

**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-105602; File No. SR-OCC-2026-801]**

**Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Advance Notice by The Options Clearing Corporation to Establish a Commercial Paper Program**

June 3, 2026.

Pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, entitled Payment, Clearing and Settlement Supervision Act of 2010 (“Clearing Supervision Act”)<sup>1</sup> and Rule 19b-4(n)(1)(i)<sup>2</sup> of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”),<sup>3</sup> notice is hereby given that on May 19, 2026, The Options Clearing Corporation (“OCC” or “Corporation”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) an advance notice 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 advance notice from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Advance Notice

This advance notice is submitted by OCC in connection with a proposed change to its operations to establish a commercial paper program as part of its overall liquidity plan to meet OCC’s settlement obligations.

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<sup>1</sup> 12 U.S.C. 5465(e)(1).

<sup>2</sup> 17 CFR 240.19b-4(n)(1)(i).

<sup>3</sup> 15 U.S.C. 78a et seq.

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Advance Notice

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the advance notice and discussed any comments it received on the advance notice. The text of these statements may be examined at the places specified in Item IV below. OCC has prepared summaries, set forth in sections (A) and (B) below, of the most significant aspects of these statements.

(A) Clearing Agency’s Statement on Comments on the Advance Notice Received from Members, Participants or Others

The proposed change was approved for filing with the Commission by OCC’s Board of Directors (“Board”) on December 12, 2024. The proposal was presented to OCC’s non-Board-level risk management committee (“RMC”)<sup>4</sup> and OCC’s Financial Risk Advisory Council (“FRAC”)<sup>5</sup> on February 24, 2025, and April 30, 2025, respectively. No substantive feedback on the proposed change was received by the RMC or FRAC.

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<sup>4</sup> The RMC is a sub-advisory group of rotating FRAC participants that OCC consults with on all matters that could materially affect OCC’s risk profile. OCC established the RMC in compliance with Commodity Futures Trading Commission (“CFTC”) Regulations, which requires a derivatives clearing organization (“DCO”) to establish one or more risk management committees, comprised of a rotating membership of clearing member representatives and representatives of customers of clearing members, to consult with, and consider and respond to input from, on all matters that could materially affect the risk profile of the DCO, including any material changes to the DCO’s margin model, default procedures, participation requirements, and risk monitoring practices, as well as the clearing of new products that could materially affect the risk profile of the DCO. See 17 CFR 39.24(b)(11).

<sup>5</sup> The FRAC is a forum to discuss and seek feedback on proposed financial risk initiatives comprised of representatives from direct and indirect market participants, including clearing members, customers of clearing members, exchanges, and other relevant stakeholders. As such, the FRAC and RMC function as risk advisory working groups as required by CFTC Regulation. See 17 CFR 39.24(b)(12). Board consultation with the RMC and FRAC are also means by which OCC complies with Exchange Act Rule 17ad-25(j), which requires each clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to require the board of directors to solicit, consider, and document its consideration of the view of participants and other relevant stakeholders of the registered clearing agency regarding material developments in its risk management and operations on a recurring basis. 17 CFR 240.17ad-25(j). Materials submitted to the FRAC are included as Exhibits 3A and 3B [sic].

Proposed changes to OCC's Capital Management Policy were approved by OCC's stockholders on September 10, 2025. Written comments were not and are not intended to be solicited with respect to the proposed change and none have been received.

(B) Advance Notice Filed Pursuant to Section 806(e) of the Payment, Clearing, and Settlement Supervision Act

OCC is the sole clearing agency for standardized equity options listed on national securities exchanges registered with the Commission. In its role as a registered clearing agency, and as a derivatives clearing organization ("DCO") registered with the Commodity Futures Trading Commission ("CFTC"), OCC acts as a central counterparty ("CCP") that guarantees all contracts it clears. That is, OCC becomes the buyer to every seller and the seller to every buyer. In its role as guarantor, OCC is exposed to risks from a Clearing Member's failure to fulfill its obligations, including liquidity risk (i.e., the risks that OCC may need to meet the defaulting Clearing Member's settlement obligations during the period between the default and the conclusion of a liquidation of the defaulting Clearing Member's portfolio). In the event of a Clearing Member default, OCC would be obligated to fulfill that member's cleared transactions and meet settlement obligations in a timely manner.

OCC manages liquidity risk by maintaining an overall liquidity plan that includes a minimum amount of cash OCC requires each Clearing Member to deposit in the Clearing Fund ("Clearing Fund Cash Requirement")<sup>6</sup> and any excess cash a Clearing Member may choose to maintain up to its required Clearing Fund contribution.<sup>7</sup> In

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<sup>6</sup> See OCC Rule 1002.

<sup>7</sup> Clearing Members may choose to satisfy their Clearing Fund requirement with more than the minimum amount of cash or deposit Government securities. See OCC Rule 1002(a). Substitution of U.S. Government securities in place of excess cash is subject to a two-day notification period,

addition, OCC maintains access to a diverse set of committed funding sources for accessing additional liquidity on a same-day basis, including: (A) a syndicated bank credit facility, through which OCC may borrow cash by pledging the margin funds of the defaulting Clearing Member or Government securities borrowed from the Clearing Fund;<sup>8</sup> and (B) a non-bank liquidity facility program, through which OCC may use Government securities deposited by the defaulting Clearing Member or borrowed from the Clearing Fund to enter into repurchase transactions with institutional investment counterparties, such as insurance companies and pension funds, that do not increase the concentration of OCC's counterparty exposure to its participants<sup>9</sup> (together with the syndicated bank credit facility, the "committed facilities").<sup>10</sup> Together, the Clearing Fund Cash Requirement and committed facilities comprise OCC's "Base Liquidity Resources" under its LRMF—i.e, the amount of qualifying liquid resources<sup>11</sup> OCC maintains at all times to satisfy its regulatory obligation to maintain sufficient qualifying liquid resources

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which aligns with OCC's liquidation time horizon for managing a Clearing Member default. See OCC Rule 1002(a)(iv). Accordingly, OCC considers excess cash up to the Clearing Member's Clearing Fund requirement as part of its "Available Liquidity Resources" under its Liquidity Risk Management Framework. See Exchange Act Release No. 89014 (June 4, 2020), 85 FR 35446, 35447 (June 10, 2020) (SR-OCC-2020-003).

<sup>8</sup> See, e.g., Exchange Act Release No. 88971 (May 28, 2020), 85 FR 34257 (June 3, 2020) (SR-OCC-2020-804).

<sup>9</sup> See, e.g., Exchange Act Release Nos. 89039 (June 10, 2020), 85 FR 36444 (June 16, 2020) (SR-OCC-2020-803).

<sup>10</sup> OCC was provided a notice of no objection regarding establishing a repurchase agreement with a bank counterparty through which OCC may use Government securities deposited by the defaulting Clearing Member or borrowed from the Clearing Fund. See Exchange Act Release No. 103047 (May 21, 2025), 90 FR 21800 (May 21, 2025) (SR-OCC-2025-801).

