater detail below.

### A. Proposed Changes Related to the New Recovery and Wind-Down Rule

OCC proposes the following categories of changes to its RWD Plan to comply with Rule 17ad-26: (i) identifying staffing roles necessary to support OCC’s core

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<sup>7</sup> See e.g., Securities Exchange Act Release No. 96566 (Dec. 22, 2022), 87 FR 80207 (Dec. 29, 2022) (File No. SR-OCC-2022-010); Securities Exchange Act Release No. 87718 (Dec. 11, 2019), 84 FR 68992 (Dec. 17, 2019) (File No. SR-OCC-2019-010); and Securities Exchange Act Release No. 88029 (Jan. 24, 2020), 85 FR 5500 (Jan. 30, 2020) (File No. SR-OCC-2019-007).

<sup>8</sup> See Securities Exchange Act Release No. 82351 (Dec. 19, 2017), 82 FR 61107 (Dec. 26, 2017) (File No. SR-OCC-2017-020).

<sup>9</sup> See Securities Exchange Act Release No. 83918 (Aug. 23, 2018), 83 FR 44091 (Aug. 29, 2018) (File No. SR-OCC-2017-021) (Order approving the adoption of OCC’s RWD Plan).

<sup>10</sup> See Notice, 90 FR at 19346. In late 2024, the Commission adopted a final rule that, in part, prescribes requirements for the contents of a CCA’s recovery and wind-down plans. Securities Exchange Act Release No. 101446 (Oct. 25, 2024), 89 FR 91000 (Nov. 18, 2024) (File No. SR-S7-10-23) (“Adopting Release”).

<sup>11</sup> See Notice, 90 FR at 19346.

services; (ii) replacing the term “critical services” with the term “core services”; (iii) addressing service providers for core services; (iv) identifying details regarding the triggering of the RWD Plan; (v) specifying the timing in which OCC will provide notice in the event it considers implementing the recovery or orderly wind-down plan; and (vi) establishing requirements related to testing the recovery and orderly wind-down plan.

#### 1. Staffing Necessary to Support Core Services

OCC’s RWD Plan does not currently contain a list of key staff by department. OCC proposes changes to its RWD Plan to identify staffing roles necessary to support OCC’s core services.<sup>12</sup> Specifically, OCC proposes adding a new section in Chapter 3 titled Key Staffing Roles. The Key Staffing Roles section lists a number of functions that support OCC’s core services, including Business Operations, Corporate, Corporate Finance, Financial Risk Management, and Information Technology.<sup>13</sup> Under these support functions, OCC lists key staffing roles necessary to support its core services in the event of a recovery or wind-down.<sup>14</sup>

To analyze how staffing roles necessary to support core services would continue in the event of a recovery or wind-down, OCC proposes changes to a section in Chapter 5 titled “Targeted Reductions in Force.”<sup>15</sup> Specifically, OCC proposes text indicating that, while staff reductions would be an attempt to limit OCC’s expenses, Management’s primary responsibility is retaining key staffing roles such that OCC is able to continue providing core services. The proposed RWD Plan notes that OCC’s Management may need to offer additional compensation to retain key staff while simultaneously reducing

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<sup>12</sup> See *Id.* at 19349

<sup>13</sup> Capitalized terms used but not defined herein have the meanings specified in OCC’s Rules and By-Laws, available at <https://www.theocc.com/about/publications/bylaws.jsp>.

<sup>14</sup> Proposed Chapter 3 also provides that a single employee may be able to perform multiple key staffing roles.

<sup>15</sup> See Notice, 90 FR at 19351.

other staff during a wind-down and that OCC adjusts its staffing estimate for resolution cost to account for retention bonuses.

## 2. Replacing “Critical Services” with “Core Services”

To align with the language the Commission uses in its rules, OCC proposes replacing “critical services” with “core services” throughout the RWD Plan.<sup>16</sup> OCC also proposes a change in Section 1.2 of the RWD Plan to indicate that OCC has identified its core payment, clearing, and settlement services based on CPSS-IOSCO<sup>17</sup> and FSB<sup>18</sup> guidance on the identification of critical services. OCC stated that the purpose of this change is to improve clarity and consistency with terminology in Commission rules.<sup>19</sup>

## 3. Service Providers for Core Services

The Proposed Rule Change describes service providers for core services, specifies which core services each service provider supports, and addresses how OCC ensures that service providers for core services would continue to perform in the event of a recovery and during an orderly wind-down. OCC proposes adding a new section to the RWD Plan titled Service Providers for Core Services.<sup>20</sup> This new section provides that OCC’s Board is responsible for the oversight of service providers that provide core services for OCC, including the review of risk assessments for current vendors and approving terms for new vendors that will provide core services for OCC. The proposed section also includes a table identifying service providers that support core services, including vendors, financial market utilities, banks, liquidity providers, and liquidation agents. The proposed table

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<sup>16</sup> *See Id.* at 19349. OCC also proposes adding a new footnote 1 to the RWD Plan explaining the switch from “critical services” to “core services” and clarifying that this replacement does not affect OCC’s identification of those services.

<sup>17</sup> Committee on Payment and Settlement Systems of the Bank for International Settlements and the International Organization of Securities Commissions.

<sup>18</sup> Financial Stability Board.

