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| Page 1 of * 59  |  | SECURITIES AND EXCHANGE COMMISSION<br>WASHINGTON, D.C. 20549<br>Form 19b-4   |  | File No. * SR 2025 - * 005<br>Amendment No. (req. for Amendments *) 1 |  |
| Filing by Options Clearing Corporation  |  |  |  |   |  |
| Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934  |  |  |  |   |  |
| Initial *<br><input type="checkbox"/>   |  | Amendment *<br><input checked="" type="checkbox"/>                           |  | Withdrawal<br><input type="checkbox"/>                                |  |
| Pilot<br><input type="checkbox"/>   |  | Extension of Time Period for Commission Action *<br><input type="checkbox"/> |  | Date Expires *<br><input type="text"/>                                |  |
|   |  | Section 19(b)(2) *<br><input checked="" type="checkbox"/>                    |  | Section 19(b)(3)(A) *<br><input type="checkbox"/>                     |  |
|   |  |  |  | Section 19(b)(3)(B) *<br><input type="checkbox"/>                     |  |
|   |  |  |  | Rule  |  |
|   |  | <input type="checkbox"/> 19b-4(f)(1)   |  | <input type="checkbox"/> 19b-4(f)(4)                                  |  |
|   |  | <input type="checkbox"/> 19b-4(f)(2)   |  | <input type="checkbox"/> 19b-4(f)(5)                                  |  |
|   |  | <input type="checkbox"/> 19b-4(f)(3)   |  | <input type="checkbox"/> 19b-4(f)(6)                                  |  |
| Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010<br>Section 806(e)(1) *<br><input type="checkbox"/>  |  |  | Section 806(e)(2) *<br><input type="checkbox"/>  |   |  |
|   |  |  | Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934<br>Section 3C(b)(2) *<br><input type="checkbox"/> |   |  |
| Exhibit 2 Sent As Paper Document<br><input type="checkbox"/>  |  |  | Exhibit 3 Sent As Paper Document<br><input type="checkbox"/>   |   |  |
| <b>Description</b><br>Provide a brief description of the action (limit 250 characters, required when Initial is checked *).<br><div></div>  |  |  |  |   |  |
| <b>Contact Information</b><br>Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.<br>First Name * <input type="text"/> Last Name * <input type="text"/><br>Title * <input type="text"/><br>E-mail * rulefilings@theocc.com<br>Telephone * (312) 322-6200 Fax <input type="text"/>  |  |  |  |   |  |
| <b>Signature</b><br>Pursuant to the requirements of the Securities Exchange of 1934, Options Clearing Corporation has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.<br>Date 04/28/2025 (Title *)<br>By <input type="text"/> <input type="text"/><br>(Name *)<br>NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.<br><div><div></div><div>Date: 2025.04.28 10:09:38 -05'00'</div></div> |  |  |  |   |  |

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDFS website.

Form 19b-4 Information \*

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change \*

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SR-OCC-2025-005 - Exhibit 1A - 4.28

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies \*

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2- Notices, Written Comments, Transcripts, Other Communications

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

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Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

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Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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SR-OCC-2025-005 Exhibit 5 - REDAC

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

Partial Amendment

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Partial Amendment 1 SR-OCC-2025-0

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

The Options Clearing Corporation (“OCC”) hereby submits this partial amendment, constituting Amendment No. 1, to its proposed rule change SR-OCC-2025-005 (the “Initial Filing”), in which OCC proposes changes to amend its Recovery and Orderly Wind-Down Plan (“RWD Plan”). The Initial Filing proposes to amend the RWD Plan (i) in an effort to achieve compliance with the Securities and Exchange Commission’s recently adopted content requirements<sup>1</sup> for recovery and orderly wind-down plans of covered clearing agencies and (ii) to reflect changes identified during OCC’s annual review process.

This partial amendment would correct a misquote in the Initial Filing. Specifically, as originally described on pages 33 and 85 of the Initial Filing, the text states:

OCC’s current Plan references, in part, that implementation [of a clearing fee change] would more likely happen “if Shareholders’ Equity fell below 100% but remained above 90% of OCC’s Target Capital Requirement.”

The description in the Initial Filing should have stated:

OCC’s current Plan references, in part, that implementation [of a clearing fee change] would more likely happen “if Shareholders’ Equity fell below 110% but remained above 90% of OCC’s Target Capital Requirement.”

OCC is providing an Exhibit 1A to Partial Amendment No. 1 to File No. SR-OCC-2025-005 to update the percentage referenced in the quote from 100% to 110% to accurately reflect the quoted information.

In addition, OCC is providing a Confidential Exhibit 5 to Partial Amendment No. 1 to File No. SR-OCC-2025-005, which corrects marked changes submitted in Confidential Exhibit 5 to the Initial Filing to accurately reflect: (i) deletions from the last-filed version of the RWD Plan, and (ii) additions to correct a typographical error in the last-filed version.

OCC is submitting this partial amendment in response to communication with the Securities and Exchange Commission regarding the Initial Filing.

The partial amendment would not change the purpose of, or statutory basis for, the proposed rule change. All other representations in the Initial Filing remain as stated therein and no other changes are being made.

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<sup>1</sup> See Securities Exchange Act Release No. 101446 (Oct. 25, 2024), 89 FR 91000 (Nov. 18, 2024) (File No. S7-10-23) (“SEC Adopting Release”), <https://www.govinfo.gov/content/pkg/FR-2024-11-18/pdf/2024-25570.pdf>.

## EXHIBIT 1A

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-[\_\_\_\_\_] ; File No. SR-OCC-2025-005)

[April \_\_, 2025]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change by The Options Clearing Corporation concerning modifications to OCC's Recovery and Orderly Wind-Down Plan ("RWD Plan" or "Plan") to align with the recently adopted SEC RWD Rule.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act" or "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 16, 2025, The Options Clearing Corporation ("OCC" or "Corporation") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by OCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

This proposed rule change would make modifications to OCC's Recovery and Orderly Wind-Down Plan ("RWD Plan" or "Plan") in an effort to achieve compliance with the Commission's recently adopted content requirements<sup>3</sup> for recovery and orderly wind-down plans ("RWPs") of covered clearing agencies<sup>4</sup> ("CCAs") that became

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 101446 (Oct. 25, 2024), 89 FR 91000 (Nov. 18, 2024) (File No. S7-10-23) ("SEC Adopting Release"), <https://www.govinfo.gov/content/pkg/FR-2024-11-18/pdf/2024-25570.pdf>.

<sup>4</sup> The term "covered clearing agency" is defined in Exchange Act Rule 17Ad-22(a) to mean "a registered clearing agency that provides the services of a central counterparty or central securities depository." 17 CFR 240.17Ad-22(a).

effective on January 17, 2025. CCAs, like OCC, must file with the Commission any proposed rule changes no later than April 17, 2025, and any proposed rule changes must be effective by December 15, 2025.

In addition to the proposed modifications that OCC believes are necessary to comply with the recently adopted content requirements for RWPs of CCAs, OCC is also including proposed modifications to its RWD Plan that reflect changes identified during OCC's annual review process. The proposed changes related to the Commission's adoption of content requirements for RWPs and the proposed changes identified during OCC's annual review process are differentiated throughout this filing and described in further detail below.

The proposed changes to OCC's RWD Plan are contained in confidential Exhibit 5 to SR-OCC-2025-005. Material proposed to be added is marked by underlining and material proposed to be deleted is marked with strikethrough text to File No. SR-OCC-2025-005. All terms with initial capitalization that are not otherwise defined herein have the same meaning as set forth in the OCC By-Laws and Rules.<sup>5</sup>

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

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

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<sup>5</sup> OCC's By-Laws and Rules can be found on OCC's public website:  
<https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules>.

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

As the sole clearing agency for standardized equity options listed on national securities exchanges registered with the Commission, and with respect to OCC's clearance and settlement of futures and stock loan transactions, OCC is subject to regulations that impose requirements on OCC to maintain policies and procedures that comprehensively manage the risks borne by OCC as a central counterparty. This includes the management of risks such as legal, credit, operational, general business and liquidity risks. One such regulation OCC is subject to is Rule 17Ad-22(e)(3)(ii),<sup>6</sup> which requires CCAs to include plans for the recovery and orderly wind-down of a CCA necessitated by credit losses, liquidity shortfalls, losses from general business risk or any other losses. In accordance with this rule, OCC formalized and updated its RWD Plan on August 23, 2018<sup>7</sup> to promote effective risk management and to help ensure OCC remains resilient under normal market conditions and in periods of market stress.

OCC's existing RWD Plan describes OCC's ability to continue to provide its critical services in the event of severe financial and/or operational stress. It also describes OCC's approach to a wind-down in the unlikely event that it experiences a severe stress that causes it to exhaust its available tools and resources. In addition to the RWD Plan, OCC also maintains a separate document, the "RWD Plan Supporting Information," that provides background and context for parties that are reviewing the RWD Plan or utilizing it as part of an actual recovery or wind-down. The RWD Plan Supporting Information

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<sup>6</sup> 17 CFR 240.17ad-22(e)(3)(ii).

