SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74241; File No. SR-OCC-2014-812)

February 10, 2015

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of No Objection to Advance Notice Concerning Extended and Overnight Trading Sessions

On December 12, 2014, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") advance notice SR-OCC-2014-812 ("Advance Notice")[1] pursuant to Section 806(e)(1) of the Payment, Clearing, and Settlement Supervision Act of 2010 ("Clearing Supervision Act")[2] and Rule 19b-4(n)(1)(i) under the Securities Exchange Act of 1934 ("Exchange Act").[3] The Advance Notice was published for comment in the Federal Register on January 22, 2015.[4] The

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1 OCC initially filed a similar advance notice on September 17, 2014. Securities Exchange Act Release No. 73343 (October 14, 2014), 79 FR 62684 (October 20, 2014), (SR-OCC-2014-805). OCC withdrew that advance notice on October 28, 2104. Securities Exchange Act Release No. 73710 (December 1, 2014), 79 FR 72225 (December 5, 2014), (SR-OCC-2014-805).

2 12 U.S.C. 5465(e)(1). The Financial Stability Oversight Council designated OCC a systemically important financial market utility on July 18, 2012. See Financial Stability Oversight Council 2012 Annual Report, Appendix A, http://www.treasury.gov/initiatives/fsoc/Documents/2012%20Annual%20Report.pdf. Therefore, OCC is required to comply with the Clearing Supervision Act and file advance notices with the Commission. See 12 U.S.C. 5465(e).

3 17 CFR 240.19b-4(n)(1)(i).

4 See Securities Exchange Act Release No. 74073 (January 15, 2015), 80 FR 3287 (January 22, 2015) (SR-OCC-2014-812). OCC also filed the proposal contained in this advance notice as a proposed rule change under Section 19(b)(1) of the Act and Rule 19b-4 thereunder, which was published for comment in the Federal Register on December 30, 2014. 15 U.S.C. 78s(b)(1); 17 CFR 240.19b-4. See Securities Exchange Act Release No. 73907 (December 22, 2014), 79 FR 78543 (December 30, 2014) (SR-OCC-2014-24). The Commission did not receive any comments on the proposed rule change.

Commission did not receive any comments on the Advance Notice. This publication serves as a notice of no objection to the Advance Notice.

I. Description of the Advance Notice

Description of Change

This advance notice was filed in connection with OCC's proposed change to its operations concerning the clearance of confirmed trades executed in overnight trading sessions offered by exchanges for which OCC provides clearance and settlement services. OCC currently clears overnight trading activity for CBOE Futures Exchange, LLC ("CFE").[5] The total number of trades submitted to OCC from overnight trading sessions is nominal, typically less than 3,000 contracts per session. However, OCC has recently observed an industry trend whereby exchanges are offering overnight trading sessions beyond traditional hours. Exchanges offering overnight trading sessions have indicated to OCC that such sessions benefit market participants by providing additional price transparency and hedging opportunities for products traded in such sessions, which, in turn, promotes market stability.[6] In light of this trend, OCC proposed to implement a framework for clearing trades executed in such sessions that includes: 1) qualification criteria used to approve clearing members for overnight trading sessions, 2) systemic controls to identify trades executed during overnight trading sessions by clearing members not approved for such sessions, 3) enhancements to OCC's overnight monitoring of trades submitted by exchanges during overnight trading sessions,

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5 ELX Futures LP ("ELX") previously submitted overnight trading activity to OCC, but currently does not submit such trades. OCC will re-evaluate ELX's risk controls in the event ELX re-institutes its overnight trading sessions.

6 See CFE-2014-010 at http://cfe.cboe.com/publish/CFErulefilings/SR-CFE-2014-010.pdf.

4) enhancements to OCC's credit controls with respect to monitoring clearing members' credit risk during overnight trading sessions, including procedures for contacting an exchange offering overnight trading sessions in order to invoke use of the exchange's kill switch, and 5) taking appropriate disciplinary action against clearing members who attempt to clear during the overnight trading session without first obtaining requisite approvals. These changes (described in greater detail below) are designed to reduce and mitigate the risks associated with clearing trades executed in overnight trading sessions. In addition, the only products that will be eligible for clearing in overnight trading sessions are index options and index futures products.