<sup>19</sup> *See Notice*, 90 FR at 19349. OCC also proposes deleting the text “have provided” from this passage for grammatical reasons. *Id.*

<sup>20</sup> *See Id.*

identifies the type of service provider, the service provider's name, OCC's relationship with the service provider, and which core service the service provider supports.<sup>21</sup> OCC also proposes adding a footnote indicating that OCC maintains multiple relationships with some service providers.<sup>22</sup>

OCC proposes to eliminate existing references to "Tier 1 Vendors" because OCC would no longer categorize vendors in such a way. Instead, OCC would, in some instances, refer to such vendors as service providers for core services and make additional changes conforming the RWD Plan to this proposed replacement.<sup>23</sup> OCC also proposes replacing references to Tier 1 Vendors with text providing that in addition to the service providers for core services referenced in the RWD Plan, OCC maintains an extensive list of other service providers supporting OCC, which list may be obtained from OCC's Third-Party Risk Management Department upon request.<sup>24</sup> In this provision, OCC also proposes to replace reference to the RWD Plan Supporting Information with reference to OCC's Third-Party Risk Management Department. The list of additional vendors supporting OCC is dynamic. OCC proposes this change to minimize the risk that the ever-changing, additional vendor information becomes outdated.<sup>25</sup> OCC also proposes additions and replacements throughout Chapter 2 indicating that the Service Providers for Core Services section of the RWD Plan lists information including the names of certain subsets of core service

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<sup>21</sup> OCC's core services are clearance and settlement services and pricing and valuation services. *See Id.*

<sup>22</sup> *See Id.* at 19352. The RWD Plan would also provide that additional information related to OCC's service providers for core services, as well as a more extensive list of service providers supporting OCC, is available and may be obtained from OCC's Third-Party Risk Management Department upon request. Separately, OCC proposes removing Clearing Members and exchanges from a list of "Critical External Interconnections" that are necessary for OCC to provide core services because OCC does not believe these types of third-parties qualify as service providers.

<sup>23</sup> *See Id.* at 19348, 19350. OCC proposes replacing one reference to "Tier 1 vendor" with the word "vendor."

<sup>24</sup> *See Id.* at 19349-50.

<sup>25</sup> *See Id.* at 19350.

providers. OCC proposes these changes because the list of service providers for core services was relocated from the RWD Plan Supporting Information into the RWD Plan.<sup>26</sup>

As noted above, OCC proposes to add a new section to the RWD Plan that would include a table referencing types of service providers. There, liquidation agents and escrow banks are listed as types of core service providers. In connection with this change, OCC also proposes conforming updates to Chapter 2 of the RWD Plan to reference and describe these categories of core service providers.<sup>27</sup> The proposed changes would add liquidation agents to a list of third-parties with which OCC has interconnections and add a new section to the RWD Plan titled “Interconnections with Liquidation Agents.”<sup>28</sup> This new section would specify that OCC has financial and operational interconnections with liquidation agents and that liquidation agents may be charged with the duty of winding up the affairs of a defaulting Clearing Member.<sup>29</sup> The new section explains further that OCC has several risk management tools available to re-establish a matched book after a Clearing Member default, including open market transactions executed by OCC’s Liquidation Agent (i.e., liquidation of the defaulter’s portfolio). Separately OCC proposes adding a new section related to escrow banks (e.g., “Interconnections with Escrow Banks”) and, where relevant, revising the title of a section of the RWD Plan to reference escrow banks.<sup>30</sup> The RWD Plan would further be updated to state that OCC has financial and operational interconnections with escrow banks and that OCC’s Escrow Deposit Program allows a customer of an OCC Clearing Member to use cash deposited with the Escrow Bank as supporting collateral backing Escrow

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<sup>26</sup> *See Id.* at 19352.

<sup>27</sup> *See Id.* at 19351.

<sup>28</sup> *Id.*

<sup>29</sup> *Id.* at 19351-52.

<sup>30</sup> OCC also proposes to add escrow banks and liquidation agents to a list of “Critical External Interconnections” that are necessary for OCC to provide core services.

Deposits. It would further note that each customer must enter into a Tri-Party Agreement with the Bank and OCC in order to use cash as collateral.

OCC also proposes modifying and relocating the “Key Agreements to be Maintained” section of the RWD Plan to align its RWD Plan more closely to the Commission’s recovery and wind-down rule.<sup>31</sup> The relocation is also designed to acknowledge that it pertains to both recovery and wind-down rather than solely to wind-down.<sup>32</sup> The relocated section would also state that a list of key agreements is available upon request as indicated in the RWD Plan Supporting Information. Similarly, the proposed changes would indicate that OCC’s critical external interconnections are essential to OCC’s continued provision of core services and that it is imperative that OCC maintains them “during a recovery or wind-down” rather than “during the execution of the WDP.” Currently, the RWD Plan discusses material adverse change clauses only in the wind-down context. OCC proposes to broaden the discussion in the RWD Plan to indicate that agreements with Exchanges and Service Providers for Core Services do not contain material adverse change (“MAC”) clauses or similar provisions that would permit the counterparty to terminate the agreement and discontinue the provision of services in the event of a recovery or during a wind-down.<sup>33</sup> Finally, OCC proposes removing text that currently indicates that each OCC interconnection with a particular Clearing Member, settlement bank, or custodian bank relationship is not necessarily critical to OCC’s provision of critical services, given the number of institutions within each category upon which OCC relies, because OCC believes that the text to be removed does

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<sup>31</sup> See Notice, 90 FR at 19350.