<sup>7</sup> See Securities Exchange Act Release No. 83918 (Aug. 23, 2018), 83 FR 44091 (Aug. 29, 2018) (SR-OCC-2017-021).

does not constitute a stated policy, practice, or interpretation of OCC and is, by its nature, prone to change.<sup>8</sup>

Recently, the Commission adopted new requirements applicable to CCAs (the “SEC RWD Rule”) that supplement existing Rule 17Ad-22(e)(3)(ii), and establish specific elements required in RWPs. The SEC RWD Rule is found in 17 CFR 240.17ad-26 (“Rule 17Ad-26”) and helps to ensure that a CCA’s planning for recovery and orderly wind-down is effective and can promote financial stability in periods of market stress. The SEC RWD Rule requires, among other things, that RWPs:

- (i) Identify and describe their core payment, clearing, and settlement services and address how the CCA would continue to provide such core services in the event of a recovery and during an orderly wind-down, including the (a) identification of the staffing roles necessary to support such core services, and (b) analysis of how such staffing roles necessary to support such core services would continue in the event of a recovery and during an orderly wind-down.<sup>9</sup>
- (ii) Identify and describe any service providers for core services, specifying which core services each service provider supports, and (ii) address how the CCA would ensure that service providers for core services would continue to perform in the event of a recovery and during an orderly wind-down, including consideration of its written agreements with such service providers and whether the obligations under those written agreements are

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<sup>8</sup> OCC has included a draft of the RWD Plan Supporting Information as confidential Exhibit 3 to SR-OCC-2025-005.

<sup>9</sup> 17 CFR 240.17ad-26(a)(1).

subject to alteration or termination as a result of initiation of the recovery and orderly wind-down plan.<sup>10</sup>

- (iii) Identify and describe scenarios that may potentially prevent the CCA from being able to provide its core services identified in Rule 17Ad-26(a)(1) as a going concern, including (a) uncovered credit losses, (b) uncovered liquidity shortfalls, and (c) general business losses.<sup>11</sup>
- (iv) Identify and describe (a) criteria that could trigger the CCA's implementation of the recovery and orderly wind-down plans and (b) the process that the CCA uses to monitor and determine whether the criteria have been met, including the governance arrangements applicable to such process.<sup>12</sup>
- (v) Identify and describe the rules, policies, procedures and any other tools or resources on which the CCA could rely in a recovery or orderly wind-down, and address how the rules, policies, procedures and any other tools or resources identified would ensure timely implementation of the RWP.<sup>13</sup>
- (vi) Require the covered clearing agency to inform the Commission as soon as practicable when the CCA is considering implementing a recovery or orderly wind-down.<sup>14</sup>

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<sup>10</sup> 17 CFR 240.17ad-26(a)(2).

<sup>11</sup> 17 CFR 240.17ad-26(a)(3).

<sup>12</sup> 17 CFR 240.17ad-26(a)(4).

<sup>13</sup> 17 CFR 240.17ad-26(a)(5),(6).

<sup>14</sup> 17 CFR 240.17ad-26(a)(7).

- (vii) Include procedures for testing the CCA's ability to implement the RWPs at least every 12 months, including by (a) requiring the CCA's participants and, when practicable, other stakeholders to participate in the testing of its plans; (b) requiring that such testing would be in addition to testing pursuant to paragraph (e)(13) of 17 CFR 240.17ad-22; (c) providing for reporting the results of the testing to the CCA's board of directors and senior management; and (d) specifying the procedures for, as appropriate, amending the plans to address the results of such testing.<sup>15</sup>
- (viii) Include procedures requiring review and approval of the plans by the board of directors of the CCA at least every 12 months or following material changes to the CCA's operations that would significantly affect the viability or execution of the plans, with such review informed, as appropriate, by the CCA's testing of the plans.<sup>16</sup>

OCC believes that its current RWD Plan incorporates several of the content requirements above. OCC's RWD Plan already identifies its critical services provided to market participants and considers the impact that any interruption to a particular service may have on OCC's participants. In addition, OCC's RWD Plan identifies four hypothetical stress scenarios that could threaten OCC's viability as a going concern and provides a description for how OCC would respond in each scenario. OCC's RWD Plan describes the criterion that could trigger the implementation of a recovery or wind-down and identifies its enhanced risk management and recovery tools upon which OCC relies

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<sup>15</sup> 17 CFR 240.17ad-26(a)(8).

<sup>16</sup> 17 CFR 240.17ad-26(a)(9).

in times of extreme stress. Furthermore, OCC already maintains written procedures for testing the implementation of the Plan and review of the Plan by the Board.

However, to implement a compliant approach with those requirements for which OCC believes changes will be necessary, OCC is proposing to revise its RWD Plan such that the proposed changes: (i) address how OCC would continue to provide its core services in the event of a recovery and during a wind-down through the identification of staffing roles necessary to support OCC's core services and an analysis of how such staffing roles would continue in the event of a recovery or during a wind-down; (ii) identify a subset of OCC's service providers that are necessary to ensure the continued delivery of core services throughout a recovery or wind-down and address the continued performance of such service providers in the event of recovery or during a wind-down; (iii) describe OCC's process used to monitor the criteria that could trigger implementation of a recovery or wind-down; (iv) describe OCC's responsibility to notify the Commission when OCC is considering the implementation of a recovery or wind-down; and (v) describe OCC's approach for testing its ability to implement the RWD Plan at least every 12 months, including the involvement of other stakeholders participating in the test. OCC also plans to revise its RWD Plan to replace, when necessary, the term "critical" services with "core" services to improve clarity and consistency with SEC Rule 17Ad-25(i),<sup>17</sup> which concerns the governance of service providers for core services. OCC believes that the proposed changes described above will allow OCC to appropriately comply with the SEC RWD Rule by including the proposed provisions in the RWD Plan.

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<sup>17</sup>

17 CFR 240.17ad-25(i).

## 1. Purpose

The purpose of this proposed rule change by OCC is to modify its RWD Plan to implement changes that are designed to comply with the content requirements in the SEC RWD Rule.<sup>18</sup> The Commission clarifies in its Adopting Release that by establishing requirements related to core services and service providers, the identification of scenarios, triggers, and tools for recovery and orderly wind-down, and robust processes for implementation, notification, testing and board review and approval, new Rule 17Ad-26 helps ensure that CCAs can successfully plan for and navigate highly stressed or extreme market conditions, where events may occur or conditions deteriorate rapidly.<sup>19</sup> In addition, the SEC RWD Rule promotes three important objectives: (i) bolstering the existing RWPs at CCAs, (ii) codifying some existing RWP elements to ensure that these elements remain in the plans over time; and (iii) establishing that the RWP of any new CCA would contain each of the elements specified in the SEC RWD Rule.<sup>20</sup> The purpose of the proposed changes to OCC's RWD Plan is to support these objectives to reduce systemic risk, better prepare for and respond to extreme stress, and ultimately increase OCC's resiliency.

In addition to the proposed changes that OCC believes are necessary to comply with the SEC RWD Rule, OCC also proposes a series of changes to the RWD Plan that were identified during OCC's annual review process. While the proposed changes to

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<sup>18</sup> 17 CFR 240.17ad-26.

<sup>19</sup> SEC Adopting Release, see supra note 3, at 91016.

<sup>20</sup> See Release No. 97516 (May 17, 2023), 88 FR 34708, 34709 (May 30, 2023) ("RWP Proposing Release"), <https://www.govinfo.gov/content/pkg/FR-2023-05-30/pdf/2023-10889.pdf>.

OCC's RWD Plan are described in further detail below, thematically, they consist of the following:

**i. Proposed changes to OCC's RWD Plan identified to achieve compliance with the SEC RWD Rule:**

- Revisions to Chapter 3 of the RWD Plan to address how OCC would continue to provide its core services in the event of a recovery or wind-down by identifying OCC's key staffing roles necessary to support such core services in the event of a recovery or wind-down.
- Revisions to Chapter 3 of the RWD Plan to include the identified subset of OCC's service providers that are necessary to ensure the continued delivery of OCC's core services in the event of a recovery or wind-down. These revisions include relocating a portion of this information from the RWD Supporting Information into the RWD Plan.
- Revisions to Chapter 4 of the RWD Plan to describe OCC's process for monitoring the criteria that could trigger OCC's implementation of the RWD Plan.
- Revisions to Chapter 4 and Chapter 5 of the RWD Plan to provide specific requirements for OCC to inform the Commission as soon as practicable when OCC is considering implementing a recovery or a wind-down.
- Revisions to Chapter 5 of the RWD Plan to include an analysis of how OCC's key staffing roles would continue in the event of a recovery or wind-down.

