This document is scheduled to be published in the Federal Register on 2026-10-06 and available online at https://www.federalregister.gov/d/2026-20465, and on https://govinfo.gov

8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106573; File No. SR-OCC-2025-018]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Setting Aside Action by Delegated Authority and Approving Proposed Rule Change, as modified by Partial Amendment No. 1, by The Options Clearing Corporation Concerning Methodology to Allocate Clearing Fund Deposit Requirements Among Its Clearing Members to Better Align the Allocation with The Sizing of The Clearing Fund so Stress Based Risk is Fairly Allotted to Market Participants That Expose OCC to Such Stress Risk

October 2, 2026.

I. INTRODUCTION

On September 26, 2025, the Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-OCC-2025-018, pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act")[1] and Rule 19b-4[2] thereunder, to amend its allocation methodology for the Clearing Fund[3] deposit requirements of its Clearing Members by realigning the allocation to correspond to the sizing of the Clearing Fund so that certain stress-based risk is proportionally allotted to market participants that expose OCC to such risk.[4]

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

2 17 CFR 240.19b-4.

3 Capitalized terms used but not defined herein have the meanings specified in OCC's Rules and By-Laws, *available at* https://www.theocc.com/company-information/documents-and-archives/by-laws-and-rules.

4 The Commission published notice of the proposed rule change in the *Federal Register* on October 1, 2025. *See* Securities Exchange Act Release No. 104111 (Sept. 26, 2025), 90 FR 47383 (Oct. 1, 2025) (File No. SR-OCC-2025-018) ("Notice of Filing"). On October 7, 2025, OCC filed Partial Amendment No. 1 to append an Exhibit 2 to documents filed as part of File No. SR-OCC-2025-018 on September 26, 2025 (hereinafter, together, defined as "Proposed Rule Change"). Exhibit 2 consists of communication from OCC to its Clearing Members discussing, amongst other things, the proposed rule change in File No. SR-OCC-2025-018. On November 3, 2025, the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be disapproved. *See* Securities Exchange Act Release No. 104173 (Nov. 3, 2025), 90 FR 51424 (Nov. 17, 2025) (File No. SR-OCC-2025-018).

On December 11, 2025, the Commission, acting through authority delegated to the Division of Trading and Markets,[5] approved the Proposed Rule Change ("Delegated Order").[6] On December 18, 2025, Fidelity Investments ("Fidelity" or "Petitioner")[7] filed a notice of its intention to petition for review,[8] pursuant to Rule 430 of the Commission's Rules of Practice.[9] Pursuant to Commission Rule of Practice 431(e), the Delegated Order was stayed by the filing with the Commission of a notice of intention to petition for review.[10] On December 24, 2025, Fidelity submitted its Petition for Review ("Petition") of the Delegated Order.[11] On February 13, 2026, the Commission issued a scheduling order, pursuant to Commission Rule of Practice 431,[12] granting the Petition and providing until March 12, 2026, for any party or other person to file a written statement in support of, or in opposition to, the Delegated Order.[13] On March 12, 2026,

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5 17 CFR 200.30-3(a)(12).

6 Securities Exchange Act Release No. 104359 (Dec. 11, 2025), 90 FR 58352 (Dec. 16, 2025) (File No. SR-OCC-2025-018). The Delegated Order also provided notice of filing of Partial Amendment No. 1, which did not change the purpose of or basis for SR-OCC-2025-018.

7 Fidelity Investments provides clearing, custody, or other brokerage services through National Financial Services LLC, which is a Clearing Member of OCC. *See* https://www.theocc.com/company-information/member-directory (last visited Sept. 30, 2026).

8 *See* Letter from Roberto Braceras, General Counsel, Fidelity (Dec. 18, 2025), *available at* https://www.sec.gov/files/rules/sro/occ/2026/34-104359-fidelity-letter-121825.pdf.

9 17 CFR 201.430.

10 17 CFR 201.431(e). *See* Letter from J. Matthew DeLesDernier, Deputy Secretary, Commission, to Hafez Almiladi, Assistant General Counsel, OCC (Dec. 18, 2025), *available at* https://www.sec.gov/files/rules/sro/occ/2025/34-104359-letter.pdf.

11 *See* Fidelity, Petition for Review of Order Taken by Delegated Authority Granting Approval of Proposed Rule Change by Options Clearing Corporation Amending Methodology for Allocation of Clearing Fund Deposit Requirements (Dec. 24, 2025), *available at* https://www.sec.gov/files/rules/sro/occ/2025/34-104359-petition.pdf. The Commission received two comments supporting the Petition. *See* Letter from Matt Billings, President, Robinhood Financial LLC and Robinhood Securities, LLC (Dec. 23, 2025) ("Robinhood I"), *available at* https://www.sec.gov/comments/SR-OCC-2025-018/srocc2025018-687647-2132694.pdf; Letter from Jeffrey Starr, Managing Director, Head of Operations, Charles Schwab & Co., Inc. (Feb. 12, 2026) ("Schwab I"), *available at* https://www.sec.gov/comments/sr-occ-2025-018/srocc2025018-703548-2210614.pdf. On January 22, 2026, OCC submitted a response recommending that the Commission not grant the Petition. *See* Letter from Nicole Jakubowski, Deputy General Counsel and Corporate Secretary, OCC (Jan. 22, 2026) ("OCC I"), *available at* https://www.sec.gov/comments/sr-occ-2025-018/srocc2025018-695847-2175634.pdf.

12 17 CFR 201.431.

13 *See* Securities Exchange Act Release No. 104846 (Feb. 13, 2026), 91 FR 8034 (Feb. 19, 2026) (File No. SR-OCC-2025-018).

Petitioner submitted a written statement in opposition to the Delegated Order.[14] The Commission received additional comment from the public, including from OCC.[15]

The Commission has conducted a *de novo* review of OCC's proposal, giving careful consideration to the entire record—including all comments and statements submitted—to determine whether the proposal is consistent with the requirements of the Exchange Act and the rules and regulations thereunder applicable to a registered clearing agency. Section 19(b)(2)(C) of the Exchange Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Exchange Act and the rules and regulations thereunder applicable to such organization.[16] 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 that proposed the rule change."[17] 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,[18] and any 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.[19] Moreover, "unquestioning reliance" on an SRO's representations in a

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14 *See* Fidelity, Opposition to Proposed Rule Change by Options Clearing Corporation Amending Methodology for Allocation of Clearing Fund Deposit Requirements ("Opposition") (Mar. 12, 2026), *available at* https://www.sec.gov/comments/sr-occ-2025-018/srocc2025018-722287-2261554.pdf. Concurrently, Petitioner provided additional information supporting its statement to the Commission with a request for confidential treatment.

15 Comments on the Proposed Rule Change are *available at* https://www.sec.gov/comments/sr-occ-2025-018/srocc2025018.htm.

16 15 U.S.C. 78s(b)(2)(C).

17 Rule 700(b)(3), Commission Rules of Practice, 17 CFR 201.700(b)(3).

18 *Id.*

19 *Id.*

proposed rule change is not sufficient to justify Commission approval of a proposed rule change.[20]

For the reasons discussed herein, OCC has met its burden to show that the Proposed Rule Change is consistent with the Exchange Act and rules and regulations thereunder applicable to OCC, and this order sets aside the Delegated Order and approves the Proposed Rule Change. In particular, the Commission finds that the record before the Commission demonstrates that the Proposed Rule Change is consistent with the requirements of the Exchange Act and the rules and regulations thereunder applicable to OCC. More specifically, the Commission finds that the Proposed Rule Change is consistent with Sections 17A(b)(3)(F), and (I) of the Exchange Act, and with Exchange Act Rules 17ad-22(e)(2) and (18).

II. SUMMARY OF THE PROPOSAL

OCC is registered with the Commission as a clearing agency and, as such, is an SRO under the Exchange Act.[21] OCC is the only clearing agency for standardized U.S. securities options listed on Commission-registered national securities exchanges ("listed options"). In addition, OCC serves other financial markets, including the commodity futures, commodity options, security futures, securities lending, and the over-the-counter options markets. OCC provides central counterparty ("CCP") clearing services for all these markets and performs critical functions in the clearance and settlement process. OCC's role as a CCP means that, as part of its function as a clearing agency, it interposes itself as the buyer to every seller and the seller to every buyer for certain financial transactions. As the CCP for the listed options markets in the United States, as well as for certain futures and stock loans, OCC is exposed to various risks arising from providing clearance and settlement services to its Clearing Members. Because OCC is obligated to perform on the contracts it clears, one such risk that OCC is exposed to is

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20 *Susquehanna Int'l Group, LLP v. Securities and Exchange Commission*, 866 F.3d 442, 447 (D.C. Cir. 2017).

21 *See* 15 U.S.C. 78c(a)(26). OCC is also registered with the U.S. Commodity Futures Trading Commission ("CFTC") as a derivatives clearing organization.

credit risk, including the risk that OCC would not maintain sufficient financial resources to cover exposures if one of its Clearing Members defaults.

Among the ways that OCC manages the credit risk posed by a potential Clearing Member default is by periodically collecting margin collateral from Clearing Members on an individual basis and, to the extent this margin collateral could be insufficient to cover OCC's credit exposure in the event of a Clearing Member default, maintaining a Clearing Fund, which is a mutualized pool of financial resources to which each Clearing Member is required to contribute. OCC establishes the size of its Clearing Fund on a monthly basis, in part, at an amount determined by OCC to be sufficient to protect it against losses stemming from the default of the two Clearing Member Groups that would potentially cause the largest aggregate credit exposure for OCC under stress test scenarios that represent extreme but plausible market conditions.[22]

After establishing the size of the Clearing Fund each month, OCC allocates a percentage of the obligation to contribute to the Clearing Fund to each Clearing Member. From time to time, OCC has modified its allocation methodology to more accurately reflect the risk each Clearing Member poses to OCC.[23] Currently, each Clearing Member's contribution to the Clearing Fund is a function of that member's proportionate share of total risk,[24] open interest,[25]

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22 OCC Rule 1001(a). OCC determines the size of its Clearing Fund based on the daily output of stress tests conducted using a range of foreseeable scenarios that utilize standard pre-determined parameters and assumptions, including: relevant peak historic price volatilities; shifts in other market factors including, as appropriate, priced determinants and yield curves; the default of one or multiple members; forward-looking stress scenarios. *See* Notice of Filing, 90 FR at 47384.

