

# SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103597; File Nos. SR-OCC-2025-009]

**Self-Regulatory Organizations; The Options Clearing Corporation; Order Granting Approval of Proposed Rule Change by The Options Clearing Corporation Concerning Amendments to OCC’s Comprehensive Stress Testing & Clearing Fund Methodology, and Liquidity Risk Management Description (“Methodology Description”) and Clearing Fund Methodology Policy (together with the Methodology Description, the “Risk Policies”) to enhance its stress testing methodology**

July 30, 2025.

## I. INTRODUCTION

On June 11, 2025, the Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change SR-OCC-2025-009, pursuant to Section 19(b) of the Securities Exchange Act of 1934 (“Exchange Act”)<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, to enhance its stress testing methodology.<sup>3</sup> The proposed rule change was published for public comment in the *Federal Register* on June 27, 2025.<sup>4</sup> The Commission has received no comments regarding the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change (hereinafter defined as “Proposed Rule Change”).

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

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

<sup>3</sup> See Notice, *infra* note 4, at 90 FR 27739.

<sup>4</sup> See Securities Exchange Act Release No. 103308 (June 24, 2025), 90 FR 27739 (June 27, 2025) (File No. SR-OCC-2025-009) (“Notice”).

## II. BACKGROUND

OCC is a central counterparty (“CCP”), which means that, as part of its function, 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,<sup>5</sup> as well as for certain futures and stock loans, OCC is exposed to certain risks arising from providing clearing and settlement services to its Clearing Members. Because OCC is obligated to perform on the contracts it clears, even where one of its Clearing Members defaults, OCC is exposed to credit risk<sup>6</sup> and liquidity risk<sup>7</sup> in the form of exposure to a Clearing Member’s trading activities. OCC manages such risk, in part, by performing daily stress testing<sup>8</sup> that covers a wide range of scenarios.<sup>9</sup>

OCC groups its stress testing scenarios into different categories, including Sufficiency Scenarios, Adequacy Scenarios, Sizing Scenarios, and Informational Scenarios.<sup>10</sup> OCC states that its current Sufficiency Scenarios are variations of historical scenarios that attempt to

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<sup>5</sup> OCC describes itself as “the sole clearing agency for standardized equity options listed on a national securities exchange registered with the Commission (‘listed options’).” *See* Securities Exchange Act Release No. 96533 (Dec. 19, 2022), 87 FR 79015 (Dec. 23, 2022) (File No. SR-OCC-2022-012).

<sup>6</sup> Credit risk is the risk that a counterparty will be unable to meet fully its financial obligations when due, or at any time in the future. Bank for International Settlements & International Organization of Securities Commissions, Principles for Financial Market Infrastructures section 2.5, <https://www.bis.org/cpmi/publ/d101a.pdf>.

<sup>7</sup> Liquidity risk is the risk that a counterparty will have insufficient funds to meet its financial obligations as and when expected, although it may be able to do so in the future. *Id.* at section 2.6.

<sup>8</sup> Stress testing is the estimation of credit or liquidity exposures that would result from the realization of potential stress scenarios, such as extreme price changes, multiple defaults, or changes in other valuation inputs and assumptions. 17 CFR 240.17Aa-22(a).

<sup>9</sup> *See* OCC Rule 1001, OCC’s Rules and By-Laws, available at <https://www.theocc.com/about/publications/bylaws.jsp>.

<sup>10</sup> Capitalized terms used but not defined herein have the meanings specified in OCC’s Rules and By-Laws, *supra* note 9.

replicate historical events under current market conditions.<sup>11</sup> These scenarios are designed to measure OCC's potential exposure to a Clearing Member Group's portfolios relative to OCC's resources so that OCC can determine whether to call for additional or different collateral.<sup>12</sup>

Adequacy Scenarios allow OCC to assess whether collected resources are adequate to cover OCC's risk tolerance of a 1-in-50 year statistical market event over a two-year lookback, while sizing scenarios help OCC size its financial resources.<sup>13</sup> Finally, OCC uses Informational Scenarios to monitor and assess the size of OCC's prefunded financial resources against a wide range of stress scenarios for informational and risk monitoring purposes.<sup>14</sup> Informational Scenarios are used for risk monitoring and informational purposes, and not used to determine the size and composition of OCC's financial resources, but OCC's Risk Committee may approve adjustments that recategorize an Informational Scenario as an Adequacy, Sufficiency, or Sizing Scenario.<sup>15</sup>

## **II. DESCRIPTION OF THE PROPOSED RULE CHANGE**

The Proposed Rule Change would make three groups of changes related to OCC's stress testing methodology in its Risk Policies. First, it would recategorize certain Informational Scenarios as Sufficiency Scenarios, while conversely also recategorizing certain Sufficiency Scenarios into Informational Scenarios. As a result, six recategorized scenarios would be promoted to determine potential calls for additional collateral as Sufficiency Scenarios. Eight current Sufficiency Scenarios, meanwhile, would be demoted and no longer used to determine

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<sup>11</sup> See Notice, 90 FR at 27740. For example, among the listed Sufficiency Scenarios are scenarios that replicate the most extreme rally and decline in 2008.