- Revisions to Chapter 6 of the RWD Plan to clarify OCC's process for testing the RWD Plan, including the involvement of other stakeholders participating in the test, and the roles and responsibilities for reviewing the testing results.
- General revisions to the RWD Plan to achieve compliance with the SEC RWD Rule include: (i) replacing the term "critical" with "core" when referencing OCC's "core services," (ii) updating sections throughout Chapter 2 and 3 that address OCC's interconnectedness with third-parties to incorporate descriptions for OCC's identified subset of service providers for core services, and (iii) replacing reference to OCC's list of "Tier 1 Vendors" or "vendors" with OCC's list of "service providers for core services" since OCC has modified its existing Tier 1 Vendor list to align with the requirements in the SEC RWD Rule as it relates to service providers for core services.<sup>21</sup>

**ii. Proposed changes to OCC's RWD Plan identified during OCC's annual review process:**

- Revisions to Chapter 2 of the RWD Plan to update the role descriptions of OCC's Management to align with OCC's existing organizational structure, and to provide clarity around OCC's Bank Credit Facility.
- Revisions to Chapter 3 of the RWD Plan to update OCC's support functions and department ratings to align with OCC's existing organizational structure.
- Revisions to Chapter 4 of the RWD Plan to incorporate updated information based on recent changes to OCC's Capital Management Policy, approved by

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<sup>21</sup> 17 CFR 240.17ad-26(a)(2).

the Commission in SR-OCC-2024-012,<sup>22</sup> and to incorporate information related to OCC's enhanced risk management and recovery tools in the event of a non-default or operational loss.

- Revisions to Chapter 7 of the RWD Plan to provide additional clarification and granularity on OCC's detailed stress scenarios.
- General revisions to the RWD Plan identified during OCC's annual review process include:
  - replacing the term "Executive Chairman" with "Chairman," and "Chief Legal Officer and General Counsel" with "General Counsel and Corporate Secretary" to align with OCC's existing organizational structure;
  - updating the description of "liquidity loss" under OCC's recovery trigger to align with OCC's current business practices;
  - updating OCC's internal list of critical support functions to remove "External Relations" as an identified critical support function to reflect OCC's current organizational structure;
  - eliminating outdated information such as the previous location of OCC's facility that no longer exists;
  - updating the name of OCC's working group to reflect the combination of two pre-existing working groups;
  - updating the name of OCC's procedures to reflect current titling;

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<sup>22</sup>

See Securities Exchange Act Release No. 101151 (Sept. 24, 2024), 89 FR 79668 (Sept. 30, 2024) (SR-OCC-2024-012).

- updating the title of Scenario 4 referenced in Section 1.3 and 4.4.4 from “General Business and Operational Risk” to “Default and General Business Risk” to remain consistent with the existing title in Section 7.1.4;
- updating all referenced data points to reflect current information including: (a) the number of personnel in each identified critical support function described in Chapter 3, (b) the maximum number of reductions in personnel that each support function can absorb without compromising OCC’s ability to provide its core services during a liquidation, as described in Chapter 5, and (c) the dollar amounts referenced in the four hypothetical stress scenarios in Chapter 7; and
- formatting and grammatical changes, such as capitalizing defined terms, deleting unnecessary or redundant language, updating section numbering as necessary, and conforming references to relevant SEC Rules.

## **Proposed Changes**

A summary description of the proposed changes to the RWD Plan to achieve compliance with the SEC RWD Rule is provided in Section 1. A separate summary description of the proposed changes to the RWD Plan identified during OCC’s annual review process is provided in Section 2.

### **1. Proposed Changes in effort to achieve compliance with SEC RWD Rule.**

*Chapter 3: Core Services and Critical Support Functions.*

Chapter 3 of the RWD Plan identifies OCC's (i) "Critical Services," as (i) clearing and settlement services and (ii) pricing and valuation services, which if discontinued, could have a systemic impact on the financial system. Chapter 3 of the RWD Plan also identifies OCC's "Critical Support Functions," as functions within OCC that must continue in some capacity for OCC to be able to continue providing its Critical Services. Throughout OCC's RWD Plan and specifically detailed in Chapter 3, OCC's proposed changes would replace the term "Critical Services" with "Core Services" as it relates to OCC's core payment, clearance, and settlement services. OCC believes this proposed change would align with the SEC RWD Rule<sup>23</sup> and improve clarity and consistency with terminology in other rules, such as Rule 17Ad-25(i),<sup>24</sup> which concerns the governance of "service providers for core services." OCC's proposed change, as it relates to the replacement of "Critical Services" with "Core Services" is also detailed in footnote 1 of Chapter 1 and provides that SEC Rule 17Ad-26(a)(1) replaces "critical" with "core" when referencing payment, clearing, and settlement services to improve clarity and consistency with terminology in other SEC rules. The proposed footnote also provides that this replacement of the descriptive term "critical" with "core" does not affect OCC's identification of those services, and past guidance related to "critical" services will be used in the same manner and only referred to as "critical" when quoted or paraphrased from external sources. To further improve clarity and consistency with SEC Rule 17Ad-26(a)(1)<sup>25</sup> as it relates to the replacement of "Critical Services" with "Core Services," OCC's proposed changes also update the first sentence of Section 1.2 in

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<sup>23</sup> 17 CFR 240.17ad-26(a)(1).

<sup>24</sup> 17 CFR 240.17ad-25(i).

<sup>25</sup> 17 CFR 240.17ad-26(a)(1).

Chapter 1 of the Plan. Currently, the Plan states that CPSS-IOSCO and FSB have provided guidance on the identification of Critical Services. OCC's proposed changes provide that OCC has identified its core payment, clearing, and settlement services based on CPSS-IOSCO and FSB guidance on the identification of Critical Services. For grammatical accuracy, OCC's proposed changes also remove the language "have provided" to align with the proposed updates in the sentence.

The SEC RWD Rule requires that OCC's RWD Plan identify staffing roles necessary to support OCC's core services and provide an analysis of how such staffing roles would continue in the event of a recovery or wind-down.<sup>26</sup> To support this requirement, OCC's proposed changes to Chapter 3 include the addition of a new section titled "Key Staffing Roles." Within this section, OCC's proposed changes identify the individual key staffing roles, listed under their respective support functions, that are necessary for OCC to continue providing its core services in the event of a recovery or wind-down. OCC's proposed changes include key staffing roles under the Business Operations, Corporate, Corporate Finance, Financial Risk Management, and Information Technology functions. OCC's proposed changes provide that while each of the roles listed is necessary to support OCC's core services in the event of recovery or wind-down, one employee may be able to fulfill the responsibilities of more than one role. Additional proposed changes are described in Chapter 5 of the RWD Plan that include the analysis of such key staffing roles necessary to support OCC's core services and how those roles would continue in the event of a recovery or during a wind-down.

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<sup>26</sup>Id.

The SEC RWD Rule requires OCC's RWD Plan to identify and describe any service provider for core services, specify which core services each service provider supports, and address how OCC would ensure that such service provider for core services would continue to perform in the event of a recovery or during a wind-down.<sup>27</sup> OCC's proposed changes to Chapter 3 include the addition of a new section titled "Service Providers for Core Services," which incorporates information that was moved from the RWD Supporting Information into the RWD Plan. Under this new section, OCC's proposed changes provide that OCC has identified the service providers that support core services and upon which OCC relies to provide those core services. OCC's proposed changes also provide that OCC's Board is responsible for oversight of service providers that provide core services for OCC, including the review of risk assessments for current vendors and approving terms for new vendors that will provide core services for OCC. More specifically, OCC's proposed changes (i) revise OCC's Tier 1 Vendor List in the RWD Supporting Information to align with OCC's identified subset of service providers for core services, and (ii) relocate this information from the RWD Supporting Information into the RWD Plan. OCC's proposed changes in this section also describe the subset of OCC's service providers that support OCC's core services and specify which core services that each service provider supports. OCC's proposed changes depict this information in a table that outlines the type of service provider, including: (i) vendors, (ii) financial market utilities, (iii) banks, (iv) liquidity providers, and (v) liquidation agents. OCC's proposed changes also identify the third-party name, describe OCC's relationship with that third-party, and describe which core service, either (i)

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17 CFR 240.17ad-26(a)(2).

clearance and settlement services or (ii) pricing and valuation services, that the third-party supports. OCC's proposed changes also clarify in a footnote that OCC maintains multiple relationships with some of the services providers in the provided list. OCC's proposed changes also state that additional information related to OCC's service providers for core services, as well as a more extensive list of service providers supporting OCC, is available and may be obtained from OCC's Third-Party Risk Management Department upon request. As a result of this proposed change described in Chapter 3, OCC also proposes to update information in Chapter 2 under the second paragraph of the section titled "Interconnections with Vendors." OCC's proposed changes provide, in part, that OCC maintains a more extensive list of service providers supporting OCC, and that the list of those additional vendors may be obtained from OCC's Third-Party Risk Management department upon request. OCC proposes to eliminate the reference to Tier 1 Vendors as OCC no longer categorizes vendors in such a way. Additionally, while the list of OCC's identified service providers for core services will remain relatively consistent, the list of additional vendors supporting OCC is dynamic. To eliminate the risk that the information related to the additional vendors becomes inaccurate or outdated if maintained in the RWD Supporting Information document, OCC believes it is necessary to include that the list can be obtained by OCC's Third-Party Risk Management department upon request, and eliminate the reference that states "the list of additional vendors needed to support recovery and wind-down is also included in the RWD Plan Supporting Information."