<sup>32</sup> The section currently resides in Chapter 5 of the RWD Plan, which focuses solely on wind-downs.

<sup>33</sup> See Notice, 90 FR at 19350. Additionally, the RWD Plan would indicate that OCC’s Legal Department will review key agreements to determine whether any renewals or expirations of such agreements will occur during the expected duration of the wind-down and counsel the business accordingly. Separately, OCC proposes to more concisely describe OCC’s Material Agreements Policy, which pertains to the periodic review of agreements with Exchanges and service providers for core services.

not align with the service providers for core services list or the Commission’s recovery and wind-down rule.<sup>34</sup>

#### 4. Triggering OCC’s Implementation of the RWD Plan

The Proposed Rule Change describes the process that OCC uses to monitor and determine whether the criteria that could trigger its implementation of the RWD Plan have been met. OCC proposes a new “Trigger Monitoring” section of the RWD Plan, which would provide that trigger monitoring is performed through several processes at OCC.<sup>35</sup> The proposed language explains that the monitoring of specific triggers (i.e., triggers related to Credit Loss, Liquidity Loss, Operational Disruption, and General Business Loss) is prescribed in specific policies and their underlying procedures.<sup>36</sup> For example, the language ties the Credit Loss trigger to the Default Management Policy, the Liquidity Loss trigger to the Clearing Fund Methodology Policy, the Operational Disruption trigger to the Technology Operations Policy, and the General Business Loss trigger to the Capital Management Policy (“CMP”).<sup>37</sup> The Proposed Rule Change provides that the relevant support function lead or delegate, as prescribed in the underlying policy or procedures, is responsible for notifying OCC’s Crisis Management Team of a breach of any of the Recovery Triggers.

#### 5. Notice of Implementation of the Recovery or Orderly Wind-Down

OCC proposes changes to the RWD Plan aimed at informing the Commission as soon as practicable when OCC is considering implementing a recovery or orderly wind-down. Currently, in the context of a recovery, the RWD Plan indicates that OCC’s General Counsel is responsible for notifying the Commission, the Federal Reserve Bank, and the CFTC (and the FDIC, to the extent applicable) of the occurrence of a Recovery

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<sup>34</sup> See Notice, 90 FR at 19352.

<sup>35</sup> See *Id.* at 19350.

<sup>36</sup> See *Id.*

<sup>37</sup> See *Id.*

Trigger Event. OCC proposes to require such notification “as soon as practicable when OCC is considering the implementation” of a recovery. Similarly, OCC proposes new language that would require the responsible staff to notify regulators as soon as practicable when the Board of Directors’ is considering the decision to enact a wind-down.<sup>38</sup>

#### 6. Testing OCC’s Ability to Implement the RWD Plan

OCC proposes changes to its RWD Plan to require testing of OCC’s ability to implement the plan at least every 12 months, which is not part of the current RWD Plan.<sup>39</sup> The amended RWD Plan would note that the Risk Management Framework and Default Management Policy govern such testing and that the results of such testing would be reported to OCC’s Board. OCC’s proposed changes also would require participation by participants and in some instances stakeholders,<sup>40</sup> and outline the roles and responsibilities related to testing (e.g., review of results by OCC’s Management Committee or the Working Group incorporating into the RWD Plan any lessons learned from workshops or testing).<sup>41</sup> Further, OCC proposes adding that the Risk Committee’s review of the RWD Plan, as well as any subsequent recommendation to OCC’s Board, considers revisions to the RWD Plan informed by testing results.<sup>42</sup>

#### *B. Proposed Changes Related to the Annual Review Process*

The Proposed Rule Change would also make several changes to the RWD Plan that were identified during OCC’s annual review process.<sup>43</sup> These changes relate to OCC’s organizational structure; the alignment of provisions within the RWD Plan with

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<sup>38</sup> See *Id.* at 19351.

<sup>39</sup> See *Id.*

<sup>40</sup> See *Id.*

<sup>41</sup> See *Id.*

<sup>42</sup> See *Id.*

<sup>43</sup> See *Id.* at 19348.

each other, OCC's Rules, and other policies; the RWD Plan's hypothetical scenarios; and other corrections, clarifications, and updates to the RWD Plan.

### 1. Changes to OCC's Organizational Structure

OCC proposes changes to reflect its current organizational structure and the duties associated with specific roles within OCC's management.<sup>44</sup> Such changes include reflecting that the Chief External Relations Officer<sup>45</sup> and the Chief Clearing and Settlement Services Officer are a part of OCC's Management Committee.<sup>46</sup> The Proposed Rule Change would also reflect OCC's transition to a non-Executive Chairman governance structure given that the Executive Chairman role no longer exists at OCC.<sup>47</sup> Due to this organizational structure, OCC also proposes replacing the term Executive Chairman with Chairman in several provisions in the RWD Plan.<sup>48</sup> OCC also proposes to replace throughout the RWD Plan the title Chief Legal Officer and General Counsel with General Counsel and Corporate Secretary to align with OCC's current organizational structure.<sup>49</sup>

OCC proposes changes to Chapter 3 that would update, add, remove, and relocate the names of departments and support functions to align with OCC's current organizational structure.<sup>50</sup> For example, OCC proposes to note that the Exams Department currently resides within the Compliance support function, where it was moved from the Legal support function. Similarly, OCC proposes moving the Business

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<sup>44</sup> *See Id.* at 19352.

