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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105712; File No. SR-OCC-2026-005]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change by The Options Clearing Corporation to Amend its System for Theoretical Analysis and Numerical Simulation Methodology Description to Incorporate Options Implied Interest Rates as an Additional Source of Interest Rates Inputs for Constructing the Interest Rate Discount Curve Used in Options Pricing.

June 17, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act" or "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on June 5, 2026, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by OCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

This proposed rule change would amend OCC's System for Theoretical Analysis and Numerical Simulation ("STANS") Methodology Description[3] that would incorporate options implied interest rates as an additional source of interest rates inputs for constructing the interest rate discount curve ("discount curve") used in options pricing.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 See Exchange Act Release No. 91079 (Feb. 8, 2021), 86 FR 9410 (Feb. 12, 2021) (File No. SR-OCC-2020-016).

OCC filed the proposed changes to the STANS Methodology Description as confidential Exhibit 5 to File No. SR-OCC-2026-005. Material proposed to be added to the STANS Methodology Description as currently in effect is underlined and material proposed to be deleted is marked in strikethrough text. All capitalized terms not defined herein have the same meaning as set forth in the OCC By-Laws and Rules.[4]

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

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

OCC is the sole clearing agency for standardized equity options listed on national securities exchanges registered with the Commission. OCC also clears certain 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. These clearing activities expose OCC to financial risks if a Clearing Member fails to fulfill its obligations to OCC. OCC manages these financial risks through various safeguards, including the collection of sufficient margin collateral from Clearing Members designed to cover the market risk associated with a Clearing Member's positions during the period that OCC would take to

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[4] 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.

liquidate those positions. OCC employs its proprietary system, STANS, to calculate each Clearing Member's margin requirements.[5]

In the STANS methodology, the discount curve is a critical input for OCC's pricing models. OCC constructs the discount curve using industry standard benchmark rates and instruments. Currently, OCC uses only the Secured Overnight Financing Rate ("SOFR") based discount curve.[6] However, OCC has observed that the SOFR-based discount curve may not always align with the rates implied by the options market. Market participants have reported discrepancies in OCC's in-the-money options marks for long-dated SPX option expiries,[7] with analysis showing that the SOFR rates used by OCC are below the options implied interest rates.

To address this issue, OCC proposes to amend its STANS Methodology Description to incorporate box rates implied by the SPX options market as an additional input to the discount curve construction. These market-derived rates would supplement OCC's current methodology, allowing OCC to incorporate box rates into its theoretical mark calculations, which would increase smoothing output adherence to market quotations.[8] The proposed change is expected to improve pricing accuracy for deep-in-the-money options with medium- to long-term expirations, resulting in more accurate margin calculations that better reflect the risk of Clearing Member portfolios.

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5 An overview of the STANS methodology is on OCC's public website: https://www.theocc.com/Risk-Management/Margin-Methodology. OCC makes the confidential STANS Methodology Description available to Clearing Members who execute a non-disclosure agreement.

6 The Secured Overnight Financing Rate is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. OCC transitioned its discount curve to SOFR-based instruments on October 24, 2021. See *infra* note 11.

7 For purposes of this filing OCC classifies option expiration tenors as follows: "short-term" as less than or equal to 30 days; "medium-term" as greater than 30 days and up to 365 days; and "long-term" as greater than 365 days. These classifications are adopted solely to facilitate review and form no part of the proposed methodology.

8 Smoothing refers to OCC's Implied Volatility Smoothing algorithm, which generates implied volatilities for all listed and FLEX options. The discount curve serves as an input to this algorithm and is used in computing forward prices and option valuations throughout the smoothing process.

1. Purpose

Background

STANS is OCC's proprietary risk management system for calculating Clearing Member margin requirements. The STANS methodology utilizes large-scale Monte Carlo simulations to forecast price and volatility movements in determining a Clearing Member's margin requirement.[9] OCC's pricing model within its STANS methodology uses the discount curve, along with dividends and implied volatility to specify underlying price dynamics.[10] OCC uses this data, along with Exchange-listed option price data, to calibrate the implied borrow cost and implied volatility parameters used in its option pricing models.[11]

In general, the discount curve is used both to project expected future cash flows for option derivatives and to discount them back to present value. OCC currently constructs this curve using instruments referencing SOFR, having previously transitioned from the London Interbank Offered Rate ("LIBOR") in 2021.[12] This framework was established through prior rule filings.[13] However, OCC has observed that the SOFR-based discount curve may not always align with the rates implied by the options market. This misalignment can result in pricing discrepancies, particularly for deep-in-the-money options. To address these pricing discrepancies, the proposed change would amend the framework to incorporate interest rates implied by market quotes of options and other derivatives into the construction of discount curve.

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9 See OCC Rule 601.

10 See Exchange Act Release No. 90763 (Dec. 21, 2020), 85 FR 85788, 85798 (Dec. 29, 2020) (SR-OCC-2020-016) (describing "model utilities" that are applied at various points in the STANS methodology).