To more closely align with the SEC RWD Rule<sup>28</sup> that requires OCC to address how it would ensure service providers for core services would continue to perform in the event of a recovery and during a wind-down, OCC's proposed changes to the Plan modify section 5.4, "Key Agreements to be Maintained," and relocate that section from Chapter 5 into Section 3.8 of Chapter 3. Within this new section in Chapter 3, OCC's Plan provides that OCC's critical interconnections are essential to the continued provision of OCC's core services and that it is imperative that these relationships are maintained during the execution of the Plan. OCC's proposed changes eliminate the reference that these relationships are imperative to be maintained only during "the execution of the WDP," and provide that it is imperative these relationships are maintained during "a recovery or wind-down" to more closely align with the SEC RWD Rule.<sup>29</sup> OCC's Plan also provides that OCC has adopted a Material Agreements Policy that is designed to identify and periodically review agreements with exchanges and service providers for core services. OCC's proposed changes provide that a list of key agreements is available upon request as indicated in the RWD Plan Supporting Information. To provide a more concise description of OCC's Material Agreements Policy, OCC's proposed changes eliminate the provision that the agreements are necessary to facilitate OCC's core services (clearing and settlement services and pricing and valuation services), including the agreement establishing the critical interconnections set forth in Section 2.8 and Section 3.7, and replace that provision with proposed changes that provide the agreements are with exchanges and service providers for core services.

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<sup>28</sup> Id.

<sup>29</sup> Id.

OCC's existing Plan provides that none of the agreements contains a "material adverse change" clause that would permit the counterparty to terminate the agreement and discontinue the provision of services in the event the Plan is implemented. To align more closely with the SEC RWD Rule<sup>30</sup> that requires OCC to address how it would ensure the service provider for core services would continue to perform in the event of a recovery or during a wind-down, OCC's proposed changes modify this language to clarify that the absence of a material adverse change clause, which results in the counterparty not being permitted to terminate the agreement and discontinue the provision of services, is applicable "in the event of a recovery or during a wind-down." OCC's existing Plan provides that the Legal Department will review the agreements listed in the RWD Plan Supporting Information to ensure that no renewals or expirations of such agreements will occur during the expected duration of the Plan. Finally, OCC's proposed changes provide minor clarifying edits to this section, including (i) adding the word "key" before agreements, (ii) modifying the language from the provision that provides OCC's Legal Department will "ensure that no renewals or expirations of such agreements will occur" to OCC's Legal Department will "determine whether any renewals or expirations of such agreements will occur," and (iii) adding language that the Legal Department will "counsel the business accordingly" after such review.

OCC believes that relocating the "Key Agreements to be Maintained" section from Chapter 5, which focuses solely on wind-downs, into Chapter 3 that outlines OCC's service provider for core services, more closely aligns with the contents in the SEC RWD

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<sup>30</sup> Id.

Rule that requires OCC to ensure services provided for core services would continue to perform in the event of a recovery or during a wind-down.

*Chapter 4: Recovery Plan*

Chapter 4 of the RWD Plan constitutes OCC's Recovery Plan. The purpose of the Recovery Plan is to provide succinct information about OCC's Enhanced Risk Management and Recovery Tools, as defined in the RWD Plan, and to demonstrate the ways in which OCC's risk management tools, Enhanced Risk Management and Recovery Tools, as well as other available resources, can be applied in stylized hypothetical scenarios considering extreme stress events that could be sufficient to threaten OCC's viability as a going concern.

The SEC RWD Rule requires that the RWD Plan identify and describe the process that OCC uses to monitor and determine whether the criteria have been met.<sup>31</sup> To align with this requirement, OCC's proposed changes to Chapter 4 add a new section titled "Trigger Monitoring," which describes OCC's approach used to determine how the criteria that could trigger the implementation of the RWD Plan has been met and OCC's process to monitor that criteria. OCC's proposed changes provide that OCC's trigger monitoring is performed through several processes at OCC. OCC's proposed changes provide that OCC's Default Management Policy and underlying procedures are used in monitoring the resources of the default waterfall, including the Clearing Fund deposits of non-defaulting members which encapsulate the Credit Loss trigger. OCC's proposed changes also provide that as part of the Clearing Fund Methodology Policy and

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<sup>31</sup> 17 CFR 240.17ad-26(a)(4). The SEC RWD Rule also requires identification and description of the criteria that could trigger implementation of OCC's recovery plan; however, OCC believes that the current text of the RWD Plan is sufficient to address this requirement without amendment.

underlying procedures, the Financial Risk Management team is responsible for monitoring the Liquidity Loss trigger through daily monitoring and reporting of the Clearing Member payment obligations and forecasted liquidity demands. In addition, OCC's proposed changes also provide that OCC's Technology Operations Policy and underlying procedures govern the monitoring of OCC systems and applications for the Operational Disruption trigger. OCC's proposed changes provide that OCC's IT staff are responsible for server, network, storage, application, mainframe, and cloud asset monitoring for OCC systems. OCC's proposed changes describe that through OCC's Capital Management Policy and underlying procedures, the Corporate Finance team monitors and reports on the capital levels of the company and regulatory compliance for capital requirements, and these metrics are the tenets of OCC's General Business Loss trigger. Finally, OCC's proposed changes also provide that through the underlying procedures mentioned above, the support function lead or delegate is responsible for notifying the Crisis Management Team of a breach of any of the Recovery Triggers.

Chapter 4 of the RWD Plan describes that the General Counsel and Corporate Secretary is responsible for notifying regulators, including the Commission, of the occurrence of a Recovery Trigger Event. The SEC RWD Rule requires that OCC inform the Commission as soon as practicable when OCC is considering implementing a recovery or orderly wind-down.<sup>32</sup> To promote clarity and align with this requirement, OCC's proposed changes include the specific language that the General Counsel and Corporate Secretary be responsible for notifying the SEC, the Federal Reserve Bank, and

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<sup>32</sup> 17 CFR 240.17ad-26(a)(7).

the CFTC (and the FDIC, to the extent applicable) “as soon as practicable when OCC is considering the implementation of a recovery.”

*Chapter 5: Wind-down Plan.*

Chapter 5 of the RWD Plan constitutes OCC’s wind-down plan, which establishes the objectives for a resolution process where OCC seeks to continuously deliver its core services, even though its viability as a going concern is threatened, and to provide a menu of actions that OCC’s Management, Board and Stockholder Exchanges can consider to effectuate this resolution process. Chapter 5 of the Plan also provides a discussion on the maximum number of reductions in OCC staff that each support function could absorb without compromising OCC’s ability to provide its core services during a liquidation. The SEC RWD Rule requires that RWP’s provide an analysis of how key staffing roles necessary to support OCC’s core services would continue in the event of a recovery or wind-down.<sup>33</sup> To support this requirement, OCC’s proposed changes to Chapter 5 under the “Targeted Reduction in Force” section describe that while staff reductions are an attempt to limit OCC’s expenses, Management’s primary responsibility is retaining key staffing roles, identified in Chapter 3, such that OCC is able to continue providing core services. OCC’s proposed changes provide that OCC’s Management may need to offer additional compensation to retain key staff while simultaneously reducing other staff during a wind-down. Furthermore, OCC’s proposed changes describe that OCC makes appropriate adjustments to its staffing estimate for resolution cost to account for retention bonuses.

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<sup>33</sup> 17 CFR 240.17ad-26(a)(1).

Similar to OCC's proposed changes in Chapter 4 regarding OCC's notification requirements to the Commission during a recovery, OCC's proposed changes to Chapter 5 under the Exhibit titled "WDP Trigger Event" also clarify OCC's responsibility to inform the Commission as soon as practicable when OCC is considering implementing a wind-down. Specifically, OCC's proposed changes provide, in part, that as soon as practicable when the Board is considering the decision to enact a wind-down, OCC must immediately inform OCC's regulators. OCC believes this proposed change aligns with the requirements in the SEC RWD Rule as it relates to informing the Commission when a CCA is considering implementing a recovery or orderly wind-down.<sup>34</sup>

*Chapter 6: RWD Plan Governance.*

Chapter 6 of OCC's RWD Plan details the governance of OCC's RWD Plan, including the governance structure for approval of the Plan and maintenance of the Plan on an on-going basis. The SEC RWD Rule requires that RWPs include procedures for testing the CCA's ability to implement the RWPs at least every 12 months, including by (a) requiring the CCA's participants and, when practicable, other stakeholders to participate in the testing of its plans; (b) requiring that such testing would be in addition to testing pursuant to paragraph (e)(13) of 17 CFR 240.17ad-22; (c) providing for reporting the results of the testing to the CCA's board of directors and senior management; and (d) specifying the procedures for, as appropriate, amending the plans to address the results of such testing.<sup>35</sup> To align with this requirement, OCC's proposed changes to Chapter 6 provide that the governance structure includes the development and

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<sup>34</sup> 17 CFR 240.17ad-26(a)(7).