OCC's framework for determining whether to provide clearing services for overnight trading sessions offered by an exchange is designed to work in conjunction with the risk controls of the exchange that offers overnight trading sessions. OCC will confirm an exchange's risk controls as well as its staffing levels as they relate to overnight trading sessions to determine if OCC may reasonably rely on such risk controls to reduce the risk presented to OCC by the exchange's overnight trading sessions. Such exchange risk controls will consist of: 1) price reasonability checks, 2) controls to prevent orders from being executed beyond a certain percentage (determined by the exchange) from the initial execution price, 3) activity based protections which focus on risk beyond price, such as a high number of trades occurring in a set period of time, and 4) kill switch capabilities, which may be initiated by the exchange and can cancel all open quotes or all orders of a particular participant. OCC believes that confirming the existence of applicable pre-trade risk controls as well as overnight staffing at the relevant exchanges is essential to mitigating risks presented to OCC from overnight trading sessions.[7] OCC believes that providing clearing services to exchanges offering such sessions is consistent with OCC's mission to provide market participants with clearing and risk management solutions that respond to changes in the marketplace.

Qualification Criteria

In order to mitigate risks associated with clearing for overnight trading sessions, clearing members that participate in such trading sessions will be required to provide contact information to OCC for operational and risk personnel available to be contacted by OCC during such sessions. In addition, OCC will require that clearing members participating in an overnight trading session post additional margin in a designated account in order to mitigate the risk that OCC cannot draft a clearing member's bank account during an overnight trading session.[8] OCC also will adopt a procedure whereby, on a quarterly basis, it confirms its record of clearing members eligible for overnight trading sessions with a similar record maintained by exchanges offering such overnight trading sessions.

With respect to providing operational and risk contacts, under OCC Rule 201, each clearing member is required to maintain facilities for conducting business with OCC

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[7] Comparable controls are applied to futures and future option trades executed in overnight trading sessions currently cleared by OCC, although such controls have been implemented by clearing futures commission merchants ("clearing FCMs") pursuant to Commodity Futures Trading Commission ("CFTC") Regulation 1.73. This requires clearing FCMs to monitor for adherence to such controls during regular and overnight trading sessions. Some of these risk control measures are similar to those proposed by OCC for use in clearing securities trades in overnight trading sessions. For instance, OCC confirmed that CFE maintains kill switch capabilities.

[8] Clearing members will be required to designate a firm account to ensure that OCC has a general lien on the assets in the account and can use them to satisfy any obligation of the clearing member to OCC.

and to have a representative authorized in the name of the clearing member to take all action necessary for conducting business with OCC available at the facility during such hours as may be specified from time-to-time by OCC. Similarly, OCC Rules 214(c) and (d) require clearing members to ensure that they have the appropriate number of qualified personnel and to maintain the ability to process anticipated volumes and values of transactions. OCC will use this existing authority to require clearing members trading during overnight trading sessions to maintain operational and risk staff that may be contacted by OCC during such sessions.

OCC will impose upon clearing members qualified to participate in overnight trading sessions additional margin requirement in an amount of the lesser of $10 million or 10% of the clearing member's net capital ("Additional Margin"), which will be equal to the first monitoring risk threshold (described below) and which will be collected the morning before each overnight trading sessions. Clearing members must identify the proprietary account that would be charged the Additional Margin amount. The Additional Margin requirement is intended to provide OCC with additional margin assets should a clearing member's credit risk increase during overnight trading sessions.[9] OCC proposes to adopt a process whereby each morning OCC Financial Risk Management staff will assess the Additional Margin requirement against clearing members eligible to participate in overnight trading sessions. Clearing members that do not have sufficient excess margin on deposit with OCC to meet the Additional Margin amount will be

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9 Clearing members approved for overnight trading sessions that do not meet the Additional Margin requirement for a given overnight trading session would be treated like a clearing member not approved for overnight trading sessions, as described below.

required to deposit additional funds with OCC to satisfy the Additional Margin requirement prior to participating in any future overnight trading sessions.[10] This process will be adopted under existing rule authority.

Moreover, OCC also will confirm that an exchange offering overnight trading sessions has adopted a procedure whereby such exchange would contact OCC when a trader requests trading privileges during overnight trading sessions. The purpose of this contact is to verify that the trader's clearing firm (i.e., the OCC clearing member) is approved for overnight trading sessions. If the applicable OCC clearing member is not approved for overnight trading sessions, then the clearing member must receive OCC's approval for overnight trading sessions, or the exchange will not provide the trader trading privileges during overnight trading sessions. Moreover, OCC will confirm that an exchange offering overnight trading sessions has implemented a procedure to periodically (i.e., quarterly) validate its record of approved clearing firms against OCC's record of clearing members approved for overnight trading sessions.[11] Any discrepancies between the two records will be promptly resolved by either the clearing member obtaining approval from OCC for overnight trading sessions or by the exchange revoking the clearing firm's trading privileges for overnight trading sessions.