23 *See* Securities Exchange Act Release No. 69403 (Apr. 18, 2013), 78 FR 24257 (Apr. 24, 2013) (File No. SR-OCC-2013-02) (replacing OCC's method of calculating Clearing Members' contributions to OCC's Clearing Fund in proportion to open interest with a formula based on open interest, total risk, and volume with relative weightings of 50%, 35%, and 15%, respectively); Securities Exchange Act Release No. 83735 (July 27, 2018), 83 FR 37855 (Aug. 2, 2018) (File No. SR-OCC-2018-008) (modifying OCC's allocation weighting to better manage its credit exposures to its Clearing Members by better aligning each Clearing Member's contributions to the credit risk it poses to OCC).

24 Total risk in this context refers to a member's proportionate share of margin posted to OCC. *See* OCC Rule 1003(b)(i).

25 Open interest is the total number of cleared contracts and open positions plus units of stock underlying open stock loan or borrow positions. *See* Securities Exchange Act Release No. 69403 (Apr. 18, 2013), 78 FR 24257 (Apr. 24, 2013) (File No. SR-OCC-2013-02).

and volume.[26] OCC currently uses a one-month lookback when calculating a member's proportionate share of the Clearing Fund.[27]

In the Proposed Rule Change, OCC proposed to modify the allocation methodology again to more closely align member obligations with the risks to which they expose OCC.[28] Although the current Clearing Fund allocation methodology contemplates risk as a function of margin, it does not include a component that accounts for the stressed losses used to size the Clearing Fund when determining each Clearing Member's required Clearing Fund contribution. OCC states that the lack of such a stress loss component creates an inconsistency between the sizing and allocation across the membership.[29] To address this inconsistency, OCC's Proposed Rule Change includes the stress loss component in the allocation methodology, allowing OCC to more accurately allocate individual Clearing Fund requirements because they better reflect the potential risk also known as the directional stressed risk that Clearing Members present to OCC.

OCC's Proposed Rule Change would modify OCC's formula for allocating Clearing Fund Contribution requirements by (a) introducing a 70% Clearing Fund risk-based shortfall allocation based on stress loss in excess of margin (the "shortfall");[30] and (b) changing the weighting percentages by reducing the margin allocation from 70% to 15% and open interest to 0%. These changes would result in a new weighting scheme of 70% shortfall, 15% margin, and 15% cleared volume.

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26 OCC Rule 1003(a). The proportionate requirements are determined over and above the contribution of $500,000 per Clearing Member. *See id.*

27 *See* Notice of Filing, 90 FR at 47386.

28 *See* Notice of Filing, 90 FR at 47383 (providing notice of OCC's proposal to better align the allocation with the sizing of the Clearing Fund so that stress-based risk is fairly allotted to those market participants that expose OCC to such stress risk).

29 Notice of Filing, 90 FR at 47384 ("OCC's rules require OCC to size the Clearing Fund monthly based on stress test scenarios that present extreme but plausible market condition… [h]owever, the current allocation methodology does not include a component that takes into account the same stressed losses used to size the fund when determining each Clearing Member's required Clearing Fund deposit").

30 OCC refers to such a shortfall as Stress Loss Over Initial Margin ("SLOIM"). *See generally* Letter from Nicole Jakubowski, Deputy General Counsel and Corporate Secretary, OCC (Mar. 12, 2026) ("OCC II"), *available at* https://www.sec.gov/comments/sr-occ-2025-018/srocc2025018-722767-2261914.pdf.

As part of the change to allocation weighting, OCC also proposed extending the lookback period from one month to three months of data to align with parameters OCC uses when sizing the Clearing Fund.[31] Secondly, OCC proposed adopting rules that would authorize OCC to hold allocation weights constant month-over-month in light of volatile market conditions.[32] Finally, OCC proposed clarifying and conforming changes to the Clearing Fund Methodology Policy ("Policy") and the Comprehensive Stress Testing & Clearing Fund Methodology, and Liquidity Risk Management Description ("Methodology Description").[33]

A. Modifications to the Allocation Weighting Formula

OCC proposed replacing the current allocation weighting (70% total risk, 15% open interest, and 15% volume) with a new weighting that aligns more closely with OCC's Clearing Fund sizing methodology (70% shortfall,[34] 15% margin,[35] and 15% volume). Under the proposed weighting scheme, the proposed methodology would be driven primarily by a Clearing Member's proportionate share of shortfalls and would use the same Clearing Fund sizing

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31 Petitioner does not object to extending the lookback period used for allocation inputs from one month to three months. *See* Petition, at 6 n. 2. *See also* Opposition, at 9 n.3.

32 Petitioner does not object to adopting a new authority allowing OCC to hold allocation weights constant month-over-month during periods of heightened market volatility. *See* Petition, at 6 n. 2. *See also* Opposition, at 9 n.3.

33 In addition to the modifications to the allocation weighting formula and the authority to hold constant, OCC proposed non-substantive conforming changes and clarifications, which were not subject to Fidelity's Petition. *See* Delegated Order, 90 FR at 58354 ("Such clarifying changes include the removal of Interpretation and Policy .03 of Rule 1003, which provides for implementation of the current allocation methodology and is no longer necessary. The conforming changes also include the introduction of 'shortfall' into the provisions describing OCC's Clearing Fund allocation methodology across the Rules, Policy, and Methodology Description. Similarly, OCC would remove references to 'open interest; and other terms that are not relevant to the proposed allocation methodology."). The clarifying and conforming changes are considered as part of the Proposed Rule Change; however, they were not the subject of concerns raised in the Petition.

34 As proposed, OCC would define "shortfall" to mean "an estimated stress loss exposure in excess of margin amounts aggregated across all accounts of a Clearing Member determined using the Corporation's margin methodology and such add-on charges as may be determined pursuant to the Corporation's policies and procedures." *See* Notice of Filing, 90 FR at 47385.

35 "Margin" under the proposed rule would have the same meaning as "total risk" under the current rule. OCC states that using the term "margin" rather than "total risk" provides better clarity as to the metric upon which the factor is based. *See id.* at 47385 n. 12.

scenarios to calculate these shortfalls.[36] OCC states that, based on its analysis of different allocation weightings, this specific allocation scheme generates a balance between the various risks captured by each component and would align the Clearing Fund allocation with the exposure driving the size of the Clearing Fund.[37] OCC also proposed to align the lookback period for all allocation-related measures with the parameters used to size the Clearing Fund by moving from a one-month lookback to a three-month lookback.[38]

Before the Commission published its Delegated Order, OCC provided and Commission staff reviewed confidential data describing how the proposed methodology could affect contributions by its Clearing Members.[39] OCC observed that, overall, the proposed approach allocates the Clearing Fund in a more distributed fashion within the top 10 Clearing Members (as measured by highest Clearing Fund contribution amounts), with some members experiencing larger changes relative to other Clearing Members.[40] Under the proposed methodology, while the top 10 Clearing Members would have experienced, on average, a 1.28% increase in their Clearing Fund contributions, the top five Clearing Members within that group would have experienced, on average, a 2.67% decrease in such contributions.[41] Outside of the top 10 group, the remaining Clearing Members would have experienced a 1.28% decrease in average contributions.[42]

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36 The shortfall component used in the allocation is based on the highest shortfall across all sizing scenarios for that Clearing Member on a given business date and will be treated as zero in the event there are no shortfalls.

37 *See* Notice of Filing, 90 FR at 47385. OCC provided the results of its analysis in confidential Exhibit 3 to File No. SR-OCC-2025-018. *See id.* at 47385 n. 14.

38 Petitioner does not object to extending the lookback period used for allocation inputs from one month to three months. *See* Petition, at 6 n. 2. *See also* Opposition, at 9 n.3.

39 *See* Notice of Filing, 90 FR at 47386.

40 *Id.*

41 *Id.*

42 *Id.*

B. Authority to Hold Constant

As noted above, OCC proposed to adopt rules that would authorize it to hold allocation weights constant month-over-month in light of volatile market conditions.[43] As OCC stated in its proposal, when markets are highly volatile during periods of market stress, elevated margin coverage becomes more commonplace and consequently may reduce or even eliminate Clearing Fund shortfalls because of elevated margin requirements.[44] This is because the shortfall component represents a stress loss in excess of margin. Thus, an increase in margin, all else being equal, results in a decreased shortfall.

As OCC further stated in its proposal, reductions in shortfalls could cause the resulting Clearing Fund allocation to change dramatically month-over month.[45] This is because the proposed changes to the allocation methodology described above reduce the weight of margin and give significant weight to shortfall. As a result, an increase in a Clearing Member's proportionate share of margin would not offset an equal reduction in that member's proportionate share of shortfall under the proposed allocation methodology. OCC stated that the proposed implementation of a three-month lookback would help to smooth month-over-month changes;[46] however, OCC stated that it is possible the extended lookback alone may not be sufficient in the unlikely event that high volatility and reduced shortfalls persisted even though OCC did not observe such persistence in its analysis.[47]

To address the potential impact of persistent high volatility on the allocation of Clearing Fund requirements, OCC proposed to adopt rules that would allow it to hold allocations constant month-over-month. As proposed, Rule 1003(c) would grant OCC the authority to make the

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43 Petitioner does not object to adopting a new authority allowing OCC to hold allocation weights constant month-over-month during periods of heightened market volatility. *See* Petition, at 6 n. 2. *See also* Opposition, at 9 n.3.

