

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104882; File No. SR-OCC-2026-001]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change by The Options Clearing Corporation concerning a change in types of acceptable collateral and an update to mitigate wrong-way risk.

February 24, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on February 12, 2026, The Options Clearing Corporation (“OCC” or “Corporation”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by OCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

This proposed rule change would discontinue two underutilized collateral [sic] types and update OCC’s rules to mitigate wrong-way risk. As the sole clearing agency for standardized equity options listed on national securities exchanges registered with the SEC, and with respect to the other products it clears, OCC is exposed to certain risks, including credit risk arising from its relationships with the Clearing Members for which

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

OCC becomes the buyer to every seller and the seller to every buyer with respect to listed options. In order to manage counterparty credit risk and mitigate related systemic risks, OCC requires Clearing Members to collateralize financial obligations that result from maintaining options, futures and stock loan positions at OCC.

OCC maintains policies filed with the Commission as OCC rules that are designed to address such credit risk, including the Collateral Risk Management (“CRM”) Policy. The CRM Policy identifies OCC’s approach for managing the risks associated with accepting collateral deposits.³ Specifically, the CRM Policy sets the governance processes for establishing and maintaining standards used to determine acceptable forms of collateral, as well as the methodology for establishing the valuation practices, including applicable haircuts and concentration limits to effectively manage OCC’s credit exposure.⁴ In addition, the CRM Policy describes the requirements for periodically evaluating the forms of accepted collateral and the ongoing adequacy of the valuation processes.⁵

Consistent with regulatory obligations,⁶ OCC and its Board reviews these risk management policies at least annually. Through these annual reviews, OCC has identified certain changes to: (i) discontinue two underutilized collateral types, and (ii) update OCC’s rules design to mitigate wrong-way risk. In connection with these

³ See Exchange Act Release No. 82311 (Dec. 13, 2017), 82 FR 60252, 60252-53 (Dec. 19, 2017) (SR-OCC-2017-008).

⁴ See *id.*

⁵ See *id.* at 60253.

⁶ See 17 CFR 240.17Ad-22(e)(3)(i) (requiring, among other things, that a covered clearing agency subject its risk management policies, procedures and systems to review on a specified periodic basis and approval by the board of directors annually).

changes, OCC also proposes to reorganize and restate OCC Rule 604 (Form of Margin Assets) to improve its clarity and concision.⁷ Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”),⁸ and Rule 19b-4 thereunder,⁹ OCC is filing with Commission a proposed rule change to make those changes.

Proposed changes to OCC’s By-Laws and Rules are included in Exhibits 5A and 5B to File No. SR-OCC-2026-001, respectively. Proposed changes to OCC’s CRM Policy, Default Management Policy, Liquidity Risk Management Framework (“LRMF”), Margin Policy, Recovery and Orderly Wind-Down (“RWD”) Plan, Risk Management Framework, and STANS Methodology Description (collectively, the “Policies”) are included in confidential Exhibits 5C, 5D, 5E, 5F, 5G, 5H, and 5I to File No. SR-OCC-2026-001. Material proposed to be added is underlined and material proposed to be deleted is marked in strikethrough text. All capitalized terms not defined herein have the same meaning as set forth in the OCC By-Laws and Rules.

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at

⁷ See https://www.theocc.com/getmedia/9d3854cd-b782-450f-bcf7-33169b0576ce/occ_rules.pdf#page=59. OCC’s full By-Laws and Rules can also be found on OCC’s public website: <https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules>.

⁸ 15 U.S.C. 78s(b)(1).

⁹ 17 CFR 240.19b-4.

the places specified in Item IV below. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

(A) Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

OCC proposes to make the following changes to its By-Laws, Rules, and Policies:

a. Discontinue Underutilized Collateral Types

Due to underutilization, OCC is discontinuing letters of credit¹⁰ and GSE debt securities¹¹ as acceptable collateral types under OCC’s rules. Utilization of these collateral types has historically been low relative to other eligible collateral types. Since 2023, when OCC modified its rules concerning its acceptance of letters of credit and the valuation of GSE debt securities,¹² OCC has observed a decline in utilization of these collateral types. For instance, no Clearing Member has pledged GSE debt securities as margin collateral since July 11, 2023. From July 3, 2023 through June 30, 2024, use of letters of credit decreased by 78% (from \$115 million to \$25 million), with the remaining amount comprised of a single letter of credit for a single Clearing Member.¹³ Currently, no letters of credit remain on deposit.

¹⁰ OCC Rule 604(c) currently allows Clearing Members to deposit letters of credit issued by a bank or trust company approved by OCC for that purpose subject to certain criteria identified therein and the Interpretations and Policies (“I&Ps”) to Rule 604.

¹¹ OCC’s By-Laws define “GSE debt securities” to mean such debt securities issued by Congressionally chartered corporations as the Risk Committee may from time to time approve for deposit as margin. OCC’s acceptance of GSE debt securities as collateral is governed by Rule 604(b)(2) and the I&Ps to Rule 604.

¹² See Exchange Act Release No. 98101 (August 10, 2023), 88 FR 55775 (Aug. 16, 2023) (SR-OCC-2022-012).

¹³ OCC has communicated this proposed change with that member. Discontinuing letters of credit is not expected to have a material impact on that Clearing Member.

Continuing to maintain support for these underutilized collateral types would impose burdens on OCC and its Clearing Members, including the cost associated with ongoing risk monitoring and reviews of OCC's procedures related to these collateral types, as well as the costs of maintaining systems to facilitate OCC's acceptance of these collateral types. For example, if OCC were to continue to accept this collateral, OCC and its Clearing Members would need to test the functionality to support these collateral types in the new clearance and settlement system, Ovation, that OCC has been developing to replace its current system, Encore. In light of the decline in utilization, OCC does not believe these costs are justified. Accordingly, OCC determined to phase out these collateral types. On December 19, 2024, OCC issued an Information Memo¹⁴ announcing that OCC had determined to disallow letters of credit and GSE debt securities by exercising its discretion under I&P .06 to Rule 604¹⁵ to withdraw its approval for the institutions approved as letter of credit issuers and disapproving GSE debt securities as acceptable collateral under I&P .15 to Rule 604.¹⁶ As the next phase, this proposed rule change would remove these collateral types from OCC's rules as follows.

