DCO Rules

UNITED STATES
COMMODITY FUTURES TRADING COMMISSION

Submitter Information	
Organization Name Options Clearing Corporation	
Organization Type DCO	**Organization Acronym** OCC
Submitted By [redacted]	**Email Address** [redacted]

Cover Sheet	
Submission Number 2509-0515-5827-58	**Submission Date** 9/5/2025 3:58:27 PM ET
Submission Type 40.6(a) Rule Certification	
Submission Description Self-Certification by the Options Clearing Corporation Concerning Updates to its Portfolio Revaluation Process for Purposes of Determining Intraday Margin Calls	
☑ **Request Confidential Treatment**	
Registered Entity Identifier Code	
Rule Numbers Margin Policy	
Date of Intended Implementation 9/19/2025	

Documents
Confidential Exhibit A (Intraday Phase 4A) 2025.09.05.pdf (Confidential Treatment Requested) CFTC Self Certification (Phase 4A) 2025.09.05 Final.pdf

Request For Confidential Treatment - Detailed Written Justification
CFTC Confidential Treatment Request (Phase 4A) 2025.09.05.pdf

OCC THE FOUNDATION FOR SECURE MARKETS®

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September 5, 2025

VIA CFTC PORTAL
Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: Rule Certification by The Options Clearing Corporation Concerning Updates to its Portfolio Revaluation Process for Purposes of Determining Intraday Margin Calls in Order to Better Manage OCC's Intraday Risk Exposure to its Clearing Members.

Dear Secretary Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended ("Act"), and Commodity Futures Trading Commission ("CFTC") Regulation 40.6, The Options Clearing Corporation ("OCC") hereby certifies a rule change concerning Updates to its Portfolio Revaluation Process for Purposes of Determining Intraday Margin Calls in Order to Better Manage OCC's Intraday Risk Exposure to its Clearing Members. The date of implementation of the rule is at least 10 business days following receipt of the certification by the CFTC. The proposal has also been submitted to the Securities and Exchange Commission ("SEC") under Section 19(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 19b-4 thereunder. The change will not be implemented until OCC has obtained all necessary regulatory approvals.

In conformity with the requirements of Regulation 40.6(a)(7), OCC states the following:

Explanation and Analysis

The purpose of this rule certification is to make updates to OCC's portfolio revaluation process for purposes of determining intraday margin calls in order to better manage OCC's intraday risk exposure to its Clearing Members. The proposed changes are included in confidential Exhibit A. Material proposed to be added is underlined and material proposed to be deleted is marked in strikethrough text. All terms with initial capitalization that are not otherwise defined herein have the same meaning as set forth in the OCC By-Laws and Rules.[1]

<u>Overview</u>

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

OCC has established a proprietary system, the System for Theoretical Analysis and Numerical Simulation ("STANS"), that runs various models used to calculate each Clearing Member's margin requirements. At the start of each business day, OCC collects margin requirements for each marginable account calculated by STANS based on the account's end-of-day positions[2] from the previous business day. OCC also makes intraday margin calls in defined circumstances. OCC's Rules grant it the authority to issue intraday margin calls based on intraday market volatility, changes in the size of a clearing member's positions, the value of securities deposited as margin, or otherwise to protect OCC, other Clearing Members or the general public, among other bases identified in OCC Rule 609.[3]

In particular, OCC requires the deposit of intraday margin to reflect changes in the value of securities deposited as margin by the Clearing Member when certain thresholds are breached

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

2 The term "end-of-day positions" refers to the positions held by Clearing Members after the markets have closed each business day.