<sup>11</sup> Regulations applicable to OCC define "qualifying liquid resources" to include, among other things, (i) cash held either at the central bank of issue or at creditworthy commercial banks; and (ii) assets that are readily available and convertible into cash through prearranged funding arrangements, such as committed arrangements without material adverse changes provisions, including lines of credit and repurchase agreements. See 17 CFR 240.17ad-22(a) ("Qualifying liquid resources").

to cover payment obligations arising from the default of the CMO Group that would generate the largest aggregate payment obligation in extreme but plausible market conditions (a “Cover 1” liquidity requirement).<sup>12</sup>

To further diversify its liquidity resources, OCC proposes to establish a program to raise prefunded liquidity through the private placement of unsecured debt (“Notes”) to institutional investors in an aggregate amount not to exceed \$1 billion (the “Commercial Paper Program”). OCC would engage an issuing and paying agent, as well as certain placement agent dealers, to develop a program to issue the Notes. The Notes would be issued to institutional investors through a private placement and offered in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933.<sup>13</sup> OCC would execute certain agreements required to establish the Commercial Paper Program, including an issuing and paying agent agreement, and a dealer agreement with each of the placement agent dealers.<sup>14</sup> The dealer agreements would each be based on the standard form of dealer agreement for commercial paper programs, which is published by the Securities Industry and Financial Markets Association. The material terms and conditions of the Commercial Paper Program are summarized further below. Proceeds

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<sup>12</sup> See 17 CFR 240.17ad-22(e)(7); 17 CFR 39.11(e).

<sup>13</sup> 15 U.S.C. 77d(a)(2).

<sup>14</sup> Pursuant to the existing TPRMF, as approved by the Commission, OCC’s Management Committee will determine whether these counterparties constitute service providers for core services within the meaning of Exchange Act Rule 17Ad-25, 17 CFR 240.17ad-25, during the onboarding stage and prior to entering into any agreement. If these counterparties are determined to be service providers for core services, then: (1) the Management Committee will evaluate and document the risks related to the agreement, including under changes to circumstances and potential disruptions, and assess whether the risks can be managed in a manner consistent with the TPRMF; and (2) the agreements establishing a relationship with these counterparties would be subject to Board approval. See Exchange Act Release No. 34-104099 (Sept. 26, 2025), 90 FR 47105 (Sept. 30, 2025) (SR-OCC-2025-015).

from the Commercial Paper Program would be held in an OCC account at the Federal Reserve Bank of Chicago (a “Federal Reserve Bank account”).

OCC believes the Commercial Paper Program would further diversify its liquidity sources by adding a cost-effective<sup>15</sup> means to source liquidity more efficiently than its current facilities in response to changing liquidity demands or changes in its counterparties’ commitments under the committed facilities. Specifically, once the program is established, OCC expects it will be able to issue new debt and receive proceeds on the same day. By comparison, sourcing additional commitments from liquidity providers through OCC’s existing committed facilities is a process that can take weeks or months. Currently, the only tool available to OCC to increase Base Liquidity Resources on an expedited basis is to increase the Clearing Fund Cash Requirement under OCC Rule 1002(a)(i)(A). The Commercial Paper Program would add another tool for quickly increasing liquidity resources in response to changing liquidity needs.

In addition, the Commercial Paper Program would benefit OCC by providing a prefunded source of liquidity that OCC would maintain in one of its Federal Reserve Bank accounts. Accordingly, using proceeds from the Commercial Paper Program would not require OCC to draw on a facility during a Clearing Member default to make same-day settlement. The absence of a facility draw mitigates the risk that a liquidity provider

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<sup>15</sup> OCC anticipates that the cost of sourcing liquidity through the Commercial Paper Program would be less than the cost of its existing syndicated bank credit facility and non-bank liquidity facility. OCC has provided an assessment of these costs in confidential Exhibit 3C [sic] to File No. SR-OCC-2026-801.

may be delayed in funding or fail to fund as required under the terms of OCC's committed facilities.<sup>16</sup>

### **Description of Change**

#### 1. **Material Terms of the Commercial Paper Program**

As discussed above, OCC's Board has authorized OCC to establish a Commercial Paper Program in an aggregate amount not to exceed \$1 billion. Initially, OCC anticipates replacing \$250 million of existing liquidity from its non-bank liquidity facility with Commercial Paper proceeds. Specifically, to further diversify OCC's liquidity resources, OCC plans to replace one of three commitments from a single liquidity provider that together comprise 42.5% of the commitments under the \$2 billion non-bank liquidity facility, and approximately 19% of OCC's \$4.5 billion in committed facilities. Any expansion of the Commercial Paper Program beyond the \$1 billion would require further approval from the Board. Any change to the program that would materially affect the nature or level of risk at OCC would also require further regulatory filings. OCC intends to structure the Commercial Paper Program such that maturities of the Notes are staggered to avoid concentration of maturing liabilities and the risk that a rollover issuance to replace expiring Notes does not fund. For example, replacing \$250 million of non-bank liquidity facility commitments may be achieved with two issues of \$250 million in Notes of 90-day duration, staggered by 45 days.

The Notes would be interest-bearing and would be book-entry notes evidenced by one or more master notes registered in the name of The Depository Trust Company ("DTC") or its nominee, in the form or forms annexed to OCC's agreement with the

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<sup>16</sup> OCC mitigates these risks under its committed facilities by executing committed arrangements without material adverse change provisions and conducting periodic test draws of its facilities.

issuing and paying agent. To minimize interest rate risk,<sup>17</sup> the Notes would have a maturity not to exceed 180 days. The Notes would not be redeemable by OCC prior to maturity, nor would they contain any provision for extension, renewal, automatic rollover or voluntary prepayment.

## 2. Amendments to Rules

In order to establish the Commercial Paper Program, OCC proposes to amend certain of its frameworks and policies that have been filed as rules with the Commission in order to (1) recognize the proceeds from the Commercial Paper Program as a qualifying liquid resource, (2) ensure that OCC maintains sufficient funds to repay the Notes as they expire by incorporating the Commercial Paper Program proceeds into how OCC sizes its Clearing Fund and providing that OCC may use the Clearing Fund to repay the Notes if Commercial Paper Program proceeds are used to cover losses or liquidity shortfalls in lieu of the Clearing Fund, (3) distinguish the Commercial Paper Program proceeds from other types of prefunded financial resources that OCC maintains, (4) address the role played by the placement dealers and the issuing and payment agent and how OCC monitors and manages its relationships with these supporting institutions, (5) allow for OCC to maintain the proceeds in one of its Federal Reserve Bank accounts, and (6) provide for the governance to use the proceeds in the event of a Clearing Member default.

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<sup>17</sup> In this context, interest rate risk is the risk of dislocation between the interest OCC pays on the Notes and the interest that OCC would earn by holding the cash proceeds in its Federal Reserve bank account. Such dislocation could increase OCC's costs for maintaining the Commercial Paper Program.