First, OCC would remove those provisions of the By-Laws and Rules that govern the acceptance and valuation of these collateral types. Specifically, OCC would delete Rule 604(b)(2) (GSE Debt Securities) and Rule 604(c) (Letters of Credit) in their

¹⁴ OCC Information Memo #55740 (Dec. 19, 2024), available at <https://infomemo.theocc.com/infomemos?number=55740>.

¹⁵ OCC Rule 604, I&P .06 (“[OCC] reserves the right in its sole discretion to refuse or revoke approval of any institution as an issuer of letters of credit at any time.”).

¹⁶ OCC Rule 604, I&P .15 (“[OCC] may in its discretion determine that a security which meets the criteria listed in Rule 604(b) is nevertheless disapproved as margin collateral with respect to all accounts of all Clearing Members, and therefore not grant margin credit, based on such factors as (i) trade volume, (ii) number of outstanding shareholders, (iii) number of outstanding shares, (iv) volatility and liquidity and (v) any other factors the Corporation determines are relevant.”)

entirety. OCC would also amend Rule 604(g) and (e) (renumbered as proposed Rules 604C(a) and (b), respectively), which concerns OCC's valuation of Government securities and GSE debt securities, to remove reference to GSE debt securities. OCC would make the same change to I&P .17 to Rule 604, which concerns the manner in which Clearing Members may deposit Government securities and GSE debt securities. OCC would also delete I&Ps .01 through .06 and .09 through .10 to Rule 604, each of which concerns standards for letters of credit issuers or limitations on the acceptance of letters of credit. Remaining provisions of Rule 604 would be renumbered as discussed below in connection with the reorganization and restatement of Rule 604. OCC would also make the following amendments to other By-Laws and Rules:

- Rule 101 (Definitions) would be amended to remove the definition for the term "Restricted Letter of Credit."
- Rule 705 (Forms of Margin) would be amended to delete reference to GSE debt securities and letters of credit as acceptable forms of margin in X-M accounts.
- Rule 1104 (Creation of Liquidating Settlement Account) would be amended to remove provisions in paragraphs (a) and (d) related to the contribution of funds received from a letter of credit issuer in the event of a Clearing Member default.
- By-Law Article I (definitions) would be amended to remove the definition for the term "GSE debt securities" and renumber other definitions accordingly.
- By-Law Article VI, Section 27 (Close-Out Netting) would be amended to delete reference to letters of credit as margin assets and provisions related thereto in paragraphs (f) and (h).

OCC would also amend the CRM Policy to remove provisions related to letters of credit and GSE debt securities. Specifically, OCC would:

- Delete a paragraph specific to how OCC manages the counterparty credit risk presented by letter of credit issuers.
- Delete a sentence in the discussion of how OCC manages sovereign credit risk specific to a foreign-based entity approved to issue letters of credit.

- Delete three sentences in the discussion of how OCC manages concentration risk specific to letters of credit.
- Delete a reference to “government sponsored entity securities” in the discussion of how OCC applies collateral haircuts to certain collateral, including Government securities and GSE debt securities.

OCC would also make conforming amendments to other rules that reference letters of credit and/or GSE debt securities. Specifically, OCC would:

- Delete a reference to letters of credit in the Default Management Policy’s discussion of how OCC would transfer the proceeds from any demand of payment on a letter of credit to the appropriate liquidity settlement account in the event of a Clearing Member’s default.
- Delete letters of credit and GSE debt securities from the LRMF’s list of other liquidity resources that may be used to address foreseeable liquidity shortfalls that would not be covered by OCC’s committed resources and help OCC seek to avoid unwinding, revoking, or delaying the same-day settlement of payment obligations in the event of the default of the Clearing Member who deposited them.

OCC would also make conforming amendments to its RWD Plan to delete references to remove descriptions related to letters of credit and/or GSE debt securities.

Specifically, OCC would:

- Delete letters of credit and GSE debt securities from a description of the collateral accepted through cross-margin arrangements.
- Delete a description of OCC’s external interconnection with letter of credit banks.
- Delete a reference to letters of credit as one of the types of banking relations for which OCC maintains tools to address credit risks resulting from bank failures.
- Delete a reference to GSE debt securities as among the collateral OCC may pledge to the syndicated bank credit facility that OCC maintains as a source of committed liquidity to meet settlement obligations as a central counterparty.

b. Wrong-Way Risk Updates

With respect to the collateral that Clearing Members pledge to satisfy margin requirements, “wrong-way risk” is the risk that the value of the collateral is positively

correlated with the creditworthiness of the Clearing Member.¹⁷ OCC manages such wrong-way risk by (1) limiting the valuation of collateral that would likely lose value in the event that the Clearing Member providing the collateral defaults, and (2) prohibiting participants from receiving value for depositing their own, or an affiliate's, debt or equity securities as collateral.¹⁸

OCC is proposing changes to address the wrong-way risk related to a Clearing Member's cleared positions in exchange traded products ("ETPs")¹⁹ that hold spot cryptocurrency²⁰ for which the Clearing Member serves as the custodian of the fund's cryptocurrency holdings.²¹ Under OCC's existing Margin Policy, OCC applies a SWWR

¹⁷ Separately, OCC has established a margin add-on charge, the Specific Wrong-Way Risk ("SWWR") Add-on, to address specific wrong-way risk related to a Clearing Member's positions in cleared contracts related to securities, including index-linked securities, issued by that Clearing Member or its affiliates. See Exchange Act Release No. 87718 (Dec. 11, 2019), 84 FR 68992 (Dec. 17, 2019) (SR-OCC-2019-010). SWWR is the risk that a clearing agency's exposure to a participant is highly likely to increase when the creditworthiness of that participant is deteriorating. See Exchange Act Release No. 78961 (Sept. 29, 2016), 81 FR 70786, 70816 n.317 (Oct. 13, 2016) (S7-03-14).