3 <u>See</u> OCC Rule 609(a).

pursuant to OCC Rule 609[4] and OCC's Margin Policy.[5] OCC maintains a portfolio revaluation process to monitor intraday price movements on Clearing Member positions for purposes of issuing margin calls and collecting additional margin assets when necessary.[6] Throughout the day, the portfolio revaluation process revalues Clearing Member start-of-day positions[7] with current prices to calculate updated account profit and loss ("P&L") for purposes of issuing intraday margin calls.[8]

OCC collects margin in line with requirements at the start of each business day based on an account's end-of-day positions from the previous business day. However, OCC's exposure to its Clearing Members may change as a result of intraday changes in both prices and positions. To mitigate intraday risk exposure to its Clearing Members, OCC currently utilizes its portfolio revaluation process to determine intraday margin calls between the collection of margins at the start of each business day. Because the portfolio revaluation process is based on a Clearing Member's start-of-day positions, it does not consider exposure changes resulting from intraday position changes. To help mitigate such exposure changes, OCC proposes to enhance its portfolio

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4 See OCC Rule 609(a)(3). ("The Corporation may require the deposit of additional margin ('intra-day margin') by any Clearing Member in any account at any time during any business day to reflect changes in […] the value of securities deposited by the Clearing Member as margin.")

5 OCC's Margin Policy has been filed with and approved as a rule by the SEC. See Exchange Act Release Nos. 99169 (Dec. 14, 2023), 88 FR 88163 (Dec. 20, 2023) (SR-OCC-2023-008); 98101 (Aug. 10, 2023), 88 FR 55775 (Aug. 16, 2023) (SR-OCC-2022-012); 96566 (Dec. 22, 2022), 87 FR 80207 (Dec. 29, 2022) (SR-OCC-2022-010); 91079 (Feb. 8, 2021), 86 FR 9410 (Feb. 12, 2021) (SR-OCC-2020-016); 90797 (Dec. 23, 2020), 85 FR 86592 (Dec. 30, 2020) (SR-OCC-2020-014); 87718 (Dec. 11, 2019), 84 FR 68992 (Dec. 17, 2019) (SR-OCC-2019-010); 86436 (July 23, 2019), 84 FR 36632 (July 29, 2019) (SR-OCC-2019-006); 86119 (June 17, 2019), 84 FR 29267 (June 21, 2019) (SR-OCC-2019-004); 83799 (Aug. 8, 2018), 83 FR 40379 (Aug. 14, 2018) (SR-OCC-2018-011); 82658 (Feb. 7, 2018), 83 FR 6646 (Feb. 14, 2018) (SR-OCC-2017-007).

6 The requirement that OCC engage in portfolio revaluation and revalue Clearing Member accounts using updated price data for purposes of issuing intraday margin calls is codified in the Margin Policy. See Exchange Act Release No. 82355 (Dec. 19, 2017), 82 FR 61060, 61064 (Dec. 26, 2017) (SR-OCC-2017-007) (codifying in the Margin Policy the revaluation of Clearing Member accounts using updated price data in accordance with the Portfolio Revaluation Monitoring Procedure, including the issuance of a margin call during standard equity trading hours when unrealized losses are observed for an account, based on start-of-day positions, exceeding 50% of that account's total risk charges). The details of the portfolio revaluation process are set out in the Portfolio Revaluation Monitoring Procedure, which is included as Exhibit 3A to File No. SR-OCC-2025-007.

7 The term "start-of-day positions" refers to Clearing Member end-of-day positions from the prior trading day adjusted for corporate actions, but which does not include any positions generated from overnight extended trading hours.

8 OCC also issues margin calls when unrealized losses observed for an account based on positions from extended trading hours ("ETH") exceed a certain threshold ("ETH margin calls"). Id. (codifying in the Margin Policy the ETH margin call that OCC would issue when unrealized losses observed for an account, based on new ETH positions, exceed 25% of that account's total risk charges and the overall Clearing Member portfolio is also experiencing losses).