11 See Exchange Act Release No. 93371 (Oct. 18, 2021), 86 FR 58704, 58705 (Oct. 22, 2021) (SR-OCC-2021-011) (transitioning OCC's discount curve methodology to SOFR-based rates).

12 Id.

13 See supra notes 10 and 11.

Market participants have reported discrepancies between OCC's end-of-day option marks and observed market prices for deep-in-the-money SPX options with long-dated expiries. This issue affects all option types (i.e., Call, Put, Flex, American, etc.) and is more pronounced for long-dated options (due to larger discount factor impact) and deep in-the-money options (due to larger moneyness impact). Analysis shows that the SOFR rate used by OCC is generally at a discount compared to the rate implied from put-call parity i.e., box rates. OCC's analysis of historical data shows that box rates generally exceed SOFR-based rates by approximately 20-40 basis points across tenors, with varied spreads observed at shorter tenors. [14]

OCC proposes to amend the STANS Methodology Description to incorporate interest rates implied by the SPX options market as inputs for constructing the discount curve. Box rates are interest rates derived from box spread trades. A box spread is a delta-neutral[15] options strategy that involves simultaneously holding a bull call spread[16] and a bear put spread[17] with the same strike prices and expiration dates, which effectively creates a synthetic loan with an implied interest rate. OCC would estimate such implied interest rates by first sourcing market quotes for SPX European-style options and calculating their mid-prices from the average of the bid and ask. Using these mid-prices, OCC would then apply a proprietary regression technique to derive box rates. The use of

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14 OCC has filed supporting data and analysis comparing SOFR and box rates as confidential Exhibit 3A to File No. SR-OCC-2026-005.

15 Delta is a measurement of how sensitive the price of an option (or an option's position) is to changes in the price of the underlying asset. "Delta-neutral," in this context, means that the profit or loss for the strategy does not depend on the underlying asset's price, but rather on the relationship between the options' prices and the interest rate.

16 A bull call spread is an options strategy that involves simultaneously buying a call option at a lower strike price and selling a call option at a higher strike price, with both options having the same expiration date.

17 A bear put spread is an options strategy that involves simultaneously buying a put option at a higher strike price and selling a put option at a lower strike price, with both options having the same expiration. When structured correctly with a bull call spread as part of a box spread, the net directional exposure to the underlying asset is offset because the long call and short put have positive delta, while the short call and long put have negative delta.

option mid-prices produces more stable and reliable results than working directly with bid and ask spreads.[18] Since SPX options typically extend to only about five years out, OCC would extend the term structure of the discount curve by applying a basis adjustment to longer term SOFR swap rates to create a curve that extends to approximately 50 years.[19] This approach would capture the market's cost of capital for equity options, which OCC has observed would typically run 20 to 40 basis points higher than SOFR-based rates.[20] This additional approach would supplement OCC's current methodology, which uses SOFR rates as the primary input for discount curve modeling.

Proposed Change

OCC proposes to revise the data capture subsection of Section 3.2 of the STANS Methodology Description, which currently provides for three legacy groups of input data available for constructing the US dollar discount curve: (1) cash rates, such as SOFR, (2) contiguous interest rate futures, and (3) interest rate swaps. Not all of these sources are used under either the current or the proposed approach. Specifically, OCC proposes to expand the input data sources by adding a fourth input source to this list: interest rates over the short and medium term implied by market quotes for options and other derivatives. In practice, the update would allow OCC to use box rates derived from market quotes of standard SPX options, where available. Beyond the longest available expiration of standard SPX options, the box rates are extrapolated using adjusted SOFR swap rates. The update includes a description of the process for extending the curve beyond available box rates to maintain continuity across the entire term structure.

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18 The use of option mid prices in the estimation of box rates is consistent with common market practice, as midpoint prices provide a neutral estimate of prevailing market value by mitigating the effect of bid-ask spread variability.

19 The basis adjustment would be calculated as the observed spread between box rates and SOFR rates at the longest available box rate expiry, applied as a constant adjustment to SOFR rates beyond that point.

20 OCC has filed amendments to its technical document related to the interest rate curve as confidential Exhibit 3B to File No. SR-OCC-2026-005.

Additionally, OCC proposes to replace specific maturity details with generalized timeframes. For example, cash rates would now span from "overnight (i.e., one day) to a few months" rather than listing specific tenors, and the term "contiguous" would be removed from the interest rate futures discussion as it is no longer applicable to the proposed approach. The last sentence on seamless selection changes would be removed entirely. [21]

OCC also proposes to implement technical clarifying and conforming changes to Section 3.2 under the data capture and the bootstrapping sections. These include revising terminology such as "yield curve" to "interest rate discount curve", providing additional clarifying context where appropriate, and removing unnecessary references to notation used in the bootstrapping algorithm. OCC proposes to also eliminate the cash instruments section in its entirety, which refers to certain legacy instrument-specific details related to the construction of the interest rate curve prior to the LIBOR to SOFR transition. Finally, OCC proposes non-substantive formatting enhancements, grammatical revisions, and other minor updates throughout the methodology document.