¹⁸ Notwithstanding this prohibition, securities of participants can be used to hedge options positions on such securities. See OCC Rule 604, I&P .16. In that event, OCC systematically limits the number of shares the Clearing Member is allowed to deposit to the delta offset. See *infra* note 19.

¹⁹ OCC's By-Laws define "fund share" to mean a publicly traded security, as defined in Section 3(a)(10) of the Exchange Act, 15 U.S.C. 78c(a)(10), that represents an interest in a trust, investment company, commodity pool, or similar entity holding and/or trading in one or more investments and, where the investments are commodities, that is subject to any applicable advisory exemption or other relief or guidance issued by the CFTC. As such, the definition encompasses ETPs.

²⁰ On January 10, 2024, the Commission approved proposed rule changes filed by several national securities exchanges to list spot bitcoin-based, commodity-based ETPs. See Exchange Act Release No. 99306 (Jan 10, 2024), 89 FR 3008 (Jan. 17, 2024) (SR-NYSEARCA-2021-90, et al.). This proposed rule change would apply to those fund shares and any other commodity-based ETPs holding cryptocurrency that are subsequently approved or listed.

²¹ Under I&P .15 and .16 to current Rule 604, OCC already limits such ETPs as collateral to the amount that is risk reducing for activity in cleared positions. See OCC Information Memo #54918 (July 22, 2024), available at <https://infomemo.theocc.com/infomemos?number=54918>. Such cleared positions include both stock borrow positions and options positions following the Commission's approval of proposed rule changes filed by national securities exchanges to permit the listing and trading of options on such fund shares. See, e.g., Exchange Act Release No. 101128 (Sept. 20, 2024), 89 FR 78942 (Sept. 26, 2024) (SR-ISE-2024-03). OCC began clearing options on such fund shares after staff of the CFTC's Division of Clearing and Risk issued a staff

Add-on based on the assumption that, when a Clearing Member defaults, the value of any equity security issued by the Clearing Member or its affiliates would fall to zero. OCC proposes to amend the Margin Policy to extend this approach to a Clearing Member's positions in spot cryptocurrency fund shares for which the Clearing Member or its affiliates serve as the custodian of the fund's cryptocurrency holdings (e.g., all fund shares, call options and put options would be valued at zero). OCC believes that extending the SWWR Add-on to spot cryptocurrency ETPs when the Clearing Member is affiliated with the custodian of such ETP is appropriate given the unique custody risks associated with cryptocurrencies. For example, a cybersecurity event affecting a Clearing Member and its affiliates may result in the theft or loss of the cryptocurrency and a potential decline in the value of the ETP at the same time that the Clearing Member may default on obligations to OCC. OCC does not expect this change to have any impact on existing Clearing Members, only one of whom has an affiliate that is a trust custodian for a spot cryptocurrency ETP.

c. Rule 604 Restatement

In addition to the substantive changes to OCC's By-Laws, Rules and Procedures discussed above, OCC also proposes to reorganize and restate Rule 604 to provide a clearer and more transparent presentation of the details. In particular, OCC proposes to (i) subdivide Rule 604 into three parts—Rule 604A, Rule 604B, and Rule 604C—to align with the three topics currently addressed by Rule 604, namely (A) the form of margin collateral that OCC accepts, (B) how OCC holds and invests such collateral, and (C) how

advisory regarding the clearing of options on spot commodity-based ETPs. See Staff Advisory Relating to the Clearing of Options on Spot Commodity Exchange Traded Funds (ETFs), CFTC Letter No. 24-16 (Nov. 15, 2024), available at <https://www.cftc.gov/csl/24-16/download>.

OCC values the collateral; (ii), to incorporate those of the eighteen existing I&Ps that remain after the deletions specific to letters of credit, discussed above, into the relevant text of Rules 604A through 604C, so that the provisions applicable to a particular type collateral are consolidated within the Rules governing these three topics, and (iii) make other textual edits to improve clarity without changing the meaning of the existing rules, including the following types of changes:

- Dividing lengthy paragraphs into subdivisions organized logically by topic, as discussed in connection with the reorganization discussed below.
- Adding titles to paragraphs, as appropriate, to improve clarity and organization.
- Restate provisions in the active voice.²²
- Restate provisions using plain language (e.g., replacing “shall” with “must,” “will,” “is” or “may,” as the context dictates, and otherwise eliminating formal legal phrases).²³
- Renumbering cross-references to other Rules or I&Ps, consistent with the proposed reorganization and restatement.

i. Rule 604A (Form of Margin Assets)

Proposed Rule 604A would capture the existing requirements for eligible collateral, other than GSE debt securities and letters of credit, currently captured in Rule 604(a) (Cash) and Rule 604(b) (Securities) and certain interpretations and policies that address OCC’s authority to disapprove otherwise eligible collateral or accept collateral that does not meet the minimum requirements. Specifically, the first sentence of Rule

²² See Exhibit 5B, proposed Rules 604A(b)(2)(D), 604A(b)(4)(D), 604A(b)(4)(F), 604A(b)(5), 604B(b)(1), 604B(c)(1), 604B(c)(2), 604B(d)(1), 604B(d)(2), 604B(d)(3), 604B(e), 604B(f)(1), 604B(g)(1), Rule 604C(b), Rule 604C(c).

²³ See Exhibit 5B, proposes Rules 604A(b)(2)(B), 604A(b)(2)(C), 604A(b)(3)(A), 604A(b)(3)(B)(ii), 604A(b)(4)(D), 604A(b)(4)(E), 604A(b)(4)(F), 604A(b)(5), Rule 604B(a), 604B(b)(1), 604B(b)(2)(A), 604B(b)(3), 604B(b)(4), 604B(c)(1), 604B(c)(3), 604B(d)(2), 604B(d)(3), 604B(d)(4), 604B(e), 604B(f)(1), 604B(f)(2), 604B(g)(1), 604B(g)(2), 604C(a), 604C(e).