44 *See* Notice of Filing, 90 FR at 47387.

45 *Id.*

46 *Id.*

47 *Id.*

hold-constant decision at its sole discretion. The rule would provide that any hold-constant decision would (i) be based upon then-existing facts and circumstances, (ii) be in furtherance of the integrity of OCC and the stability of the financial system, and (iii) take into consideration the legitimate interests of Clearing Members and market participants. Under the proposed Policy, OCC would exercise its hold-constant authority by conducting daily analyses of the output of OCC's sizing stress tests[48] and, if warranted, by escalating to the Chair of the Stress Testing Working Group ("STWG")[49] or the Chief Financial Risk Officer so that an STWG meeting be convened to review, and approve or reject, a hold-constant recommendation.[50] Such a recommendation would be required to be supported by an analysis that may include and is not limited to the percentage of firms generating shortfalls, the size of peak shortfalls relative to the Clearing Fund size, a comparison of the Clearing Fund allocation projections to current requirements, and a breakdown of the allocation projections by component.[51] OCC would be required to notify Clearing Members and the Risk Committee of any hold-constant decision or reversion to the proportionate approach. Further, OCC would be required to notify the Commission and the CFTC promptly of any decision to hold allocations constant and to provide the reasons for such decision.

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48 In particular, these tests would be the Cover 2 Sizing Stress Tests, where "Cover 2" means "sufficient Pre-Funded Financial Resources, at a minimum, to enable OCC to cover a wide range of foreseeable stress scenarios that include, but are not limited to, the default of the two Clearing Member Groups that would potentially cause the largest aggregate credit exposure in extreme but plausible market conditions." *See* Notice of Filing, 90 FR at 47384 n.23 and accompanying text. *See also* Notice of Filing, 90 FR at 47384 ("As described in the Methodology Description, OCC leverages a suite of sizing stress tests broadly categorized into two types: 'Systemic Scenarios' and 'Idiosyncratic Scenarios.' Systemic Scenarios are created to capture risk to OCC in an extreme event impacting all positions mainly driven by risk drivers, while Idiosyncratic Scenarios are used to assess the impact of extreme moves of specific equities in a Clearing Member portfolio. […] OCC selects the largest aggregate stress test exposures as the primary basis for sizing the Clearing Fund.").

49 *See* Notice of Filing, 90 FR at 47387 ("OCC believes the STWG is the appropriate OCC internal governing body to approve or reject such recommendation given the authority the Management Committee has delegated to it as the subject matter expert on OCC's financial risk and liquidity risk stress-testing scenarios, models, underlying parameters and assumptions, and stress test results.").

50 *See* Notice of Filing, 90 FR at 47387 n. 24. Likewise, OCC would have the authority to revert to the proposed allocation calculation formula, subject to the STWG's prior approval. *See* Notice of Filing, 90 FR at 47387.

51 *See* Notice of Filing, 90 FR at 47387 n. 25.

III. DISCUSSION AND COMMISSION FINDINGS

The Commission finds that the Proposed Rule Change is consistent with the requirements of the Exchange Act and the rules and regulations thereunder applicable to OCC. More specifically, the Commission finds that the Proposed Rule Change is consistent with Sections 17A(b)(3)(F) and (I) of the Exchange Act,[52] and with Exchange Act Rules 17ad-22(e)(2) and (18),[53] as described in detail below.[54] Also as described below, commenters' argument regarding the equitable allocation of dues, fees, and other charges under Section 17A(b)(3)(D) of the Exchange Act[55] is misplaced. The Commission therefore approves the Proposed Rule Change.

A. Consistency with Sections 17A(b)(3)(F) and 17A(b)(3)(I) of the Exchange Act

Section 17A(b)(3)(F) of the Exchange Act requires, among other things, that a clearing agency's rules are not designed to permit unfair discrimination among participants in the use of the clearing agency.[56] Section 17A(b)(3)(I) of the Exchange Act 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 Exchange Act. Section 17A(b)(3)(I) does not require the Commission to make a finding that OCC chose the option that imposes the least possible burden on competition. Rather, the Exchange Act requires that the Commission find that the Proposed Rule Change does not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act, which involves balancing the competitive effects of the Proposed Rule Change against all other relevant considerations under the Exchange Act.[57] Because the concerns raised by the Petitioner and commenters regarding unfair

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52 15 U.S.C. 78q-1(b)(3)(F), 15 U.S.C. 78q-1(b)(3)(I).

53 17 CFR 240.17ad-22(e)(2) and 17 CFR 240.17ad-22(e)(18).

54 In approving this proposed rule change, the Commission has considered the Proposed Rule Change's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

55 15 U.S.C. 78q-1(b)(3)(D).

56 15 U.S.C. 78q-1(b)(3)(F).

57 *See* Bradford National Clearing Corp., 590 F.2d 1085, 1105 (D.C. Cir. 1978).

discrimination and burdens on competition overlap substantively, this section addresses them together under the relevant statutory sections.

The purpose of the Proposed Rule Change is to align the financial obligations imposed by OCC's rules with the credit risk each Clearing Member poses to OCC. As described above, OCC maintains the Clearing Fund to cover OCC's credit exposure in the event of a Clearing Member default to the extent such exposure is not covered by margin collateral. The size of the Clearing Fund is a direct function of the difference between the margin OCC collects from Clearing Members and the potential losses OCC could face from a member default under extreme but plausible market conditions, i.e., shortfall.[58] Collecting such collateral is necessary to ensure that OCC maintains sufficient financial resources to manage its credit risk. The greater the potential shortfall, the greater the size of the Clearing Fund.[59] Currently, however, the size of each Clearing Member's contribution is unrelated to the share of the shortfall it presents to OCC.

Both the Petition and several comments received after the Petition address the burden on competition, as described in detail below.[60] Petitioner states that the proposal overstates the risk posed by agency brokers[61] in that the allocation methodology would "require agency brokers to contribute to the Clearing Fund substantially in excess of the risk they generate, while allowing proprietary trading firms and market makers to contribute substantially less than their risk profile

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58 *See* Notice of Filing, 90 FR at 47384 (defining shortfall as the estimated stress loss exposure in excess of margin requirements).

59 *See* OCC Rule 1001(a) (explaining that the size of the Clearing Fund is set at an amount determined sufficient to protect against losses under stress test scenarios that represent extreme but plausible market conditions).

60 *See* Petition, at 11-15 (suggesting that the proposal imposes an inappropriate burden on competition by unfairly discriminating against agency brokers serving retail clients). *See also* Opposition, at 13-20. *See also generally* Letter from Jeffrey Starr, Managing Director, Head of Operations, Charles Schwab & Co., Inc. (Mar. 12, 2026) ("Schwab II"), *available at* https://www.sec.gov/comments/sr-occ-2025-018/srocc2025018-722707-2261854.pdf; Letter from Matthew Morningstar, Group Managing Director, Chief Legal Officer, LPL Financial (Mar. 20, 2026) ("LPL Letter"), *available at* https://www.sec.gov/comments/SR-OCC-2025-018/srocc2025018-731607-2277094_0.pdf; and Letter from Jessica Giroux, Chief Legal Officer, American Securities Association (Mar. 19, 2026) ("ASA Letter"), available at https://www.sec.gov/comments/sr-occ-2025-018/srocc2025018-729927-2274615.pdf.

61 Although Petitioner states that "the relative default risk of each member is fundamental to the equitable allocation of Clearing Fund contributions," it also states that the "proposed allocation change greatly overstates the risk posed by the agency-broker model, compared to the risks posed by different business models such as proprietary trading firms and market makers." *See* Petition, at 11. *See also* Opposition, at 13-19.

warrants—resulting in a loss-allocation framework in which agency brokers subsidize any loss created by other distinct cohorts."[62]

Petitioner and some commenters suggest that, unlike Clearing Fund sizing, the proposed Clearing Fund allocation does not align with each Clearing Member's relative default likelihood as well as expected losses, and that the relative default likelihood of an agency broker is distinct from that of proprietary trading firms and market makers due to structural differences.[63] Petitioner states that theoretical exposure to market direction (via, in some cases, many individual accounts) for agency brokers does not necessarily translate into real-world default risk,[64] and that, unlike proprietary and market-making firms, whose losses hit their books immediately, stress losses attributable to agency brokers are borne by individual customers and would first be absorbed by the defaulting customers' net equity and available margin collateral.[65] Petitioner also states that agency brokers frequently have access to additional forms of loss

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62 *See* Petition, at 11. Under the Proposed Rule Change, Petitioner estimates that its contribution obligations will increase by approximately 67%. *Id.*, at 3, 9, and 17. *See also* Schwab II, at 4 ("Specifically, Schwab's monthly Clearing Fund contribution is projected to increase by approximately 40% under the Re-Weighted Formula. At the same time, principal trading firms, including quantitative trading firms, market makers, and other broker-dealers engaged primarily or solely in principal trading […] would see only modest increases (*e.g.*, 1.28%)—or even *decreases*—in their Clearing Fund contributions under the Re-Weighted Formula." (emphasis in original)). *See also* LPL Letter, at 2. *See also generally* ASA Letter.

63 *See* Petition, at 12-14; Opposition, at 14-17; Schwab II, at 5-6; and LPL Letter, at 3.

64 *See* Petition, at 12 ("OCC's stress-testing methodology does not account for key structural and regulatory features of agency brokerage that materially reduce the actual likelihood of agency-broker default […] put simply, two customers may short the same options, but may not default at the same time."). *See also* LPL Letter, at 3 ("Retail order flow is typically highly diversified across a large number of customers, strategies, and underlying securities. Unlike institutional trading strategies that may involve concentrated directional positions, retail activity tends to consist of smaller positions spread across a large number of accounts and a variety of asset classes. This volume and diversification reduce the likelihood that a single market event or exposure would result in large losses concentrated on a single intermediary or clearing participant.").