A. Qualifying Liquid Resources

OCC proposes to amend OCC's Rules and LRMF to recognize the proceeds from the Commercial Paper Program as a qualifying liquid resource under OCC's overall liquidity plan. Specifically, OCC would define the term "Commercial Paper Program" in Rule 101 as OCC's program to raise prefunded qualifying liquid resources through the private placement of unsecured debt to institutional investors up to an amount approved by the Board, proceeds of which OCC would use exclusively to: (i) repay maturing notes issued under the Commercial Paper Program or (ii) cover losses or liquidity shortfalls in those situations in which the Clearing Fund may be used under Rule 1006. This provision recognizes the Board's authority to set a cap on the total amount of Commercial Paper that OCC is authorized to issue. As discussed above, the Board has initially approved the Commercial Paper Program for up to \$1 billion, but OCC intends to begin issuing Notes in an amount less than the total authorized amount at the outset of the program.

OCC would amend the LRMF to add the cash proceeds from the Commercial Paper Program as one of the liquidity resources that may comprise OCC's Base Liquidity Resources. The LRMF would further provide that OCC may count such proceeds as Base Liquidity Resources up to an amount approved by OCC's Board. This provision would allow the Board to establish a cap on the amount of Commercial Paper Program proceeds that may be counted towards OCC's Base Liquidity Resources to account for the staggering of maturities and the potential risk that a rollover of expiring Notes may not fund, in which case OCC may need to pivot to other sources of liquidity. For example, if the Notes were staggered into two \$500 million tranches with 90-day

maturities staggered by 45 days, the Board may determine that up to \$500 million of the total \$1 billion may be counted towards Base Liquidity Resources. OCC anticipates that the Board would initially provide that Commercial Paper Program proceeds may not exceed 5% of Base Liquidity Resources. Any Commercial Paper Program proceeds beyond the amount authorized as Base Liquidity Resources would be considered excess liquidity. Such excess would mitigate the risk that a failed rollover of expiring Notes may otherwise cause OCC's qualifying liquid resources to drop below the Cover 1 liquidity requirement. The LRMF would provide that factors the Board may consider in setting the amount of Commercial Paper Program proceeds that may be counted towards Base Liquidity Resources include, but are not limited to, OCC's current or anticipated liquidity needs, the total size of the Commercial Paper Program that the Board has authorized, the staggering of maturity dates to address rollover risk, the availability of other liquidity resources, and the size of the Clearing Fund.

OCC would further amend the LRMF to address the Commercial Paper Program in the Framework's discussion of the tools available to OCC to increase its liquidity resources in response to changing business or market conditions. Currently, those tools include: (1) OCC's authority to temporarily increase the Clearing Fund Cash Requirement;<sup>18</sup> (2) the uncommitted accordion feature that OCC endeavors to maintain in its syndicated bank credit facility that potentially allows OCC to borrow additional funds from its existing or new bank syndicated liquidity providers based on the willingness and ability of the syndicate members to fund the additional borrowing request;<sup>19</sup> and (3) OCC

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<sup>18</sup> See OCC Rule 1002(a)(i)(A).

<sup>19</sup> Exchange Act Release No. 88971, supra note 11, 85 FR at 34258 n. 6 and accompanying text.

authority under OCC Rule 609 to issue an intraday margin call based on a Clearing Member's forecasted settlement demands, including for settlement demands arising under OCC's accord with the National Securities Clearing Corporation ("NSCC").<sup>20</sup> To this list of tools, OCC would add that the Board may authorize a Commercial Paper Program that allows OCC to obtain additional liquidity up to the amount approved by the Board. Similar to the accordion feature of the syndicated bank credit facility, OCC would note that its ability to secure additional proceeds up to that approved amount is subject to the ability of the dealers to place and the willingness of institutional investors to purchase any additional Notes. The LRMF currently notes that the process of obtaining additional liquidity through the accordion feature is expected to take a period of weeks. By comparison, OCC expects it can issue new debt and receive proceeds under the Commercial Paper Program on the same day.

OCC would also amend its RWD Plan to recognize the Commercial Paper Program proceeds as a tool to address liquidity shortfalls, similar to the Clearing Fund Cash Requirement and the facilities, among other tools. The RWD Plan would be further amended to include an overview of the Commercial Paper Program that summarizes: (i) the material terms of the program, as discussed above; (ii) the Rules governing how OCC considers the Commercial Paper Program proceeds when determining the minimum size of its Clearing Fund, how OCC may use the cash proceeds as a qualifying liquid resource in the same manner in the same scenarios in which OCC is authorized to use the Clearing Fund under OCC Rule 1006(a), and how OCC may utilize its Clearing Fund to recover

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<sup>20</sup> See Exchange Act Release No. 99735 (Mar. 14, 2024), 89 FR 19907 (Mar. 20, 2024) (SR-OCC-2023-007).

losses covered through the use of such proceeds, as discussed below; and (iii) the benefits of the Commercial Paper Program in terms of providing a prefunded qualifying liquid resource, as well as how OCC would manage rollover risk through the staggered issuance of Notes. OCC would also make certain conforming edits to the sections addressing OCC's management of risks including credit, custody and investment risks to reflect prior proposed rule changes concerning OCC's management of investment risk.<sup>21</sup> Specifically, OCC would revise the RWD Plan to reflect that under OCC Rule 1006(c) and (f), OCC may use the Clearing Fund to make good losses or liquidity shortfalls caused by the failure of an investment counterparty to perform any obligation to OCC when due with respect to the investment of Clearing Member cash margin (e.g., a counterparty in which OCC has invested margin cash through overnight reverse repurchase agreements).

#### B. Clearing Fund

In order to ensure that OCC maintains sufficient funds to repay the Notes as they expire, even if OCC uses the proceeds from the Commercial Paper Program to meet settlement demands in the event of a Clearing Member's default, OCC would amend Rule 1001(b) (Minimum Clearing Fund Size). Rule 1001(b) currently provides that the floor for the sizing of the Clearing Fund will be no less than 110% of the size of OCC's committed facilities plus the Clearing Fund Cash Requirement. OCC would amend Rule 1001(b) to add the proceeds from the Commercial Paper Program approved by the Board

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<sup>21</sup> See Exchange Act Release No. 94304 (Feb. 24, 2022), 87 FR 11776 (Mar. 2, 2022) (SR-OCC-2021-014) (approving amendments to OCC Rule 1006 to add "investment counterparties" with whom OCC has invested cash margin to the list of counterparties whose failure may occasion use of the Clearing Fund).

as Base Liquidity Resources to that list for purposes of calculating the minimum Clearing Fund size.<sup>22</sup> If OCC incurred a loss in a Clearing Member default, existing Rule 1006 authorizes OCC to charge such loss to the Clearing Fund. Accordingly, including the Commercial Paper Program proceeds authorized as Base Liquidity Resources when calculating the minimum Clearing Fund size helps ensure OCC maintains funds to cover such losses, like OCC does for its existing committed facilities. Because OCC plans to replace existing liquidity from its non-bank liquidity facility with Commercial Paper proceeds, the net effect on the calculation of the Minimum Clearing Fund Size would be zero. In any event, the Minimum Clearing Fund Size is not expected to determine the actual Clearing Fund size. Since the adoption of OCC’s current Clearing Fund methodology in 2018, the Clearing Fund size has never been driven by the Minimum Clearing Fund Size.<sup>23</sup>

In connection with this change to Rule 1001, OCC would also amend OCC Rule 101 to define the term “Base Liquidity Resources,” which is not a term currently used in the OCC Rules. The Liquidity Risk Management Framework currently defines that term as “[t]he amount of committed liquidity resources maintained at all times by OCC to

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<sup>22</sup> Separately, OCC also proposes to remove Interpretation and Policy (“I&P”) .01 to Rule 1001. That I&P provides that the provision of Rule 1001(a) that limits the Clearing Fund size from decreasing by more than five percent from the prior month will not take effect until one month following the adoption of Rule 1001. Rule 1001 took effect on September 1, 2018, following the SEC’s approval of that Rule. See Exchange Act Release No. 83735 (July 27, 2018), 83 FR 37855, 37856 n.6 (Aug. 2, 2018) (SR-OCC-2018-008). Accordingly, I&P .01 to Rule 1001 is no longer relevant and may be deleted.