Systemic Controls

OCC will implement system changes so that trades submitted to OCC during overnight trading sessions that have been executed by clearing members not approved for

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[10] Under OCC Rule 601, OCC has the discretion to fix the margin requirement for any account at an amount that it deems necessary or appropriate under the circumstances to protect the interests of clearing members, OCC and the public.

[11] As discussed in more detail below, clearing members that attempt to participate in overnight trading sessions without the necessary approval will be subject to a minor rule violation fine.

such trading sessions will be reviewed by OCC staff after acceptance but before being processed (each such trade being a "Reviewed Trade"). OCC will contact the submitting exchange regarding each Reviewed Trade in order to determine if the trade is a valid trade. If the exchange determines that the Reviewed Trade was in error such that, as provided in Article VI, Section 7(c) of OCC's By-laws, new or revised trade information is required to properly clear the transaction, OCC expects the exchange would instruct OCC to disregard or "bust" the trade. If the exchange determines that the Reviewed Trade was not in error, then OCC will clear the Reviewed Trade and take appropriate disciplinary action against the non-approved clearing member, as described below. OCC believes that clearing the Reviewed Trade is appropriate in order to avoid potentially harming the clearing member approved for overnight trading sessions that is on the opposite side of the transaction.

Overnight Monitoring

OCC will implement additional overnight monitoring in order to better monitor clearing members' credit risk during overnight trading sessions. Such monitoring of credit risk is similar to existing OCC practices concerning futures cleared during overnight trading hours and includes automated processes within OCC's ENCORE clearing system to measure, by clearing member: (i) the aggregate mark-to-market amounts of a clearing member's positions, including positions created during overnight trading, based on current prices using OCC's Portfolio Revaluation system, (ii) the aggregate incremental margin produced by all positions resulting from transactions executed during overnight trading, and (iii) with respect to options cleared during overnight trading hours, the aggregate net trade premium positions resulting from trades executed during overnight trading (each of these measures being a "Credit Risk Number"). Hourly credit reports would be generated by ENCORE containing the Credit Risk Numbers expressed in terms of both dollars and, except for the mark-to-market position values, as a percentage of net capital for each clearing member trading during overnight trading sessions. The Credit Risk Numbers are the same information used by OCC staff to evaluate clearing member exposure during regular trading hours and, in addition to OCC's knowledge of its clearing members' businesses, are effective measures of the risk presented to OCC by each clearing member. OCC's Operations staff will review such reports as they are generated and, in the event that any of the Credit Risk Numbers for positions established by a clearing member during an overnight trading session exceed established thresholds, staff will alert OCC's Market Risk staff[12] of the exceedance in accordance with established procedures, as described below.

Market Risk staff will follow a standardized process concerning such exceedances, including escalation to OCC's management, if required by such process. Given the nominal volume of trades executed in overnight trading sessions that are presently submitted for clearance, OCC does not contemplate changes in its current staffing levels that support overnight clearing activities at this time, however, OCC will periodically assess and adjust such staffing levels as appropriate. As part of the overnight clearing activities, OCC has, however, designated an on-call Market Risk duty officer who would be responsible for reviewing issues that arise when clearing for overnight

12 OCC's Member Services staff will also receive alerts in order to contact clearing members as may be necessary.

trading session and determining what measures to be taken as well as additional escalation, if necessary.

With respect to OCC's escalation thresholds, if any Credit Risk Number of a clearing member approved for overnight trading sessions is $10 million or more, or any Credit Risk Number equals 10% or more of the clearing member's net capital, OCC's Operations staff will be required to provide e-mail notification to Market Risk and Member Services staff. If any Credit Risk Number of a clearing member not approved for overnight trading sessions is $10 million or more, or any Credit Risk Number equals 10% or more of the clearing member's net capital, OCC's Operations will also notify Market Risk and Member Services staff as well as its senior management. Such departments will take action to prevent additional trading by the non-approved clearing member, including contacting the exchange to invoke use of the exchange's kill switch.