604(a), which provides that Clearing Members may deposit U.S. dollars in accordance with procedures acceptable to OCC, would be renumbered Rule 604A(a) and amended to provide that such deposits may be made “[t]o satisfy margin requirements.” The same amendment would be added to the beginning of each provision that introduces an acceptable type of margin collateral.²⁴ As so amended, the introductory paragraph to existing Rule 604 would no longer be necessary and would therefore be deleted.²⁵ Other provisions of current Rule 604(a) would be relocated to proposed Rule 604B (Holding and Investing Margin Assets), as discussed below.

Current Rule 604(b), which concerns the deposit of securities to satisfy margin requirements, would be renumbered Rule 604A(b). The first sentence of current Rule 604(b)(1), which concerns the deposit of Government securities, would become Rule 604A(b)(1). Other provisions of current Rule 604(b) would be relocated to Rule 604B, as discussed below. Current Rule 604(b)(4)(i), which concerns the deposit of stocks, would be renumbered Rule 604A(b)(2). The existing definition of “stocks” as applicable to Rule 604, which includes ETPs (i.e., “fund shares”)²⁶ and exchange traded notes (“ETNs” or “index-linked securities”)²⁷ as those terms are defined in Article I of OCC’s

²⁴ See Exhibit 5B, Proposed Rules 604A(b)(1) (Government Securities); 604A(b)(2) (Stocks); 604A(b)(4) (Money Market Fund Shares).

²⁵ For the same reason, OCC proposes to delete the introductory paragraph to current Rule 604(b).

²⁶ OCC’s By-Laws define “fund share” to mean a publicly traded security, as defined in Section 3(a)(10) of the Exchange Act, 15 U.S.C. 78c(a)(10), that represents an interest in a trust, investment company, commodity pool, or similar entity holding and/or trading in one or more investments and, where the investments are commodities, that is subject to any applicable advisory exemption or other relief or guidance issued by the CFTC. As such, the definition encompasses ETPs.

²⁷ OCC By-Laws define “index-linked security” to mean a debt security listed on a national securities exchange, the payment upon maturity of which is based in whole or in part upon the performance of an index or indexes of equity securities or futures contracts, one or more physical commodities, currencies or debt securities, or a combination of any of the foregoing. As such, the definition encompasses ETNs.

By-Laws, would be relocated from Rule 604(b)(4)(iii) to the introductory paragraph of proposed Rule 604A(b)(2).²⁸ The term “stock” would be used throughout the remainder of the proposed rule, rather than “common stock,” except where the provision applies specifically to a particular type of stock, such as a fund share or index-linked security. In addition, OCC would subdivide other relevant provisions of Rule 604(b)(4)(i)²⁹ into items (A), (B) and (D), which would provide that:

- (A) A stock must be a “covered security” within the meaning of Section 18(b)(1) of the Securities Act of 1933³⁰ (i.e., authorized for listing on a national securities exchange);
- (B) A stock that is neither an underlying security nor a fund share that has as its reference index an index that underlies any cleared contract must have a market value of at least \$3 per share, as determined by the Corporation, subject to OCC’s right to waive the minimum value requirement;³¹ and
- (D) A Clearing Member may not deposit a stock that is suspended from trading by the market that listed or qualified the stock for trading because of volatility, lack of liquidity, or similar characteristics, subject to OCC’s discretion in cases where markets do not take the same action with respect to the stock.

OCC would also relocate the second sentence of current Rule 604(b)(4)(iii), which provides that fund shares and index-linked securities must be of a class approved by the Corporation for deposit as margin, as proposed Rule 604(b)(4)(C). As

²⁸ For the avoidance of doubt, “includes” as used in this definition means “includes, but is not limited.” The definition is meant to indicate that fund shares and index-linked securities are included within the meaning of “stock.” However, per proposed Rule 604A(b)(2)(A), “stock” also includes any covered security within the meaning of Section 18(b)(1) of the Securities Act of 1933.

²⁹ The penultimate sentence of current Rule 604(b)(4)(i) would be deleted as redundant of proposed Rule 604B(b), which relocates the third sentence of current Rule 604(d). The final sentence of current Rule 604(b)(4)(i) would be relocated to proposed Rule 604C, as discussed below.

³⁰ See 17 U.S.C. 77r(b)(1).

³¹ See Exchange Act Release No. 61006 (Nov. 16, 2009), 74 FR 61182 (Nov. 23, 2009) (SR-OCC-2009-15) (establishing a minimum value requirement for collateral other than “Options-Related Stocks,” which are already subject to minimum requirements by virtue of OCC’s agreements with and the rules of the options exchanges).

reorganized, OCC would further amend the provision to remove unnecessary and redundant reference to the other requirements Rule 604(b)(4). Current Rule 604(b)(4)(ii), which concerns the manner of depositing securities, requirements for securities depositories, as defined below, and the Clearing Member's interest in any dividends or gains received on stocks deposited as margin, would be relocated to proposed Rule 604B, as discussed below.

Current I&Ps .15 and .16 to Rule 604, which address the circumstances in which OCC may disapprove securities that otherwise meet the requirements of Rule 604, would be relocated to proposed Rule 604A(b)(3). Proposed Rule 604A(b)(3)(A) would relocate I&P .15, which concerns the factors OCC may use in exercising its authority to disapprove a security as margin collateral with respect to all accounts of all Clearing Members, and therefore not grant margin credit. Proposed Rule 604A(b)(3)(B) would relocate the provisions related to disapproval of securities as margin collateral for a particular Clearing Member found in I&P .16 current to Rule 604. That Rule would be further subdivided into sections addressing (i) disapproval with respect to some or all of the shares of a stock to address concentration risk, and (ii) disapproval with respect to stocks issued by such Clearing Member or an affiliate of such Clearing Member to address wrong-way risk. The final sentence of I&P .16 to current Rule 604, which provides an exception for securities disapproved under this Rule to the extent they hedge cleared contracts held in the same account, would be relocated to proposed Rule 604A(b)(3)(C).