revaluation process to incorporate current positions[9] when determining to issue intraday margin calls. Instead of portfolio revaluation, the enhanced process would more aptly be referred to as Intraday Profit and Loss ("Intraday P&L" or "IPL"). The IPL process would calculate P&L values for each Clearing Member's portfolio throughout the day by monitoring both changes in market prices and member positions. The proposed IPL process would also provide OCC the authority to issue intraday margin calls to cover increased exposures arising from changes in prices, positions or both. Under the proposed IPL process, OCC would measure the change in risk posed by member portfolios by calculating near real-time P&L values on current Clearing Member positions, which would allow OCC to better monitor intraday exposure and collect intraday margin when an applicable threshold is breached. For example, the proposed changes would allow OCC to account for any risk-reducing or risk-increasing trades and collect financial resources in proportion to such risk.[10] For the avoidance of doubt, such changes would have no impact on OCC's calculation of STANS margin requirements or other models.

As noted earlier, OCC already has the authority to issue intraday margin calls under OCC Rule 609 to maintain sufficient financial resources to cover its credit exposures.[11] Under the existing portfolio revaluation process, OCC can issue margin calls consistent with OCC's policies and procedures, to address the credit exposure from any unrealized losses in a Clearing Member's account above and beyond certain predetermined thresholds based on current market prices applied to a Clearing Member's start-of-day positions. This process measures a Clearing Member's profits and losses throughout the trading day. However, the process is limited, as currently designed, because it only considers a static snapshot of the account, comprised of a Clearing Member's start-of-day positions. This proposed rule change would not amend the purpose of the existing process, i.e., measuring a Clearing Member's intraday profits and losses; rather, it would introduce an improvement to the calculations by incorporating a Clearing Member's current positions in place of a Clearing Member's static start-of-day positions in the calculations. The proposed change from using static start-of-day positions to using current positions as inputs would allow OCC to account for both realized and unrealized losses due to market movements, the product of which will represent a near real-time determination of losses held across all Clearing Member accounts.

OCC recently adopted related, but different, enhancements to its ability to collect intraday margin. Margin calls issued under this proposed rule change, File No. SR-OCC-2025-007, address losses on current positions caused by market movements to limit OCC's exposure to intraday losses before the next start-of-day margin collection. Margin calls issued under OCC's other intraday

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9 The term "current positions" refers to Clearing Member positions at a certain point in time during the regular trading hours ("RTH"), which includes positions from the start-of-day and those generated during ETH and RTH.

10 The proposed rule change would not change the current thresholds for intraday or ETH margin calls that are set out in the Margin Policy.

11 See supra note 4.

margin proposal approved by the SEC, File No. SR-OCC-2024-010 (the "2024 Proposal"),[12] address a different type of exposure. Unlike this proposal, the 2024 Proposal's margin calls address the increase in the risk of losses (i.e. risk exposures) to minimize under-margining due to intraday trading activity that is not captured by start-of-day margin requirements calculated for the account. Under the 2024 Proposal, margin calls, if assessed, would target the increase in risk exposures resulting from intraday trading activities that breach certain risk-based statistical thresholds in individual Clearing Member accounts. Similar to the current proposed rule change, under the 2024 Proposal, OCC can call for additional financial resources intraday by issuing intraday margin calls consistent with OCC Rule 609 and OCC's policies and procedures. Both proposals considered together would allow OCC to issue two separate margin calls on the same day to a Clearing Member, each targeting a specific type of exposure presented to OCC. Essentially, margin calls issued under this proposal are additional financial resources used to cover realized and unrealized losses, whereas margin calls issued under the 2024 Proposal are additional financial resources used to cover increased risk exposures. Both types of margin calls account for the Clearing Member's intraday trading activity for that day.