<sup>23</sup> As of December 31, 2024, the Minimum Clearing Fund Size was \$15.95 billion. However, the actual Clearing Fund size as of that date was \$18.49 billion, driven by stress test scenarios (“Sizing Stress Tests”) in accordance with OCC Rule 1001(a). The Clearing Fund size may not decrease by more than 5% from the prior month. Accordingly, only a sustained reduction in shortfalls over an extended period would reduce OCC’s Clearing Fund to the Minimum Clearing Fund size.

meet its minimum Cover 1 liquidity resource requirements under the applicable regulations.” To better reflect the prefunded nature of the Commercial Paper Program proceeds, as well as the Clearing Fund Cash Requirement, OCC proposes to define that term in Rule 101 as the amount of qualifying liquid resources that OCC maintains at all times to meet its regulatory requirements. OCC would make the same change to the definition of the term “Base Liquidity Resources” in the LRMF and in the Executive Summary, as well as reference the definition in Rule 101. OCC would also amend the monthly Clearing Fund size computation and the associated definition for “Minimum Clearing Fund Size” in its Clearing Fund Methodology Policy to reflect the addition of Commercial Paper Program proceeds up to the amount approved by the Board as Base Liquidity Resources in the calculation of the minimum size of the Clearing Fund. Similar changes would also be applied to the articulation of that calculation in OCC’s CST Methodology Description and RWD Plan.

OCC also proposes to amend Rule 1006 (Purpose and Use of Clearing Fund) to ensure OCC’s authority to use the Clearing Fund to make good losses or expenses that it suffers or provide liquidity to OCC as a result of OCC’s use of the Commercial Paper Program proceeds for any of the purposes under Rule 1006. In connection with this change, OCC proposes to restate Rule 1006(a) (Conditions for Clearing Fund Use) for clarity. Specifically, OCC proposes to:

- Subdivide and renumber existing clauses (i) through (viii) into numbered paragraphs, consolidated and restated as addressed below.
- Consolidate under paragraphs (A) through (E) of proposed Rule 1006(a)(1) the conditions related to losses arising most directly from a Clearing Member default and OCC’s default management currently found in existing clauses (i), (ii), (iv), (v) and (vi) of Rule 1006(a), respectively. Current clause (vii), which covers any other required payments or performance by a Clearing Member, would be addressed at the outset of proposed Rule 1006(a)(1) by

noting that the Clearing Member performance obligations listed in that paragraph are without limitation.

- Consolidate the provisions related to a Clearing Fund borrowing currently found in the first and second sentences of current OCC Rule 1006(a) into OCC Rule 1006(a)(2).
- Renumber existing clause (iii)—related to Guaranty Substitution Payments—as proposed Rule 1006(a)(3). Proposed Rule 1006(a)(3) would be further amended to ensure parallel construction with the other paragraphs under Rule 1006(a) and to correct a typographical error.
- Renumber existing clause (viii)—related to the failure of any bank, securities or commodities clearing organization, or investment counterparty to perform its obligation to OCC when due—as proposed Rule 1006(a)(4). Proposed Rule 1006(a)(4) would be further amended to ensure parallel construction with the other paragraphs under Rule 1006(a), correct a grammatical error, and abbreviate a cross reference to another paragraph under Rule 1006.
- Include as Rule 1006(a)(5) the new authority related to use of the Clearing Fund with respect to the Commercial Paper Program.
- Remove unnecessary verbiage at the beginning of the last sentence of current Rule 1006(a), which would be renumbered as proposed Rule 1006(a)(6).
- Amend cross references in Rule 1006(h) to the current clauses under Rule 1006(a) to reflect the proposed paragraph structure.

### C. Prefunded Financial Resources

OCC proposes to further amend the Clearing Fund Methodology Policy to exclude Commercial Paper Program proceeds from the definition of “Pre-Funded Financial Resources,” as that term is used in that policy. The policy uses that term when measuring financial resources against stress test scenarios for purposes of monitoring the adequacy of OCC’s financial resources to satisfy its regulatory obligations to maintain financial resources sufficient to withstand a default by the two CMO Groups<sup>24</sup> to which it has the largest aggregate credit exposures in extreme but plausible market conditions (a “Cover 2” credit requirement).<sup>25</sup> That definition currently encompasses the margin of the

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<sup>24</sup> “CMO Group” refers to the legal entity that is the Clearing Member and any other affiliate entities that control, are controlled by, or under common control with the Clearing Member.

<sup>25</sup> See, e.g., 17 CFR 17ad-22(e)(4)(ii); 17 CFR 39.33(a)(1). OCC has not been designated a covered clearing agency that is systemically important in multiple jurisdictions or involved in activities that have a more complex profile. However, OCC has voluntarily opted to adopt a Cover 2 credit

defaulting Clearing Member and the Clearing Fund, less any deficits. The definition excludes certain resources, such as OCC’s assessment powers (i.e., Clearing Member resources that OCC can call upon, but are not pre-funded)<sup>26</sup> and OCC’s own resources that it has committed to cover default losses (i.e., “skin-in-the-game”),<sup>27</sup> which OCC does not use when sizing or monitoring the adequacy of its Clearing Fund. While the Commercial Paper Program proceeds would be prefunded and maintained in a Federal Reserve Bank account, OCC would rely on the Clearing Fund to cover any loss associated with the use of those proceeds. Accordingly, since the Clearing Fund is already included in the definition, OCC proposes to exclude the Commercial Paper Program proceeds from its definition of Pre-Funded Financial Resources (which as noted above relates to OCC’s Cover 2 monitoring).

OCC also proposes to amend its Capital Management Policy to distinguish the Commercial Paper Program proceeds from OCC’s liquid net assets funded by equity (“LNAFBE”).<sup>28</sup> The Capital Management Policy requires OCC to monitor OCC’s LNAFBE for purposes of ensuring that OCC maintains sufficient funds to cover potential general business losses so that OCC can continue operations and services as a going concern if those losses materialize. However, the proceeds of the Commercial Paper

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requirement as a covered clearing agency and a DCO that has elected to become a subpart C DCO. See Exchange Act Release No. 83406 (June 11, 2018), 83 FR 28018, 28021 (June 15, 2018) (SR-OCC-2018-008).

<sup>26</sup> See OCC Rule 1006(h).

