**EXHIBIT 5B**

**Proposed Changes to OCC's Extended Trading Hours Set-Up and Monitoring Procedure**

Underlined text indicates new text

~~Strikethrough~~ text indicates deleted text

# Extended Trading Hours Set-Up and Monitoring Procedure

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| ~~**Procedure Owner:**~~ | ~~Director, Market Risk~~ |
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## PURPOSE

This procedure describes the following activities related to OCC support for products traded on OCC exchanges during E~~e~~xtended T~~t~~rading H~~h~~ours ("ETH", see definition below):

- Set-up activities and responsibilities associated with accounts that are approved to clear products during ETH.
- Monitoring of trade activity during ETH along with escalation of any ETH trade activity for accounts that are not approved for ETH.
- Monitoring of credit risk during ETH and the escalation of any accounts that develop credit risk in excess of established thresholds due to ETH trade activity.
- Periodic testing of ETH Escalation to both OCC and ETH participant exchange management.

OCC ~~will~~ conducts monitoring of activity in ETH eligible products outside of Regular Trading Hours (RTH). This includes both overnight sessions (beginning at ~~available for ETH trading during the hours when OCC is unable to conduct cash settlement, generally~~ 5:00 PM CT) and early morning session prior to the start of regular trading hours ~~until 7 AM CT the following day~~. During these~~is~~ periods, OCC ~~will~~ monitors for trades executed during extended trading sessions in non-ETH eligible accounts and ~~. During this period OCC will~~ performs ETH credit risk monitoring of all accounts as described within this procedure.

## APPLICABILITY AND SCOPE

Member Services ("MS") is responsible for the set-up activities for ETH approved Clearing Member accounts.

~~Market Operations ("MO")~~Core Clearing and Market Ops are~~is~~ responsible for the monitoring of trade activity during ETH and escalation of any trade activity for non-approved accounts. MS has a role in the escalation and resolution of trade activity for non-approved accounts.

~~MO~~ Core Clearing is responsible for the monitoring of credit risk during ETH and escalation of any accounts whose credit risk exceeds predetermined thresholds.

Market Risk ~~and Default Management~~ ("MR~~DM~~") is responsible for review and approval of Clearing Members applying to clear products available for trading during ETH, and for additional analysis of credit risk exceedances during ETH~~ while MS provides a supporting role~~.

**PROCEDURE CONTENT**

### Approval and Set-Up of ETH Accounts

New or existing Clearing Members who ~~wish~~ apply to clear products available for trading during ETH must meet two baseline requirements and receive approval from an Executive Director or above of FRM. ~~Once these requirements are met, they are automatically approved for ETH.~~

1. The Clearing Member must provide operational and risk contacts available to be contacted by OCC staff during ETH.

~~1.~~2. The Clearing Member must choose a proprietary account to carry an ETH Margin Adjustment, which will be equal to the lesser of $10 million or 10% of the Clearing Member's net capital.

   a. If the Clearing Member is not approved for firm options/futures/options on futures activity, they may select a customer account. A segregated futures customers' account may only be selected if the Clearing Member is not approved for options.

MS is responsible for collecting the ETH contact information which will include the designated contact name(s), phone number(s), and email address(es). ~~Such information will be maintained within the Contact Facility section within MyOCC.~~

MS is responsible for identifying the account to be charged the ETH Margin.

After the contacts and account type have been identified, MS ~~will~~ notif~~y~~ies ~~FRM~~Market Risk by emailing MarketRisk@theocc.com with the Clearing Member's contacts and account type ~~at least one week in advance and receive FRM's acknowledgement of receipt prior to updating eligibility for the firm [~~. Market Risk assesses the Clearing Member's suitability for ETH participation by evaluating: (1) the Clearing Member's financial condition; (2) the Clearing Member's operational readiness; and (3) the Clearing Member's risk profile. Based on this assessment, Market Risk presents a recommendation to an Executive Director or above of FRM. The Executive Director approves or denies the Clearing Member's ETH participation. The determination is documented via email. Market Risk communicates the decision to the Clearing Member [**MS 3.0**].

Following ~~notification~~approval: MS ~~will~~ updates eligibility as outlined in the Account Maintenance Procedure and the CMO Maintenance Job Aid.

~~1.~~ Maintenance must be performed one business day before ETH trading can begin to allow for OCC's nightly process to run and calculate the margin add-on necessary.