65 *See* Petition, at 12; and Opposition, at 14-15. *See also* Schwab II, at 5 ("OCC's new stress-based shortfall approach ignores the fact that when an Agency Broker's customer fails to pay or deliver, 100% of the loss does not need to be covered by OCC-collected margin with any shortfall being covered by Clearing Fund resources. Instead, the Agency Broker business model has built-in regulatory protections that mitigate the risk of Clearing Fund resources being needed to cover an Agency Broker customer default. FINRA Rule 4210 provides one such protection by requiring Agency Brokers to collect margin when they extend credit to their customers to finance transactions in exchange-listed options. Collecting margin protects Agency Brokers from customer credit risk because the collected margin serves as collateral for the transaction, mitigating the extent of any loss to the firm if the customer ultimately fails to pay for or deliver the securities subject to the transaction.") (footnotes omitted).

protection, including fidelity bonds, insurance coverage, and clearing deposits by introducing brokers.[66]

Lastly, Petitioner states that the proposed allocation formula overstates relative credit risk posed by agency brokers compared to proprietary trading firms and market-makers because the contribution requirements are driven primarily by OCC's new stress loss metric, and the proposed allocation change minimizes operational risk that can lead to member default since proprietary trading firms and market makers face greater operational risk than agency brokers.[67] The Petitioner states that, unlike agency brokers, "[p]roprietary trading firms and market-makers face greater operational risk than agency brokers because they often employ high-volume, programmatic trading strategies. When these strategies fail—through system errors, algorithmic malfunctions, or breakdowns in intraday controls and hedging—the resulting losses can scale with their trading volumes and open interest, introducing more systemic risk."[68] As a result, by removing open interest entirely and instead focusing on shortfall, the Petitioner states that the

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66 *See* Petition, at 12; Opposition, at 15. *See also* Schwab II, at 5 ("Because Agency Brokers have resources to mitigate losses stemming from customer failures to pay or deliver, the likelihood of Agency Broker defaults is lower than anticipated by the Proposed Rule Change. Even in the event of an Agency Broker default, a significant portion of any loss may be covered before any need to rely on OCC resources. If an Agency Broker covers a significant portion of the loss before OCC resources are needed, then OCC-collected margin may fully cover the remaining portion of the loss without needing to rely on the Clearing Fund. Even if OCC-collected margin does not fully cover the loss, any margin shortfall would be significantly smaller than if OCC resources were needed to cover 100% of the loss.").

67 *See* Petition, at 12-14; Opposition, at 16-17. *See also* Schwab II, at 6. One commenter also states that the proposed extended lookback period could prevent Clearing Fund allocations from fully capturing all relevant risks to OCC. *Id.*, at 9. The Proposed Rule Change, however, is focused solely on the allocation of collateral contribution requirements, not on the sizing those requirements. *See* Notice of Filing, 90 FR at 47384 ("While the changes would not affect the overall size of the Clearing Fund, some Clearing Members would see their allocation increase while others would see their allocation decrease."). The commenter also suggested potential alternatives to achieve the goals of the Proposed Rule Change without "disproportionately impacting" agency brokers (e.g., phase in the re-weighted formula on which the allocation methodology relies, permit agency broker-dealers to use certain offsets in net capital requirements). *See* Schwab II at 8-9. The alternatives suggested by commenters do not alter the Commission's determination that the Proposed Rule Change, as designed, is consistent with the applicable statute, rules, and regulations. While there may be more than one reasonable way to address a given risk, the existence of an alternative does not, in and of itself, render the proposed approach inconsistent with applicable law. Additionally, Rule 17ad-22(e) generally provides CCAs with flexibility in designing their written policies and procedures, rather than to take a strictly prescriptive approach. *See, e.g.*, Securities Exchange Act Release No. 78961 (Sept. 28, 2016), 81 FR 70786, at 70795-97, and 70800-01 (Oct. 13, 2016) (File No. S7-03-14). This means that clearing agencies have the flexibility to tailor their policies and procedures to the risks posed by their particular businesses.

68 *See* Petition, at 13. *See also* Opposition, at 16.

proposal would compound structural disparities in the Clearing Fund methodology between agency brokers and proprietary and market-making firms, thereby disadvantaging retail-facing agency brokers and unfairly discriminating against that type of business model.[69]

OCC states that the proposed allocation is business model-neutral because if a Clearing Member is required to increase its contribution under the new allocation, that is because that Clearing Member contributes more tail risk than it is currently being charged for, and that any burden on competition imposed is necessary and appropriate in furtherance of the purposes of the Exchange Act.[70] OCC states that it "has a single class of members subject to a single Clearing Fund—there are not separate rules or requirements applicable to particular classes of Clearing Members" and, "[i]n fact, the PRC is designed to *more fairly* allocate Clearing Fund contributions to those Clearing Members who present increased tail risk."[71] OCC states that the proposed methodology "considers only the risk that Clearing Members introduce into the clearing system, and is agnostic to external characterizations of the nature of their business."[72] OCC also states that the proposed approach "reflects a measured, data-driven calculation that was vetted closely by regulators, Clearing Members, and others […]."[73] OCC further states, "[t]he change in allocation methodology necessarily means that the deposit requirement for some Clearing Members will increase because they present higher risk to OCC in a default scenario, represented by shortfall, than is apportioned under the current methodology, while the deposit requirement of other Clearing Members will decrease correspondingly based on a lower risk

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69 *See* Opposition, at 13-14.

70 *See* OCC II, at 7-8 ("Far from being unfair or discriminatory, the new allocation method more fairly allocates tail risk and places all Clearing Members on a more level playing field.").

71 *See* OCC II, at 7 (emphasis in original).

72 *See* Letter from Nicole Jakubowski, Deputy General Counsel and Corporate Secretary, OCC, at 1 (June 17, 2026) ("OCC III"), *available at* https://www.sec.gov/comments/SR-OCC-2025-018/srocc2025018-840179-2567787.pdf *See id.*, at 2 ("OCC seeks to clarify that OCC does not view its Clearing Members based on public perceptions on the nature of their business but strictly by the risk each Clearing Member introduces to OCC. The revised methodology does not allocate the fund by the type of customers that use a particular Clearing Member, but rather by the tail risk presented by each Clearing Member. Tail risk is a product of the positions held by the Clearing Members.") (footnote omitted).

73 *See* OCC I, at 3.

profile."[74] Based on the underlying impact data confidentially submitted to the Commission, OCC states that of the top 15 largest Clearing Fund allocations for June 2026 under the proposal, nine Clearing Members would have seen an increased allocation, ranging from +8.69% to +104.78%, and six Clearing Members would have seen a decreased allocation, ranging from -4.79% to -39.97%.[75] OCC states that the Clearing Members who would have experienced higher allocations "are not limited to those who generally describe themselves as serving retail customers. Some Clearing Members who serve retail customers would in fact see their allocation decrease."[76]

Additionally, OCC states that because the proposed allocation methodology more accurately measures Clearing Fund deposits based on the tail risk represented by a particular Clearing Member to OCC in the event of a default, the proposal is "designed to appropriately apportion contributions so that Clearing Members who do not cause significant tail risk are not required to subsidize those who do cause such risk."[77] As detailed below, several commenters support OCC's proposed Clearing Fund reallocation and its effect on mutualization of losses, stating that the proposal would enhance resilience of the clearing system in the markets OCC serves and more appropriately align structural incentives for Clearing Members to manage the risks they bring into the system in the face of OCC's evolving risk profile.[78] OCC and the supportive commenters point out that, due to "tremendous growth and innovation in the options

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74 *See* OCC II, at 5.

75 *See* OCC III, at 2.

76 *Id.*

77 *See* OCC II, at 1.

78 *See generally* Letter from Stuart Bourne, CEO, BofA Securities, Inc.; Stephen John Berger, Managing Director, Global Head of Government & Regulatory Policy, Citadel Securities; and Alicia Crighton, Global co-head of Futures, Global head of Clearing, Goldman Sachs & Co. LLC (Apr. 2, 2026) ("Goldman Letter"), *available at* https://www.sec.gov/comments/SR-OCC-2025-018/srocc2025018-739727-2297854.pdf; , Letter from Boudewijn Duinstra, CEO, ABN AMRO Clearing USA LLC (Apr. 16, 2026) ("ABN AMRO Letter"), *available at* https://www.sec.gov/comments/sr-occ-2025-018/srocc2025018-755167-2324074.pdf; and Letter from Jackie Mesa, Chief Operating Officer and Senior Vice President of Global Policy, FIA (Mar. 12, 2026) ("FIA Letter"), *available at* https://www.sec.gov/comments/sr-occ-2025-018/srocc2025018-722227-2261394.pdf. Specifically, one commenter stated that the inherent loss mutualization of the Clearing Fund "creates a collective responsibility among clearing members to robustly manage the risk of the positions they introduce to the clearinghouse." *See* Goldman Letter, at 2.

markets"[79] – such as the rise of new products like options on cryptocurrencies, the introduction of new expiry days, extended trading hours, and increased retail investor participation – certain developments "can increase non-linear tail exposures, making shortfalls a particularly relevant measure for allocating mutualized default resources."[80] One such commenter states that the proposal realigns the incentives around loss mutualization,[81] adding that "[w]here clearing members are able to introduce risks that are not fully reflected in their Clearing Fund contributions, those risks are effectively subsidized by others in the mutualized pool, undermining both fairness and the integrity of the risk management framework."[82] This commenter further states that ensuring that Clearing Fund contributions are commensurate with the risks OCC faces "is therefore a critical component of the safety and soundness of OCC and the broader market ecosystem."[83]

Regarding relative likelihood of default, OCC states that the Clearing Fund and the applicable regulatory requirements[84] are not designed to address the probability of default, but rather the degree of loss if and after a default occurs.[85] OCC states that neither OCC's Rules nor federal securities laws "provide for OCC to discount or haircut the financial resources it must

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79 *See* Goldman Letter, at 3 ("The average daily volumes have nearly doubled since 2020, surpassing 60 million contracts per day. […] The OCC's Clearing Fund as of the end of last year had grown to over $21 billion dollars, nearly doubling over the last decade, highlighting the growth and change in complexity and risk profile over time."). *See also* OCC II, at 8 ("OCC, and the listed options industry more broadly, have seen a well-documented increase in retail trading activity since 2019. […] In fact, OCC has seen a shift in the type of firms that drive its Cover 1 exposure, from institutional participants to agency brokers.").