<sup>45</sup> *See Id.* OCC would also update the description of the Chief External Relations Officer's role to reflect that the Corporate Communications support function has moved from under the Chief External Relations Officer into the Human Resources Dept. *See id.*

<sup>46</sup> *See Id.* The Chief Clearing and Settlement Services Officer is responsible for the oversight of the Business Operations department, which includes Collateral Services, Market Operations, Corporate Actions, and Participant Services and Solutions. *See id.*

<sup>47</sup> *See Id.*

<sup>48</sup> *See Id.* at 19357.

<sup>49</sup> *See Id.* at 19348.

<sup>50</sup> *See Id.* at 19353.

Continuity Department from the Security Services support function to the Business Operations support function and the Corporate Communications Department from the External Relations support function to the Human Resources support function.<sup>51</sup> The proposed changes would also update department ratings.<sup>52</sup> Finally, OCC would correct a reference to the number of support functions necessary to deliver OCC's core services by replacing the number 12 with 11 to reflect OCC's determination that 11 support functions have been identified as necessary to deliver OCC's core services.<sup>53</sup>

## 2. Aligning the RWD Plan Internally and with OCC's Rules and Policies

OCC proposes several changes to its RWD Plan to align its provisions with each other and with OCC's Rules and policies.<sup>54</sup> For example, OCC proposes to amend certain hypothetical scenario titles to ensure that they are internally consistent within the RWD Plan.<sup>55</sup> To ensure consistency with OCC's Board Charter, which uses the term RWD Plan instead of Recovery and Resolution Plan, OCC also proposes to replace a current reference in the RWD Plan to Recovery and Resolution Plan with a reference to RWD Plan.<sup>56</sup>

OCC proposes a number of changes to align the RWD Plan with the Capital Management Policy, including replacing references to Equity in the RWD Plan with Liquid Net Assets Funded By Equity ("LNAFBE")<sup>57</sup> and defining Minimum Corporate Contribution within the RWD Plan as the minimum level of OCC funds maintained

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<sup>51</sup> *See Id.*

<sup>52</sup> OCC's RWD Plan contains department ratings based on whether a department is necessary to deliver OCC's Core Services and the speed with which a department's failure would impact OCC's Core Services.

<sup>53</sup> As a result of the Corporate Communications Department moving to Human Resources, External Relations would no longer be designated as a critical support function. OCC proposes changes reflecting its current critical support functions. *See Notice*, 90 FR at 19353.

<sup>54</sup> *See Id.*

<sup>55</sup> *See Id.* 19354-55.

<sup>56</sup> *See Id.* at 19357.

<sup>57</sup> *Id.* at 19353.

exclusively to cover credit losses or liquidity shortfalls and is determined by the Board from time to time, which is the definition used in the CMP. Consistent with OCC Rule 1006(e)(i) and the CMP, the revised RWD Plan would explain that OCC may use certain corporate resources to address non-default losses, default losses, or both.<sup>58</sup> Because OCC proposes adding text discussing its tools in the event of a non-default loss, default loss, or both, OCC also proposes adding text clarifying that, in the event of an operational loss, contribution of Excess LNAFBE and EDCP Unvested Balance are not subject to heightened governance or further Board approval.<sup>59</sup> OCC also proposes to replace a general reference to OCC's Replenishment Plan with a more specific reference to OCC's Operational Loss Fee in the context of enhanced risk management and recovery tools. Further, OCC proposes to remove language stating that implementation of a clearing fee change would more likely happen if shareholders' equity fell below 110% but remained above 90% of OCC's Target Capital Requirement, because this text is outdated.<sup>60</sup> OCC replaces the deleted text with the more general statement that implementation of a clearing fee change would more likely be based on the thresholds in OCC's CMP. OCC proposes the more general language to reduce the risk of the RWD Plan becoming inaccurate due to future changes to the CMP.<sup>61</sup>

For consistency with OCC Rule 1002, OCC proposes inserting "minimum" before "cash Clearing Fund" to provide that temporary increases in the minimum cash Clearing Fund requirement must be reviewed by the Risk Committee as soon as practicable, and in

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<sup>58</sup> See *Id.* at 19353-54 (discussing the application of liquid net assets funded by equity as well as the EDCP Unvested Balance). The EDCP Unvested Balance is a specific set of executive compensation held in trust that comprises a portion of OCC's skin-in-the-game. See Securities Exchange Act Release No. 92038 (May 27, 2021), 86 FR 29861, 29862 n.10 (June 3, 2021) (File No. SR-OCC-2021-003). OCC also proposes conforming changes to Exhibit 4-1 in the RWD Plan.

<sup>59</sup> See Notice, 90 FR at 19354.