Once complete, MS will send an email to memberupdate@theocc.com indicating the Clearing Member ~~is now s~~set-up~~ or revocation~~ is complete. Additionally, MS will coordinate with the relevant exchanges regarding the Clearing Member's ~~approva~~status~~l~~, update ~~add~~ the ETH contacts in the~~to the~~ Contact Facility and update the Clearing Member Directory on the public website.

Exchanges that maintain separate ETH sessions will be responsible for confirming the eligibility of a Clearing Member requesting access to trading during ETH. OCC provides a daily file of ETH eligible firms to each ETH exchange.

OCC's ENCORE systems perform ETH eligibility validation through the end of the applicable ETH session. For products trading during early morning ETH sessions, eligibility validation continues until the start of regular trading hours. If an exchange submits a trade on behalf of a Clearing Member not approved for ETH, OCC's trade validation process flags the trade for review by Core Clearing or Market Operations.

**Determination of ETH Product Eligibility**

When an exchange proposes a new product or trading session for ETH clearing, the proposal is evaluated through OCC's new product review process as described in the New Product Procedure. The assessment considers operational, financial risk, regulatory, and trading session designation factors.

OCC will publish the ETH Procedure and a list of ETH-eligible products and their associated clearing sessions on OCC's public website and will issue an Information Memo whenever the Procedure is amended or products are added to or removed from the eligible list.

**Assessment of ETH Margin Adjustments**

As part of the requirements to be approved for ETH, the Clearing Member is required to post additional margin of the lesser of $10 million or 10% of the Clearing Member's net capital. This amount will be automatically calculated on a nightly basis and assessed against ETH accounts as a margin add-on charge. CS monitors for bank approval of all start-of-day debit settlements (which includes deficit drafts). Refer to the Cash & Settlement Processing Procedure for the steps relating to the determination and processing of deficit drafts.

**Monitoring of ETH Trade Activity**

The trade validation process ~~within ENCORE and ENCORE GLOBAL~~ will flag any ETH trades for accounts that are not approved for ETH. Core Clearing~~MO~~ and Market Operations are~~is~~ responsible for monitoring trade activity during ETH and will take the following steps when ETH trades are flagged for review:

1. Core Clearing~~MO~~ or Market Ops will contact the exchange that submitted the trade to confirm the accuracy of the account information on the trade.
2. If the trade information is deemed to be incorrect, then the exchange will be responsible for sending a corresponding bust transaction.
3. If the exchange confirms that the trade information is valid then Core Clearing~~MO~~ or Market Ops will resubmit the trade from the Pended Trades screen in Internal Encore.
4. After resubmitting an ETH trade that was flagged for review, Core Clearing~~MO~~ or Market Ops will contact the on-call resource from MS. This will be evidenced in the appropriate Core Clearing~~MO~~ or -Market Ops ~~checklist and~~ Shift Turnover.

MS is responsible for the following activities after an ETH trade was cleared in an account that was not approved for ETH.

1. The MS on-call resource ~~will~~ immediately contacts the emergency contact at the Clearing Member that cleared the trade and notifies~~y~~ them of the activity.
2. The following day MS will begin a minor rule violation referral as set forth in the Clearing Member Rule Violation Procedure.
3. MS will ask for a root cause analysis from the Clearing Member and their remediation to assure that they have controls in place to prevent recurrence.
4. MS will determine whether the Clearing Member wishes to clear products that are available for trading during ETH and if so will instruct them to initiate the ETH approval process as described in this procedure.

ENCORE automatically validates post trade CMTA transfers/allocations for ETH eligibility. During the ETH session, Allocations and CMTA Transfers are not allowed unless both firms are approved as ETH-eligible at OCC. If either the submitting or receiving Clearing Member is not eligible, the Allocation entry/acceptance or the CMTA Transfer is rejected. OCC will not reject CMTA transfers and Allocations for non-ETH firms if As of Date is populated with a previous date. [**MS 1.0**]

Nightly, a batch job creates a CSV file of Clearing Members who are ETH eligible and copies the file to ETH Exchanges' DDS FTP folder to allow them to download. [**MS 2.0**]

### Monitoring of ETH Credit Risk

OCC has developed systems that monitor the credit risk, which is measured by profit and loss, incremental margin impact, and ~~n~~Net ~~t~~Trade ~~p~~Premium of activity (further defined in Definitions Section of this Procedure) in Clearing Member accounts. These systems produce exception reports of these credit risk metrics through a set of emails that are sent to the Core Clearing~~MO~~ and Risk Analysts email groups. Core Clearing~~MO~~ is responsible for monitoring these emails during ETH and for escalating any accounts that are shown to have exceeded the credit thresholds that are described below. The escalation steps are dependent upon the credit threshold that was exceeded.