To illustrate a scenario when both types of intraday margin calls might be issued, consider a hypothetical Clearing Member account that on a given trading day starts with a certain profit and loss threshold (as currently is the case in OCC's portfolio revaluation process), and simultaneously has an intraday monitoring threshold unique to that account's historic activity determined under the 2024 Proposal. Suppose that early in the trading day the Clearing Member sells out of the money naked call options on an underlying equity or index. If later in the day the underlying price increases substantially, the call option may turn deep in the money causing potential outsized losses to the Clearing Member. By midday, the loss on that trade in the Clearing Member account may exceed the loss threshold for the account on that day. This would result in a margin call being issued to the Clearing Member requesting additional financial resources under this proposal based on the losses in the account. This same trade could increase the Clearing Member's intraday risk exposure to OCC since it would constitute a new position held in that account. The resulting increase in risk exposure could exceed the intraday monitoring threshold for the account on that day and compel OCC to seek additional financial resources to cover this rise in intraday risk by issuing a separate margin call under the 2024 Proposal. The margin call issued under this proposal would cover the losses in the Clearing Member account at that point in time, and the margin call issued under the 2024 proposal would cover potential future losses. In practice, the example envisaged above would apply to current positions to account for intraday losses and increases in intraday risk exposures in Clearing Member accounts.

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12 See Exchange Act Release Nos. 102768 (Apr. 3, 2025), 90 FR 15274 (Apr. 9, 2025) (File No. SR-OCC-2024-010) (Order approving OCC proposal to establish a margin add-on charge that would be applied to all Clearing Member accounts); 102202 (Jan. 15, 2025), 90 FR 7722 (Jan. 22, 2025) (File No. SR-OCC-2024-010); 100664 (Aug. 6, 2024), 89 FR 65695 (Aug. 12, 2024) (File No. SR-OCC-2024-010).

Proposed Changes

OCC proposes to help mitigate its intraday risk exposure to its Clearing Members by updating its portfolio revaluation process to use current positions instead of start-of-day positions for purposes of determining intraday margin calls, as further described below. The proposed rule change is designed to allow OCC to better monitor intraday risk exposure to its Clearing Members and collect margin on an intraday basis in consideration of both position and price changes.

OCC utilizes its portfolio revaluation process to address the change in value of margin collateral. For purposes of charging intraday margin calls, OCC's portfolio revaluation process monitors a Clearing Member account's unrealized losses based on start-of-day positions. Start-of-day positions are revalued with current prices at set intervals ("revaluation runs" or "runs") during standard equity trading hours to calculate updated account P&L. In accordance with OCC's Margin Policy, intraday margin calls are issued when unrealized losses are observed for an account, based on start-of-day positions, exceeding the threshold of 50% of that account's total risk charges.[13] OCC has established a minimum value of $500,000[14] below which OCC will not issue an intraday margin call and a standard time for processing margin calls.[15] Intraday margin calls are generally issued at a single collection time at or around 12:00 p.m. Central Time ("CT").[16] OCC nonetheless retains its authority under Rule 609(a) to issue margin calls at any time on any business day.[17]

Under the proposed changes, the IPL process would incorporate current positions instead of start-of-day positions in intraday margin call P&L calculations. For purposes of charging intraday margin calls, OCC's IPL process would measure the change in risk by calculating near real-time P&L values on Clearing Member positions. Current positions would be revalued with current prices every five minutes during standard equity trading hours to calculate updated account P&L.[18] Intraday margin calls would be issued when unrealized losses are observed for an account, based on current positions, exceeding the 50% threshold of that account's total risk charges, as they are issued today. Such intraday margin calls would generally continue to be issued at a single collection time, at or around 12:00 p.m. CT in accordance with the current process. OCC does not propose any changes to the minimum margin call value or the standard time for processing margin calls.

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13 See supra note 7.

14 The minimum margin call threshold is aligned with the minimum Clearing Fund deposit of $500,000. See OCC Rule 1003(a).

15 See Exhibit 3A to File No. SR-OCC-2025-007 for the Portfolio Revaluation Monitoring Procedure.

16 Id.

17 See OCC Rule 609(a) ("[OCC] may require the deposit of additional margin ('intra-day margin') by any Clearing Member in any account at any time during any business day to reflect changes in: . . . .").

18 OCC does not propose any changes to its process for issuing ETH margin calls as part of this proposed rule change and the proposed IPL process will not impact ETH margin calls.