<sup>12</sup> Notice, 90 FR at 27740.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

such calls. Second, the Proposed Rule Change would modify the sample list of stress scenarios in the Methodology Description<sup>16</sup> to streamline and more clearly present the sample of scenarios codified in the document and would add detail to OCC's Rules outlining circumstances under which OCC could require Clearing Members to contribute additional collateral due to the results of Sufficiency Scenarios. Third, OCC proposes to amend language in its Risk Policies related to scenario calibration to more clearly describe cadence and implementation. Such differences are described in more detail below.

*A. Recategorization of Scenarios*

As stated above, OCC is proposing to recategorize certain scenarios that are part of its Risk Policies.<sup>17</sup> OCC's Methodology Description lists a subset of the Sufficiency Scenarios that have been implemented in OCC's stress testing system.

OCC proposes to promote six Informational Scenarios to Sufficiency Scenarios. OCC also proposes to demote eight historical Sufficiency Scenarios to Informational Scenarios. Four of the Informational Scenarios that OCC proposes to promote to Sufficiency Scenarios are sector-specific scenarios. The proposed sector-specific scenarios are hypothetical scenarios that apply price shocks based on a corresponding sector exchange-traded-fund's return during the selected time period. These would become OCC's first sector-specific Sufficiency Scenarios. OCC states that the proposed sector-specific scenarios yielded exposures that were generally in line with its current, most impactful Sufficiency Scenarios.<sup>18</sup>

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<sup>16</sup> The Methodology Description describes the Comprehensive Stress Testing & Clearing Fund Methodology and Liquidity Risk Management Description that OCC uses to analyze the adequacy of its financial resources and to challenge its risk management framework. *See* Exchange Act Release No. 100147 (May 15, 2024), 89 FR 44752, 44753 n.5 (May 21, 2024 (File No. SR-OCC-2024-006)).

<sup>17</sup> *See* Notice, 90 FR at 27740.

<sup>18</sup> *See* Notice, 90 FR at 27741. *See also* Securities Exchange Act Release No. 90827 (Dec. 30, 2020), 86 FR 659 (Jan. 6, 2021) (File No. SR-OCC-2020-015). OCC provided data and analysis concerning the

The other two Informational Scenarios that OCC proposes to promote to Sufficiency Scenarios represent the most extreme market rally and decline moves in 2020. OCC has already implemented Sufficiency Scenarios related to extreme 2020 market moves under its waterfall approach.<sup>19</sup> The two scenarios now proposed for promotion would complement OCC’s existing Sufficiency Scenarios by directly applying a risk driver beta-derived price shock instead of using the waterfall approach.<sup>20</sup> OCC found that the proposed scenarios yielded exposures that were consistently higher than those generated by the corresponding Sufficiency Scenarios and were comparable to overall peak Sufficiency Scenario exposures.<sup>21</sup>

OCC states that the proposed rule change would enable OCC to test the sufficiency of its financial resources under a wider range of relevant stress scenarios and respond quickly when OCC believes additional financial resources are necessary.<sup>22</sup> OCC would also be able to measure the exposure of OCC’s Clearing Fund to the portfolios of individual Clearing Member Groups to determine whether to call for additional resources.<sup>23</sup>

As stated above, OCC also proposes to demote certain Sufficiency Scenarios to Informational Scenarios. These eight scenarios attempt to replicate historical events that

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proposed rule change in a confidential exhibit to File No. SR-OCC-2025-009, including the performance of the proposed scenarios relative to existing scenarios.

<sup>19</sup> See Notice, 90 FR at 27741 n.11. For OCC’s waterfall approach, the actual return of the risk factor during the historical event is used as the price shock, if available. If unavailable, a proxy market return from a corresponding sector is used as the price shock. Finally, if data is unavailable for both actual and sector returns, the price shock is determined by the beta of the risk factor to its assigned risk driver multiplied by the corresponding risk driver shock (the “risk driver beta-derived price shock”). The beta is the sensitivity of the price of a security relative to the price of the risk driver. See Notice, 90 FR at 27741 n.10.