80 *See* Goldman Letter, at 3.

81 *See* Goldman Letter, at 2 ("While central clearing delivers significant benefits to the markets […] it also boosts the exposure clearing members (and by extension their customers) have to each other, especially as the OCC is the only clearinghouse for U.S. listed options. In the event a clearing member defaults, if the losses exceed the defaulting clearing member's margin on deposit and its own Clearing Fund contribution, the OCC will utilize the Clearing Fund contributions of other, non-defaulting clearing members to manage the default.") (footnotes omitted).

82 *See* Goldman Letter, at 2.

83 Goldman Letter, at 2.

84 *See* 17 CFR 240.17ad-22(e)(4).

85 *See* OCC II, at 8 ("The Clearing Fund and Exchange Act Rule 17ad-22(e)(4) are not designed to address the *probability of default*, but rather the degree of loss *given* default. The proposed allocation appropriately does not take into account the likelihood of default; that is not what the Clearing Fund is for." (emphasis in the original)).

maintain to meet OCC's Cover 2 standard by reference to the creditworthiness of the Clearing Members generating the Cover 2 exposures."[86] Rather, OCC states that it assesses a Clear Member's credit worthiness through "other processes for addressing the probability of a member's default, including Commission-approved margin requirements, membership standards (and ongoing monitoring of members' adherence to those standards), and protective measures."[87] Moreover, OCC states that despite the fact that agency brokers collect customer margin as an internal buffer before potentially resorting to OCC's Clearing Fund in the event of a Clearing Member default, "agency brokers may choose to keep this excess margin at the firm, which puts these resources outside the reach of OCC in the event of the Clearing Member's failure. Because it does not have access to this increased margin in the event of a default, OCC does not realize a reduced tail risk associated with that Clearing Member in the event that Clearing Member in fact defaults."[88]

Lastly, regarding Petitioner's statements on operational risk, the proposed removal of open interest as a component of the allocation methodology, and the proposed shortfall-focused approach, OCC states that the "SLOIM methodology is [sic] more appropriate way to apportion the costs of tail risk to the Clearing Members who actually create that risk" and, as such, "if the risk in excess of margin associated with a particular Clearing Member increases, that Clearing Member's Clearing Fund allocation likewise increases."[89] Further, OCC states that "the Petition provides no support for why operational risk necessarily scales with open interest."[90] Rather, OCC states that other metrics, such as shortfall, "are more closely aligned with the actual market and tail risk that Clearing Member activity produces."[91] OCC additionally states that "open

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86 OCC II, at 8.

87 OCC II, at 8.

88 OCC II, at 8.

89 OCC II, at 6. As noted above, SLOIM is synonymous with shortfall. *See supra* note 30.

90 OCC II, at 8.

91 OCC II, at 8.

interest does not account for the sizeable and growing presence of trading in options with zero days to expiration (so-called '0DTE' options), particularly among retail traders."[92] OCC further states that it is not required to select the least restrictive means of complying with the Exchange Act for a particular subset of members.[93]

As noted above, supporting commenters state that the proposal appropriately realigns incentives and is consistent with recognized international CCP clearing practices, both generally and specifically as to the shortfall-based calculation. For example, one commenter states that the proposal is "a well-reasoned shift toward ensuring that clearing members whose portfolios produce the greatest stress exposures bear a proportionate share of the mutualised resources required to manage those risks."[94] Another commenter states that the proposed allocation methodology "which emphasizes stress losses in excess of margin ('shortfall') while incorporating margin and cleared volume, represents a thoughtful and well-reasoned shift toward a stress-centric allocation."[95] Other commenters state that the focus on such a shortfall, or SLOIM, addresses the misaligned incentives existing in the current market, where although "[s]hortfall is an important measure of the likelihood that OCC would need to draw on the mutualized Clearing Fund", under the present methodology, Clearing Members "whose activities drive growth in the size of the overall Clearing Fund today are not responsible for funding that increase."[96] These commenters state that "[b]y better funding tail risk ex ante, the proposal also

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92 OCC II, at 8.

93 *See* OCC II, at 6 ("To the extent that the commenters suggest that OCC is required to evaluate and select the least restrictive means of complying with the Exchange Act for a particular subset of members, that is an incorrect characterization of the legal standard the PRC must meet. The question at issue is whether the PRC is consistent with the Exchange Act, not whether the PRC will impose increased costs on a particular Clearing Member.").

94 *See* FIA Letter, at 1.

95 See Letter from Joanna Mallers, Secretary, PTG, at 2 (Mar. 17, 2026), *available at* https://www.sec.gov/comments/sr-occ-2025-018/srocc2025018-727487-2270874.pdf. The commenter adds that "[b]y eliminating the open-interest component and extending the lookback period to three months, OCC has demonstrated a commitment to achieving more stable and representative measures." *Id.*

96 *See* Goldman Letter, at 2.

reduces the likelihood of abrupt and destabilizing Clearing Fund reallocations during periods of market stress."[97]

In response to the commenters' concerns regarding the impact on agency brokers serving retail customers, the Commission acknowledges that the Proposed Rule Change would result in some Clearing Members' allocations increasing while other Clearing Members' allocations would decrease. Based on the Commission's review, however, the change would not impose any burden on competition not necessary or appropriate. The rights afforded to Clearing Members are accompanied by a set of obligations, including an obligation to provide assets to OCC as collateral. The amount of collateral required varies from member to member, and, therefore, the relative burden of such obligations also varies from member to member. To the extent OCC's rules impose burdens that impact competition between Clearing Members, such burdens must be both necessary and appropriate.

As described above, OCC's role as a CCP exposes it to credit risk in the event of a Clearing Member default. One of the tools[98] OCC uses to maintain sufficient financial resources to manage a potential Clearing Member default is the collection of collateral, including Clearing Fund deposits.[99] OCC determines the amount of Clearing Fund deposits that it needs to hold based on Clearing Member shortfall calculations, which, as described above, account for losses

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97 *Id.* *See also* ABN Amro Letter, at 1 ("We strongly believe that any allocation to prefund a clearing fund should be based on the principle that a potential defaulter should cover as far as possible the potential credit risk that its positions and those it guarantees for its clients pose to the CCP and thus via risk mutualization to the other clearing members. […] In our view, Shortfall (i.e. stress loss in excess of margin assets) better accounts for the non-linearity of credit risk exposures and potential losses in portfolios than Margin (or some multiple of it) that is calibrated rather to normal, less volatile market conditions.").

98 Clearing Fund deposits serve as a secondary buffer on top of OCC's initial collection of margin to cover credit exposures that could arise under normal market conditions. *See* Securities Exchange Act Release No. 95319 (July 19, 2022), 87 FR 44167 (July 25, 2022) (File No. SR-OCC-2022-001) (As a CCP, OCC "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 the risk that one or more of its members may fail to make a payment or to deliver securities. OCC addresses such exposures, in part, by requiring its members to provide collateral, including margin collateral. […] Typically, margin is designed to cover such exposures during normal market conditions"). *See also* 17 CFR 240.17ad-22(b)(2).

99 Clearing Fund deposits serve to cover credit exposures under a wide range of foreseeable stress scenarios, including the default of a participant family in extreme but plausible market conditions. *See* Notice of Filing, at 47384. *See also* 17 CFR 240.17ad-22(e)(4)(iii).

that would exceed the margin collateral posted by a given Clearing Member. The change OCC proposed would, similarly, allocate Clearing Fund requirements based, in part, on shortfall to align with the risk the Clearing Fund is designed to mitigate. Although changing the allocation methodology will increase the collateral obligations of some Clearing Members while reducing the collateral obligations of others, the change is necessary to ensure the burden of posting collateral is tied to the purpose of that collateral. Therefore, to the extent the change in allocation may impose a burden, that burden is necessary to align the collateral obligations with the risk such collateral is designed to cover.

Whether the relative burden of providing Clearing Fund collateral is appropriately distributed among OCC's Clearing Members must be based on the method for allocating such obligations. Based on both the language of the proposed rule and the impact data provided by OCC and reviewed by the Commission, the proposal allocates Clearing Fund contribution requirements based on the credit risk presented by a Clearing Member's portfolio, not the member's business model. The addition of shortfall as the most heavily weighted factor in OCC's allocation methodology would help to calibrate a Clearing Member's obligation to post collateral to the extent to which that member makes it necessary for OCC to collect such collateral in the first place. As noted above, a Clearing Member would be in a position to change its Clearing Fund requirement by changing the positions it submits for clearing. The extent to which the change affects a member over time, therefore, is at least in part a function of the changes in the positions the Clearing Member submits for clearing at OCC. For example, if the proposed changes had been put in place in 2023, one Clearing Member who would have seen a 1.1% reduction in its Clearing Fund requirements[100] while the same member would have seen a 47.08% increase if the change were implemented in 2026.[101] Such a change in potential impact of

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100 *See supra* note 37 (Confidential Exhibit 3 to File No. SR-OCC-2025-018).

101 *See* underlying impact data submitted confidentially to the Commission alongside OCC III, at 2.

the Proposed Rule Change is a function of it being designed to address the Clearing Member's risk rather than any unfair discrimination by OCC.