Current Rule 604(b)(3) (Money Market Fund Shares or “MMF Shares”), would be relocated to proposed Rule 604A(b)(4).³² An introductory paragraph would be added that authorizes Clearing Members to deposit MMF shares to satisfy margin requirements if such MMF Shares satisfy the requirements found in existing items (i) through (v), which would be renumbered as Items A through F.³³ In addition, the provision regarding limits to address wrong-way risk (current Rule 604(b)(3)(iii)/proposed Rule 604A(b)(4)(D)) would be restated to conform the language to other provisions regarding wrong-way risk in Rule 604A.

Finally, I&P .13 to current Rule 604 would be relocated to propose Rule 604A(b)(5). That provision would address OCC’s authority to accept securities deposited by Clearing Members that do not satisfy the requirements of propose Rule 604A and that such securities and any securities that cease to meet the requirements of Rule 604A will be subject to OCC’s lien and other rights under the Rule and By-Laws, but that they will be valued at zero for margin purposes unless and until such securities meet such requirements.

ii. Rule 604B (Holding and Investing Margin Assets)

Proposed Rule 604B would relocate existing provisions of Rule 604 and its interpretations and policies that specify a Clearing Member’s property interest in margin assets, the manner in which margin assets must be deposited by a Clearing Member and

³² No MMF Shares are currently deposited as collateral, and additional changes to the Rules are contemplated before MMF Shares could be accepted. OCC is not seeking to pursue such changes at this time. The proposed changes are merely to restate the existing requirements consistent with the broader reorganization of exiting Rule 604.

³³ The last two sentences of current Rule 604(b)(3)(i) would be reorganized into its own item (B) of Rule 604A(b)(4).

held by OCC, the Clearing Member's rights to gains received in respect of the margin deposits, and OCC's current authority to invest margin cash in Government securities for its own account. Specifically, Rule 604B(a) (Clearing Member Funds) would relocate the first sentence of existing Rule 604(d), which concerns a Clearing Member's property interest in margin assets.

Proposed Rule 604B(b) would aggregate existing requirements related to the deposit of margin, including (1) the manner in which Clearing Members must deposit margin assets and (2) the manner in which the Corporation will hold such funds at approved depositories. Specifically, proposed Rule 604B(b)(1) would provide that (A) a Clearing Member must deposit margin assets with respect to a designated account of a Clearing Member in an OCC account in an approved depository in OCC's name, or by such other method as OCC may from time to time approve (current Rule 604(b)(1) and (4)(i)); (B) that all assets pledged to OCC must be free of any lien or other encumbrances senior to that of OCC (I&P .07 to current Rule 604); and (C) that margin assets in the form of securities are deemed to be deposited when OCC receives written confirmation from the depository or confirmation that the securities have been pledged to the Corporation (i.e., with respect to deposits in lieu of margin under Rule 610) (penultimate sentence of current Rule 604(b)(4)(ii)). With respect to conditions for approved depositories, Rule 604(b)(2) would relocate provisions requiring that (A) except as otherwise under subitem (B) of the proposed Rule,³⁴ margin assets will be held in

³⁴ Currently, Rule 604(d) provides two exceptions for when margin assets need not be held in an account at a depository designated as a Clearing Member margin account: (i) margin cash invested in Government securities under current Rule 601(a), and (ii) funds credited to a Liquidating Settlement Account under Chapter XI of OCC's Rules for managing a Clearing Member default. For clarity, proposed Rule 604B(b)(2)(B) would add a third exception with respect to non-

accounts at such approved depositories designated as Clearing Member margin accounts (current Rule 604(d)); (C) the arrangement with the depository must (i) permit the securities to be promptly sold by or on OCC's order for the account of the Clearing Member without notice and (ii) require the Clearing Member to pay all fees and expenses incident to the ownership or sale of the securities or the arrangement with the depository (current Rule 604(b)(4)(ii)); and (D) OCC will not accept margin securities from a depository if such depository, a parent, or an affiliate has an equity interest of 20% or more in the depositing Clearing Member's total capital (current Rule 604, I&P .11).

Proposed Rule 604B(c) would aggregate provisions concerning the commingling of funds, including that: (1) OCC will not commingle margin assets with OCC's own funds or use margin assets as working capital (current Rule 604(d)); (2) notwithstanding proposed Rule 604B(c)(1), OCC may commingle non-customer funds with cash Clearing Fund contributions in an account at a Federal Reserve Bank that is not designated as a Clearing Member margin account³⁵ (current Rule 604, I&P .18); and (3) OCC may commingle margin assets for the account of any Clearing Member with margin assets as margin for other Clearing Members (current Rule 604(d)).

Proposed Rule 604B(d) would relocate current Rule 604(b)(5), which concerns restrictions on the types of accounts to which a Clearing Member may deposit securities held for the account of others (i.e., non-firm accounts). The proposed Rule would subdivide these restrictions into those that: (1) prohibit a Clearing Member from

customer margin funds held in an account at a Federal Reserve Bank, which is currently addressed by I&P .18 to Rule 604.