OCC has observed that when box rates and SOFR rates are compared, the discount curve derived from utilizing box rates is generally 20-40 basis points higher than the curve generated using only SOFR rates. The impact of these changes is more observable on deep-in-the-money options, with some impact on the remainder of the option chain. At-the-money options and out-of-the-money options are relatively less affected, as the calibration of implied borrow costs largely absorbs the interest rate differences and it dampens the impact on the calculated implied forwards.

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[21] OCC also proposes to remove the sentence stating that the discussion of the interest rate curve covers other currencies but details will vary, as this statement is no longer applicable.

OCC's impact analysis indicates that the proposed rule change would produce a modest reduction in the overall margin.[22] For instance, a single-day impact assessment for a typical business date in November 2025 indicates a modest total margin reduction of approximately $141 million, or approximately 0.27% in relative terms. This reduction is attributable to the correction of mispricing in the current SOFR-based discount curve. While the aggregate impact is modest, individual portfolios may experience varying effects depending on their composition. Portfolios with a greater concentration of deep-in-the-money options, where the impact of discount rates is higher, are likely to see a more pronounced margin impact. In all cases, these adjustments are a consequence of correcting existing mispricing in option prices thereby aligning margin requirements more closely with actual risk.

Implementation Timeframe

OCC expects to implement the proposed changes no later than (180) days from the date that OCC receives all necessary regulatory approvals for the filing. OCC will announce the implementation date of the proposed changes by posting an Information Memorandum on its public website at least two (2) weeks prior to implementation.

2. Statutory Basis

OCC believes the proposed rule change is consistent with Section 17A of the Exchange Act[23] and the rules thereunder applicable to OCC. Section 17A(b)(3)(F) of the Act[24] requires, in part, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of derivative agreements, contracts, and transactions and to assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible. The proposed rule change would

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22 OCC has filed the underlying data supporting the impact analysis as confidential Exhibit 3C to File No. SR-OCC-2026-005.

23 15 U.S.C. 78q-1.

24 15 U.S.C. 78q-1(b)(3)(F).

enhance OCC's ability to accurately price options, particularly deep-in-the-money options with longer expirations, by providing an enhanced means of constructing the discount curve that better aligns with market practices. This enhancement would align the discount curve with the rates implied by the options market, removing a systemic source of pricing discrepancies particularly for deep-in-the-money option positions thus improving pricing accuracy of OCC's margin calculations, which OCC uses to manage the risk of a Clearing Member default. More accurate margin calculations support OCC's ability to safeguard securities and funds in its custody or control by ensuring that it collects margin that appropriately reflects the risk of Clearing Member portfolios, consistent with Section 17A(b)(3)(F) of the Act.[25]

Exchange Act Rule 17Ad-22(e)(6) further requires that a covered clearing agency 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: (1) considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio and market, and (2) calculates margin sufficient to cover its potential future exposure to participants in the interval between the last margin collection and the close out of positions following a participant default.[26] The proposed rule change would result in more accurate pricing for options, particularly deep-in-the-money options with longer expirations, which would enhance OCC's ability to produce margin levels commensurate with the risks and particular attributes of these products. By incorporating box rates implied by the SPX options market into its discount curve construction, OCC would better align its margin methodology with market practices and improve its ability to calculate margin sufficiently to cover its potential future exposure to participants.

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25 Id.

26 17 CFR 240.17Ad-22(e)(6)(i), (iii).

Accordingly, OCC believes the proposed rule change is consistent with the requirements of Exchange Act Rule 17Ad-22(e)(6).[27]

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

Section 17A(b)(3)(I) of the Act[28] requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. OCC does not believe that the proposed rule change would impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. While the proposed change may result in modest margin adjustments for individual portfolios and accounts, particularly those with concentrated positions in deep-in-the-money options, these effects flow directly from correcting a known pricing issue with OCC's current discount curve rather than from any competitive burden. The proposed rule change would improve the accuracy of OCC's pricing and margin calculations, which would produce margin requirements more closely aligned with the risk presented by Clearing Member portfolios and accounts. Moreover, the proposed rule change would be applied uniformly across all Clearing Members, and would not unfairly inhibit access to OCC's services. 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 rule change and none have been received.

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

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27 17 CFR 240.17Ad-22(e)(6).

28 15 U.S.C. 78q-1(b)(3)(I).

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.[29]

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (*https://www.sec.gov/rules/sro.shtml*); or
- Send an e-mail to *rule-comments@sec.gov*. Please include File Number SR-OCC-2026-005 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-OCC-2026-005. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The

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[29] Notwithstanding its immediate effectiveness, implementation of this rule change will be delayed until this change is deemed certified under CFTC Regulation 40.6.

Commission will post all comments on the Commission's Internet website (*https://www.sec.gov/rules/sro.shtml*). Copies of such filings 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-2026-005 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.[30]

Vanessa A. Countryman,

Secretary.

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[30] 17 CFR 200.30-3(a)(12).