<sup>35</sup> 17 CFR 240.17ad-26(a)(8).

execution of annual testing of OCC's ability to implement its RWD Plan, including the involvement of OCC's participants and, when practicable, other stakeholders, with results of the testing reported to OCC's Board. OCC's proposed changes also provide that testing of OCC's RWD Plan is governed by its Risk Management Framework and Default Management Policy, including underlying procedures. OCC's proposed changes also outline the roles and responsibilities for the RWD Plan, including (i) OCC's Management Committee review the RWD Plan testing results, (ii) the Working Group develop, draft and validate the RWD Plan and annual testing plan, participate in testing of the Plan, and incorporate into the RWD Plan any lessons learned from workshops or testing, and (iii) the Working Group Chair or Delegate be responsible for the coordination and facilitation of the RWD Plan testing and execution. OCC believes these proposed changes align with the testing requirements in the SEC RWD Rule.<sup>36</sup>

The SEC RWD Rule also requires that RWPs include procedures requiring review and approval of the plans by the board of directors at least every 12 months or following material changes to the CCA's operations that would significantly affect the viability or execution of the plans, with such review informed, as appropriate, by the CCA's testing of the plans.<sup>37</sup> Chapter 6 of the Plan already outlines that at least once every 12 months, the Risk Committee will review, and if appropriate, recommend approval of the RWD Plan to the Board. OCC's proposed changes add language to this section that provides "including any revisions informed by testing results," to more closely align with the requirements in the SEC RWD Rule.<sup>38</sup>

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<sup>36</sup> Id.

<sup>37</sup> 17 CFR 240.17ad-26(a)(9).

<sup>38</sup> Id.

*General revisions to the RWD Plan to address OCC's interconnectedness with third-parties in effort to achieve compliance with the SEC RWD Rule.*

Chapter 2 of the RWD Plan addresses, in part, OCC's interconnections, both financial and operational, with various third-parties. To align with the identified subset of OCC's service providers for core services described in Chapter 3, OCC's proposed changes to Chapter 2 identify "escrow banks" and "liquidation agents" in the bulleted list and in the sub-sections under the section titled "External Interconnectedness" and provide descriptions for these interconnections. Specifically, OCC's proposed changes add a new section titled "Interconnections with Escrow Banks" and provide that OCC has financial and operational interconnections with escrow banks, and that OCC's Escrow Deposit Program allows a customer of an OCC Clearing Member to use cash deposited with the Escrow Bank as supporting collateral backing Escrow Deposits. OCC's proposed changes provide that each customer must enter into a Tri-Party Agreement with the Bank and OCC in order to use cash. As it relates to interconnections with liquidation agents, OCC's proposed changes add a new section titled "Interconnections with Liquidation Agents" and provide that OCC has financial and operational interconnections with liquidation agents and that liquidation agents may be charged with the duty of winding up the affairs of a defaulting Clearing Member. OCC's proposed changes provide that OCC has several risk management tools available to re-establish a matched book after a Clearing Member default. Furthermore, OCC's proposed changes provide that one of the tools that can be used by OCC to re-establish a matched book includes open market transactions executed by OCC's liquidation agent (i.e., liquidation of the defaulter's portfolio). Because OCC's list of service providers for core services was relocated from

the RWD Supporting Information into the RWD Plan, OCC's proposed changes throughout Chapter 2 also clarify that a list of the interconnections with each identified third-party is contained in OCC's service providers for core services section of the RWD Plan.

As it relates to interconnections discussed in Chapter 3, OCC's proposed changes to the section titled "Shared Critical External Interconnections" identify escrow banks and liquidation agents as critical external interconnections that OCC relies upon to conduct its core services. Although Clearing Members and exchanges are critical external interconnections for OCC, OCC does not view such a membership relationship or exchange relationship to mean that they are service providers to OCC. Therefore, OCC's proposed changes eliminate reference that exchanges are necessary for OCC to maintain the provision of its core services. Additionally, OCC's proposed changes eliminate reference that Clearing Members are necessary to ensure the provision of OCC's core services. Within this provision, OCC's proposed changes include escrow banks as a necessary category to ensure the provision of OCC's core services. OCC's proposed changes also eliminate the provision "but each OCC interconnection with a particular Clearing Member, settlement bank, or custodian bank relationship is not necessarily critical to OCC's provision of Critical Services, given the number of institutions within each category upon which OCC relies" as this language is not consistent with OCC's service providers for core services list and the SEC RWD Rule requiring the identification of such service providers.<sup>39</sup>

## **2. Proposed Changes identified during OCC's annual review process.**

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<sup>39</sup> 17 CFR 240.17ad-26(a)(2).

*Chapter 1: Executive Summary*

Under Section 1.7, “WDP Trigger Event,” OCC proposes a minor edit to update an incorrect statement. OCC’s proposed change provides that OCC has identified a single trigger event based on a determination that recovery efforts have “not” been, or are unlikely to be, successful in returning OCC to viability as a going concern that – if occurring during OCC’s recovery efforts – would signal initiation of the WDP. OCC’s proposed addition of the word “not” in this sentence promotes clarity and consistency with the explanation of OCC’s Trigger Event. OCC also proposes a minor formatting change which includes the relocation of the header “Exhibit 1-2: WDP Trigger Event” from below the WDP Trigger description box to above the description box. This change is intended solely to promote clarity for the reader.

*Chapter 2: OCC Overview.*

Chapter 2 of the RWD Plan provides a detailed description of OCC’s business and the necessary context for the discussion and analysis of OCC’s core services in Chapter 3, as well as the context for the discussion and analysis of OCC’s resolution process in Chapter 5. OCC’s proposed changes to Chapter 2 identified during OCC’s annual review process modify the section on OCC’s Management structure to reflect OCC’s existing organizational structure. For example, OCC’s proposed changes update the role descriptions of OCC’s Management based on current information at OCC, including oversight responsibility of a specific role and the organizational reporting structure for that position. To include a complete and accurate overview of OCC’s current Management Committee members, OCC’s proposed changes relocate the “Chief External Relations Officer” description and add the “Chief Clearing and Settlement Services

Officer” description to Exhibit 2-3. OCC’s proposed changes provide that the Chief Clearing and Settlement Services Officer is responsible for the oversight of the Business Operations department, which includes Collateral Services, Market Operations, Corporate Actions, and Participant Services and Solutions. OCC’s proposed changes relocate the description of the “Chief External Relations Officer” to reflect OCC’s current organizational structure that no longer requires the Chief External Relations Officer to report to the Executive Chairman. In addition, because OCC’s Corporate Communications support function was moved from the External Relations Department into the Human Resources Department, OCC’s proposed changes update the description of the “Chief External Relations Officer” to remove the language that provides the Chief External Relations Officer is also responsible for the oversight of the Corporate Communications department, which is responsible for developing and delivering all external communication for OCC and key internal communication to OCC employees. Under the “Governance Structure” section in Chapter 2, OCC’s proposed changes clarify that OCC’s Board is responsible for review of disciplinary hearings in addition to appeals. This proposed change was included to reflect the current responsibility of OCC’s Board. In the section of Chapter 2 titled “Facilities,” OCC’s proposed changes eliminate the Jersey City Business Center as a referenced facility that houses OCC’s personnel, since that location is no longer in existence. OCC’s proposed changes also update specific language in the section titled “Service Level Agreement” to provide that Service Level Agreements (“SLAs”) record a common understanding about services, priorities, responsibilities, data protection, guarantees, and warranties between OCC and “certain” vendors, rather than “the” vendors. This proposed change is aimed to limit ambiguity

with reference to vendors impacted by SLAs. To remain consistent with OCC's transition to a non-executive chairman governance structure, OCC's proposed changes eliminate certain provisions under the "Management Structure" section of Chapter 2. Specifically, OCC's proposed changes eliminate the provisions that state "OCC's Executive Chairman serves as the Chairman of OCC's Board. The Executive Chairman is responsible for certain aspects of the OCC's business." These proposed changes align with OCC's existing governance structure which does not maintain an executive chairman position.

OCC's proposed changes to the "Bank Credit Facility" section in Chapter 2 aim to eliminate the risk of potential inaccuracy within the Plan by removing the specific reference to numerical data points that are currently outdated and have the possibility to change in the future. Specifically, OCC's proposed changes eliminate the reference that the largest commitment under the Bank Credit Facility by any single bank affiliated with a Clearing Member is typically less than \$150 million or 7.5% of total Bank Credit Facility commitments. OCC's proposed changes add the provision that provides that within the facility, the amount of the commitment of each bank is capped to limit the risk posed by any single bank counterparty. These proposed changes are intended to capture the general concept of the Bank Credit Facility rather than reference specific numerical data that has potential to change in the future. OCC believes these proposed changes will help to promote accuracy within the Plan. Furthermore, OCC's existing Plan suggests that collateral available to be pledged to the Bank Credit Facility is limited, in part, to S&P equities. To reflect updated information, OCC's proposed changes remove "S&P"

before equities because the list of eligible collateral was expanded beyond just the components of the S&P 500.

