

# SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104350; File No. SR-OCC-2025-013]

## **Self-Regulatory Organizations; The Options Clearing Corporation; Order Granting Approval of Proposed Rule Change by The Options Clearing Corporation Concerning Certain Revisions in Connection with Proposed Modifications to the Manner in which OCC Accounts for the Guaranty Substitution Payment in OCC’s Liquidity Risk Management Processes.**

December 9, 2025.

### **I. INTRODUCTION**

On August 29, 2025, the Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change SR-OCC-2025-013, 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 permit OCC to account for the cash payment OCC could make to the National Securities Clearing Corporation following the default of a common clearing participant that is attributable only to OCC-related activity in OCC’s liquidity stress testing (hereinafter defined as “Proposed Rule Change”).<sup>3</sup> The Proposed Rule Change was published for public comment in the *Federal Register* on September 15, 2025.<sup>4</sup> On September 25, 2025, pursuant to Section 19(b)(2) of the Exchange Act,<sup>5</sup> the Commission designated a longer period within which to approve, disapprove, or institute proceedings to determine whether to approve or disapprove

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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 of Filing *infra* note 4, at 90 FR 44430.

<sup>4</sup> See Exchange Act Release No. 103937 (Sep. 10, 2025), 90 FR 44430 (Sep. 15, 2025) (File No. SR-OCC-2025-013) (“Notice of Filing”).

<sup>5</sup> 15 U.S.C. 78s(b)(2).

the Proposed Rule Change, until December 14, 2025.<sup>6</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.

## **II. BACKGROUND**

OCC is a central counterparty, which means that, as part of its function as a clearing agency, it interposes itself as the buyer to every seller and the seller to every buyer for certain financial transactions. OCC is the sole clearing agency for standardized equity options listed on national securities exchanges registered with the Commission, including options that contemplate the physical delivery of equities cleared by the National Securities Clearing Corporation (“NSCC”) in exchange for cash (“physically-settled” options).<sup>7</sup> OCC also clears certain futures contracts that, at maturity, require the delivery of equity securities cleared by NSCC in exchange for cash. As a result, the exercise and assignment of certain options or maturation of certain futures cleared by OCC effectively results in stock settlement obligations to be cleared by NSCC (“E&A Activity”). Because OCC is obligated to perform on the contracts it clears, even where one of its Clearing Members defaults, OCC is exposed to liquidity risk<sup>8</sup> in the

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<sup>6</sup> Exchange Act Release No. 104078 (Sep. 25, 2025), 90 FR 47012 (Sep. 30, 2025) (File No. SR-OCC-2025-013).

<sup>7</sup> The term “physically-settled” as used throughout the OCC Rulebook refers to cleared contracts that settle into their underlying interest (i.e., options or futures contracts that are not cash-settled). When a contract settles into its underlying interest, shares of stock are sent (i.e., delivered) to contract holders who have the right to receive the shares from contract holders who are obligated to deliver the shares at the time of exercise/assignment in the case of an option and at the time of maturity in the case of a future. Capitalized terms used but not defined herein have the meanings specified in OCC’s Rules and By-Laws, available at <https://www.theocc.com/about/publications/bylaws.jsp>.

<sup>8</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. Bank for International Settlements & International Organization of Securities Commissions, Principles for Financial Market Infrastructures, <https://www.bis.org/cpmi/publ/d101a.pdf>.

form of exposure to a Clearing Member’s trading activities. OCC manages such risk, in part, by performing daily stress testing<sup>9</sup> that covers a wide range of scenarios.<sup>10</sup>

NSCC and OCC maintain a legal agreement, generally referred to by the parties as the “Accord,” that governs the processing of such E&A Activity for firms that are members of both OCC and NSCC (“Common Members”).<sup>11</sup> Under the terms of the Accord, NSCC is required to accept E&A Activity from OCC (i.e., guaranty the positions of a defaulting Common Member), provided that OCC makes a payment to NSCC called the “Guaranty Substitution Payment,” or “GSP.” The GSP was incorporated into the Accord to address liquidity and operational issues that could arise at OCC in the event of a Common Member default.<sup>12</sup> The incorporation of the GSP is designed to reduce OCC’s potential liquidity exposure to an amount that is within the scope of its resources.<sup>13</sup> To take advantage of this change, however, OCC must be prepared to make a cash payment to NSCC.<sup>14</sup> As a result, OCC accounts for the potential need to make a Guaranty Substitution Payment to NSCC in its liquidity risk management planning based on information provided by NSCC.