The proposed changes would allow OCC to collect resources from Clearing Members intraday based on changes in both positions and prices. Such changes are designed to allow OCC to better monitor intraday exposure by accounting for intraday position changes and collecting intraday margin accordingly. Because the current process revalues start-of-day positions, it does not account for Clearing Members engaging in risk-reducing or risk-increasing trades throughout the trading day. By revaluing current positions, the proposed IPL process would allow OCC to call for resources in response to intraday position changes, such as Clearing Members building large positions or trading out of their positions. For instance, a Clearing Member's start-of-day positions may present unrealized losses that exceed the threshold, whereas a Clearing Member's intraday positions may present unrealized losses that do not exceed the threshold due to intraday risk-reducing trades. A Clearing Member's start-of-day positions may lead to a larger margin call under the existing process than would be commensurate with the risks presented by its current positions.

For the avoidance of doubt, the proposed rule change would have no impact on OCC's calculation of STANS margin requirements or other models. OCC does not currently re-calculate STANS margin requirements on an intraday basis for purposes of charging an intraday margin call and does not propose doing so using this proposed rule change. The proposed rule change relates to the threshold for intraday margin calls when unrealized losses on a Clearing Member's account are greater than 50% of the account's total risk charges. The impact will be dependent on a Clearing Member's trading activity and whether it is risk-reducing or risk-increasing relative to start-of-day positions used under the current approach.

Portfolio Revaluation Process Changes

The changes to the portfolio revaluation process are described below. Overall, the proposed rule change is intended to help mitigate exposure resulting from intraday changes to Clearing Member positions that may not be captured by the existing process.

<u>Current process</u> Currently, revaluation runs for standard equity trading hours occur between 8:30 a.m. CT and 3:15 p.m. CT. Revaluation runs provide updated account P&L pertaining to start-of-day positions using current prices approximately every 40 minutes. OCC's system determines whether an account P&L breaches the applicable threshold and sends an automated email to OCC's Market Risk and Default Management team ("MRDM") for review approximately every 40 minutes. After MRDM verifies that unrealized losses on a Clearing Member's account are greater than 50% of the account's total risk charges, a recommendation for an intraday margin call for additional margin collateral is escalated to Financial Risk Management ("FRM") team management. FRM management retains the authority to determine whether to approve the issuance of such intraday margin calls at a single collection time at or around 12:00 p.m. CT.[19] Under the Margin Policy, such margin calls must be approved by an OCC employee with the title of Executive Director or above.

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19 The margin call would be issued based on the first complete and valid revaluation run at or around 12:00 p.m. CT. If no exceedance is detected at the time, no margin call is issued, even if the account had an exceedance during earlier runs.

In situations where the approver determines the accuracy of the call may be in question or other factors indicate that it may be prudent to confirm the margin call amount, the approver may defer the decision to execute the margin call to a subsequent portfolio revaluation to confirm its validity. Margin calls after 1:30 PM CT must be approved by the Chief Financial Risk Officer, Chief Executive Officer, Chief Operating Officer, or Chief Risk Officer ("Senior Management").[20] OCC retains its authority under Rule 609(a) to issue margin calls at any time on any business day.[21]

Amended process As amended, IPL runs for standard equity trading hours will continue to occur between 8:30 a.m. CT and 3:15 p.m. CT. IPL runs will provide updated account P&L pertaining to current positions using current prices every five minutes. OCC's system will determine whether an account P&L breaches the applicable threshold and send an automated email to MRDM for review if there is a breach at set intervals. Such intervals will be configurable by OCC and will initially be set every 40 minutes. After MRDM verifies that unrealized losses on a Clearing Member's account are greater than 50% of the account's total risk charges, a recommendation for an intraday margin call for additional margin collateral will be escalated to FRM management. FRM management will retain authority to determine whether to approve the issuance of such intraday margin calls at a single collection time at or around 12:00 p.m. CT.[22] Under the Margin Policy, margin calls will continue to require approval by an OCC employee with the title of Executive Director or above. In situations where the approver determines the accuracy of the call may be in question or other factors indicate that it may be prudent to confirm the margin call amount, the approver may defer the decision to execute the margin call to a subsequent run to confirm its validity. Margin calls after 1:30 PM CT will continue to require approval by Senior Management. OCC will retain its authority under Rule 609(a) to issue margin calls at any time on any business day.[23]