³⁵ See Exchange Act Release No. 90100 (Oct. 6, 2020), 85 FR 64603 (Oct. 13, 2020) (SR-OCC-2020-010) (approving OCC's proposal to hold cash Clearing Fund contributions and certain non-customer cash margin assets in OCC's account at the Federal Reserve Bank of Chicago).

depositing securities held for the account of a securities customer in any account other than a customers' account and customers' lien account, (2) prohibit a Clearing Member from depositing securities held for any Market Maker in any account other than a Market-Makers' account in which such Market Maker is a participant, and (3) prohibit the deposit of a "fully paid security" or an "excess margin security" within the meaning of SEC Rule 15c3-3³⁶ in any account except to the extent permitted pursuant to interpretative guidance or no-action relief of the SEC or another SRO.³⁷ The last sentence of current Rule 604(b)(5), which concerns securities held for the account of a futures customer, would be renumbered Rule 604B(d)(4) and amended in line with the other provisions of proposed Rule 604(b) to prohibit a Clearing Member from depositing securities held for the account of a futures customer in any account other than a segregated futures account or segregated futures professional account. Current Rule 604(d)'s requirement that OCC hold margin assets in respect of a segregated futures account in accordance with Section 4d of the Commodity Exchange Act³⁸ and regulations thereunder³⁹ would be renumbered as Rule 604B(e).

Proposed Rule 604B(f) would aggregate provisions concerning a Clearing Member's rights to any interest, dividend or gain received on securities. Specifically, proposed Rule 604B(f)(1) would relocate the final sentence of Rule 604(b)(1), which provides that all interest or gain received or accrued on Government securities deposited as margin collateral, prior to any sale or negotiation, will belong to the depositing

³⁶ 17 CFR 240.15c3-3.

³⁷ See Exchange Act Release No. 61425 (Jan. 26, 2010), 75 FR 5366 (Feb. 2, 2010).

³⁸ 7 U.S.C. 6d.

³⁹ See 17 CFR 1.20.

Clearing Member, and OCC will credit any interest on, or proceeds from the maturity of, such Government securities that OCC receives to the account of the Clearing Member in respect of which the deposit was made. Proposed Rule 604B(f)(2) would relocate the final sentence of current Rule 604(b)(4)(ii), which provides that all dividends or gain received or accrued on stocks, prior to any sale or negotiation, will belong to the depositing Clearing Member.

Proposed Rule 604B(g) would aggregate provisions concerning OCC's investment of margin cash. Specifically, the second sentence of current Rule 604(a), which provides OCC's authority to invest margin cash deposits, partially or in whole, for its account in Government securities, would be renumbered Rule 604B(g)(1). The penultimate sentence of current Rule 604(d), which provides that OCC will maintain records clearly identifying any Government securities from such investment as held in trust for Clearing Members, would become Rule 604B(g)(2). Current I&P .12 to Rule 04, which provides that OCC will invest margin in a segregated futures account or segregated futures professional account in accordance with Commodity Futures Trading Commission ("CFTC") Regulations 1.25, 1.26, and 1.27⁴⁰ and such other rules as may be adopted by the CFTC to govern the investment of such funds, would become Rule 604B(g)(3). In addition, that provision would be restated as a conditional statement (i.e., "[i]f the Corporation invests" such segregated futures customer account funds, then proposed Rule 604B(g)(2) would apply). OCC does not currently invest such futures customer cash margin under its Cash and Investment Management Policy.⁴¹

⁴⁰ 17 CFR 1.25-1.27.

⁴¹ See Exchange Act Release No. 93916 (Jan. 6, 2022), 87 FR 1819, 1822 n.29 (Jan 12, 2022) (SR-OCC-2021-014).

iii. Rule 604C (Valuation of Margin Assets)

Proposed Rule 604C (Holding and Investing Margin Assets) would relocate existing provisions of existing Rule 604 and its interpretations and policies that specify how OCC values margin assets deposited to meet margin requirements. Specifically, current Rule 604(g), which provides that OCC may elect to value margin assets in the form of securities, other than Government securities,⁴² using the same multivariate analysis applied under Rule 601 to underlying interests rather than assigning any fixed dollar value to such margin assets, would be renumbered Rule 604C(a). Current Rule 604(e), which concerns collateral haircuts for Government securities and GSE debt securities, would be relocated to Rule 604C(b), as amended to remove reference to GSE debt securities. With respect to the valuation of MMF Shares, the last two sentences of current Rule 604(b)(3)(iv) would become Rule 604C(c). Current Rule 604(f), which provides that OCC may value assets denominated in a foreign currency using such exchange rates and applying such “haircuts” as it deems appropriate for its protection, would become Rule 604C(d). Finally, the final sentence of current Rule 604(b)(4)(i), which provides that OCC will assign no value to stock deposited pursuant to Rule 610⁴³ (i.e., deposits in lieu of margin) for purposes of Rule 604C, would become Rule 604C(e). Rule 604C(e) would be further amended to remove reference to Rule 610T, which was a rule that predated current Rule 610.⁴⁴ Rule 610T was removed from OCC’s Rules

⁴² See Exchange Act Release No. 98101 (Aug. 10, 2023), 88 FR 55775 (Aug. 16, 2023) (SR-OCC-2022-012).

⁴³ OCC would also delete an outdated reference to Rule 610T, which was a temporary Rule in effect during a transition period to the current means of making deposits in lieu of margin under current Rules 610, 610A, 610B and 610C.

⁴⁴ OCC would apply the same change to Rules 1506, 1701, 2301, and 2701. Rule 1506 would be further amended for grammatical consistency with those other Rules.

following a transitional period to the current escrow deposit program.⁴⁵ Accordingly, references to the transitional Rule 610T throughout OCC's Rules are no longer necessary.

iv. Conforming Changes

In connection with the reorganization discussed above, OCC would amend cross references to Rule 604 in other rules. Specifically, OCC would:

- Amend Rule 601(c) to refer to proposed Rule 604C when referencing the Rule providing for how OCC values margin assets. In addition, OCC would add numbering and titles to the multiple paragraphs of Rule 601(c) for clarity and ease of reference.
- Amend I&P .06 to Rule 601 to refer to proposed Rule 604C when referring to the Rule that provides for how OCC values margin assets other than stocks. In addition, that I&P would be further amended to (i) conform with Rule 604A(b)(2)'s definition of "stock" and include a cross-reference thereto; and (ii) conform a cross reference to the new paragraph numbers under Rule 601(c).
- Amend Rule 610 to refer to proposed Rule 604A(b)(1) when referencing the Rule governing the eligibility of Government securities as collateral.
- Amend Rule 705 to refer to proposed Rule 604A(b)(2) when referencing the Rule governing eligibility of stock as collateral, and to conform with Rule 604A's definition of "stock."
- Amend I&P .04 to Rule 1002 to refer to proposed Rule 604B(c)(2) when referencing the Rule providing OCC with authority to commingle non-customer margin assets with Clearing Fund contributions at an account at a Federal Reserve Bank.
- Amend Rules 1006(c) and 1006(f)(1)(C) and the Risk Management Framework⁴⁶ to refer to proposed Rule 604B(g) when referencing the rules governing OCC's investment of margin cash.