<sup>20</sup> OCC previously promoted Informational Scenarios that take a beta derived price shock approach to complement existing scenarios that rely on a waterfall approach for scenarios related to extreme market moves in 2008. See Securities Exchange Act Release No. 100147 (May 15, 2024), 89 FR 44752 (May 21, 2024) (File No. SR-OCC-2024-006).

<sup>21</sup> See Notice, 90 FR at 27741.

<sup>22</sup> See Notice, 90 FR at 27743.

<sup>23</sup> See Notice, 90 FR at 27741.

occurred between 1974 and 2008, but using current market conditions. OCC states that these scenarios consistently ranked the lowest in terms of shortfalls generated and had no impact on the amount of financial resources OCC collected from its members.<sup>24</sup> OCC states that proposed changes would avoid unnecessary complexity in OCC’s stress testing methodology by removing superfluous Sufficiency Scenarios.<sup>25</sup>

*B. Streamlining the Methodology Description*

As stated above, OCC also proposes to streamline the sample of scenarios it presents in its Methodology Description.<sup>26</sup> To do this, OCC proposes three specific changes. First, OCC proposes to change the format of its “Clearing Fund Sizing and Stress Testing” section within its Methodology Description into a narrative from the current list-format. OCC also proposes to make conforming changes to the Liquidity Stress Testing section. The proposed changes would allow OCC to add new scenarios approved through its internal governance processes.

Second, OCC proposes changes to clarify its authority to size the Clearing Fund. OCC establishes the size of its Clearing Fund to cover losses arising under a 1-in-80 year hypothetical market event.<sup>27</sup> OCC’s Clearing Fund Methodology Policy allows the Stress Testing Working Group (“STWG”) to recommend that a 1-in-90 year event be used in OCC’s Sizing Scenarios, subject to applicable governance requirements.<sup>28</sup> OCC proposes to clarify in the Methodology Description that OCC can size the Clearing Fund in accordance with a standard that exceeds a 1-

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<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

<sup>27</sup> *See* Securities Exchange Act Release No. 90603 (Dec. 8, 2020), 85 FR 80829 (Dec. 14, 2020) (File No. SR-OCC-2020-015).

<sup>28</sup> *See* Notice, 90 FR at 27742.

in-80 year event, if the STWG, Management Committee, and Risk Committee determine a more extreme scenario is necessary.

Finally, OCC proposes to replace references to specific Informational Scenarios in its Clearing Fund Methodology Policy with a more general description of such scenarios. The Clearing Fund Methodology Policy already affords the STWG the authority to approve both the creation and retirement of Informational Scenarios. OCC proposes to describe the Informational Scenarios, but to remove references to specific scenarios entirely. Informational Scenarios have no impact on the amount of financial resources collected from OCC's members. Because these specific scenarios are not needed to understand how the model currently works, do not impact model results, and are subject to change from time to time based on market conditions, OCC does not believe that they need not be maintained in its rules.<sup>29</sup>

### *C. Cadence and Implementation*

As stated above, OCC has also proposed additional changes regarding cadence and other administrative matters.<sup>30</sup> In this regard, OCC's proposal generally consists of three larger categories of changes. First, OCC proposes to change how frequently it is required to calibrate stress scenarios. Currently, OCC's Methodology Description requires OCC to calibrate scenarios annually and to review them quarterly. OCC's practice, however, is to recalibrate scenarios at least quarterly.<sup>31</sup> OCC proposes to amend the Methodology Description to require quarterly recalibration. Relatedly, OCC proposes changes regarding who determines whether more frequent calibration is required. The Methodology Description currently states that either OCC's Quantitative Risk Management team ("QRM") or STWG determines that updates are

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<sup>29</sup> See Notice, 90 FR at 27742.

<sup>30</sup> *Id.*

<sup>31</sup> *Id.*

necessary. OCC proposes to amend the Methodology Description consistent with its current practice for STWG to make such determinations.<sup>32</sup>

Second, OCC proposes changes to the Comprehensive Stress Testing Methodology to document two missing entries from the list of key tenors for computing volatility, specifically adding 1-week and 2-week tenors. OCC states that these entries were inadvertently excluded from previously approved changes made by OCC in connection with enhancements to its modelling approach for implied volatility.<sup>33</sup>

Finally, OCC proposes to correct errors in the Methodology Description. The Liquidity Stress testing section of the Methodology Description currently states that OCC adheres to a Cover 2 standard for liquidity stress testing. OCC proposes to correct the Methodology Description to state that OCC adheres to a Cover 1 standard for liquidity stress testing, which is OCC's practice. OCC also proposes changes to resolve typographical errors, such as grammatical changes and updating the list of references in the Methodological Description.