OCC also reviewed the potential impact of the proposed changes across all Clearing Members over a one-year period from February 2024 to January 2025, summarized in the following table.

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20 See supra note 15.

21 See supra note 17.

22 The margin call would be issued based on the first complete and valid IPL run at or around 12:00 p.m. CT. If no exceedance is detected at the time, no margin call is issued, even if the account had an exceedance during earlier runs.

23 See supra note 17.

Table 1 – Comparison Between Portfolio Revaluation and IPL

	Current Methodology	Proposed Methodology
Total Margin Call Amount	$6,448.7 million	$6,991.4 million
No. of Margin Calls	93	125
Average Call Amount	$69.3 million	$55.9 million

Overall, under the proposed methodology, the total number of margin calls is expected to increase by 34%, to 125 from the current 93 margin calls issued. However, average call amounts would be lower and reduced by approximately 19.3%, representing a $13.4 million drop for an average call of around $55.9 million. The minimum call amount would remain the same starting at $500,000, but under the proposed methodology the largest call amount would also be reduced by 21.8%, representing a $190.6 million drop to a lower call of $682.7 million. Depending on the member's activity on a given date, intraday margin call amounts generated using current positions were on average lower than those under the portfolio revaluation process. While margin calls resulting from the proposed changes may differ across Clearing Members due to members' activity, OCC believes that margin coverage under the enhanced IPL process will be more commensurate with the risks presented by its members' activity.

Margin Policy Changes

To effect the proposed changes, OCC would amend the Margin Policy as follows. The current policy language requires FRM to ensure that OCC issues a margin call during standard equity trading hours, as provided in relevant procedures. OCC proposes to establish new procedures for FRM to monitor portfolios such that OCC will be able to issue intraday margin calls during standard equity trading hours as portfolio positions change. Such changes are intended to emphasize that OCC engages in ongoing monitoring and to consider the authority provided to FRM management to determine whether to approve the issuance of intraday margin calls, as provided in the current procedures. OCC also proposes to replace references to portfolio revaluation and the Portfolio Revaluation Monitoring Procedure with references to IPL and the Intraday Profit & Loss Monitoring Procedure.[24] Furthermore, the Margin Policy currently directs OCC's FRM to issue an intraday margin call during standard equity trading hours when unrealized losses are observed for an account, based on start-of-day positions, exceeding 50% of that account's total risk charges. OCC proposes to remove "start-of-day" to show that the IPL process uses current positions for purposes of determining intraday margin calls. OCC also proposes to replace "total risk charges" with "total

[24] The draft Intraday Profit & Loss Monitoring Procedure is provided as confidential Exhibit 3B to SR-OCC-2025-007.

margin charges". In this context, "total risk charges" consists of expected shortfall ("ES"), [25] stress test charges, and add-on charges. As amended "total margin charges" would continue to consist of ES, stress test charges and add-on charges. This change is intended to avoid potential confusion with the term "Total Risk", which is a defined term.[26] Given the similarity of these terms, OCC believes "total margin charges" is clearer in the context of intraday margin calls. Conforming changes are proposed in the subsequent section of the Margin Policy, when referencing "total risk charges". This proposed rule change is designed to address the risk that OCC's exposure to its Clearing Members may change as a result of intraday position changes. Overall, this proposed rule change would allow OCC to better monitor intraday risk exposure to its Clearing Members and clarify that OCC can collect margin on an intraday basis in consideration of both position and price changes.