Although the Petitioner and commenters state that the Proposed Rule Change would disproportionately impact Clearing Members serving retail investors, the proposed rule text is not based upon a specific business model or organizational structure. Instead, it is based on the risk that each Clearing Member brings to OCC. To the extent the Proposed Rule Change would require some members to contribute more to the Clearing Fund, such a burden is appropriate given that it reflects the proportionate share of the shortfall that could arise out of such member's default. Removing open interest and focusing on shortfall in the allocation methodology would more accurately account for tail risks posed by developments in the options markets, such as the rise of 0DTE products, increased participation by retail traders, and heightened options trading volume.[102] Based upon the Commission's review and analysis of the data provided confidentially by OCC, the Proposed Rule Change is designed to address risk presented by Clearing Members and not target retail or agency brokers, or other specific business models, contrary to the assertions of the Petitioner or other commenters.[103]

Additionally, the Commission disagrees with the Petitioner as to whether operational risk necessarily scales with open interest. Further, Petitioner acknowledges that volume, which would remain an input in the allocation methodology, can help capture operational risk.[104]

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102 Open interest captures the number of positions open at the end of the trading day. Open interest will not include trades that expire the same day they are executed. Similarly, open interest will not reflect trades opened and closed by offsetting trades on the same day. Therefore, open interest will not account for the risk posed by such positions because it is an end-of-day metric.

103 *See* confidential Exhibit 3 to File No. SR-OCC-2025-018 and underlying impact data submitted confidentially alongside OCC III.

104 *See* Petition, at 2. Additionally, as noted above, the Proposed Rule Change is one in a series of changes that, since 2013, have reduced the role of open interest in allocating Clearing Fund contributions. *See* Securities Exchange Act Release No. 69403 (Apr. 18, 2013), 78 FR 24257 (Apr. 24, 2013) (File No. SR-OCC-2013-02) and Securities Exchange Act Release No. 83735 (July 27, 2018), 83 FR 37855 (Aug. 2, 2018) (File No. SR-OCC-2018-008). Regarding these prior matters, commenters supported shifting the weights in favor of risk over open interest *See, e.g.*, Letter from Andrej Bolkovic, CEO, ABN AMRO Clearing Chicago LLC (June 26, 2018), *available at* https://www.sec.gov/comments/sr-occ-2018-008/occ2018008-3952920-167052.pdf (stating that the then current Clearing Fund allocation methodology disincentived Clearing Members from appropriately managing the risk they present to OCC by underweighting total risk and overweighting open interest); Letter from Kurt Eckert, Partner, Wolverine Execution Services, LLC (July 12, 2018), *available at* https://www.sec.gov/comments/sr-occ-2018-

Rather than focusing on open interest or relying exclusively or primarily on volume, the proposal's shortfall-based approach helps apportion the burden of providing the collateral necessary to cover tail risk to the Clearing Members whose cleared positions pose such risk to OCC. As a practical matter, and specifically as to Petitioner's statements regarding the likelihood of default, the Commission agrees with OCC that it would be unable to rely on assets outside of its control in the context of a Clearing Member default.[105] Moreover, the current design of the Clearing Fund, assuming default, is unchanged.

Further, based on the Commission's review of the record, the proposed amendment to the allocation methodology is not unfairly discriminatory because it is reasonably designed to align responsibility for mitigating risk with the activity generating such risk. Although the proposed changes will result in a shift in collateral requirements with some Clearing Members being required to post more collateral and some to post less collateral,[106] such a shift in collateral requirements will relate directly to the risk that each member presents to OCC as represented by that Clearing Member's shortfall calculation.

The proposed change is not designed to permit unfair discrimination among current or future Clearing Members in the use of OCC's clearance and settlement services and facilities. Rather, the proposed changes would require each Clearing Member to post collateral to cover the risk posed by the positions that member submits for clearing at OCC over and above the coverage provided by such member's margin collateral. As Clearing Members change the positions they submit for clearing, the relevant collateral requirements will change as well to

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008/occ2018008-4038120-168568.pdf (agreeing that a change shifting allocation weights in favor of risk over open interest better aligns incentives for each Clearing Member to reduce the risk it introduces to the Clearing Fund).

105 When calculating the financial resources it must maintain to cover extreme but plausible market conditions, OCC's policies and procedure must be reasonably designed to include prefunded resources exclusive of resources that are not prefunded. *See* 17 CFR 240.17ad-22(e)(4)(iv).

106 *See* Notice of Filing, 90 FR at 47386.

reflect the change in risk associated with the new position.[107] For example, if the proposed changes had been put in place in 2023, one Clearing Member who would have seen a 1.1% reduction in its Clearing Fund requirements[108] while the same member would have seen a 47.08% increase if the change were implemented in 2026.[109] Such a change in potential impact of the Proposed Rule Change is a function of the Clearing Member's risk rather than any unfair discrimination by OCC. The Proposed Rule Change is, therefore, not designed to permit unfair discrimination of OCC's Clearing Members.

Separately, Petitioner and some commenters state that increasing Clearing Fund contribution requirements for certain types of Clearing Members would result in higher costs in the form of pass-through costs and limited access to the markets for which OCC clears that would disproportionately harm retail investors, and, thus, is inconsistent with the regulatory requirement of protecting investors and the public interest.[110] Specifically, Petitioner states that OCC's proposed formula will result in higher costs to agency brokers, who will be forced to pass those costs through to their clients, a majority of whom are retail investors.[111] Petitioner and opposing commenters state that these pass-through costs will lead to reducing customer access to the markets for which OCC clears, providing more limited products or services, or imposing higher costs on retail customers.[112]

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107 Similarly, a Clearing Member may reduce its shortfall calculation by posting additional margin collateral because shortfall represents a stress loss in excess of margin. *See supra* p. 9.

108 *See supra* note 37 (Confidential Exhibit 3 to File No. SR-OCC-2025-018).

109 *See* underlying impact data submitted confidentially to the Commission alongside OCC III, at 2.

110 *See* Petition, at 15; Opposition, at 19-20; Schwab II, at 7; and LPL Letter, at 2.

111 *See* Petition, at 15; and Opposition, at 19-20 (Petitioner states that the proposal's "significantly increased costs would place pressure on agency brokers to raise fees, limit product offerings, or restrict access to listed options strategies for retail investors. In turn, retail customers could face reduced access to listed options, which serve as important tools for hedging portfolio risk, generating income, and managing market exposure.").

112 *Id. See also* LPL Letter, at 2 ("[R]etail focused firms would face materially higher clearing costs and operational burdens […] When broker-dealers serving individual investors face higher clearing costs or materially increased capital requirements, they are forced to consider limiting access to products, increasing fees, or reducing the availability of trading in those products for smaller accounts."); and Schwab II, at 7 (Schwab states that the proposal's impact "has real, tangible consequences for Agency Brokers and the millions of retail investors that they serve […] For firms, a requirement to contribute substantially more capital to the Clearing Fund would meaningfully increase the cost of doing business. While some Agency Brokers may account for that increase in operating costs by raising fees, others may limit the products that

With regard to potential pass-through costs to or limited access for retail investors, OCC states that the Petitioner "fails to acknowledge the very purpose of the rule, which is to mitigate and apportion risk based on the risk profile of the activity at issue,"[113] OCC states that irrespective of whether pass-through costs or limited access would result from the proposal, the Petitioner does not provide supporting data, nor disputes OCC's data-driven process.[114] OCC adds that "increased cost to certain market participants based on the increased tail risk they pose to OCC and the market does not equate to 'investor harm.'"[115] Additionally, supporting commenters suggest that the proposal could address concentration in the clearing ecosystem, where options clearing capacity is concentrated in a small number of members.[116] These commenters state that "[a] more risk-sensitive allocation also supports more efficient use of members' constrained balance sheet resources, which is important to maintaining consistent liquidity provision under evolving bank capital and liquidity requirements."[117] Supporting commenters state that the amount of clearing capacity Clearing Members provide is driven by many factors, including whether risks are being appropriately mutualized across participants, and state that the proposal would align the Clearing Fund contributions with the amount of risk Clearing Members bring to OCC and, thus, would give Clearing Members "additional confidence to expand the amount of clearing capacity they can provide."[118] OCC and supporting

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are available to retail investors. Either result would limit participation in the market for exchange-listed options to investors that are able to pay higher fees and Principal Trading Firms that will not be impacted by (or may even benefit under) the Re-Weighted Formula.").

113 OCC I, at 3.

114 *See* OCC I, at 3; and OCC II, at 9.

115 *See* OCC II, at 9.

116 *See* Goldman Letter, at 4 ("Options clearing is concentrated within a small number of clearing members, which could make it harder for investors to find the capacity to clear the full extent of their portfolios and risk management strategies, particularly when markets are volatile. Ensuring that mutualized risk is allocated in proportion to tail exposure is particularly important in a concentrated clearing ecosystem, where misaligned incentives can discourage marginal expansions of capacity.").

117 *See* Goldman Letter, at 4.

118 *See* Goldman letter, at 4. *See also* ABN AMRO Letter, at 1 ("[T]he proposed changes to the allocation methodology for the clearing fund of OCC are appropriate. In particular as the contributions to the clearing fund will be better aligned with the risk exposure of each clearing member under stressed market

commenters also state that the Proposed Rule Change reflects a consistency of approach with evolving market expectations, standard business practices and regulatory developments[119] as well as with recent regulatory developments.[120]

Based on the Commission's review of the record, the Petitioner's statements about pass-through costs and limited access affecting retail investors are outside the scope of the Proposed Rule Change. The Proposed Rule Change pertains only to the allocation of Clearing Fund requirements to Clearing Members; it does not prescribe whether or how these Clearing Members would pass costs associated with such Clearing Fund requirements onto their clients. Indeed, Section 17A(b)(3)(E) of the Exchange Act requires that the rules of a clearing agency do not impose any schedule of prices, or fix rates or other fees, for services rendered by its participants.[121] Consistent with that requirement, the Proposed Rule Change does not impose a schedule of fees or attempt to fix prices for the services that OCC's Clearing Members charge to their customers. This is consistent with other collateral requirements that OCC imposes on its Clearing Members.[122] As with all collateral requirements imposed by OCC on its Clearing Members, it is entirely within the individual Clearing Member's discretion and control—and entirely outside of OCC's knowledge or control—whether and how the Clearing Member passes on such collateral requirements to its customers. To the extent a change in collateral obligations may impact competition, that concern is addressed separately above in this section.