If any Credit Risk Number of a clearing member approved for overnight trading sessions is $50 million or more, or equals 25% or more of the clearing member's net capital, Operations staff will be required to contact, by telephone: (i) Market Risk and Member Services, (ii) the applicable exchange for secondary review, and (iii) the clearing member's designated contacts. The on-call Market Risk duty officer also will consider if additional action is necessary, which may include contacting a designated executive officer in order to issue an intra-day margin call, increase the clearing member's margin requirement in order to prevent the withdrawal of a specified amount of excess margin collateral, if any, the clearing member has on deposit with OCC, or contacting the exchange in order to invoke the use of its kill switch.

If any Credit Risk Number is $75 million or more, or equals 50% or more of the clearing member's net capital, Operations staff will be required to contact, by telephone, Market Risk staff, the on-call Market Risk duty officer, and a designated executive officer. Such officer will be responsible for reviewing the situation and determining whether to implement credit controls, which are described in greater detail below and include: issuing an intra-day margin call, increasing a clearing member's margin requirement in order to prevent the withdrawal of a specified amount of excess margin collateral, if any, the clearing member has on deposit with OCC, whether further escalation is warranted in order for OCC to take protective measures pursuant to OCC Rule 305, or contact the exchange in order to invoke use of its kill switch. OCC stated that it chose the above described escalation thresholds based on its analysis of historical overnight trading activity across the futures industry. OCC believes that these thresholds strike an appropriate balance between effective risk monitoring and operational efficiency.

Credit Controls

In order to address credit risk associated with trading during overnight trading sessions, and as described above, OCC will collect Additional Margin from clearing members as well as monitor and analyze the impact that positions established during such sessions have on a clearing member's overall exposure. Should the need arise based on threshold breaches described above, and pursuant to OCC Rule 609, OCC may require the deposit of additional margin ("intra-day margin") by any clearing member that increases its incremental risk as a result of trading activity during overnight trading sessions. Accordingly, a clearing member's positions established during such sessions will be incorporated into OCC's intra-day margin process. Should a clearing member's exposure significantly increase while settlement banks are not open to process an intra-day margin call, OCC has the authority under OCC Rule 601 to increase a clearing member's margin requirement which will restrict its ability to withdraw excess margin collateral. The implementation of these measures is discussed more fully below.

In the event that a clearing member's exposure during overnight trading sessions causes a clearing member to exceed OCC's intra-day margin call threshold for overnight trading sessions, OCC will require the clearing member to deposit intra-day margin equal to the increased incremental risk presented by the clearing member. Specifically, if a clearing member has a total risk charge[13] exceeding 25% (a reduction of the usual figure of 50%), as computed overnight by OCC's STANS system, and a loss of greater than $50,000 from an overnight trading session(s), as computed by Portfolio Revaluation, OCC will initiate an intra-day margin call. OCC will know at approximately 8:30 a.m. (Central Time) if an intra-day margin call on a clearing member will be initiated based on breaches of these thresholds. This "start of business" margin call is in addition to daily margin OCC collects from clearing members pursuant to OCC Rule 605, any intra-day margin call that OCC may initiate as a result of regular trading sessions, or special margin call that OCC may initiate.

[13] Total risk charge is a number derived from STANS outputs and is the sum of expected shortfall, stress test charges and any add-on charges computed by STANS. STANS is OCC's proprietary margin methodology.

In addition to, or instead of, requiring additional intra-day margin, OCC Rule 601[14] and OCC's Clearing Member Margin Call Policy will work together to authorize Market Risk staff to increase a clearing member's margin requirement which may be in an amount equal to an intra-day margin call.[15] (Any increased margin requirement will remain in effect until the next business day.) This action will immediately prevent clearing members from withdrawing any excess margin collateral (in the amount of the increased margin requirement) the clearing member has deposited with OCC. With respect to clearing trades executed in overnight trading sessions, and in the event OCC requires additional margin from a clearing member, Market Risk staff may use increased margin requirements as a means of collateralizing the increase in incremental risk a clearing member incurred during such sessions without having to wait for banks to open to process an intra-day margin call.[16] Such action may be taken by OCC instead of, or in addition to, issuing an intra-day margin call depending on the amount of excess margin a clearing member has on deposit with OCC and the amount of the incremental risk presented by such clearing member. OCC believes that the expansion of its intra-day margin call process as described in the preceding paragraph, including OCC's ability to manually increase clearing members' margin requirements, will mitigate the risk that OCC is under-collateralized as a result of overnight trading hours.