Finally, OCC's proposed changes to Chapter 2 also include minor formatting and grammatical changes, such as changing "the" to "a", eliminating unnecessary words, and capitalizing defined terms such as "Repo Facility" and "Clearing Member." Such changes are proposed solely for internal consistency and grammatical accuracy and would not define new terms or make any changes to the meaning of the language in Chapter 2.

*Chapter 3: Core Services and Critical Support Functions.*

OCC's primary changes to Chapter 3 that were identified during OCC's annual review process include proposed updates to OCC's support functions and department ratings to align with OCC's existing organizational structure. For example, OCC's proposed changes reflect that OCC's Exams and Litigation support function, which was previously under the Legal Department, was modified such that the Exams support function was moved from the Legal Department and into the Compliance Department. OCC's proposed changes also reflect that OCC's Business Continuity support function was relocated from the Security Services Department into the Business Operations Department. Additionally, OCC's proposed changes reflect that the Corporate Communications support function was moved from the External Relations Department into the Human Resources Department. OCC's proposed changes update the names of the support functions and departments to align with OCC's current organizational structure and add new support functions or eliminate those support functions no longer in existence. Overall, OCC's proposed changes to Exhibit 3-3 reflect updates to align with OCC's existing organizational structure based on changes that occurred from an

administrative perspective to OCC's departments. Furthermore, to incorporate those updates in department structure to Exhibit 3-3, OCC's proposed changes also include related updates to the department ratings based on relocation or renaming of the support function or department.

Based on changes within OCC's department structure, OCC's proposed changes to Chapter 3 also specify that the External Relations Department is no longer identified as a Critical Support Function, because the Corporate Communications team has been moved from the External Relationship Department into the Human Resources Department. Based on this change, OCC's proposed changes provide that the External Relations Department is no longer deemed a "Critical Support Function." To reflect this, OCC's proposed changes update the title of Exhibit 3-3 to remove the term "Critical" in the heading. Prior to Exhibit 3-3, OCC's proposed changes in Section 3.4 provide that "all but one support function are critical to the provision of OCC's Core Services identified above." OCC's proposed changes also specify that eleven of the twelve identified support functions are necessary to deliver OCC's core services, and the External Relations Department is not included in those twelve.

Lastly, general proposed changes to Chapter 3 that were identified during OCC's annual review process include (i) updating the number of personnel employed under each Critical Support Function in Exhibit 3-4 and the description of IT Systems to reflect current data, (ii) removing the bullet point list of Critical Support Functions listed above Exhibit 3-3 to eliminate redundancy of information because this list is already provided earlier in Chapter 3, (iii) removing the word "subpart" in the description of Exhibit 3-2 description to reflect accurate information, (iv) updating the name of OCC's "Agreement

Review Policy” to “Material Agreements Policy” to reflect the current name of the Policy, and (v) editing text for grammatical or formatting purposes. The grammatical and formatting changes are proposed solely for internal consistency and grammatical accuracy and would not define new terms or make any changes to the meaning of the language in Chapter 3.

*Chapter 4: Recovery Plan.*

OCC’s proposed changes to Chapter 4 of the RWD Plan identified during OCC’s annual review process include updates to the Plan based on changes approved by the Commission to OCC’s Capital Management Policy in SR-OCC-2024-012.<sup>40</sup> To promote clarity throughout the Plan, OCC’s proposed changes abbreviate the phrase “Liquid Net Assets Funded by Equity greater than 110% of the Target Capital Requirement” to “Excess LNAFBE.” In addition, OCC’s proposed changes replace reference to “Equity” with “Liquid Net Assets Funded by Equity” to align with the updates in the Capital Management Policy.<sup>41</sup> OCC’s proposed changes define OCC’s Minimum Corporate Contribution as “the minimum level of OCC funds maintained exclusively to cover credit losses or liquidity shortfalls and is determined by the Board from time to time” to align with the definition in OCC’s Capital Management Policy.<sup>42</sup>

OCC’s proposed changes to Chapter 4 of the Plan also update the section titled “Inventory of Enhanced Risk Management Tools” to provide information on how OCC’s enhanced risk management tools, specifically Excess LNAFBE and EDCP Unvested Balance, would be utilized in the event of a non-default or operational loss. Currently,

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<sup>40</sup> See supra, note 22.

<sup>41</sup> Id.

<sup>42</sup> Id.

this section only describes how OCC's enhanced risk management tools would be utilized in the event of a default loss. OCC uses a different methodology in the event of a non-default loss, so OCC's proposed changes clarify how Excess LNAFBE and EDCP Unvested Balance would be used in the event of a non-default loss vs. a default loss. Specifically, OCC's proposed changes provide that in the event of an operational loss, OCC would first contribute Excess LNAFBE, and if capital remains below defined levels, will next contribute the EDCP Unvested Balance. OCC's proposed changes provide that after use of the Excess LNAFBE and EDCP Unvested Balance, OCC would next charge an Operational Loss Fee in equal share to each Clearing Member. OCC's proposed changes provide that in the event of a deficiency due to default, OCC would utilize its Minimum Corporate Contribution and Excess LNAFBE in advance of charging a loss or deficiency proportionately to the Clearing Fund deposits of non-defaulting Clearing Members. OCC's Plan explains that after use of the Minimum Corporate Contribution and Excess LNAFBE, OCC would next pay for a loss out of the Clearing Fund and the EDCP Unvested Balance charged on a proportionate basis against the sum of the EDCP Unvested Balance and all other Clearing Members' required contributions as calculated at the time. To more closely align with OCC Rule 1006(b),<sup>43</sup> OCC's proposed changes update the previous provision by eliminating the phrase "pay for a loss out of the Clearing Fund" and replace that with "pay for any deficiency from the Clearing Fund." To further clarify OCC's tools in the event of default loss vs. a non-default loss in the section titled "Implementation, Time Frame and Key Risks," OCC's proposed

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<sup>43</sup>See supra, note 5.

changes provide that in the event of an operational loss, contribution of Excess LNAFBE and Unvested EDCP are not subject to heightened governance or further Board approval.

OCC's proposed changes to Chapter 4 include updates to the section titled "Clearing Fee Change." Under the sub-section titled "Implementation, Time Frame and Key Risks," OCC proposes to edit the first paragraph to remain consistent with OCC's existing Capital Management Policy.<sup>44</sup> OCC's current Plan references, in part, that implementation [of a clearing fee change] would more likely happen "if Shareholders' Equity fell below 110% but remained above 90% of OCC's Target Capital Requirement." Because this information is outdated, OCC proposes to eliminate it and replace it with language that provides "based upon the thresholds in OCC's Capital Management Policy." OCC believes that providing a more general reference to OCC's Capital Management Policy, rather than stating specific numerical details, eliminates the risk of having inaccurate information in the Plan.

OCC's proposed changes to Chapter 4 also include updates to the section titled "Minimum Clearing Fund Cash Contribution" and the section titled "Borrowing Against Clearing Fund." OCC's proposed changes to the "Minimum Clearing Fund Cash Contribution" section, to more closely align with Rule 1002(a)(i),<sup>45</sup> include the word "minimum" before the terms "cash Clearing Fund" in the specific provision that explains any such temporary increase in the minimum cash Clearing Fund requirement must be reviewed by the Risk Committee as soon as practicable, and in any event within 20 days of the decision to increase. Under the "Borrowing Against the Clearing Fund" section,

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<sup>44</sup> See supra, note 22.

<sup>45</sup> See supra, note 5.

OCC's proposed changes eliminate the outdated provision that "In order for OCC to borrow under 1006(f), it must first determine that it is unable to borrow or otherwise obtain such funds on acceptable terms on an unsecured basis." This provision no longer exists in OCC's rules, and therefore does not apply. Under the "Implementation, Time Frame and Key Risks" section, OCC proposes to clarify the implementation time frame for borrowing against the Clearing Fund. To align more closely with OCC Rule 1006(h),<sup>46</sup> OCC's proposed changes eliminate the reference that describes "Clearing Fund cash being increased the following banking day by 5:30 pm Central Time." Specifically, OCC's proposed changes provide that the time frame for implementing this tool should be no more than several hours, and the Clearing Fund would not require replenishment by Clearing Members unless and until the borrowing is deemed to be a charge, at which point cash would be increased by the first Settlement Time following notification to the Clearing Member of such deficiency or such later time as provided by OCC.

Exhibit 4-1 in OCC's RWD Plan illustrates the alignment of OCC's Recovery Tools to the risk exposures identified in the CPMI-IOSCO 2014 Recovery Report. The exhibit currently depicts OCC's enhanced risk management and recovery tools, and the risk exposures identified in the event of a default loss. OCC's proposed changes to the section in Chapter 4 titled "Minimum Corporate Contribution, Excess LNAFBE, and EDCP Unvested Balance" clarify how OCC's enhanced risk management tools, specifically Excess LNAFBE and EDCP Unvested Balance, would be utilized in the event of a non-default loss, in addition to a default loss. Therefore, OCC's proposed

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<sup>46</sup> See supra, note 5.

changes update Exhibit 4-1 to align the tools with the associated risk exposure in the event of a non-default loss. To reflect this, OCC's proposed changes add a check mark under legal risk, general business risk and operational risk. Additional proposed changes to Exhibit 4-1 include replacing the general reference of OCC's "Replenishment Plan" as an enhanced risk management and recovery tool with a more specific reference to OCC's "Operational Loss Fee." OCC's Replenishment Plan includes the use of excess LNAFBE, EDCP Unvested Balance and Operational Loss Fee. Because OCC breaks down the Replenishment Plan into separate categories for Excess LNAFBE and EDCP Unvested Balance in the existing table, to remain consistent with this approach, OCC's proposed changes replace "Replenishment Plan" with "Operational Loss Fee."