In the event of stale or incorrect prices within the ETH credit risk monitoring systems and depending on the scenario, Core Clearing~~MO~~ staff can escalate Pricing and Margins or perform manual overrides to bring current mark prices in line with current market conditions. These updates are prescribed to Core Clearing~~MO~~ by Pricing and Margins.

### Escalation and Remediation of ETH Credit Risk Exceedances

ETH monitoring is intended to identify credit exposures arising from trading activity occurring during the ETH session. OCC's alerting systems may identify exceedances arising from non-trade activity (i.e. position transfers). Escalation is only necessary when the exceedance is the result of trade activity occurring in the ETH session.

When an exceedance is identified, Core Clearing or Market Operations verifies whether the exceedance resulted from actual ETH trade activity by reviewing trade logs to confirm matched trades were executed. Core Clearing also verifies that the prices and profit/loss figures in the alert are accurate by cross-referencing with an OCC pricing vendor. Events such as post-trade activity (including position transfers without a transaction price), Clearing Member-originated incorrect file submissions, and price smoothing calculations may generate alerts that do not reflect actual ETH trading losses. Exceedances confirmed to result from non-trade activity are documented as false positives in the ETH Turnover Log and do not require further escalation.

If the credit risk metric emails indicate that credit risk metrics (delineated as portfolio losses, intraday pays or risk increases) for any account has exceeded $10 million or 10% of the Clearing Member's net capital then the following steps will occur:

1. If the account is approved for ETH Core Clearing~~MO~~ will forward the emails to riskanalysts@theocc.com, marketrisk@theocc.com, memberservices@theocc.com and marketoperations@theocc.com. This will be evidenced in the appropriate MO checklist and Shift Turnover.
2. If the account is not approved for ETH, then the following additional steps will occur:
    a. Core Clearing~~MO~~ will immediately contact their Management and the on-call representative from MS.
    b. Core Clearing~~MO~~ Management and MS will determine the appropriate solution to prevent additional ETH activity in the account. This may include contacting the exchange to restrict any additional trades to the account.
    c. Core Clearing~~MO~~ will notify MR~~DM~~ of any escalation steps through an email to the MR~~DM~~ email group (marketrisk@theocc.com).
    d. These steps will be evidenced in the appropriate Core Clearing~~MO~~ checklist and Shift Turnover.

If the credit risk metric emails indicate that credit risk metrics for any account has exceeded $50 million or 25% of the Clearing Member's net capital as a result of ETH trading then the following steps will occur in addition to all of the steps for the lower credit threshold:

1. Core Clearing~~MO~~ will contact the on-call resource for MR~~DM~~ via phone and email marketrisk@theocc.com. This will be evidenced in the appropriate Core Clearing~~MO~~ checklist and Shift Turnover. Core Clearing~~MO~~ will also contact the on-call resource for MS if MR~~DM~~ deems the issue is significant enough to require MS notification at that time. MR~~DM~~ will validate the credit exceedance and, if MR~~DM~~ deems the issue is significant, may instruct Core Clearing~~MO~~ to assist in contacting the designated ETH contact for the Clearing Member. If the specified ETH contact is unreachable then Core Clearing~~MO~~ will continue to escalate until they speak with a representative of the Clearing Member.
2. Once instructed by MR~~DM~~, Core Clearing~~MO~~ will coordinate a phone call between MR~~DM~~ staff, the Clearing Member, MS (if necessary), and the applicable exchange for an additional review.
3. MR~~DM~~ will review the credit exceedance with the Clearing Member and then contact an on-call duty officer from MR~~DM~~ to determine whether any additional steps are warranted to remediate the credit risk. This may include a margin adjustment utilizing the steps below and/or to request that the exchange restrict any additional trades for the account. Any actions requested to be taken will be confirmed via email.
    a. MR~~DM~~ staff may request approval from an FRM officer to complete a margin adjustment in order to lockup excess collateral.

i. In order to determine the amount of excess collateral available for potential withdrawal, MR~~DM~~ staff will review the Inventory Summary field within the Collateral section of ENCORE.

ii. After receiving approval to complete the margin adjustment, MR~~DM~~ staff will complete the adjustment by entering a debit margin adjustments for the account using the ENCORE Collateral>Support Functions>Requirement Adjustment screen.

iii. After completing all debit margin adjustments, MR~~DM~~ staff will send an email requesting a peer review of the updates. A second staff member or manager will confirm via email reply.

b. If the losses remain during the remainder of the ETH session, a margin call may be completed by MR~~DM~~ during the 8:30 AM run per the Portfolio Revaluation Monitoring Procedure. Prior to the margin call notification being disseminated to CS, staff will complete an offsetting credit adjustment to reverse the debit adjustment completed after receiving an Officer's approval utilizing the steps above.