<sup>60</sup> See *Id.*

<sup>61</sup> See *Id.*

any event within 20 days of the decision to increase.<sup>62</sup> Finally, OCC proposes changes to more accurately describe the process for use of the Clearing Fund and EDCP Unvested Balance pursuant to Rule 1006.<sup>63</sup> As proposed, the RWD Plan would (i) state that OCC pays deficiencies (rather than losses) from the Clearing Fund, for consistency with OCC Rule 1006(b);<sup>64</sup> (ii) no longer state that, to borrow from the Clearing Fund, OCC must first determine that it is unable to borrow or otherwise obtain such funds on acceptable terms on an unsecured basis, because OCC's rules no longer require this; and (iii) consistent with OCC Rule 1006(h), clarify that replenishment of the Clearing Fund would not be required until a borrowing is deemed a charge against the Clearing Fund.

### 3. Scenario Changes

The RWD Plan identifies four hypothetical scenarios that could threaten OCC's viability as a going concern and describes how OCC would respond to each scenario.<sup>65</sup> OCC proposes changes to these scenarios that it states would (i) update referenced numbers throughout all detailed scenarios and (ii) provide more granular information regarding assumptions and details to make each scenario more realistic.<sup>66</sup> Such changes include adding regulatory notification as an action that may be taken in each scenario, removing information that OCC believes is no longer relevant,<sup>67</sup> relocating information within a scenario to clarify the timeline,<sup>68</sup> adding language to avoid ambiguity in scenario

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<sup>62</sup> *See Id.*

<sup>63</sup> *Id.*

<sup>64</sup> *See Id.*

<sup>65</sup> *See Id.* at 19347.

<sup>66</sup> *See Id.* at 19355. For example, OCC proposes, for scenario 1, to characterize the first draw after the Clearing Member default as a borrowing from the Clearing Fund rather than a proportionate charge to the Clearing Fund and unvested EDCP Balance to align with OCC's approach to firm-wide default tests. *See id.* at 19355-56.

<sup>67</sup> *See Id.* at 19356 (describing removal of two provisions from day 2 of scenario 1 related to the satisfaction of assessment and replenishment obligations that OCC asserts are no longer applicable in the event of a realistic scenario).

<sup>68</sup> *See Id.* at 19357 (describing the relocation of "DTC confirms they are experiencing an outage and are working on the problem" and "DTC has no ETA on resolution and does not expect to be resolved by the end of the processing day" in scenario 3 to an earlier section of the scenario).

assumptions,<sup>69</sup> revising information regarding assumptions and details in the scenarios,<sup>70</sup> updating timelines within the scenarios,<sup>71</sup> and improving the scenarios' flexibility.<sup>72</sup> OCC believes the proposed changes identified during its annual review process, including those related to hypothetical scenarios, improve the accuracy of the Plan by incorporating the most up to date information within the Plan so that OCC can reasonably anticipate and prepare for the possibility of a recovery or wind-down.<sup>73</sup>

#### 4. Other Corrections, Clarifications, and Updates

The Proposed Rule Change would make a series of other corrections, clarifications, and updates to provisions that do not address the scenarios.<sup>74</sup> Proposed corrections include (i) adding the word “not” to correct a statement about Wind-Down trigger events that, as proposed, would state that such a trigger event would occur when, during OCC’s recovery efforts, OCC determined that recovery efforts have **not** been, or are unlikely to be successful,<sup>75</sup> (ii) correcting inaccurate references to the “Bank On-Boarding and Off-Boarding Procedure” by replacing them with references to the “Settlement Bank Failure Procedure,”<sup>76</sup> and (iii) in the context of stock loan terminations, replacing an inaccurate reference to increasing the size of the Clearing Fund with a more

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<sup>69</sup> See *Id.* at 19356-57 (adding “due to the large number of Clearing Members settling through Bank A and the extensive manual payment instructions that go along with enacting alternative settlement, the OCEO authorizes extension of settlement until the close of Fedwire” to specify OCC’s existing expectation in writing.)

<sup>70</sup> See *Id.* at 19357 (proposing revisions to scenario 3 reflecting that in a realistic scenario OCC would respond to Clearing Member inquiries regarding the validity of their collateral but would not proactively address collateral validity).

<sup>71</sup> See *Id.* at 19356 (proposing to extend scenario 1 to last 22 days rather than 21 to account for the initial draw in scenario 1 being a borrowing from the Clearing Fund rather than a proportionate charge to the Clearing Fund and unvested EDCP Balance.

<sup>72</sup> See *Id.* (revising scenario 2 to assume that “more than” 25 Clearing Members settle through Bank A).

<sup>73</sup> See *Id.* at 19358.

<sup>74</sup> Throughout the RWD Plan, OCC proposes minor grammatical, formatting, and non-substantive changes. See *Id.* at 19349. Further, OCC also proposes changes to section and exhibit numbering throughout the RWD Plan to reflect deleted or added provisions. See *id.*

<sup>75</sup> See *Id.* at 19352.

<sup>76</sup> See *Id.* at 19355.

accurate statement about the need to communicate termination of the stock loan programs in a timely and appropriate manner.<sup>77</sup>

Proposed clarifications include (i) updating discussion of service level agreements to note that OCC maintains such agreements with certain (as opposed to all) vendors,<sup>78</sup> (ii) removing a redundant list of Critical Support Functions,<sup>79</sup> (iii) replacing “LNAFBE greater than 110% of the Target Capital Requirement” with “Excess LNAFBE” throughout the RWD Plan,<sup>80</sup> (iv) expanding the groups that receive notifications of certain incidents in a scenario, (v) revising the RWD Plan to acknowledge that, following a merger in wind-down, OCC may not be the only surviving entity,<sup>81</sup> and (vi) amending a scenario description to acknowledge the assumption that Clearing Members would be able to both send and receive wire funds to and from back up settlement banks.<sup>82</sup>

Proposed updates include (i) removing reference to the Jersey City Business Center because that facility no longer exists,<sup>83</sup> (ii) adjusting the number of staff working in critical support functions,<sup>84</sup> (iii) revising data related to potential reductions in force in the context of a wind-down,<sup>85</sup> and (iv) replacing “CMT Leader” with “Crisis Management Coordinator” throughout the RWD Plan to reflect the accurate name of the title of the role at OCC.<sup>86</sup>

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<sup>77</sup> *See Id.*

<sup>78</sup> *See Id.* at 19352.