<sup>27</sup> See, e.g., Exchange Act Release No. 92038 (May 27, 2021), 86 FR 29861 (June 3, 2021) (SR-OCC-2021-003) (approving changes to establish a persistent minimum amount of skin-in-the-game).

<sup>28</sup> Currently, the Capital Management Policy defines LNAFBE as the level of cash and cash equivalents, no greater than Equity, less any approved adjustments (e.g., agency-related liabilities such as Section 31 fees held by OCC and the Minimum Corporate Contribution).

Program would be used exclusively to address liquidity shortfalls arising from a Clearing Member default or other situation in which OCC may borrow or otherwise obtain funds using its Clearing Fund under OCC Rule 1006 and would not be used as working capital or to cover general business losses. Accordingly, OCC would exclude the cash proceeds of the Commercial Paper Program from the Capital Management Policy's definition of LNAFBE. This exclusion is consistent with the current exclusion of the Minimum Corporate Contribution, which is OCC cash maintained exclusively as skin-in-the-game to cover default losses or liquidity shortfalls.

D. Supporting Institutions

OCC also proposes to make certain other changes to its LRMF and TPRMF to clarify and distinguish its relationship with the dealers, agents and Noteholders under OCC's Commercial Paper Program from its existing relationship with liquidity providers under OCC's committed facilities. Specifically, those frameworks currently address OCC's exposure to liquidity providers in terms of the risk that those institutions would fail to perform their obligations to fund a draw under the contractual terms of their committed agreements with OCC. However, these risks would not be present under the Commercial Paper Program because the Commercial Paper Program proceeds would be prefunded and maintained by OCC in its Federal Reserve account, available to address losses or liquidity shortfalls without the need to draw on a committed arrangement. Accordingly, OCC would amend the LRMF and TPRMF to clarify that existing references to "liquidity providers" for purposes of monitoring and managing third-party risk are limited to the liquidity providers under OCC's committed facilities, not the dealers, agents or Noteholders under OCC's Commercial Paper Program. Specifically,

OCC proposes to amend the LRMF and TPRMF to clarify that the definition of “liquidity provider” and existing provisions about the on-boarding, ongoing monitoring and off-boarding of liquidity providers, as that term is used therein or proposed to be defined, are limited to liquidity providers under OCC’s committed facilities (i.e., counterparties providing liquidity to OCC under a committed line of credit or committed repurchase agreement), as is OCC’s current practice. Such provisions would not extend to the Commercial Paper dealers, agent or Noteholders.

Instead, OCC proposes to add a separate section to the LRMF that would describe OCC’s relationship with those institutions supporting OCC’s Commercial Paper Program. That section would note that OCC maintains relationships with placement dealers and an issuing and paying agent to support the Commercial Paper Program, and that the dealers’ role is to effect the private placement of the Notes to the noteholders, while the issuing and paying agent acts as OCC’s agent in connection with the issuance and payment of principal and interest on the Notes. The LRMF would further note that unlike OCC’s relationship with liquidity providers under OCC’s committed facilities, OCC is not reliant on the dealers or agent to execute a draw to meet same-day settlement obligations, as discussed above. In addition, the LRMF would provide that OCC would monitor and manage its relationship with the dealers and issuing and paying agent as “Financial Institutions” under the TPRMF, as that term is defined therein.

OCC would also amend the TPRMF to address how OCC monitors and manages its relationship with the dealers and issuing and paying agent. Specifically, OCC would amend the TPRMF to include the dealers and agent, and the role they play in supporting OCC’s Commercial Paper Program, within the scope of Financial Institutions, which

currently includes OCC's relationships with Clearing Banks, custodians, liquidity providers and investment counterparties. As such, the on-boarding and ongoing monitoring of such relationships would be subject to existing governance through OCC's Credit and Liquidity Risk Working Group ("CLRWG"), a cross-functional group comprised of representatives from relevant OCC business units including Treasury, Stress Testing and Liquidity, Collateral and Third-Party Risk Management. OCC believes that CLRWG is the appropriate internal working group for reviewing these relationships given its existing role in managing OCC's liquidity risks, resources and relationships.

E. Federal Reserve Account

OCC also proposes to amend its Rules and the Cash and Investment Management Policy to allow for the Commercial Paper Program proceeds to be held in one of its Federal Reserve Bank accounts. As part of OCC's designation as a systemically important financial market utility ("SIFMU") by the Financial Stability Oversight Council ("FSOC") on July 18, 2012, OCC is eligible pursuant to Section 806 of Title VIII of the Dodd-Frank Act to request the use of certain accounts and services of Federal Reserve Banks.<sup>29</sup> OCC has been approved by the Board of Governors of the Federal Reserve System to maintain a Federal Reserve Bank account to hold, among other things, cash deposits from its Clearing Members to satisfy margin, Clearing Fund requirements, and OCC's corporate funds.<sup>30</sup> However, OCC Rule 1002 and OCC Rule 604B impose

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<sup>29</sup> 12 U.S.C. 5465.

<sup>30</sup> See Federal Reserve Bank of Chicago authorization to provide accounts and services to Options Clearing Corporation and Chicago Mercantile Exchange, Inc., in accordance with the Dodd-Frank Act and Regulation HH, approved March 15, 2016 (<https://www.federalreserve.gov/releases/h2/20160319/h2.pdf>). OCC has also been approved to maintain two additional accounts to serve as customer segregated accounts as defined under

certain restrictions on the manner in which OCC must hold Clearing Fund contributions and margin assets.<sup>31</sup> Consistent with these requirements, OCC’s Federal Reserve Bank account in which it would maintain the Commercial Paper Program proceeds currently is limited to Clearing Fund contributions and certain non-customer cash margin assets.<sup>32</sup>

To safeguard the prefunded cash proceeds from the Commercial Paper Program, OCC proposes to amend I&P .04 to OCC Rule 1002 and OCC Rule 604B(c)(2) to allow OCC to maintain the Commercial Paper Program proceeds in the same Federal Reserve Bank account as the Clearing Fund cash and non-customer cash margin. Like the cash Clearing Fund contributions, the Commercial Paper Program proceeds are funds that OCC would use exclusively to manage a Clearing Member default or other event for which OCC is authorized to use Clearing Fund deposits under OCC Rule 1006. In addition, OCC believes that the ability to hold the Commercial Paper Program proceeds in its Federal Reserve bank account would be consistent with Commission rules for covered clearing agencies that encourage the use of central bank services to conduct money settlements,<sup>33</sup> custody qualifying liquid resources,<sup>34</sup> and enhance management of liquidity risk.<sup>35</sup> Accordingly, OCC believes holding these funds together with the

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Section 4d of the Commodity Exchange Act. Since these accounts are segregated margin accounts, the change discussed herein does not impact these accounts.

<sup>31</sup> See OCC Rule 604B(c) (providing authority to commingle funds held by the Corporation as non-customer margin assets in a Federal Reserve bank account with cash Clearing Fund contributions); OCC Rule 1002, I&P .04 (providing authority to commingle cash Clearing Fund contributions in a Federal Reserve bank account with non-customer margin assets).