If the credit risk metric emails indicate that credit risk metrics for any account has exceeded $75 million or 50% of the Clearing Member's net capital as a result of ETH trading activity then the following steps will occur in addition to all of the steps for lower credit thresholds:

1. Core Clearing~~MO~~ will coordinate a phone call with MR~~DM~~ and the Chief Financial Risk Officer ("CFRO")~~ and/or Chief Risk Officer ("CRO")~~. After reviewing the details of the exceedance such officers may approve completion of an intra-day margin call, increasing the margin requirement of the account, taking protective measures ~~pursuant to OCC Rule 305~~, requesting that the exchange restrict any additional trades to the account, and/or limiting the ability to transfer trades or positions into the account. Any actions requested to be taken will be confirmed via email.

The table below summarizes the steps taken for each escalation threshold

| **Credit Exposure** | **Escalation for Non-Approved Clearing Members** | **Escalation for Approved Clearing Members** |
|---|---|---|
| $10 million or 10% of Net Capital | Any activity in a Non-Approved Clearing Member account regardless of credit exposure gets escalated immediately to Member Services and the applicable exchange. Risk Analysts riskanalysts@theocc.com and Market Risk marketrisk@theocc.com should be emailed with the details as well. | Email Risk Analysts riskanalysts@theocc.com, Market Risk marketrisk@theocc.com, Member Services memberservices@theocc.com, and ~~Market Operations~~Core Clearing marketoperations@theocc.com. |

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| | • This escalation may result in measures to prevent additional trading (i.e. engaging a kill-switch for regular trades). | |
| $50 million or 25% of Net Capital | Contact:<br>• Market Risk ~~and Default Management~~ (marketrisk@theocc.com) for immediate review. Contact Member Services if necessary.<br>• Applicable Exchange<br>• Clearing Member's Back Office | |
| $75 million or 50% of Net Capital | In addition to contacts listed in $50M/25% exceedance category, also contact:<br>• Chief Financial Risk Officer, or Chief Risk Officer<br>Consider Protective Measures:<br>• Request exchange to Initiate Kill-Switch<br>• Special Margin Call | |

### ~~Market Operations~~ ETH Shift Turnover

At the conclusion of the Shift, Core Clearing~~MO~~ Staff will be responsible for producing the ~~MO~~ ETH Turnover Log. This Turnover Log will include the following itemized details:

- Credit thresholds exceeded and escalation performed
- Exceedances arising from non-trade activity that were not escalated
- Market data snapshot
- Production issues encountered
- Details of any trades flagged for review
- Details of any defaulted CMTA trades

The ~~MO~~ ETH Turnover will be sent to the following email group: OPSProblemslog@theocc.com

### ETH Membership Monitoring

MS reconciles ETH accounts with the applicable exchanges on a quarterly basis. Please see the External Account Reconciliation Procedure for additional information.

### Annual ETH Escalation Testing

On at least an annual basis, the ETH escalation process should be tested. Test participants may include Market Risk and Default Management, Member Services, ~~Market Operations~~Core Clearing, Designated Officer[1] as well as Risk, Operations, and/or Senior Management at the corresponding exchange(s) as applicable.

[1] This includes the Chairman, Chief Executive Officer ("CEO"), Chief Operating Officer ("COO"), Chief Risk Officer ("CRO") and Chief Financial Risk Officer ("CFRO").

The test scenario should include but not be limited to a C~~c~~learing ~~m~~Member exceeding credit risk thresholds requiring escalation. The escalation should result in a conference call that includes both OCC and exchange management to discuss initiating a K~~k~~ill ~~s~~Switch on the affected account. A test recap should be distributed to test participants.

Core Clearing~~MO~~ is responsible for the monitoring of credit risk during ETH and escalation of any accounts whose credit risk exceeds thresholds. Market Risk ~~and Default Management (MRDM)~~ is responsible for additional assessment of credit risk exceedances during ETH when notified by Core Clearing~~MO~~ while Member Services (MS) provides a supporting role.