<sup>79</sup> *See Id.* at 19353.

<sup>80</sup> *See Id.*

<sup>81</sup> *See Id.* at 19355.

<sup>82</sup> *See Id.* at 19356 (stating that the change is designed to capture the assumption that functionality between settlement bank and Clearing Member is operating without issue).

<sup>83</sup> *See Id.* at 19352.

<sup>84</sup> *See Id.* at 19353.

<sup>85</sup> *See Id.* at 19355.

<sup>86</sup> *See Id.*

OCC also proposes to remove outdated data and reduce the need for future updates by replacing a specific statement regarding member affiliated banks in the bank credit facility<sup>87</sup> with the general statement that the amount of the commitment of each bank is capped to limit the risk posed by any single bank counterparty.<sup>88</sup> Relatedly, OCC would update the RWD Plan to reflect that the list of eligible collateral for the facility was expanded beyond just the components of the S&P 500.<sup>89</sup> The Proposed Rule Change would make similar corrections, clarifications, and updates to those described above throughout the RWD Plan.<sup>90</sup>

### **III. Discussion and Commission Findings**

Section 19(b)(2)(C) of the Act requires the Commission to approve a proposed rule change of a self-regulatory organization if it finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to the organization.<sup>91</sup> Under the Commission’s Rules of Practice, the “burden to demonstrate that a proposed rule change is consistent with the Exchange Act and the rules and regulations issued thereunder . . . is on the self-regulatory organization [‘SRO’] that proposed the rule change.”<sup>92</sup>

The description of a proposed rule change, its purpose and operation, its effect, and a legal analysis of its consistency with applicable requirements must all be sufficiently detailed and specific to support an affirmative Commission finding,<sup>93</sup> and any

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<sup>87</sup> The bank credit facility is revolving credit facility that OCC maintains for a 364-day term and that it may use in certain instances, such as in anticipation of a potential default by or suspension of a Clearing Member. *See* Securities Exchange Act Release No. 88971 (May 28, 2020), 85 FR 34257, 34258 (June 3, 2020) (File No. SR-OCC-2020-804).

<sup>88</sup> *See* Notice, 90 FR at 19352.

<sup>89</sup> *See Id.* at 19353.

<sup>90</sup> *See Id.* at 19346.

<sup>91</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>92</sup> Rule 700(b)(3), Commission Rules of Practice, 17 CFR 201.700(b)(3).

<sup>93</sup> *Id.*

failure of an SRO to provide this information may result in the Commission not having a sufficient basis to make an affirmative finding that a proposed rule change is consistent with the Exchange Act and the applicable rules and regulations.<sup>94</sup> Moreover, “unquestioning reliance” on an SRO’s representations in a proposed rule change is not sufficient to justify Commission approval of a proposed rule change.<sup>95</sup>

After carefully considering the Proposed Rule Change, the Commission finds that the Proposed Rule Change is consistent with Section 17A(b)(3)(F) of the Act,<sup>96</sup> Rule 17ad-22(e)(3)(ii),<sup>97</sup> and Rules 17ad-26(a)(1), (2), (4), (7), and (8) thereunder, as described in detail below.<sup>98</sup>

*A. Consistency with Section 17A(b)(3)(F) of the Act*

Under Section 17A(b)(3)(F) of the Act, OCC’s rules, among other things, must be designed to promote the prompt and accurate clearance and settlement of securities transactions.<sup>99</sup> Based on a review of the record, and for the reasons discussed below, OCC’s proposed rule change is consistent with Section 17A(b)(3)(F). Based on a review of the record, and for the reasons discussed below,<sup>100</sup> OCC’s changes are consistent with the promotion of prompt and accurate clearance and settlement of securities transactions. Accordingly, the Proposed Rule Change is consistent with the requirements of Section 17A(b)(3)(F) of the Act.<sup>101</sup>

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<sup>94</sup> *Id.*

<sup>95</sup> *Susquehanna Int’l Group, LLP v. Securities and Exchange Commission*, 866 F.3d 442, 447 (D.C. Cir. 2017).

<sup>96</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>97</sup> 17 CFR 240.17ad-22(e)(3)(ii).

<sup>98</sup> 17 CFR 240.17ad-26(a)(1), (2), (4), (7), and (8).

<sup>99</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>100</sup> *See infra* Section III.B. (Consistency with Rule 17ad-22(e)(3)(ii) under the Act) and Sections III.C. – G (Consistency with Rule 17ad-26(a) under the Act).

<sup>101</sup> 15 U.S.C. 78q-1(b)(3)(F).