<sup>32</sup> See Exchange Act Release No. 90100 (Oct. 6, 2020), 85 FR 64603 (Oct. 13, 2020) (SR-OCC-2020-010) (approving proposed rule changes to allow OCC to commingle certain non-customer margin assets with Clearing Fund contributions in OCC’s Federal Reserve bank account).

<sup>33</sup> 17 CFR 240.17ad-22(e)(9).

<sup>34</sup> 17 CFR 240.17ad-22(a) (“Qualifying liquid resources”).

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

Clearing Fund cash in a Federal Reserve Bank account is both prudent and supported by applicable regulatory requirements. OCC intends to establish a subaccount under its master Federal Reserve Bank account to segregate the Commercial Paper Program proceeds from other funds maintained in the master account.

In connection with the above changes to OCC's Rules, OCC would also amend its Cash and Investment Management Policy. Specifically, OCC would update that policy to recognize the Commercial Paper Program proceeds would be a form of OCC cash, as opposed to Clearing Member cash. As defined in the Cash and Investment Management Policy, OCC's cash includes, among other things, working capital cash related to future operating costs, inclusive of financial resources held to meet liquidity and resiliency requirements. In contrast, Clearing Member cash is cash received from and held by OCC on behalf of its Clearing Members, including Clearing Fund cash, margin cash, cash held in liquidating settlement accounts, proceeds from OCC's liquidity facilities, and investments made with Clearing Member cash. Since the Commercial Paper Program proceeds are obtained through OCC's issuance of unsecured debt, such proceeds are a form of OCC cash. However, unlike other OCC cash, which OCC maintains at creditworthy commercial banks and may invest in Government securities through reverse repurchase agreements with investment counterparties, the policy would provide that the Commercial Paper Program proceeds would be held exclusively at a Federal Reserve Bank and would not be invested. The policy would further provide that interest earned on Commercial Paper Program proceeds held at a Federal Reserve Bank will accrue to the benefit of OCC. Such accrued interest would help to partially offset OCC's costs to issue the interest-bearing Notes.

F. Default Management

OCC also proposes to amend its Default Management Policy to provide for the governance process for using Commercial Paper Program proceeds in the event of a Clearing Member suspension, settlement bank failure, or other situation in which OCC may need to draw upon its Clearing Fund to cover losses or liquidity shortfalls. In such events, the policy provides that the Chairman, Chief Executive Officer (“CEO”) or Chief Operating Officer (“COO”) have authority under OCC Rule 1006 to authorize OCC’s Treasury office within its Finance Department to draw on OCC’s committed liquidity facilities or borrow cash deposits maintained in the Clearing Fund as necessary. In actuality, OCC Rule 1006(f)(2)(A)(iii) currently provides that OCC may use funds it takes possession of under Rule 1006(f) to borrow or otherwise obtain funds through any means determined to be reasonable at the discretion of the Chairman, CEO or COO. OCC’s Office of the Chief Executive Officer (“OCEO”), currently comprised of the CEO and COO, has already determined that drawing on an existing committed liquidity facility or borrowing Clearing Fund cash deposits are reasonable means to borrow or otherwise obtain funds under Rule 1006 in such events. The Default Management Policy would be amended to note this determination, in place of the current statement about what OCC Rule 1006 authorizes.

With respect to approving a particular borrowing or draw, OCC would further amend the Default Management Policy to provide that the OCEO, OCC’s Chief Financial Risk Officer (“CFRO”), Chief Risk Officer (“CRO”), or their delegates may authorize OCC’s Treasury, a business unit within the Finance Department, to initiate a draw from OCC’s committed facilities or borrow cash deposits maintained in the Clearing Fund to

meet settlement obligations. OCC believes that expanding the universe of the senior managers or their delegates who are authorized to approve such measures is prudent to mitigate the operational risk that one or more of those individuals would not be available to approve such a time-sensitive request. If those individuals were unavailable to approve the request, OCC may not be able to obtain the funds in a timely enough manner and may need to extend settlement obligations under OCC Rule 505. In addition, OCC would amend the Default Management policy to provide that the same individuals would have the authority to approve the use of Commercial Paper Program proceeds in such situations. The Default Management Policy would further provide that any other means of borrowing or otherwise obtaining funds requires approval from the Chairman, CEO or COO, consistent with the determination required under OCC Rule 1006(f).

(1) *Administrative Changes*

OCC also proposes to make certain non-substantive changes and corrections to its rules for clarity, including:

- OCC would add titles (i.e., “Clearing Fund Cash Requirement,” “Commercial Paper Program” and “Committed Facilities”) to the descriptions in a list of qualifying liquid resources that count as Base Liquidity Resources in the LRMF.
- OCC would correct a cross-reference to the definition of the term “qualifying liquid resources” in the LRMF to conform with amendments to the Covered Clearing Agency Standards that removed the numbering of definitions under Exchange Act Rule 240.17Ad-22(a).<sup>36</sup>
- Where the LRMF, TPRMF or Cash and Investment Management Policy define terms at an earlier point in the document, OCC would carry those defined terms through the remainder of the document, as appropriate.
- Consistent with respect to other policies and frameworks,<sup>37</sup> OCC would remove the version number from the Cash and Investment Management

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<sup>36</sup> See Exchange Act Release No. 99149 (Dec. 13, 2023), 89 FR 2714, 2829 (S7-23-22).

<sup>37</sup> See Exchange Act Release No. 93436 (Oct. 27, 2021), 86 FR 60499, 60501 (Nov. 2, 2021) (SR-OCC-2021-010)

Policy. Such version numbers do not constitute a rule and are instead reflected in an internal system of record that OCC uses to manage its policy governance.

### **Anticipated Effect on and Management of Risk**

As a covered clearing agency and DCO, OCC's ability to meet settlement demands in the event of a Clearing Member default, or the failure of another participant to meet its obligations to OCC, is critical to the markets that OCC serves. OCC believes that the overall effect of the Commercial Paper Program on the risk profile at OCC would be to reduce liquidity risk associated with OCC's function as a covered clearing agency and DCO by providing it with an additional liquidity resource to meet same-day settlement demands in the event of a Clearing Member default or other scenario in which OCC may access its Clearing Fund under OCC Rule 1006. In addition, the Commercial Paper Program has a mix of benefits when compared with OCC's other liquidity resources. Like the Clearing Fund Cash Requirement, the Commercial Paper Program would be a prefunded source of liquidity, thus avoiding the operational risk of drawing on a committed facility when necessary to meet same-day settlement obligations. Also like the Clearing Fund Cash Requirement, OCC expects that the Commercial Paper Program would allow OCC to source new liquidity quickly and efficiently. However, unlike calling for additional cash from Clearing Members by increasing the Clearing Fund Cash Requirement, the Commercial Paper Program would not impose opportunity costs<sup>38</sup> on its Clearing Members. In addition, like OCC's non-bank liquidity facility, the Commercial Paper Program would not increase the concentration of OCC's credit risk to

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<sup>38</sup> In this context, "opportunity costs" refers to Clearing Members' loss of potential gain when required to deposit cash with OCC rather than deploying their capital in some other way.

its participants. That is, by maintaining Commercial Paper Program proceeds as prefunded financial resources at a Federal Reserve Bank, OCC's liquidity sources would rely less on committed funding arrangements from financial institutions to which OCC faces credit risk through other relationships, including as Clearing Members, settlement banks, custodians or investment counterparties. As such, OCC believes that the addition of the Commercial Paper Program would strengthen OCC's liquidity risk management as part of a diverse set of liquidity sources.