### **III. DISCUSSION AND COMMISSION FINDINGS**

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.<sup>34</sup> Under the Commission's Rules of Practice, the "burden to demonstrate that a proposed rule change is consistent with the Exchange Act and the rules and

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<sup>32</sup> *Id.*

<sup>33</sup> *Id.*

<sup>34</sup> 15 U.S.C. 78s(b)(2)(C).

regulations issued thereunder . . . is on the self-regulatory organization [‘SRO’] that proposed the rule change.”<sup>35</sup>

The description of a proposed rule change, its purpose and operation, its effect, and a legal analysis of its consistency with applicable requirements must all be sufficiently detailed and specific to support an affirmative Commission finding,<sup>36</sup> 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.<sup>37</sup> Moreover, “unquestioning reliance” on an SRO’s representations in a proposed rule change is not sufficient to justify Commission approval of a proposed rule change.<sup>38</sup>

After carefully considering the Proposed Rule Change, 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 Section 17A(b)(3)(F) of the Exchange Act,<sup>39</sup> and Rules 17ad-22(e)(4)<sup>40</sup> and 17ad-22(e)(7)<sup>41</sup> as described in detail below.

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

Section 17A(b)(3)(F) of the Exchange Act requires, among other things, that a clearing agency’s rules are “designed to promote the prompt and accurate clearance and settlement of

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<sup>35</sup> Rule 700(b)(3), Commission Rules of Practice, 17 CFR 201.700(b)(3).

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

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

<sup>38</sup> *Susquehanna Int’l Group, LLP v. Securities and Exchange Commission*, 866 F.3d 442, 447 (D.C. Cir. 2017).

<sup>39</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>40</sup> 17 CFR 240.17ad-22(e)(4).

<sup>41</sup> 17 CFR 240.17ad-22(e)(7).

securities transactions, . . . derivative agreements, contracts, and transactions, . . . [and] to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.”<sup>42</sup>

As discussed above, the proposed changes would allow OCC to (1) promote existing Informational Scenarios to Sufficiency Scenarios. Specifically, OCC would implement its first sector-specific Sufficiency Scenarios, as well as variations on existing Sufficiency Scenarios focused on extreme market moves in 2020. Once these scenarios are promoted to Sufficiency Scenarios, they would be used to determine whether it is necessary to call for additional margin intra-day or to increase the size of the Clearing Fund intra-month. By elevating these Informational Scenarios to Sufficiency Scenarios, OCC creates a wider range of stress scenarios. Similarly, OCC’s proposed clarification regarding its existing authority to size the Clearing Fund would support OCC’s ability to consider additional, more conservative scenarios when determining the resources to collect from its members. Having a wider range of stress scenarios should, in turn, increase the likelihood that OCC will have sufficient collateral on hand to address a default without resorting to loss mutualization through the use of non-defaulting Clearing Members’ contributions to the Clearing Fund. Because it avoids loss mutualization, the Proposed Rule Change is consistent with the safeguarding of securities and funds which are in OCC’s custody or control. While OCC also proposes demoting certain Sufficiency Scenarios, the data provided by OCC, which the Commission has reviewed and analyzed, demonstrates that such demotion would not impact the financial resources OCC collects from members.

OCC also proposes to amend the Methodology Description by transitioning its scenario list to a narrative format and removing certain scenarios as outlined above. OCC has also

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<sup>42</sup> 15 U.S.C. 78q-1(b)(3)(F).

proposed correcting certain errors, including to address typographical and grammatical errors, and to add certain tenors used for computing volatility which OCC failed to update in the policy as part of a prior rule filing. By streamlining the scenarios it presents in its Methodology Description, making minor edits, and correcting errors, OCC's proposed changes would help ensure that its Methodology Description document remains clear and effective so that the requirements under this document continue to be carried out properly. Similarly, the proposed changes to OCC's Clearing Fund Methodology Policy to reflect current practice will help ensure that document remains clear and effective.

Based on the Commission's review of the record, and for the reasons described below, the changes described above are consistent Section 17A(b)(3)(F) of the Exchange Act.<sup>43</sup>

B. *Consistency with Rule 17ad-22(e)(4) under the Exchange Act*

Rule 17ad-22(e)(4) requires, in part, that a covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, including by (i) to the extent not already maintained pursuant to Rule 17ad-22(e)(4)(i), maintaining additional financial resources at the minimum to enable it to cover a wide range of foreseeable stress scenarios that include, but are not limited to, the default of the participant family that would potentially cause the largest aggregate credit exposure for the covered clearing agency in extreme but plausible market conditions,<sup>44</sup> and (ii) testing the sufficiency of its total financial resources available to meet the minimum financial resource requirements under Rules 17ad-22(e)(4)(i) through (iii) under the Exchange Act.<sup>45</sup>

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<sup>43</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>44</sup> 17 CFR 240.17ad-22(e)(4)(iii).