⁴⁵ See Exchange Act Release No. 78675 (Aug. 25, 2016), 81 FR 60099, 60105 (Aug. 31, 2016) (SR-OCC-2016-009).

⁴⁶ In addition, OCC would also amend the applicable statement in the Risk Management Framework to refer to OCC's Cash and Investment Management Policy, which has been filed with the Commission. See Exchange Act Release No. 93916, supra note 39.

- Amend the CRM Policy and the Margin Policy⁴⁷ to refer to proposed Rule 604A when referencing the rules governing eligible forms of collateral.
- Amend the CRM Policy to refer to proposed Rule 604B when referencing the rules governing deposit of margin assets.
- Amend a footnote in the CRM Policy concerning the rules governing the eligibility of MMF Shares to refer to proposed Rule 604A(b)(4).
- Amend the CRM Policy to refer to proposed Rule 604C(b) when referring to the rules governing collateral haircuts applicable to Government securities.
- Amend the RWD Plan to correct a cross reference to current Rule 604(a) when it would be more appropriate to cite to Rule 609(b) when referring to OCC's authority to require the deposit of intra-day margin in the form of required cash if OCC forecasts that Clearing Member's potential settlement obligations could be in excess of OCC's liquidity resources.
- Amend the Risk Management Framework's discussion of OCC's management of collateral risk to reference proposed OCC Rules 604A through 604C.

2. Statutory Basis

OCC believes the proposed rule change is consistent with Section 17A of the Act⁴⁸ and the Exchange Act Rules 17Ad-22(e)(1), (3), (5), and (21)⁴⁹ thereunder for the reasons discussed below.

Section 17A(b)(3)(F) of the Act

Section 17A(b)(3)(F) of the Act⁵⁰ requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts,

⁴⁷ In addition, OCC would amend the Margin Policy to correct an outdated reference to its Business Backtesting Procedures, which were retired in favor of OCC's consolidated Backtesting Procedures. See Exchange Act Release No. 100998 (Sept. 11, 2024), 89 FR 76171 (Sept. 17, 2024) (SR-OCC-2024-009).

⁴⁸ 15 U.S.C. 78q-1.

⁴⁹ 17 CFR 240.17Ad-22(e)(1), (3), (5), (21).

⁵⁰ 15 U.S.C. 78q-1(b)(3)(F).

and transactions and to assure the safeguarding of securities and funds which are in the custody or control of the clearing or agency or for which it is responsible. The proposed changes to OCC's rules with respect to the management of wrong-way risk and concentration risk are intended to ensure that OCC maintains sufficient collateral, in both form and amount, to address the default of the depositing Clearing Member. OCC would use the margin collateral it has collected from a defaulting Clearing Member to protect other Clearing Members and their customers from default losses and ensure that OCC can continue the prompt and accurate clearance and settlement for the markets it serves. In addition, OCC believes the proposed restatement of Rule 604 is designed to provide for the safeguarding of securities and funds in OCC's custody or control by providing additional clarity and transparency about how securities and funds are held and/or invested by OCC (i.e., proposed Rule 604B) and by removing unnecessary Rules related to the acceptance of collateral types that OCC will no longer accept going forward (i.e., letters of credit and GSE debt securities).

Exchange Act Rule 17Ad-22(e)(1)

Exchange Act Rule 17Ad-22(e)(1) requires OCC to establish, maintain and enforce written policies and procedures reasonably designed to, among other things, ensure a clear and transparent legal basis for each aspect of OCC's activities in all relevant jurisdictions.⁵¹ In connection with the annual review of its collateral risk management practices, OCC has determined to no longer accept certain underutilized collateral types, pursuant to existing authority to disapprove such collateral. This proposed rule change would remove those collateral types from OCC rules, which

⁵¹ 17 CFR 240.17Ad-22(e)(1).

provide the legal basis for OCC's clearance and settlement activity, to enhance their clarity and transparency. In addition, OCC proposes to reorganize and restate OCC Rule 604, including by organizing the surviving provisions of that Rule by topic into Rules 604A, 604B and 604C, integrating the surviving interpretations and policies to that Rule into the text of the re-organized Rules, and restating the rules to reduce the use of passive voice and to promote the use of plain language. OCC believes that these proposed enhancements to the presentation of Rule 604 are consistent with Exchange Act Rule 17Ad-22(e)(1)⁵² by enhancing the clarity and transparency of its Rules.

Exchange Act Rule 17Ad-22(e)(3)

Exchange Act Rule 17Ad-22(e)(3) requires OCC to establish, maintain and enforce written policies and procedures reasonably designed to, among other things, maintain a sound risk management framework that includes policies, procedures and systems that are designed to manage risks that arise in or are borne by OCC and which are subject to periodic review and annual approval by OCC's Board.⁵³ As discussed above, the proposed changes arise from OCC's annual review of its collateral risk management, presented to and approved by its Board. OCC believes the change to recognize the wrong-way risk inherent in spot cryptocurrency where the Clearing Member or its affiliate serve as custodian of that cryptocurrency, and to impose a SWWR Add-on for such cryptocurrency, limits the risk that a Clearing Member may lose the cryptocurrency at or around the same time that it may default on its obligations to OCC. Accordingly, OCC believes the proposed changes help to maintain the soundness of its

⁵² Id.