The Commercial Paper Program, like any liquidity resource, would involve certain risks, most of which are standard in any commercial paper program. OCC has structured the proposed Commercial Paper Program to address: (1) repayment risk, (2) rollover risk, (3) interest rate risk, and (4) custody risk.

(1) *Repayment Risk*

In this context, repayment risk is the risk that OCC would not have access to sufficient financial resources to repay the face value of the issued Notes upon maturity. OCC believes that this risk is extremely remote because the proceeds of the Commercial Paper Program would be used only in the event of a Clearing Member default or other scenario in which the Clearing Fund may be charged under OCC Rule 1006. In the event of a Clearing Member default, OCC would replace the cash, as it would for any liquidity resource it utilized, with eligible proceeds from the liquidation of the defaulting Clearing Member's portfolio. OCC proposes to structure the Commercial Paper Program to mitigate repayment risk by providing authority under its Rules to charge or borrow from the Clearing Fund to obtain resources to pay the Notes upon maturity if OCC used the Commercial Paper Program proceeds to meet settlement demands. In addition, OCC

proposes to amend its rules to include the Commercial Paper Program proceeds when calculating the minimum size of the Clearing Fund. Furthermore, as discussed above, the staggering of maturities would eliminate the risk that the Notes become due at one time. OCC believes that these measures ensure that OCC will have access to financial resources to repay the Commercial Paper Proceeds upon the maturity of the Notes.

(2) *Rollover Risk*

At the maturity of any Note, OCC would look to fund a new Note, i.e., “rollover” the Note. Rollover risk is the risk that a rollover of expiring Notes may not fund, leaving OCC without the liquidity provided by those Notes upon their expiration. As discussed above, OCC proposes to structure the Commercial Paper Program to manage rollover risk by staggering the maturities of the Notes it issues, thereby reducing a concentration in expiring Notes. The proposed rules would also allow the Board to cap the amount of Commercial Paper Program proceeds that could be counted towards OCC’s Base Liquidity Resources. Such a cap would further mitigate the risk that a failure to rollover expiring Notes would reduce OCC’s qualifying liquid resources below its Cover 1 liquidity requirement. In addition, OCC would mitigate this risk by maintaining a diverse set of other liquidity sources, including the Clearing Fund Cash Requirement and the committed facilities, thereby reducing the risk that OCC would be dependent on any one liquidity source.

(3) *Interest Rate Risk*

Interest rate risk is the risk that the interest rate that OCC would pay on the interest-bearing Notes may become dislocated from the interest rate that OCC earns by holding the Commercial Paper Program proceeds at the Federal Reserve. Such

dislocation could increase OCC's costs for maintaining the Commercial Paper Program. OCC proposes to address such interest rate risk by limiting the duration of the Notes it issues to no more than 180 days. OCC's current plan is to begin issuing Notes with maturities of 90 days. Based on an analysis of 90-day commercial paper rates compared to the Interest Rate on Reserve Balances ("IORB") and the Interest Rate on Required Reserves ("IORR") over the last fifteen years, OCC believes that the impact of issuing the Notes on OCC's own financials would be minimal.<sup>39</sup>

(4) *Custody Risk*

In this context, custody risk is the risk associated with safeguarding OCC's qualifying liquid resources and ensuring that OCC has prompt access to those resources to satisfy settlement demands on a same-day basis if needed. OCC proposes to structure the Commercial Paper Program to mitigate such custody risk by holding the Commercial Paper Program proceeds in one of its Federal Reserve Bank accounts. As part of the U.S. central banking system, the Federal Reserve Bank of Chicago, where OCC maintains its accounts, is among the safest and most sound depository institutions in the world. Accordingly, OCC believes that maintaining the Commercial Paper Program proceeds in its Federal Reserve bank account along with other qualifying liquid resources would appropriately safeguard those assets and minimize the risk of OCC's loss or delay in access to them. In addition, OCC would maintain the proceeds in cash and would not invest the proceeds in Government securities through overnight reverse-repurchase agreements, as it periodically invests its working capital and other permitted cash.

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<sup>39</sup> See Exhibit 3C [sic] to File No. SR-OCC-2026-801, *supra* note 18 (presenting OCC's analysis).

Holding the proceeds in cash helps ensure that they will be available to meet settlement demands on a same-day basis, if needed.

### **Consistency with the Clearing Supervision Act**

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 SIFMUs and strengthening the liquidity of SIFMUs.<sup>40</sup> Section 805(a)(2) of the Clearing Supervision Act<sup>41</sup> also authorizes the Commission to prescribe risk management standards for the payment, clearing and settlement activities of designated clearing entities, like OCC, for which the Commission is the supervisory agency. Section 805(b) of the Clearing Supervision Act<sup>42</sup> states that the objectives and principles for 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 in furtherance of these objectives and principles.<sup>43</sup> Specifically, Rule 17ad-22(e) requires covered clearing agencies, like OCC, to establish, implement, maintain, and enforce written policies and procedures that are reasonably designed to meet certain minimum requirements for their

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<sup>40</sup> 12 U.S.C. 5461(b).

<sup>41</sup> 12 U.S.C. 5464(a)(2).

<sup>42</sup> 12 U.S.C. 5464(b).

<sup>43</sup> See 17 CFR 240.17ad-22.

operations and risk management practices on an ongoing basis.<sup>44</sup> Therefore, the Commission has stated<sup>45</sup> that it believes it is appropriate to review changes proposed in advance notices against Rule 17Ad-22<sup>46</sup> and the objectives and principles of these risk management standards as described in Section 805(b) of the Clearing Supervision Act.<sup>47</sup>

OCC believes that the proposed changes are consistent with Section 805(b) of the Clearing Supervision Act<sup>48</sup> because the Commercial Paper Program would provide OCC with access to an additional source of prefunded qualifying liquid resources within its risk management toolbox to manage financial obligations more efficiently and effectively. As described above, the Commercial Paper Program would be structured to mitigate the risks that arise in connection with commercial paper programs, including repayment risk, rollover risk, interest rate risk, and custody risk, thereby promoting robust risk management consistent with Section 805(b)(1).<sup>49</sup> For example, OCC would mitigate custody risk by safekeeping the Commercial Paper Proceeds in its Federal Reserve Bank account, thereby promoting safety and soundness consistent with Section 805(b)(2).<sup>50</sup> In addition, the proceeds of the Commercial Paper Program would be available for OCC to meet settlement obligations in the event of a Clearing Member default, or such other scenarios in which OCC is permitted to use its Clearing Fund under

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

<sup>45</sup> See, e.g., Exchange Act Release No. 99731 (Mar. 13, 2024), 89 FR 19629, 19632-33 (Mar. 10, 2024) (SR-OCC-2023-801).