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conditions, which are exactly those that the clearing fund is meant to cover for the case of a large clearing member default.").

119 *See* FIA Letter, at 2 ("This [shift toward a stress-aligned allocation] reflects a broader industry trend: global CCPs increasingly rely on stress-based metrics to allocate mutualised resources in a manner that is consistent with both fairness and effective risk management."); Goldman Letter, at 4 ("OCC's proposal aligns with international central counterparty clearing practices concerning Clearing Fund allocation and is in line with the Principles for Financial Markets Infrastructure"). *See also* OCC II, at 1, 5-7.

120 *See* OCC II, at 1-2 ("This SLOIM approach is consistent with recent regulatory developments, such as the Commission's orders granting ICE Clear Credit LLC ('ICE Clear') and CME Securities Clearing Inc. ('CMESC') registration as clearing agencies for U.S. Treasury securities using allocation methodologies based on SLOIM calculations that are similar to OCC's proposed approach."). *See also* generally OCC II, at 4-6.

121 15 U.S.C. 78q-1(b)(3)(E).

122 *See* Securities Exchange Act Release No. 102768 (Apr. 3, 2025), 90 FR 15274, 15281 (Apr. 9, 2025) (File No. SR-OCC-2024-010).

Therefore, for the reasons stated above, the Proposed Rule Change is consistent with Sections 17A(b)(3)(F) and 17A(b)(3)(I) of the Exchange Act.[123]

B. Section 17A(b)(3)(D) of the Exchange Act

Section 17A(b)(3)(D) of the Exchange Act requires that the rules of the clearing agency provide for the equitable allocation of reasonable dues, fees, and other charges among participants.[124] The requirement to pledge collateral to the Clearing Fund is not a due, fee, or other charge, which relate to a payment rather than the pledging of collateral.[125] When amending parts of the Exchange Act in 1975 to establish a national market system and a system for nationwide clearance and settlement of securities transactions, Congress intended that the references to dues, fees, and other charges in Section 17A(b)(3)(D) contemplated payment for services rendered (rather than the pledging of collateral).[126] Consistent with this Congressional intent, the Commission has distinguished such collateral from working capital.[127]

OCC requires its Clearing Members to pay a variety of dues, fees, and other charges as defined in its schedule of fees.[128] Such obligations include monthly dues for ancillary services,

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123 15 U.S.C. 78q-1(b)(3)(F) and 15 U.S.C. 78q-1(b)(3)(I).

124 15 U.S.C. 78q-1(b)(3)(D).

125 *See Due*, Merriam-Webster (defining a due as something owed, such as a payment or obligation required by law or custom) (last visited Sept. 30, 2026), *available at* https://www.merriam-webster.com/dictionary/due#dictionary-entry-2; *Fee*, Merriam-Webster (defining a fee as a fixed charge for a service) (last visited Sept. 30, 2026), *available at* https://www.merriam-webster.com/dictionary/fee#dictionary-entry-1; and *Charge* Merriam-Webster (defining charge by reference to an expense or cost) (last visited Sept. 30, 2026), *available at* https://www.merriam-webster.com/dictionary/charge#dictionary-entry-2. *See also Fee*, Ballentine's Law Dictionary (3rd ed. 2010).

126 *See* S. REP. 94-75, at 124 (1975) *reprinted in* 1975 U.S.C.C.A.N. 179, 301 (stating that the provision "does not preclude the clearing agency from imposing fees for services which it renders"). *Cf. id.* at 96 (citing examples of dues, fees, and other charges an exchange may charge as those "in connection with such matters as effecting transactions on the exchange, use of communication services operated by the exchange, and clearing and settling transactions through exchange maintained facilities").

127 *See* Securities Exchange Act Release No. 16900 (June 17, 1980), 45 FR 41920, 41929 (June 23, 1980) (stating that "the rules of the clearing agency should limit the purposes for which the clearing fund may be used to protecting participants and the clearing agency (i) from the defaults of participants and (ii) from clearing agency losses (not including day-to-day operating expenses)").

128 *See* OCC Schedule of Fees, *available at* https://www.theocc.com/company-information/schedule-of-fees.

per contract clearing fees, and potential other charges such as OCC's operational loss fee.[129] The obligation to contribute collateral to the Clearing Fund is different in nature. Specifically, Clearing Fund contributions are collateral held to cover potential losses, but not a fee collected by OCC for performing a service. Such collateral must be returned to the contributing member to which it belongs upon termination of membership.[130] The equitable allocation requirements of Section 17A(b)(3)(D)[131] are not relevant here because they pertain specifically to dues, fees, and other charges among participants, which do not include contributions to the Clearing Fund.

One commenter states that the Proposed Rule Change does not provide for the equitable allocation of reasonable fees, but that it disproportionately impacts broker-dealers that clear options trades for their retail and institutional customers in a way that amounts to unfair discrimination among clearing members.[132] The commenter goes on to state that the proposed change disproportionately impacts agency brokers in that it deemphasizes operational risk, and projects that such a change would increase its Clearing Fund contribution requirement by approximately 40%.[133] As discussed above, the commenters' argument regarding the equitable allocation of dues, fees, and other charges is misplaced. The Commission recognizes that the proposed change in allocation will shift the relative burden of each Clearing Member to meet its Clearing Fund obligations, but such burdens are considered above in the context of Section 17A(b)(3)(I) of the Exchange Act.[134]

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129 The operational loss fee is an amount OCC would charge to its members to raise additional capital should OCC's liquid net assets funded by equity fall below defined thresholds. *See* Securities Exchange Act Release No. 104510 (Dec. 23, 2025), 90 FR 61480 (Dec. 31, 2026) (File No. SR-OCC-2025-020).

130 *See* OCC Rule 1009.

131 15 U.S.C. 78q-1(b)(3)(D).

132 Schwab II at 2. *See also* Opposition at 2 (stating that the Proposed Rule Change inequitably shifts Clearing Fund costs to one set of Clearing Members and subsidizes the riskier activities of other Clearing Members.")

133 Schwab II, at 4. Similarly, Petitioner states that the proposed allocation change substantially minimizes operational risk as a risk that can lead to member default. Petition, at 13.

134 15 U.S.C. 78q-1(b)(3)(I).

C. Consistency with Rule 17ad-22(e)(2) under the Exchange Act

Rule 17ad-22(e)(2) under the Exchange Act requires, in part, that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for governance arrangements that are clear and transparent[135] and that specify clear and direct lines of responsibility.[136]

Both Petition and comments received after the Petition are directly related to governance, transparency, and clarity, as described in detail below.

With regard to governance more broadly, the Petitioner states that OCC failed to meaningfully consult with agency brokers in developing the proposed allocation change.[137] The Petitioner acknowledges that OCC presented the proposal to its Financial Risk Advisory Council ("FRAC"), but states that OCC cannot rely on the FRAC to vet its proposals because not all Clearing Members participate in it.[138] One commenter states that it was not until OCC provided more comprehensive impact data in November 2025 that the commenter understood the full impact of the Proposed Rule Change.[139] Commenters also recommend that OCC establish a process and procedure to periodically review, and update as needed, the manner in which it allocates its Clearing Fund to members.[140]

OCC states that, between 2023 and 2025 it spent considerable time and traded considerable correspondence with Clearing Members in which OCC shared data related to costs

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135 17 CFR 240.17ad-22(e)(2)(i).

136 17 CFR 240.17ad-22(e)(2)(v).

137 Petition, at 20.

138 Petition, at 21. Another commenter made similar statements. *See* Schwab II at 11 ("The fact that OCC discussed the Proposed Rule Change with the [FRAC] and a Clearing Member Roundtable before the proposal was filed with the Commission does not mean that clearing members were provided with useful information that was adequate to understand the full impact of the Proposed Rule Change.").

139 Schwab II, at 10.

140 Letter from Katie Kolchin, CFA, Managing Director, Head of Equity & Options Market Structure and Joseph Corcoran, Managing Director and Associate General Counsel, SIFMA, at 2 (Mar. 11, 2026) *available at* https://www.sec.gov/comments/sr-occ-2025-018/srocc2025018-721767-2260154.pdf. *See also* Letter from Matt Billings, President, Robinhood Financial LLC and Robinhood Securities, LLC, at 2 (June 15, 2026) ("It is only appropriate, therefore, that the OCC periodically reassess and, when empirically justified, update the formula, as it has in the past and as it now proposes to do.") (footnote omitted), *available at* https://www.sec.gov/comments/SR-OCC-2025-018/srocc2025018-826881-2530405.pdf.

to Clearing Members and answered their questions.[141] OCC states further that it provided data to Clearing Members, including the Petitioner, in November 2023, December 2023, January 2024, and May 2024, and discussed the Proposed Rule Change at a September 25, 2025, meeting of OCC's FRAC Risk Management Committee.[142] OCC also commits to presenting results of its annual review of its allocation methodology to the FRAC and FRAC Risk Management Committee on an annual basis going forward.[143]

The substance of the Proposed Rule Change, as well as related data, was presented through several channels over the course of multiple years. OCC presented the substance of the Proposed Rule Change as well as related data to members, including the Petitioner, as early as 2023. The Commission does not agree with the Petitioner's argument that OCC cannot rely on the FRAC to vet its proposals because not all Clearing Members participate in it. Such an argument would necessitate that OCC form an advisory committee comprising representation from each Clearing Member to be consulted prior to the filing of any proposed rule change that could impact members, which is not required by either the Exchange Act or the Commission's rules.[144]

Further, Petitioner states that the Proposed Rule Change offers only a superficial analysis of the impact on individual clearing members.[145] Petitioner states that it cannot quantify the impact of the proposed allocation change on agency brokers versus proprietary trading firms versus market makers because OCC treats member-specific Clearing Fund information as

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141 OCC I, at 3.