Implementation Timeframe

The proposed changes are related to a larger OCC technology initiative, Ovation. OCC will implement the proposed changes at the time Ovation becomes OCC's system of record, which is planned to launch in the first half of 2026. [27] Accordingly, OCC will announce the implementation date of the proposed changes by an Information Memorandum posted to its public website at least two weeks prior to implementation. OCC plans to launch Ovation and implement the proposed changes no later than June 30, 2026, and OCC will announce another intended implementation date by Information Memorandum posted to its public website if the changes will not be implemented by that date.

Consistency with DCO Core Principles

OCC reviewed the DCO Core Principles ("Core Principles") as set forth in the Act, the regulations thereunder, and the provisions applicable to a DCO that elects to be subject to the provisions of 17 CFR Subpart C ("Subpart C DCO"). During this review, OCC identified the following as potentially being impacted.

Risk Management OCC believes that the proposed changes are consistent with Core Principle D and the CFTC regulations thereunder, which require, in relevant part, that each DCO possesses the ability to manage the risks associated with discharging the responsibilities of the DCO through the use of appropriate tools and procedures.[28] Specifically, a DCO shall collect margin from

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[25] As employed by OCC, ES is established as the estimated average of potential losses higher than the 99% value at risk ("VaR") threshold. The term "VaR" refers to a statistical technique that is used in risk management to measure the potential risk of loss for a given set of assets over a particular time horizon.

[26] The term "Total Risk" is defined as 99% ES plus the stress test component in the STANS Methodology Description.

[27] See https://www.theocc.com/Participant-Resources (linking to reference guides and timelines for the launch of Ovation).

[28] 7 U.S.C. 7a-1(c)(2)(D).

each member and participant of a DCO sufficient to cover potential exposures in normal market conditions.[29] Through the proposed IPL process and transition to using current positions with current prices, OCC would be able to improve the measurement of the risk posed by changes in intraday prices and positions across member portfolios by calculating near real-time P&L values for Clearing Member portfolios. Margin calls, if issued, which result from breach of certain thresholds, help mitigate OCC's increased intraday exposure commensurate with price and position changes across Clearing Member portfolios, enhancing OCC's ability to measure, monitor, and manage its credit exposures to its participants. Accordingly, OCC believes the changes are appropriate for managing the risks to which it is exposed to from its Clearing Member's intraday trading activity, consistent with CFTC regulation 39.13(a).

In addition, CFTC Regulation 39.13(e)(2) requires that a DCO monitor its credit exposure to each Clearing Member periodically during each business day.[30] As noted above, in the proposed IPL process OCC would establish more frequent runs during the standard equity trading hours to monitor accounts for intraday trading activity and would maintain its authority to issue margin calls to address any resultant increase in credit exposures. As such, OCC believes that the proposed changes are consistent with CFTC Regulation 39.13(e)(2).

For these reasons, OCC believes that the proposed changes are consistent with the requirements of the DCO Core Principles and the CFTC Regulations thereunder.

Opposing Views

No substantive opposing views were expressed related to the rule amendments by OCC's Board members, Clearing Members or market participants. Public comments on the proposed rule change filed with the SEC, if any, and any OCC response to such comments may be viewed on the SEC's public website.[31]

Notice of Pending Rule Certification

OCC hereby certifies that notice of this rule filing has been given to Clearing Members of OCC in compliance with Regulation 40.6(a)(2) by posting a copy of this certification on OCC's website concurrently with the filing of this submission.

Certification

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29 17 CFR 39.13(a).

30 17 CFR 39.13(e)(2).

31 See Options Clearing Corporation (OCC) Rulemaking, https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking/occ

OCC hereby certifies that the rule set forth at confidential Exhibit A of the enclosed filing complies with the Act and the CFTC's regulations thereunder.

Should you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

/s/ Hafez A. Almiladi

Hafez A. Almiladi
Assistant General Counsel
The Options Clearing Corporation

Enclosure: Confidential Exhibit A