OCC's proposed changes provide additional clarification in the section in Chapter 4 titled "Credit Risk Due to Bank or Commodities or Securities Clearing Organization Failure." OCC's proposed changes include reference to a Repo Bank Facility, in addition to a Bank Credit Facility, as another available resource to OCC when utilizing its authority to borrow against the Clearing Fund. OCC's proposed changes to this section also provide that to address counterparty credit risk, OCC will utilize its authority to borrow against the Clearing Fund (by transferring cash or pledging the borrowed collateral to the Bank Credit Facility or the Repo Facilities) in order to make settlements for the day. OCC's proposed changes include the additional information "by transferring cash" to provide a more complete and accurate description of OCC's ability to borrow against the Clearing Fund. OCC's proposed changes to this section aim to clarify that the Bank Credit Facility is not the only means of borrowing against the Clearing Fund, rather OCC can borrow the cash or the government securities in the Clearing Fund, and the

government securities can be converted to cash by either the Bank Credit Facility or the Repo Facilities.

OCC's proposed changes to the section in Chapter 4 titled "Recovery Trigger Events," which are also reflected in Exhibit 1-1, modify the description of "liquidity loss" under OCC's recovery triggers to limit ambiguity in the description. OCC's existing description of "liquidity loss" provides that it is a significant depletion of liquidity resources such that OCC may not be able to address foreseeable liquidity shortfalls to avoid unwinding, revoking, or delaying the same-day settlement of payment obligations. OCC's proposed changes to this description eliminate the term "may" and describe "liquidity loss" to be a significant depletion of liquidity resources such that OCC "forecasts that current available liquidity resources will" not be able to address foreseeable liquidity shortfalls to avoid unwinding, revoking, or delaying the same-day settlement of payment obligations. This proposed change is intended to promote clarity by using a more quantitative measure in determining the result of how OCC constitutes a liquidity loss.

OCC's proposed changes to Chapter 4 also update the title of Scenario 4 from "General Business and Operational Risks" to "Default and General Business Risks" to remain consistent with the existing title of Scenario 4 in the Appendix in Chapter 7. Within Scenario 4, OCC's proposed changes provide accurate reference to the OCC departments that have identified the universe of relevant operational and general business risks. These proposed changes include the elimination of the Business Development Department and the addition of the Financial Risk Management and Security Services Departments. OCC's proposed changes to Scenario 4 also aim to replicate the structure of

the other stress scenario descriptions in the RWD Plan to align with the characteristics of the “Detailed Stress Scenario 4” in Appendix A. Specifically, OCC proposes to replace the generic description of general business risks and operational risks with a description of the steps OCC would consider in the event of a member default followed by a cyber event. Similar to the other scenario descriptions in the RWD Plan, OCC’s proposed changes provide more details on the specific scenario and the OCC tools that could be used in this type of scenario. Specifically, OCC’s proposed changes provide that the management of a Clearing Member default would follow the same path shown in Scenario 1, including the creation of a close-out action plan, an auction, and use of the resources in the loss allocation waterfall described above and set forth in both Rule 1006(b) and OCC’s Default Management Policy. OCC’s proposed changes provide that the scenario continues with an operational loss from a cybersecurity event, which triggers OCC’s use of its Replenishment Plan as described in its Capital Management Policy. OCC’s proposed changes describe OCC’s tools in this scenario including Excess LNAFBE, Clearing Fee Change, EDCP Unvested Balance, and Operational Loss Fee. OCC’s proposed changes also provide that as this scenario incorporates both a credit, default component and an operational, non-default component, it demonstrates the use of both tools that are unique to and tools that span, default and non-default losses. The purpose of shifting the scenario to focus on a default followed by a cyber event is to align with the Detailed Stress Scenario 4, outlined in Chapter 7, and to align with the format of the other scenarios in Section 4.4. OCC believes the proposed change provides a more precise explanation of the tools that would be utilized, the description of such tools, and the steps that OCC would take if the hypothetical scenario were to occur.

Additional proposed changes to Chapter 4 identified during OCC's annual review process include: (i) updating inaccurate references to OCC's procedures by removing the reference to "Bank On-boarding and Off-boarding Procedure" and replacing it with reference to "Settlement Bank Failure Procedure" as shown in the "Borrowing Against the Clearing Fund" section; (ii) updating the section titled "Assessment Powers for the Pre-Funded Clearing Fund" and "Assessment Powers Beyond the Pre-Funded Clearing Fund" to reflect accurate information within OCC's procedures as it relates to implementation, time frame and key risks. Specifically, OCC's proposed changes in these sections provide that Market Risk and Default Management would calculate the proportional assessment amounts, and Legal would prepare a notice of Clearing Fund Assessments and a public notice which is distributed to Member Services to be posted. Currently, these sections provide that Market and Default Management prepares a draft Notice of Clearing Fund Assessments and a public notice for review by Legal; and that following the review, Legal notifies Member Services that the Notice of Clearing Fund Assessments and public notice may be posted.

Finally, OCC's proposed changes to Chapter 4 include grammatical and other non-substantive edits to language to provide clarity and consistency throughout the document.

#### *Chapter 5: Wind-Down Plan.*

OCC's proposed changes to Chapter 5 of the RWD Plan identified during OCC's annual review process include updates to the exhibit titled "Summary of Targeted Reductions in Force" to modify the number of full-time employees, and the number of those employees to be retained and released, to reflect current data. OCC's proposed

changes also update the comments within each summary of each support function to reflect current roles and responsibilities of the support function to be retained. OCC's proposed changes to Chapter 5 also update outdated information in the section titled "Termination of Stock Loan Programs." OCC's proposed changes provide that given the nature of the cessation of OCC's Stock Loan Programs and the potential for temporary disruption to Stock Loan participants, it is imperative that the termination of the programs is timely and appropriately communicated to the regulators and to Clearing Members. OCC's proposed changes eliminate the inaccurate reference to an increase in the size of OCC's Clearing Fund.

Minor, non-substantive updates to Chapter 5 identified during the annual review process include updating grammatical and formatting language. Specifically, within the section titled "Merger Transaction," OCC's proposed changes replace "the" with "a" to reflect that for purposes of the WDP, a "Merger Transaction" means a merger or consolidation of OCC with another entity, with OCC as a surviving entity. This change provides clarity that OCC may not be the sole surviving entity in this situation.

*Chapter 7: Appendix.*

OCC's proposed changes to Chapter 7 of the RWD Plan identified during OCC's annual review process include modifications to OCC's four detailed hypothetical scenarios to: (i) update referenced numbers throughout all detailed scenarios to reflect current data, and (ii) provide more granular information as it relates assumptions and details within the scenarios to make each scenario more realistic.

As described in each hypothetical stress scenario 1 through 4, OCC's existing Plan provides that due to the extremity of the scenario and potential for negative market

wide effects, the Business Continuity team is contacted to advise the Crisis Management Coordinator to determine if further actions are required with the CMT Plan. OCC's proposed changes to stress scenarios 1 through 4 add the language "including a decision for regulatory notification" to this provision to provide an example of what specific further action would be taken within the scenarios. Other proposed changes within each stress scenario include (i) updating "CMT Leader" to "Crisis Management Coordinator" to reflect the accurate name of the title of the role at OCC, (ii) deleting information that OCC believes is no longer relevant in the scenario, (iii) relocating existing information within the scenario to promote clarity in timeline, and (iv) including clarifying language to reduce ambiguity in scenario assumptions. A more detailed description of the proposed changes to the scenarios are described below.