NSCC calculates the amounts of the components used to determine the GSP and other financial information each trading day (“T”) for each Common Member. The components used to determine the GSP are a Common Member’s unpaid Required Fund Deposit (“RFD”) and

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<sup>9</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 240.17ad-22(a).

<sup>10</sup> See OCC Rule 1001.

<sup>11</sup> Pursuant to OCC Rule 302, outside of certain limited exceptions, every Clearing Member that effects transactions in physically-settled options or futures must also be a participant in NSCC.

<sup>12</sup> See Exchange Act Release No. 99735 (Mar. 14, 2024), 89 FR 19907, 19908 (Mar. 20, 2024) (File No. SR-OCC-2023-007) (“Accord Approval”).

<sup>13</sup> See *id.* at 19912.

<sup>14</sup> See *id.*

unpaid Supplemental Liquidity Deposit (“SLD”) obligation as defined by NSCC’s rules, some amount of which may be attributable to E&A Activity. NSCC calculates the GSP by determining that are attributable to E&A Activity. NSCC then sends the results to OCC at the NSCC Family level on T+1 each day prior to morning settlement.

As a conservative approach to liquidity risk management, OCC chose to incorporate a Common Member’s total RFD and SLD obligations to NSCC (not just the portion represented in the GSP) into OCC’s liquidity risk management.<sup>15</sup> As a result, OCC currently collects resources to account for activity that is not related to the settlement of the underlying equity securities related to E&A Activity. OCC made this design choice prior to implementation of the GSP to increase the likelihood that OCC would be in a position to make a future Guaranty Substitution Payment that exceeds historical GSP requirements.<sup>16</sup>

Based on observations from the 13 months following implementation of the GSP, OCC identified unexpected amounts in the data from NSCC that could cause OCC to over collect resources.<sup>17</sup> OCC believes that NSCC’s calculation methodology for SLD obligations may include activity by affiliates of a Common Member that are not OCC Clearing Members.<sup>18</sup> Further, the data NSCC sends to OCC sometimes includes deficits related to non-E&A Activity (e.g., exchange traded fund creation and redemption activity).<sup>19</sup>

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<sup>15</sup> *See id.* at 19910.

<sup>16</sup> *See id.* at 19912.

<sup>17</sup> *See* Notice of Filing, 90 FR at 44431.

<sup>18</sup> *See id.*

<sup>19</sup> *See id.* OCC received data from NSCC suggesting a potential need to hold \$7 billion driven by certain SLD obligations where E&A Activity from OCC was related to only \$60 million of exposure. The addition exposures arose from affiliates of the Common Member, but not the Common Member itself. *See id.*

OCC proposes to change its Comprehensive Stress Testing & Clearing Fund Methodology, and Liquidity Risk Management Description (the “Methodology Description”) and OCC’s Liquidity Risk Management Framework (“LRMF”) so that OCC will account for only the portion of a Clearing Member’s unpaid RFD and SLD obligations related to E&A Activity in OCC’s liquidity risk management processes.

The Methodology Description enables OCC to review the sufficiency of its financial resources and includes stress tests designed to size and monitor the sufficiency of prefunded credit and liquidity resources. The Methodology Description currently requires that OCC will include the peak amount of historical actual RFD and SLD obligations specific to each CMO Group for the relevant expiration on a twelve-month period at a CMO Group level. It requires that OCC account for its potential liabilities using the total amount of deficits at NSCC in its calculation while acknowledging that, in the event of a default, OCC will be responsible only for a proportionate share of both the RFD and SLD obligations that are attributable to E&A Activity.

OCC proposes to amend the Methodology Description to require OCC to account for only the amount of unpaid RFD and SLD obligations attributable to E&A Activity, which OCC would define as the Final GSP going forward.<sup>20</sup> Because OCC intends to include only the Final GSP in its liquidity stress testing, OCC also proposes to remove references to the inclusion of the peak historical actual unpaid RFDs and SLDs specific to each CMO Group.