142 OCC I, at 4.

143 OCC III, at 2.

144 *See* 15 U.S.C. 78q-1(b)(3)(C) (requiring only rules to ensure fair representation of shareholders and participants in the administration of a clearing agency's affairs); 17 CFR 240.17ad-25(j) (contemplating board solicitation, consideration, and documentation of such consideration of the views of participants and stakeholders). The Commission approved updates to OCC's governance arrangements as recently as December 2024 to align with applicable rules and regulations. *See* Securities Exchange Act Release No. 101792 (Dec. 2, 2024), 89 FR 97127 (Dec. 6, 2024) (File No. SR-OCC-2024-015).

145 *See* Petition, at 16. One commenter states that the Delegated Order relied on high-level data provided by OCC explaining that its top 10 clearing members would, on average, experience a 1.28% increase in their Clearing Fund contributions. Schwab II, at 11.

confidential.[146] Petitioner acknowledges, however, that it has data regarding how the Proposed Rule Change would impact its own Clearing Fund requirements.[147] Petitioner and commenters acknowledge receipt of updated impact data since November 2025.[148] However, Petitioner and commenters have not provided data to support the premise that the Proposed Rule Change would categorically disadvantage agency brokers to the benefit of OCC's other Clearing Members.

In its submission of the Proposed Rule Change to the Commission, OCC stated that Exhibits 3, 5B, and 5C to File No. SR-OCC-2025-018, which contain internal policies and procedures as well as an impact analysis and assessment, were entitled to confidential treatment because they contained commercial and financial information that is not customarily released to the public and is treated as the private information of OCC. Consistent with commenters' statements about impacts to their respective businesses, OCC committed to parallel reporting during which daily Clearing Fund requirement projections will be made available.[149] In contrast to Petitioner's and commenters' statements regarding impact, the data provided by OCC to the Commission as recently as June 17, 2026, demonstrates that the impact on agency brokers is not so clear cut.[150] The data is consistent with OCC's statement that some Clearing Members who serve retail customers would in fact see their allocation decrease.[151] Further, OCC has committed to consult with members through its existing governance arrangements[152] on an at least annual basis.

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146 *See* Opposition, at 17-18. Another commenter recommends that the Commission should "[r]equire OCC to provide a comprehensive economic analysis of the proposed changes, including stress test results, estimated impact on clearing fund sizing by business model, differentiated risk analysis for retail vs. institutional activity, and assessment of alternative approaches." ASA Letter, at 2.

147 *See* Opposition, at 17-18.

148 *See* Opposition, at 10 ("During the comment period, OCC also communicated to clearing members that data reflecting firm-specific impacts to Clearing Fund requirements could be provided 'upon request.'"); Schwab II, at 10 ("It was not until OCC provided more comprehensive impact data in November 2025 that Schwab understood the full impact of the Proposed Rule Change.").

149 *See* Exhibit 3 to SR-OCC-2025-018.

150 *See generally* OCC III. As part of submitting OCC III, OCC also provided to the Commission confidential data underlying summary statements made in its public comment letter dated June 17, 2026.

151 *See* OCC III, at 2.

152 *See* OCC, Risk Committee Charter, at III. A., *available at* https://www.theocc.com/getcontentasset/e71a4c1d-52dc-4c95-aeb1-98dab9159f41/dfc3d011-8f63-43f6-

Based on a review of the record, the data provided by OCC was sufficient to allow the Commission to understand the impact of the Proposed Rule Change at an individual Clearing Member level. The information that OCC provided in the public portion of its filing was summary data describing the overall impact of the Proposed Rule Change. However, the data that OCC provided confidentially to the Commission was more detailed. In its confidential Exhibit 3 to File No. SR-OCC-2025-018,[153] OCC included Clearing Member level data describing the largest changes in allocation of the Proposed Rule Change in terms of both dollar and percentage impact. OCC provided such data both for a single month as well as an average set of effects over the course of five months, also at the individual Clearing Member level. Subsequently, OCC provided updated data showing the projected effect of the Proposed Rule Change at an individual Clearing Member level.[154] As a result, OCC provided sufficient information in its confidential submission to allow the Commission to assess the effects of the Proposed Rule Change as well as how those effects would have changed over the course of time, including on a member-by-member basis.

Separate from the concerns raised by the Petitioner, the Proposed Rule Change would amend the arrangements governing OCC's allocation of Clearing Fund requirements; specifically, the proposed authority to hold allocations constant month-over-month. As noted above, Petitioner does not challenge this aspect of the Proposed Rule Change.[155] As such, the following analysis of the proposed authority here is consistent with that stated in the Delegated

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9ed8-4b444333a1d0/risk_committee_charter.pdf; ("From time to time, the Committee may receive reports and guidance relating to financial risk issues from, among others, the OCC Financial Risk Advisory Council [FRAC] and, in the exercise of its fiduciary judgment, shall take such guidance into account in the performance of its functions and responsibilities."). *See also generally* Securities Exchange Act Release No. 100194 (May 21, 2024), 89 FR 46205 (May 28, 2024) (SR-OCC-2024-005) (supplementing OCC's governance arrangements to provide for Board oversight of and Risk Committee obligation for consultation with the newly established FRAC Risk Management Committee to comply with CFTC's governance rules).

153 See Notice of Filing, at 47385, n. 14.

154 *See* underlying impact data submitted confidentially alongside OCC III.

155 Petitioner does not object to adopting a new authority allowing OCC to hold allocation weights constant month-over-month during periods of heightened market volatility. *See* Petition, at 6 n. 2. *See also* Opposition, at 9 n.3.

Order.[156] OCC's proposal to hold allocations constant to address the potential impact of persistent high volatility is subject to a review process initiated by OCC staff and implemented by the STWG, a panel delegated by OCC management as the relevant subject matter expert. As proposed, OCC staff would be required to base the hold-constant recommendation on daily analyses of stress test results and in consideration of a non-exhaustive list of factors before escalating it to the STWG or the Chief Financial Risk Officer. The STWG or the Chief Financial Risk Officer would have the authority to accept or reject the hold-constant recommendation. This same review process would be implemented if OCC staff recommends a reversion to the proportionate approach. Additionally, OCC staff would be required to provide notification of 1) a hold-constant decision or reversion to Clearing Members and the Risk Committee; and 2) a hold-constant decision to the Commission and CFTC, with reasons for such a decision provided to the regulators. This recommendation review process provided for in OCC's rules and policies would help facilitate governance arrangements that specify clear and direct lines of responsibility.

Accordingly, the Proposed Rule Change is consistent with Rule 17ad-22(e)(2) under the Exchange Act.[157]

D. Consistency with Rule 17ad-22(e)(18) under the Exchange Act

Rule 17ad-22(e)(18)(ii) under the Exchange Act requires, in part, that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to establish objective, risk-based, and publicly disclosed criteria for participation, which require participants to have sufficient financial resources and robust operational capacity to meet obligations arising from participation in the clearing agency.[158]

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156 *See* Delegated Order, 90 FR at 58355.

157 17 CFR 240.17ad-22(e)(2).

158 17 CFR 240.17ad-22(e)(18)(ii). The Commission did not receive any comments on the Proposed Rule Change directly related to objective, risk-based, and publicly disclosed criteria for participation.

OCC manages its credit exposures, in part, through the resources held in its Clearing Fund. Such resources are sized to address stress losses in excess of margin; however, the current allocation methodology does not consider the extent to which a member poses risk to OCC that exceeds its potential margin contributions. As a requirement of participation, each Clearing Member is required to contribute financial resources to fund the Clearing Fund. The methodology for allocating such contributions is not currently aligned with the methodology for setting the size of the Clearing Fund itself. As described above, OCC proposed to revise its allocation methodology to align the weighting of variables and lookback period more closely with OCC's methodology for sizing the Clearing Fund. As a result, the proposed changes would more closely align a member's financial obligations to OCC with the credit risk the member poses without entirely removing consideration of other factors. To address the possibility that the proposed weighting methodology could cause an inappropriate allocation of requirements due to persistent, high volatility, the Proposed Rule Change would authorize OCC to hold allocation requirements constant month-over-month where doing so would be in furtherance of the integrity of OCC and the stability of the financial system, and take into consideration the legitimate interests of Clearing Members and market participants. These changes would further align Clearing Members' obligations with the exposures such members pose to OCC while also providing flexibility to respond to extreme market volatility. Such alignment is consistent with Rule 17ad-22(e)(18)(ii) because it would help ensure that Clearing Fund contribution requirements, which are a requirement for participation in OCC, are risk-based and objective.

Accordingly, the Proposed Rule Change is consistent with Rule 17ad-22(e)(18)(ii) under the Exchange Act.[159]

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[159] 17 CFR 240.17ad-22(e)(18)(ii).

IV. CONCLUSION

For the foregoing reasons, the Commission finds that the Proposed Rule Change is consistent with the Act and the rules and regulations thereunder applicable to a national securities association.

IT IS THEREFORE ORDERED, pursuant to Rule 431 of the Commission's Rules of Practice, that the earlier action taken by delegated authority, Exchange Act Release No. 104359 (Dec. 11, 2025), 90 FR 58352 (Dec. 16, 2025), is set aside and, pursuant to Section 19(b)(2) of the Act, the Proposed Rule Change (SR-OCC-2025-018), as modified by Amendment No. 1, hereby is approved.

By the Commission.

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2026-20465 Filed: 10/5/2026 8:45 am; Publication Date: 10/6/2026]