<sup>45</sup> 17 CFR 240.17ad-22(e)(4)(vi).

The Proposed Rule Change is consistent with Rule 17Ad-22(e)(4)(iii) because it clarifies the authority provided under OCC's rules to allow OCC to rely on more conservative stress scenarios when sizing its Clearing Fund. Allowing OCC, subject to internal governance, to rely on more conservative sizing scenarios increases the likelihood that OCC will foresee a wider range of stress scenarios and maintain sufficient financial resources to cover its exposures in such scenarios.

The Proposed Rule Change is consistent with Rule 17Ad-22(e)(4)(vi) because it effectively broadens the scope of stress scenarios that OCC conducts to test the sufficiency its financial resources. As described above, OCC's Sufficiency Scenarios are designed to measure OCC's potential exposure to a Clearing Member Group's portfolios relative to OCC's resources so that OCC can determine whether to call for additional or different collateral. Expanding the scope of stress scenarios against which OCC monitors its financial resources would increase the likelihood that OCC maintains sufficient financial resources at all times. This Proposed Rule Change would expand the scope of stress scenarios by promoting six Informational Scenarios to Sufficiency Scenarios. This expansion could result in the collection of additional resources available for resolving a member default, which, in turn, would increase the likelihood that OCC maintains sufficient financial resources at all times. OCC also proposes to demote a set of existing Sufficiency Scenarios, but the data provided by OCC demonstrates that such demotion would not impact the financial resources OCC collects from members. Accordingly, the Proposed Rule Change is consistent with Rule 17ad-22(e)(4)(iii) and (vi) under the Exchange Act.<sup>46</sup>

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<sup>46</sup> 17 CFR 240.17ad-22(e)(4)(iii) and (vi).

C. *Consistency with Rule 17ad-22(e)(7) under the Exchange Act*

Rule 17ad-22(e)(7)(vi) requires, in part, that a covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by, at a minimum, determining the amount and regularly testing the sufficiency of the liquid resources held for purposes of meeting the minimum liquid resource requirement under Rule 17ad-22(e)(7)(i) under the Exchange Act.<sup>47</sup>

As discussed above in the context of credit stress testing, OCC has proposed changes to effectively broaden the scope of stress scenarios that it conducts to test the sufficiency its resources. Expanding the scope of stress scenarios against which OCC monitors its resources would allow OCC to test the sufficiency of its liquid resources under a wider range of stress scenarios. Also, as noted above, the proposed demotion of certain existing Sufficiency Scenarios would not impact the resources OCC collects from its members. The effective expansion of Sufficiency Scenarios would increase the likelihood that OCC maintains sufficient liquid resources at all times.

Additionally, OCC has proposed changes to more accurately document its current practices both with regard to calibrating scenarios at least quarterly and meeting a Cover 1 standard for liquidity. The change with regard to calibration would not impact OCC's current practices, but would ensure a higher frequency of calibrations going forward than is required

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<sup>47</sup> 17 CFR 240.17ad-22(e)(7)(vi).

under the current Methodology Description. The change to a Cover 1 standard for liquidity is merely an error correct that improves the accuracy of OCC's rules.

Accordingly, the Proposed Rule Change is consistent with Rule 17ad-22(e)(7)(vi) under the Exchange Act.<sup>48</sup>

#### **IV. CONCLUSION**

On the basis of the foregoing, the Commission finds that the Proposed Rule Change is consistent with the requirements of the Exchange Act, and in particular, the requirements of Section 17A of the Exchange Act<sup>49</sup> and rules 17ad-22(e)(4) and (e)(7) thereunder.<sup>50</sup>

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Exchange Act,<sup>51</sup> that the Proposed Rule Change (SR-OCC-2025-009) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>52</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>48</sup> *Id.*

<sup>49</sup> In approving the Proposed Rule Change, the Commission has considered the proposed rules' impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

<sup>50</sup> 17 CFR 240.17ad-22(e)(4) and 17 CFR 240.17ad-22(e)(7).

<sup>51</sup> 15 U.S.C. 78s(b)(2).

<sup>52</sup> 17 CFR 200.30-3(a)(12).