The LRMF is designed to ensure OCC holds sufficient funds to meet its intraday, same-day, and multiday settlement obligations. OCC proposes to amend the LRMF to clarify its ability to elect to pay NSCC the Final GSP as opposed to a Common Member’s total unpaid

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<sup>20</sup> The textual changes to the Methodology include replacement of “GSP” with “Final GSP” and the addition of descriptions consistent with OCC’s current practice and understanding (e.g., NSCC calculates SLDs at the Family level, OCC is responsible for Final GSP in the event of a Common Member default).

RFD and SLD obligations. OCC also proposes to amend sections of the LRMF relating to governance and reporting. OCC proposes to add language to the LRMF to reflect OCC's existing authority to call for financial resources from its Clearing Members as a Required Cash Deposit or additional Clearing Member's margin if the potential settlement obligations approach or exceed OCC liquidity resources available to fulfill OCC's settlement obligations if a Clearing Member defaults. Similarly, OCC proposes to amend the LRMF to reflect OCC's current authority to place a Clearing Member on Watch Level if there is increased liquidity risk from stressed liquidity demands and to collect margin to collateralize a Clearing Member's elevated liquidity exposures once on Watch Level.

OCC also proposes to amend the LRMF's requirements for monthly review activities. Specifically, OCC proposes to add language that would require monthly review by the Stress Testing Working Group ("STWG") of reporting on stress testing adequacy and provide for escalation to the Management Committee intra-month if any problems are found. The LRMF would require that such review include an analysis of the Final GSP received after the calculation of stressed liquidity demands. Such analysis shows the overall impact to prior stressed liquidity demand calculations when new historical peaks are subsequently observed.

To ensure that it maintains sufficient liquid resources, OCC would continue its risk management practices related to the incorporation of GSP into its liquidity risk management. For example, OCC would continue to include the potential obligation to pay GSP on two consecutive days in its liquidity risk management processes. Specifically, OCC would incorporate the peak Final GSP (observed over the preceding 12 months) into a member's forecasted liquidity demands to be covered over a potential two-day default management process. OCC believes that likelihood of observing two consecutive peak Final GSP amounts is

low due to the cyclical nature of OCC E&A Activity whose largest notional exposures tend to be separated across tenors further than one day apart, and most highly concentrated during standard monthly expirations.<sup>21</sup> Further, OCC believes provisioning for payment of two peak Final GSPs is conservative because the default of a member, by definition, would stop further trading by the suspended member and result in OCC taking only risk reducing actions with regard to the defaulter's portfolio.<sup>22</sup>

Similarly, OCC would continue its processes for monitoring liquidity exposures and calling for additional resources ahead of potential exceedances. Such processes include monitoring anticipated cash settlements each business day during the week leading up to standard monthly expiration as well as evaluating margin forecasts and intraday trading activity. As noted above, if a Clearing Member's activity exceeds position risk thresholds, OCC has the ability to place a Clearing Member on watch and recommend appropriate preventative measures. Additionally, OCC may call for additional cash from its Clearing Members based on the liquidity demands, including potential GSP payments generated by OCC's Sufficiency Scenarios.

### **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>23</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>21</sup> See Notice of Filing, 90 FR at 44432.

<sup>22</sup> See *id.*

<sup>23</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>24</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>25</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>26</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>27</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 and with Section 17A(b)(3)(F) of the Exchange Act,<sup>28</sup> Exchange Act Rule 17ad-22(e)(7)<sup>29</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 be designed to foster cooperation and coordination with persons engaged in the

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<sup>24</sup> Rule 700(b)(3), Commission Rules of Practice, 17 CFR 201.700(b)(3).

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

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

<sup>27</sup> *Susquehanna Int’l Group, LLP v. Securities and Exchange Commission*, 866 F.3d 442, 447 (D.C. Cir. 2017).

<sup>28</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>29</sup> 17 CFR 240.17ad-22(e)(7).



clearance and settlement of securities transactions and, in general, to protect investors and the public interest.<sup>30</sup> 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>31</sup> because it is designed to avoid collecting liquidity resources to cover exposures unrelated to the activity OCC clears while continuing to hold resources to manage OCC’s peak historical exposures and maintaining tools to monitor and address risks beyond those exposures as they arise.