## ~~RELATED PGP DOCUMENTS~~

- ~~Margin Policy~~
- ~~Trade and Position Processing Policy~~
- ~~Cash & Settlement Processing Procedure~~
- ~~Clearing Member Rule Violation Procedure~~
- ~~Portfolio Revaluation Monitoring Procedure~~
- ~~Account Maintenance Procedure~~
- ~~External Account Reconciliation Procedure~~
- ~~New Product Procedure~~

## SUPPORTING EXHIBITS

- N/A

## DEFINITIONS

**Capitalized terms used herein and not defined below shall have the meaning set forth in OCC's By-Laws and Rules.**

- ~~The meaning of terms~~ **Extended Trading Hours** (“ETH”) – describes trading sessions designated by OCC as occurring outside of regular trading hours for risk management purposes. ETH sessions may include both overnight sessions (beginning after the close of regular trading hours) and early morning sessions (occurring prior to the start of regular trading hours on the current trade date). OCC determines, in its discretion, which trading sessions constitute ETH based on an assessment of the applicable risk management and operational considerations. ~~when US payment systems are closed. Very few exchanges offer trading outside of regular hours and of those that do, n~~Not all exchanges offer trading during the same periods during the ETH timeframe. Trading sessions that an exchange conducts during the current trade date and that overlap with or are contiguous to regular trading hours may be designated by OCC as regular trading hours rather than ETH. ~~Exception: Products that do not have overnight trading but open prior to 7:00 am CT are not considered as participating in extending trading.~~

- **Margin and Profit/Loss (P/L) changes** – A summary of margin and P/L changes are disseminated on a periodic basis for the Top 10 largest changes as both a dollar figure and as a percentage of Net Capital.
- **Net Trade Premium** – As part of the Portfolio Reval job plan, the system produces a Pay-Collect report which summarizes the projected next-day settlement obligations. The specifics of this report are available in the Clearing Member Monitoring and Protective Measures Procedure.
- **Kill Switch** - In the event a Clearing Member's ETH trade activity results in excessive losses or incremental risk, OCC will escalate both internally and with the exchange for the affected Clearing Member in order to terminate trading. This is executed by OCC Designated Officer requesting the exchange to systematically terminate any future trading while the situation is further assessed. This is also known as initiating a Kill Switch.

| Resource/System Name | Critical Service/Function Provided | User |
|---|---|---|
| ENCORE | Account masterfile<br>Trade processing<br>Post trade processing<br>Position processing<br>Collateral processing | MS, MR, CS, and ~~MO~~Core Clearing |
| ENCORE Global | Trade processing<br>Post trade processing<br>Position processing | MS, MR, CS, and Core Clearing~~MO~~ |
| Portfolio Reval | Calculates profit and loss credit risk metric and generates periodic emails | Core Clearing~~MO~~ and MR |
| Intraday Margins | Calculates margin impact credit risk metric and generates periodic emails | Core Clearing~~MO~~ and MR |
| Microsoft Outlook | Internal communication and email archival | All |

~~**REVISION HISTORY**~~

~~**THIS REVISION HISTORY REFLECTS THE LAST THREE REVISION CYCLES OF THE PGP DOCUMENT. PREVIOUS REVISION HISTORY CYCLES CAN BE FOUND IN POLICYTECH.**~~

| ~~Ver. No.~~ | ~~Version Effective Date~~ | ~~Revision Summary~~ |
|---|---|---|
| ~~10.0~~ | ~~08/24/2022~~ | ~~Annual Review. Updated Career Framework Titles.~~ |
| ~~11~~ | ~~07/25/2024~~ | ~~PGP Review~~ |
| ~~12~~ | ~~11/07/2025~~ | ~~Update to Clearing Member ETH activation~~ |
| ~~13~~ | ~~TBD~~ | ~~UPDATED TO SUPPORT CBOE GTH EXPANSION AND PROCEDURES-BASED ETH PRODUCT ELIGIBILITY FRAMEWORK PER THE NEW PRODUCT PROCEDURE. EXPANDED PRODUCT SCOPE TO INCLUDE MULTI-LISTED EQUITY OPTIONS AND OPTIONS ON FUTURES. UPDATED ETH DEFINITION AND MONITORING WINDOW REFERENCES. REPLACED AUTOMATIC ETH QUALIFICATION WITH CFRO DISCRETIONARY APPROVAL BASED ON FINANCIAL CONDITION, OPERATIONAL READINESS, AND RISK PROFILE ASSESSMENT. ADDED CFRO AUTHORITY TO REVOKE ETH APPROVAL.~~ |