*B. Consistency with Rule 17ad-22(e)(3)(ii)*

Rule 17ad-22(e)(3)(ii) requires that OCC “establish implement, maintain and enforce written policies and procedures reasonably designed to maintain a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, general business, investment, custody, and other risks that arise in or are borne by the covered clearing agency, which includes plans for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses.<sup>102</sup>

As described above, OCC proposes changes relating to OCC’s organizational structure; the alignment of provisions within the RWD Plan with each other and with OCC’s Rules and policies; the RWD Plan’s hypothetical scenarios; and other corrections, clarifications, and updates to the RWD Plan. For example, OCC proposes changes to reflect its current organizational structure such as identifying the Chief External Relations Officer and the Chief Clearing and Settlement Services Officer as members of the Management Committee and replacing references to an Executive Chairman because that role no longer exists at OCC.<sup>103</sup> Separately, OCC proposes several changes to its RWD Plan to ensure that it is both internally consistent and consistent with other OCC Rules and policies, such as OCC Rule 1006 and the CMP.<sup>104</sup> The proposed changes also would update data and provide more granularity in the hypothetical scenarios described in the RWD Plan<sup>105</sup> and make various other corrections, clarifications, and updates designed to further strengthen and clarify the RWD Plan.<sup>106</sup>

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<sup>102</sup> 17 CFR 240.17ad-22(e)(3)(ii).

<sup>103</sup> *See supra* Section II.B.1.

<sup>104</sup> *See supra* Section II.B.2.

<sup>105</sup> *See supra* Section II.B.3.

<sup>106</sup> *See supra* Section II.B.4.

These proposed changes will make the information provided in the RWD Plan more accurate and useful; provide a more accurate and usable playbook for OCC or source of information for a resolution authority; reduce the risk that the RWD Plan contains inaccurate or stale information; and support OCC's ability to use risk management and recovery tools effectively to bring about a recovery by clarifying which tools may be most effective for different situations or needs. As such, these changes would provide a more up-to-date and useful set of information for the relevant authorities to carry out any needed recovery and resolution planning more expeditiously.

Accordingly, the Proposed Rule Change is consistent with the requirements of Rule 17ad-22(e)(3)(ii) under the Act.<sup>107</sup>

*C. Consistency with Rule 17ad-26(a)(1) under the Act*

Rule 17ad-26(a)(1) requires OCC's RWD Plan to "identify and describe the covered clearing agency's core payment, clearing, and settlement services and address how the covered clearing agency would continue to provide such core services in the event of a recovery and during an orderly wind-down, including by identifying the staffing roles necessary to support such core services; and analyzing how such staffing roles necessary to support such core services would continue in the event of a recovery and during an orderly wind-down."<sup>108</sup> Based on a review of the record, and for the reasons discussed below, OCC's proposed rule change is consistent with Rule 17ad-26(a)(1).

As described above in section II.A.1, OCC's proposed changes identify staffing roles necessary to support core services. Staffing roles do not refer to specific personnel or employees, but instead, positions, roles, or personnel functions that are necessary for the continuation of core services. OCC's proposed changes list key staffing roles

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<sup>107</sup> 17 CFR. 240.17ad-22(e)(3)(ii).

<sup>108</sup> 17 CFR 240.17ad-26(a)(1).

necessary for OCC to continue providing its core services in the event of a recovery or wind-down. The Proposed Rule Change also analyzes how staffing roles necessary to support core services would continue in the event of a recovery and during an orderly wind-down. For example, the proposed changes would indicate that, during a wind-down, OCC's Management may need to offer additional compensation to retain key staff while simultaneously reducing other staff. Similarly, OCC proposes replacing "critical services" with "core services" throughout the RWD Plan to align the RWD Plan with the text of Rule 17ad-26(a)(1).

Accordingly, the Proposed Rule Change is consistent with the requirements of Rule 17ad-26(a)(1).<sup>109</sup>

*D. Consistency with Rule 17ad-26(a)(2) under the Act*

Rule 17ad-26(a)(2) requires OCC's RWD Plan to "identify and describe any service providers for core services, specifying which core services each service provider supports; and address how the covered clearing agency would ensure that service providers for core services would continue to perform in the event of a recovery and during an orderly wind-down, including consideration of its written agreements with such service providers and whether the obligations under those written agreements are subject to alteration or termination as a result of initiation of the recovery and orderly wind-down plan."<sup>110</sup> Based on a review of the record, and for the reasons discussed below, OCC's proposed rule change is consistent with Rule 17ad-26(a)(2).

As described above in section II.A.3, OCC's proposed changes describe service providers for core services and specify which core service each service provider supports. Specifically, OCC proposes adding a section to the RWD Plan that would contain a table identifying service providers that support OCC's core services. The proposed changes

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<sup>109</sup> 17 CFR 240.17ad-26(a)(1).

<sup>110</sup> 17 CFR 240.17ad-26(a)(2).

also identify the type of service provider, the service provider's name, OCC's relationship with the service provider, and the specific core service the service provider supports.