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[14] In addition, OCC Rule 601 provides OCC with the authority to fix the margin requirement for any account or any class of cleared contracts at such amount as it deems necessary or appropriate under the circumstances to protect the respective interests of clearing members, OCC, and the public.

[15] Clearing members frequently deposit margin at OCC in excess of requirements.

[16] Clearing members will be able to substitute the locked-up collateral during normal time frames (<u>i.e.</u>, 6:00 a.m. to 5:00 p.m. (Central Time) for equity securities).

Moreover, a designated executive officer may call an exchange offering overnight trading sessions to invoke the use of its kill switch. The kill switch prevents a clearing member (or the market participant clearing through a clearing member) from executing trades on the exchange during a given overnight trading session or, if needed, stop all trading during a given overnight trading session. Finally, pursuant to OCC Rule 305, the Executive Chairman or the President of OCC, in certain situations, has the authority to impose limitations and restrictions on the transactions, positions, and activities of a clearing member. This authority will be used, as needed, in the event a clearing member accumulates significant credit risk during overnight trading sessions, or a clearing member's activities during such trading sessions otherwise warrant OCC taking protective action.

Rule Enforcement Actions

In order to deter clearing members from attempting to participate in overnight trading sessions without authorization as well as appropriately enforce the above described processes, OCC will ensure that any attempt by a clearing member to participate in overnight trading sessions without first obtaining the necessary approval will result in the initiation of a rule enforcement action against such clearing member. As described above, clearing members not approved for overnight trading sessions that trade during such overnight sessions will have their trades reviewed by OCC staff. Clearing members that attempt to participate in overnight trading sessions but do not obtain the necessary approval to do so will be subject to a minor rule violation fine.[17] In addition, if a clearing member's operational or risk contacts for overnight trading sessions were

[17] See OCC Rule 1201(b).

unavailable had OCC attempted to contact such individuals, the clearing member will be subject to a minor rule violation fine. OCC has existing processes in place to monitor for clearing member violations of OCC's rules and such processes also will apply to clearing member activity during overnight trading sessions.

Effect that OCC Anticipates on and Management of Risk

Clearing transactions executed in overnight trading sessions may increase risk presented to OCC due to the period of time between trade acceptance and settlement, the staffing levels at clearing members during such trading sessions, and the deferment of executing intra-day margin calls until banking settlement services are operational. However, OCC will expand its risk management practices in order to mitigate these risks by implementing, and expanding, the various tools discussed above. For example, OCC will enhance its monitoring practices in order to closely monitor clearing members' credit risk from trades placed during overnight trading sessions as well as implement processes so that OCC takes appropriate action when such credit risk exceeds certain limits. OCC also will use its existing authority to require adequate clearing member staffing during such trading sessions, in order to mitigate the operational risk associated with clearing members trading while they are not fully staffed. These risk management functions will work in tandem with risk controls, including the implementation of kill switch capabilities, adopted by the exchanges operating overnight trading sessions or by clearing FCMs, as applicable.

In addition to the above, OCC will adapt existing processes so that such processes can be used to mitigate risk associated with overnight trading sessions. Specifically, OCC will exercise its authority to issue margin calls and prevent the withdrawal of excess margin on deposit at OCC, as a result of activity during such trading sessions as a means of reducing risk. OCC also will implement a systemic function to identify trades executed during overnight trading sessions by clearing members not approved for such trading sessions for further review prior to allowing such trades to proceed further through OCC's clearance processing, and therefore mitigate the risk of losses from erroneous trades. Finally, OCC will be able to assess the need to take protective action pursuant to OCC Rule 305 as a result of clearing member activity during such sessions.

II. Discussion and Commission Findings

Although the Clearing Supervision Act does not specify a standard of review for an advance notice, the Commission believes that the stated purpose of the Clearing Supervision Act is instructive.[18] The stated purpose of the Clearing Supervision Act is to mitigate systemic risk in the financial system and promote financial stability by, among other things, promoting uniform risk management standards for systemically-important financial market utilities and strengthening the liquidity of systemically important financial market utilities.[19]

Section 805(a)(2) of the Clearing Supervision Act[20] authorizes the Commission to prescribe risk management standards for the payment, clearing, and settlement activities of designated clearing entities and financial institutions engaged in designated activities for which it is the supervisory agency or the appropriate financial regulator. Section

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18 See 12 U.S.C. 5461(b).

19 Id.

20 12 U.S.C. 5464(a)(2).