As discussed above, OCC currently incorporates a Common Member’s total RFD and SLD obligations to NSCC into OCC’s liquidity risk management. This design choice was made prior to implementation of the GSP to increase the likelihood that OCC would be in a position to make a future Guaranty Substitution Payment that exceeds historical GSP requirements. Based on 13 months of data post implementation, this choice could require OCC to collect billions of dollars in collateral to cover exposure arising not at a member, but at such member’s affiliate for activity cleared and risk managed by NSCC. The Proposed Rule Change would allow OCC to collect collateral based on exposures presented by activity it clears for its members rather than for unrelated activity processed by another clearing agency. Focusing OCC’s collateral and risk management on its exposures will support the ability of Common Members to operate across multiple clearing agencies with a reduced cost.

The Proposed Rule Change will, however, reduce the collateral OCC has available to manage a default, which raises the question of how OCC will manage liquidity demands in excess of historical peaks. As described above, OCC proposes to rely on both the conservative

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<sup>30</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>31</sup> 15 U.S.C. 78q-1(b)(3)(F).

collection collateral to cover peak Final GSP requirements over two consecutive days as well as OCC's suite of monitoring and collateral collection tools designed to forecast and manage exposures. The likelihood that OCC would be required to pay peak Final GSP amounts for two consecutive days is low given the default management processes described above. As also described above, OCC's monitoring processes allow it to impose protective measures and collect additional resources well in advance of potentially large options expirations.

OCC may collect amounts of resources from Clearing Members not related to transactions OCC clears. The Proposed Rule Change would better align liquidity needs with the risk of clearing those transactions OCC clears. This alignment could reduce collateral requirements for Clearing Members. By reducing the amount of funds collected from Clearing Members, OCC would decrease the costs associated with securities transactions. By reducing costs associated with clearing securities transactions, OCC would potentially allow the public to trade at lower costs which will serve the public interest.

Accordingly, the Proposed Rule Change is consistent with the requirements of Section 17A(b)(3)(F) of the Exchange Act.<sup>32</sup>

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

Rule 17ad-22(e)(7)(i) under the Exchange Act requires 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 maintaining sufficient liquid resources at the minimum in all relevant currencies to effect same-day

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<sup>32</sup> 15 U.S.C. 78q-1(b)(3)(F).

settlement and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment obligation for the covered clearing agency in extreme but plausible market conditions.<sup>33</sup>

As described above, OCC proposes to reduce the output of its liquidity stress testing by incorporating Final GSP requirements rather than a Common Member's total RFD and SLD obligations. Although this change would reduce the calculation of OCC's total liquidity need, it would do so by excluding exposures not reasonably attributable to activity cleared by OCC while continuing to incorporate exposures arising out of the activity that is cleared by OCC. OCC would continue to include conservative assumptions in its liquidity risk management to increase the likelihood that it collects sufficient liquid resources to cover future scenarios, such as maintaining sufficient resources to cover the peak Final GSP on two consecutive days using a 12-month lookback period. OCC would also continue to monitor Clearing Members for signs of increased risk and to call for financial resources from Clearing Members based on risk increases and forecasts. Additionally, OCC proposes requiring monthly review by the STWG of a report on stress test adequacy, including an analysis<sup>34</sup> of the Final GSP received after the calculation of stressed liquidity demands, and providing for escalation to the Management Committee as appropriate. On balance, the focus on activity cleared by OCC, conservative assumptions, monitoring, and resource collection tools provide a reasonable framework for OCC manage to its settlement and funding flows related to E&A Activity.

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<sup>33</sup> 17 CFR 240.17ad-22(e)(7)(i).

<sup>34</sup> This analysis shows the overall impact to prior stressed liquidity demand calculations when new historical peaks are subsequently observed.

Accordingly, the Proposed Rule Change is consistent with Rule 17ad-22(e)(7) under the Exchange Act.<sup>35</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>36</sup> and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Exchange Act,<sup>37</sup> that the Proposed Rule Change (SR-OCC-2025-013) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>38</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>35</sup> 17 CFR 240.17ad-22(e)(7).

<sup>36</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>37</sup> 15 U.S.C. 78s(b)(2).

<sup>38</sup> 17 CFR 200.30-3(a)(12).