<sup>46</sup> 17 CFR 240.17ad-22.

<sup>47</sup> 12 U.S.C. 5464(b).

<sup>48</sup> 12 U.S.C. 5464(b).

<sup>49</sup> 12 U.S.C. 5464(b)(1).

<sup>50</sup> 12 U.S.C. 5464(b)(2).

OCC Rule 1006. Maintaining access to sufficient qualifying liquid resources mitigates the risk that OCC would exercise its authority to extend settlement obligations, which could have downstream impacts on its participants and the markets OCC serves, including the potential impact OCC’s failure to make settlement could have on the ability of other market participants to meet their own financial obligations. As FSOC concluded when it designated OCC as a SIFMU under Title VIII of the Dodd-Frank Act,<sup>51</sup> “a failure of or a disruption to OCC could increase the risk of significant liquidity or credit problems spreading among financial institutions or markets and thereby threaten the stability of the financial system of the United States.”<sup>52</sup> OCC believes that by helping ensure that OCC has sufficient qualifying liquid resources to meet its liquidity demands, the proposed changes are consistent with paragraphs (3) and (4) of Section 805(b)<sup>53</sup> by mitigating systemic risk that could threaten the stability of the broader financial system. In these ways, the proposed changes are designed to promote robust risk management, promote safety and soundness, reduce systemic risks, and support the stability of the broader financial system.

Exchange Act Rule 17Ad-22(e)(7)(i) requires that OCC establish, implement, maintain and enforce written policies and procedures reasonably designed to maintain sufficient liquid resources at the minimum in all relevant currencies to effect same-day 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

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<sup>51</sup> 12 U.S.C. 5463.

<sup>52</sup> FSOC Annual Report (2012), Appendix A at 187, [available at https://home.treasury.gov/system/files/261/2012-Appendix-A-Designation-of-Systemically-Important-Market-Utilities.pdf](https://home.treasury.gov/system/files/261/2012-Appendix-A-Designation-of-Systemically-Important-Market-Utilities.pdf).

<sup>53</sup> 12 U.S.C. 5464(b)(3)-(4).

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>54</sup> As described above, the proposed change would allow OCC to establish its Commercial Paper Program, which would in turn help provide OCC with a prefunded qualifying liquid resource that would enable it to continue to meet its obligations in a timely manner and address OCC’s liquidity demands under stressed or volatile market conditions. Accordingly, OCC believes that the proposed changes are consistent with Exchange Act Rule 17Ad-22(e)(7)(i).<sup>55</sup>

Exchange Act Rule 17Ad-22(e)(7)<sup>56</sup> also promotes the use of central bank services by a covered clearing agency to conduct money settlements. Specifically, Exchange Act Rule 17Ad-22(e)(7)(ii) requires OCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to hold qualifying liquid resources sufficient to satisfy its Cover 1 liquidity requirement in the currency for which OCC has payment obligations owed to Clearing Members.<sup>57</sup> Exchange Act Rule 17Ad-22(a) defines “qualifying liquid resources” to include, among other things, cash held at the central bank of issue.<sup>58</sup> In addition, Exchange Act Rule 17Ad-22(e)(7)(iii) requires OCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to use its access to accounts and services at a Federal Reserve Bank when available and where determined to be practical by OCC’s Board to enhance its

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<sup>54</sup> 17 CFR 240.17ad-22(e)(7)(i).

<sup>55</sup> Id.

<sup>56</sup> 17 CFR 240.17ad-22(e)(7).

<sup>57</sup> 17 CFR 240.17ad-22(e)(7)(ii).

<sup>58</sup> 17 CFR 240.17ad-22(a) (“Qualifying liquid resources”).

management of liquidity risk.<sup>59</sup> OCC proposes to maintain the proceeds of the Commercial Paper Program in U.S. dollars, the currency in which OCC conducts its settlements, held in a Federal Reserve Bank account along with other qualifying liquid resources. Accordingly, OCC believes that the proposal is consistent with Exchange Act Rules 17Ad-22(e)(7)(ii) and (iii).<sup>60</sup>

Exchange Act Rule 17Ad-22(e)(16) requires OCC to establish, implement, maintain, and enforce written policies and procedures reasonably designed to safeguard its own and its participants' assets, minimize the risk of loss and delay in access to these assets, and invest such assets in instruments with minimal credit, market, and liquidity risks.<sup>61</sup> In adopting Exchange Rule 17Ad-22(e)(16),<sup>62</sup> the Commission stated that in satisfying the requirements a covered clearing agency should consider, among other things: (i) whether it holds its own and its participants' assets at supervised and regulated entities that have robust accounting practices, safekeeping procedures, and internal controls that fully protect these assets; (ii) whether it has prompt access to its assets and the assets provided by participants, when required; and (iii) whether it evaluates and understands its exposures to its custodian banks, taking into account the full scope of its relationships with each.<sup>63</sup> As discussed above, OCC believes that the proposed changes are consistent with these considerations by requiring OCC to hold the Commercial Paper Program proceeds as qualifying liquid resources in one of its Federal Reserve Bank

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<sup>59</sup> 17 CFR 240.17ad-22(e)(7)(iii).

<sup>60</sup> 17 CFR 240.17ad-22(e)(7)(ii), (iii).

<sup>61</sup> 17 CFR 240.17ad-22(e)(16).

<sup>62</sup> Id.

<sup>63</sup> See Exchange Act Release No. 34-78961, 81 FR at 70786 at 70837 (Oct. 13, 2016).

accounts, thereby mitigating the custody risk of maintaining such assets.

For the foregoing reasons, OCC believes that the proposed changes are consistent with Section 805(b)(1) of the Clearing Supervision Act<sup>64</sup> and Rules 17Ad-22(e)(7) and (e)(16) under the Exchange Act.<sup>65</sup>

### III. Date of Effectiveness of the Advance Notice and Timing for Commission Action

The proposed change may be implemented if the Commission does not object to the proposed change within 60 days of the later of (i) the date that the proposed change was filed with the Commission or (ii) the date that any additional information requested by the Commission is received. The clearing agency shall not implement the proposed change if the Commission has any objection to the proposed change.

The Commission may extend period for review by an additional 60 days if the proposed change raises novel or complex issues, subject to the Commission or the Board of Governors of the Federal Reserve System providing the clearing agency with prompt written notice of the extension. A proposed change may be implemented in less than 60 days from the date the advance notice is filed, or the date further information requested by the Commission is received, if the Commission notifies the clearing agency in writing that it does not object to the proposed change and authorizes the clearing agency to implement the proposed change on an earlier date, subject to any conditions imposed by the Commission. The clearing agency shall post notice on its website of proposed changes that are implemented.

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<sup>64</sup> 12 U.S.C. 5464(b)(1).

<sup>65</sup> 17 CFR 240.17ad-22(e)(7), (16).

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 advance notice 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-regulations/self-regulatory-organization-rulemaking>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-OCC-2026-801 on the subject line.

Paper Comments:

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

All submissions should refer to file number SR-OCC-2026-801. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method of submission. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking>). Copies of this 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-2026-801 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.<sup>66</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>66</sup> 17 CFR 200.30-3(a)(12).