805(b) of the Clearing Supervision Act[21] states that the objectives and principles for the risk management standards prescribed under Section 805(a) shall be to:

- promote robust risk management;
- promote safety and soundness;
- reduce systemic risks; and
- support the stability of the broader financial system.

The Commission has adopted risk management standards under Section 805(a)(2) of the Clearing Supervision Act ("Clearing Agency Standards").[22] The Clearing Agency Standards became effective on January 2, 2013, and require registered clearing agencies that perform central counterparty services to establish, implement, maintain, and enforce written policies and procedures that are reasonably designed to meet certain minimum requirements for their operations and risk management practices on an ongoing basis.[23] As such, it is appropriate for the Commission to review advance notices against these Clearing Agency Standards, and the objectives and principles of these risk management standards as described in Section 805(b) of the Clearing Supervision Act.[24]

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21 12 U.S.C. 5464(b).

22 17 CFR 240.17Ad-22.

23 The Clearing Agency Standards are substantially similar to the risk management standards established by the Board of Governors of the Federal Reserve System governing the operations of designated financial market utilities that are not clearing entities and financial institutions engaged in designated activities for which the Commission or the Commodity Futures Trading Commission is the Supervisory Agency. See Financial Market Utilities, 77 FR 45907 (August 2, 2012).

24 12 U.S.C. 5464(b).

The Commission believes that the proposal in this Advance Notice is designed to further the objectives and principles of Section 805(b) of the Clearing Supervision Act. [25] The Commission notes that clearing transactions executed in overnight trading sessions may present additional risks to OCC and the markets in general; specifically, overnight trading sessions may create risk due to the gap between trade acceptance and settlement, the staffing levels at clearing members and OCC during such trading sessions, and the inability of clearing members to transfer funds to satisfy margin during overnight hours. However, OCC's proposal is designed in a manner that should adequately monitor for the risks presented by accepting trades for clearance and settlement during these extended and overnight sessions, and should adequately mitigate these risks.

As part of that design, OCC proposed to limit to the product set eligible for overnight trading sessions to index options and index futures products and to institute qualification criteria for determining whether to provide clearing services for overnight trading sessions offered by a particular exchange. These qualification criteria include price reasonability checks, controls to prevent orders from being executed at prices beyond a certain percentage of the initial execution price, activity based protections focused on risk beyond price, such as a high number of trades occurring in a set period of time, and kill switch capabilities. Limiting the eligible product set as well as confirming risk management controls by participating exchanges also should help promote robust risk management and safety, and soundness of the clearance of overnight trades.

In addition, OCC's proposed framework also incorporates a number of mechanisms designed to further control the risks posed by overnight trading, including

[25] 12 U.S.C 5464(b).

(i) clearing member qualification criteria, (ii) systemic controls to identify trades executed by clearing members not approved for overnight trading, (iii) enhancements to OCC's overnight monitoring of trades submitted by exchanges during overnight trading sessions, (iv) enhancements to OCC's credit controls with respect to monitoring clearing members' credit risk during overnight trading sessions, and (v) disciplinary actions for unapproved clearing members who attempt to clear during overnight trading sessions.

Particularly, OCC's overnight monitoring and escalation, including requiring additional intra-day margin, increasing a clearing member's margin requirement, and/or invoking an exchange's kill switch should serve to help mitigate the risks posed by the inability of clearing members to transfer funds to satisfy margin during overnight hours due to the, lack of availability of bank payment systems in the overnight hours and the period of time between trade acceptance and settlement. Moreover, requiring and enforcing adequate staffing at clearing members as well as at OCC through a designated an on-call Market Risk duty officer should help to mitigate the risks of overnight clearing. Accordingly, the Commission believes that the proposal should promote robust risk management, promote safety and soundness in the marketplace, reduce systemic risks, and support the stability of the broader financial system as it provides OCC with a range of mechanisms that help mitigate the risks posed by clearance trades from extended and overnight trading sessions.

III. Conclusion

IT IS THEREFORE NOTICED, pursuant to Section 806(e)(1)(I) of the Clearing Supervision Act,[26] that the Commission DOES NOT OBJECT to advance notice proposal (SR-OCC-2014-812) and that OCC is AUTHORIZED to implement the proposal as of the date of this notice or the date of an order by the Commission approving a proposed rule change that reflects rule changes that are consistent with this advance notice proposal (SR-OCC-2014-24), whichever is later.

By the Commission.

Brent J. Fields
Secretary

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26 12 U.S.C. 5465(e)(1)(I).