⁵³ 17 CFR 240.17Ad-22(e)(3).

risk management framework by limiting that specific risk borne by OCC, consistent with Exchange Act Rule 17Ad-22(e)(3).⁵⁴

Exchange Act Rule 17Ad-22(e)(5)

Exchange Act Rule 17Ad-22(e)(5) requires OCC to establish, maintain and enforce written policies and procedures reasonably designed to, among other things, limit the assets it accepts as collateral to those with low credit, liquidity, and market risks, and set and enforce appropriately conservative collateral concentration limits, and require a review of the sufficiency of such concentration limits not less than annually.⁵⁵ When adopting the Standards for Covered Clearing Agencies, the Commission noted that when assessing compliance with the requirements of Exchange Act Rule 17Ad-22(e)(5),⁵⁶ a covered clearing agency's policies and procedures generally should account for wrong-way risk by limiting the acceptance of collateral that would likely lose value in the event that the participant providing the collateral defaults.⁵⁷ The Board has approved changes to address the potential wrong-way risk associated with collateral in the form of a spot cryptocurrency ETP for a Clearing Member who is the custodian or is affiliated with the custodian of that ETP. As discussed above, the proposed changes are designed to address custody risks that are unique to cryptocurrency that could result in a loss of value for the spot cryptocurrency ETP for which the Clearing Member or its affiliate serves as a custodian at the same time that the Clearing Member may experience financial or operational difficulty in meeting its obligations to OCC. OCC believes the proposed

⁵⁴ 17 CFR 240.17Ad-22(e)(3).

⁵⁵ 17 CFR 240.17Ad-22(e)(5).

⁵⁶ 17 CFR 240.17Ad-22(e)(5).

⁵⁷ See Exchange Act Release No. 78961, supra note 15, 81 FR at 70816.

changes would help to ensure that the collateral it accepts from that Clearing Member is of low credit risk by limiting the value it would assign to spot cryptocurrency ETPs. As such OCC believes that the proposed changes are consistent with Exchange Act Rule 17Ad-22(e)(5).⁵⁸

Exchange Act Rule 17Ad-22(e)(21)

Exchange Act Rule 17Ad-22(e)(21) requires OCC to establish, maintain and enforce written policies and procedures reasonably designed to, among other things, be efficient and effective in meeting the requirements of its participants and the markets it serves, and that OCC's management regularly review the efficiency and effectiveness of its clearing and settlement arrangements and operating structure, including risk management policies, procedures and systems.⁵⁹ In connection with OCC's annual review of its collateral risk management, OCC has determined to discontinue the acceptance of letters of credit and GSE debt securities as margin collateral. Utilization of these collateral types by OCC's participants has declined since the last time that OCC amended the rules applicable thereto in 2023. GSE debt securities have not been pledged since July of 2023 and no letters of credit remain on deposit. As such, OCC does not believe that the operational burden associated with maintaining these collateral types is justified. In making this determination, OCC has also considered the burden on OCC and its Clearing Members that would be associated with testing the functionality for supporting these collateral types in Ovation, OCC's forthcoming clearance and settlement system. Accordingly, OCC believes that eliminating these underutilized collateral types

⁵⁸ 17 CFR 240.17Ad-22(e)(5).

⁵⁹ 17 CFR 240.17Ad-22(e)(21).

and removing them from OCC's rules would promote OCC's efficiency and effectiveness, consistent with Exchange Act Rule 17Ad-22(e)(21).⁶⁰

(B) Clearing Agency's Statement on Burden on Competition

Section 17A(b)(3)(I) of the Act⁶¹ requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. OCC does not believe that the proposed rule changes concerning removing letters of credit and GSE debt securities as collateral types under OCC rules, or the reorganization or restatement of Rule 604 would impact or impose any burden on competition. None of these changes would inhibit access to OCC's services or disadvantage or favor any particular user in relationship to another, and all of the changes would be applied uniformly to all Clearing Members. In addition, the changes to collateral types are not expected to have an impact on Clearing Members because no GSE debt securities or letters of credit are currently deposited. Accordingly, the proposed rule change would not unfairly inhibit access to OCC's services or disadvantage or favor any particular user in relationship to another user.

While management of wrong-way risk is necessarily specific to the firm pledging the collateral, and the impact on any one firm will be dependent on the identity of that firm and its affiliates, the collateral that it pledges and its cleared contracts, OCC believes that the proposed changes are necessary and appropriate in furtherance of the purposes of the Act. As discussed above, OCC is proposing changes to its collateral risk management to extend its approach to managing SWWR to spot cryptocurrency fund shares for which

⁶⁰ Id.

⁶¹ 15 U.S.C. 78q-1(b)(3)(I).

the Clearing Member or an affiliate acts as a custodian of the fund's cryptocurrency holdings to address collateral risks that are unique to these new types of ETPs. To the extent the proposed changes cause any burden on competition, OCC believes that they are necessary to fairly account for the SWWR inherent in these new products that were not contemplated when the current SWWR Add-ons were implemented. OCC further believes that these proposed changes would better enable OCC to account for wrong-way risk, consistent with and appropriate in furtherance of the purposes of Rule 17Ad-22(e)(5) under the Act.⁶²

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments were not and are not intended to be solicited with respect to the proposed rule change, and none have been received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

⁶² 17 CFR 240.17Ad-22(e)(5).

The proposal shall not take effect until all regulatory actions required with respect to the proposal are completed.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include file number SR-OCC-2026-001 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-OCC-2026-001. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of such filing will be available for inspection and copying at the principal office of OCC and on OCC's website at <https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules>.

Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to File Number SR-OCC-2026-001 and should be submitted on or before [INSERT DATE 21 DAYS AFTER PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁶³

Sherry R. Haywood,

Assistant Secretary.

⁶³ 17 CFR 200.30-3(a)(12).