The proposed changes also address how OCC would ensure that service providers for core services would continue to perform in the event of a recovery and during an orderly wind-down, including consideration of OCC's written agreements with such service providers and whether the obligations under those written agreements are subject to alteration or termination as a result of initiation of the recovery and orderly wind-down plan. Specifically, the proposed changes would revise the RWD Plan to specify that OCC drafted its written agreements with service providers in a manner that acknowledges and helps ensure that service providers can continue to perform their services during a recovery or wind-down event. For example, the Proposed Rule Change would indicate that agreements do not contain MAC clauses or similar provisions that would permit the counterparty to terminate the agreement and discontinue the provision of services in the event of a recovery or during a wind-down. The Proposed Rule Change also would acknowledge the need to consider the maintenance of key agreements in both recovery and wind-down rather than solely wind-down.

Accordingly, the Proposed Rule Change is consistent with the requirements of Rule 17ad-26(a)(2).<sup>111</sup>

*E. Consistency with Rule 17ad-26(a)(4) under the Act*

Rule 17ad-26(a)(4) requires OCC's RWD Plan to "identify and describe criteria that could trigger the covered clearing agency's implementation of the recovery and orderly wind-down plans and the process that the covered clearing agency uses to monitor and determine whether the criteria have been met, including the governance

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<sup>111</sup> 17 CFR 240.17ad-26(a)(2).

arrangements applicable to such process.”<sup>112</sup> Based on a review of the record, and for the reasons discussed below, OCC’s proposed rule change is consistent with Rule 17ad-26(a)(4).

As described above in Section II.A.4, OCC’s proposed changes support the identification of relevant governance arrangements by clearly identifying the relevant internal policy document governing the process for monitoring each trigger and adding a new Trigger Monitoring section to the RWD Plan that generally describes the four triggers that OCC relies upon to determine whether it is appropriate to implement the RWD Plan.

Accordingly, the Proposed Rule Change is consistent with the requirements of Rule 17ad-26(a)(4).<sup>113</sup>

*F. Consistency with Rule 17ad-26(a)(7) under the Act*

Rule 17ad-26(a)(7) requires OCC’s RWD Plan to “require the covered clearing agency to inform the Commission as soon as practicable when the covered clearing agency is considering implementing a recovery or orderly wind-down.”<sup>114</sup> Based on a review of the record, and for the reasons discussed below, OCC’s proposed rule change is consistent with Rule 17ad-26(a)(7).

As described in section II.A.5 above, OCC proposes to add language to the RWD Plan requiring that OCC’s General Counsel notify the Commission, among others, as soon as practicable when OCC is considering the implementation of a Recovery Trigger Event. The proposed changes would also require responsible staff to notify regulators as soon as practicable when the Board of Directors’ is considering the decision to enact a wind-down.

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<sup>112</sup> 17 CFR 240.17ad-26(a)(4).

<sup>113</sup> 17 CFR 240.17ad-26(a)(4).

<sup>114</sup> 17 CFR 240.17ad-26(a)(7).

Accordingly, the Proposed Rule Change is consistent with the requirements of Rule 17ad-26(a)(7).<sup>115</sup>

*G. Consistency with Rule 17ad-26(a)(8) under the Act*

Rule 17ad-26(a)(8), in part, requires OCC's RWD Plan to "include procedures for testing the covered clearing agency's ability to implement the recovery and orderly wind-down plans at least every 12 months, including by requiring the covered clearing agency's participants and when practicable other stakeholders to participate in the testing of its plans; . . . providing for reporting the results of such testing to the covered clearing agency's board of directors and senior management; and specifying the procedures for, as appropriate, amending the plans to address the results of such testing."<sup>116</sup> Based on a review of the record, and for the reasons discussed below, OCC's proposed rule change is consistent with Rule 17ad-26(a)(8).

As described in section II.A.6 above, OCC proposes to add language to the RWD Plan to require testing of OCC's ability to implement the plan at least every 12 months and state that the Risk Management Framework and Default Management Policy govern such testing. OCC's proposed changes also would require participation by participants and in some instances stakeholders in testing, and outline the roles and responsibilities related to testing (e.g., review of results by OCC's Management Committee). Further, the Proposed Rule Change would require that testing results are reported to OCC's Board and senior management. OCC's proposed changes would also require the Risk Committee to annually review and consider for an approval recommendation to the Board any revisions to the RWD Plan informed by testing results.

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<sup>115</sup> 17 CFR 240.17ad-26(a)(7).

<sup>116</sup> 17 CFR 240.17ad-26(a)(8).

Accordingly, the Proposed Rule Change is consistent with the requirements of Rule 17ad-26(a)(8).<sup>117</sup>

#### **IV. Conclusion**

On the basis of the foregoing, the Commission finds that the Proposed Rule Change is consistent with the requirements of the Act, and in particular, Section 17A(b)(3)(F) of the Act,<sup>118</sup> Rule 17ad-22(e)(3)(ii),<sup>119</sup> and Rules 17ad-26(a)(1), (2), (4), (7), and (8).<sup>120</sup>

IT IS THEREFORE ORDERED pursuant to Section 19(b)(2) of the Act that the proposed rule change (SR-OCC-2025-005) be, and hereby is, approved.<sup>121</sup>

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>122</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>117</sup> 17 CFR 240.17ad-26(a)(8).

<sup>118</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>119</sup> 17 CFR. 240.17ad-22(e)(3)(ii).

<sup>120</sup> 17 CFR 240.17ad-26(a)(1), (2), (4), (7), and (8).

<sup>121</sup> In approving the proposed rule change, the Commission considered the proposal's impacts on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>122</sup> 17 CFR 200.30-3(a)(12).