*Proposed Changes to Scenario 1:*

In hypothetical stress scenario 1, OCC proposes to update the scenario such that the first draw after the Clearing Member default would be a borrowing from the Clearing Fund, rather than a proportionate charge to the Clearing Fund and unvested EDCP Balance. OCC believes this proposed modification represents a more realistic approach to how OCC would address the hypothetical scenario. Because OCC typically would approach this scenario in a similar way to how it approaches its firm-wide default test, where OCC first addresses the liquidity aspect in a Clearing Member default and whether a borrowing from the Clearing Fund is necessary, OCC believes it is more realistic to align the scenario with how OCC currently manages defaults during its annual firm-wide default test. To account for this proposed change, OCC proposes to update information described in day 1 of the scenario. Specifically, under the fifth bullet point in day 1 of

OCC's existing Plan, it describes that the composition of the \$5.3 billion of Clearing Fund assets used by OCC to be: (i) \$1.0 billion of Clearing Member A's cash contribution to the Clearing Fund; and (ii) \$4.3 billion, of cash contributions to the Clearing Fund from non-defaulting Clearing Members, which is a proportionate charge to the Clearing Fund and unvested EDCP Balance. OCC's proposed changes modify this statement to update the numbers to reflect current data and eliminate the provision that states "which is a proportionate charge to the Clearing Fund and unvested EDCP Balance." To reflect this update, OCC's proposed changes provide that the \$6.5 billion of cash contributions to the Clearing Fund from non-defaulting Clearing Members is "a borrowing from the Clearing Fund." As a result, OCC's proposed changes would also remove the discussion in day 1 of notifying members of a deficiency because the initial draw is a borrowing rather than a proportionate charge. Therefore, OCC proposes to eliminate the provision that provides "OCC notifies all non-defaulting Clearing Members of a \$5.3 billion deficiency in the Clearing Fund resulting from a proportionate charge, thereby requiring all non-defaulting Clearing members to replenish the \$5.3 billion deficiency by 8 A.M. Central Time on Day 2 in accordance with Rule 1006(h)(A)."

Under day 2 of scenario 1, OCC's proposed changes eliminate two provisions that OCC believes are no longer applicable in the event of a realistic scenario. Specifically, OCC's proposed changes eliminate the provision that states "All non-defaulting Clearing Members satisfy their assessment obligations by 8A.M. Central Time, restoring Clearing Fund to \$13.3 billion of which \$9.3 billion is in cash." OCC's proposed changes also eliminate the provision that provides "Accordingly, after the \$5.3 billion replenishment on Day 2, OCC's remaining replenishment power for the cooling-off period is \$18.1

billion.” OCC also proposes to relocate information from day 1 to day 2 to reflect the proposed change regarding the initial draw as a borrowing, rather than a proportionate charge, from the Clearing Fund. Specifically, OCC’s proposed changes relocate from day 1 to day 2 the provision that states “As a result of the Clearing Fund being used during the Default Management Process, a 15-day rolling cooling-off period in accordance with Rule 1006(h)(B) commences; during this time, Clearing Members are not liable for more than 200% of their individual total Clearing Fund contributions required as of the cooling-off period trigger event.” OCC also proposes to incorporate new information to provide additional clarity in the scenario, including the provision that states “OCC determines the previous \$8.3 billion outstanding borrowing to be an actual loss to the Clearing Fund.” Throughout days 3 through 18 of scenario 1, OCC’s proposed changes update the referenced numbers within the scenario to reflect current data and eliminate various provisions that OCC believes are no longer relevant to the scenario. Because OCC’s proposed changes establish the initial draw to be a borrowing from the Clearing Fund on day 1, and the charge to commence on day 2, as a result, the 15-day cooling off period would also start on day 2. Therefore, OCC’s proposed changes extend the scenario to last 22 days, instead of 21 days, because a cooling off period can extend up to 20 days from the initial charge to the Clearing Fund.

*Proposed Changes to Scenario 2:*

In hypothetical stress scenario 2, OCC’s proposed changes provide that (1) OCC receives an “all clear” message from NSCC, and (2) other services that Bank A provides to OCC are not impacted. These proposed changes provide additional information to promote clarity within the scenario. OCC’s proposed changes also provide language

within the assumption that “more than” 25 Clearing Members settle through Bank A.

This proposed change provides flexibility on the number of Clearing Members in the scenario. Currently, OCC’s Plan provides that Clearing members are able to receive wire funds to back up settlement banks. To clarify that OCC assumes the normal flow of business such that settlement banks are operating normally related to debit/credit functionality, OCC proposes to update this sentence to provide that Clearing Members are able to “send and” receive wire funds to “and from” back up settlement banks. These proposed changes are intended to capture the assumption that functionality between the settlement bank and Clearing Member is operating without issue. Furthermore, OCC’s proposed changes to Scenario 2 provide clarity around the notification process. On day 1 of scenario 2, OCC’s proposed changes specify that Collateral Services, rather than a general reference to OCC, becomes aware of the disruption through internal monitoring of settlement instructions and external notification. OCC’s proposed changes also provide that Collateral Services informs Financial Risk Management (“FRM”) and Treasury that Bank A is experiencing an operational disruption. OCC’s proposed changes eliminate the provision that notification is provided specifically to Market Risk Default Management when unable to meet the 10:00 AM Central Time operational settlement time. The purpose of this proposed change is to expand the notification to several groups within the department, not just Market Risk Default Management. OCC’s proposed changes also provide that at 10:00 A.M, rather than 10:45 A.M, Bank A informs OCC that there is no ETA on a resolution and that this could be a prolonged outage. OCC’s proposed changes also provide that formal notification is provided to FRM when Bank A is unable to meet the 10:00 A.M. Central Time operational settlement time, and then notification is

provided to the Default Management email distribution list. Because OCC's proposed changes add a specific provision on formal notification to FRM and the Default Management Group, OCC's proposed changes eliminate the reference that MRDM "escalates the incident to the FRM Default Management Email Group." To add clarity and promote a more realistic approach to the scenario, OCC's proposed changes provide that the ED, MRDM or delegate recommends to the Office of the CEO ("OCEO") to have members enact alternative settlement procedures and extend settlement via Rule 505 "based on the information provided by Bank A as well as the large number of first that settle at Bank A." To add additional detail, additionally OCC's proposed changes provide that "alternative settlement processing is highly manual and time consuming." Finally, OCC's proposed changes to scenario 2 add clarifying information that provides "due to the large number of Clearing Members settling through Bank A and the extensive manual payment instructions that go along with enacting alternative settlement, the OCEO authorizes extension of settlement until the close of Fedwire." Although this outcome has always been expected with respect to this scenario in the Plan, OCC believes it is necessary to specify this information in writing to provide the reader with more detail and context for the utilization of the Plan.

*Proposed Changes to Scenario 3:*

In hypothetical stress scenario 3, OCC's proposed changes promote clarity within the scenario to provide for a more realistic approach. Under the "Enhanced Risk Management and Recovery Tools" section of scenario 3, OCC's existing Plan describes that depending upon the issue, OCC and DTC Management collaborate on selecting the appropriate enhanced risk management and/or recovery tool. For additional context in

this bullet point, OCC proposes to add the provision that provides “This may include using OCC’s Clearing Fund under Rule 1006.” This proposed change is intended to promote additional clarity for the reader and provide context in an example of what may be an appropriate tool in this situation. OCC’s proposed changes in scenario 3 also relocate information to earlier in the scenario, including the provision that provides “DTC confirms they are experiencing an outage and are working on the problem.” Additionally, OCC’s proposed changes also relocate the provision that states “DTC has no ETA on resolution and does not expect to be resolved by the end of the processing day” to earlier in the scenario to also promote a more realistic approach to the scenario. OCC proposes deleting “As the end of the day is nearing” from this relocated text because it is relocated to earlier in the scenario. OCC’s existing Plan provides that Collateral Services notifies EquiLend that new and in-flight stock loan trades may not be cleared. OCC proposes to replace the text “that new and in-flight stock loan trades may not be cleared” with “on the status of transactions with DTC” to promote clarity within the scenario.

OCC’s proposed changes add new information in the scenario that provides if Clearing Members question OCC about the validity of existing collateral, Business Operations will communicate that Clearing Members’ existing collateral, that has been accepted by DTC, is still recognized by OCC as reflected in OCC’s clearing system. OCC replaces “Member Services/Collateral Services” and “Member Services” with “Business Operations” to reflect the current responsibility of the department. OCC proposes to incorporate this change to provide clarity that in a realistic scenario, OCC would not proactively reach out to Clearing Members validating the existence of their collateral. However, only if Clearing Members contact OCC and question the validity of

their collateral, then OCC would provide a response. To account for this change, OCC's proposed changes also remove the language within the scenario that provides "they also communicate that Clearing Members' existing collateral that has been accepted by DTC is still recognized by OCC as reflected in OCC's clearing system." OCC's proposed changes include a provision within scenario 3 that provides OCC is unable to enter Stock Loan Re-Purchase Adjustments as those adjustments are entered directly into the DTC system, and that Business Operations works with DTC to communicate the adjustments, and DTC makes the appropriate updates internally. This additional information supports a more realistic scenario approach. Finally, OCC's proposed changes remove information that OCC believes is no longer relevant to the scenario, including the provision that provides "Market Operations notifies DTC and NSCC that OCC's processing must begin and kicks off finalization by 9 P.M. Central Time as an ETA for DTC back online has not been received."

*Proposed Changes to Scenario 4:*

In hypothetical stress scenario 4, OCC's proposed changes to the scenario, at a high-level, aim to make the scenario more realistic by including more detail including the total size of default to be \$145 million. OCC's proposed changes provide that after receiving a recommendation to borrow \$145 million from an Executive Director in Default Management and approval to borrow the cash from the Clearing Fund from OCEO, Treasury transfers \$145 million in cash from the OCC Clearing Fund account at the Federal Reserve Bank to BMO. OCC's proposed changes provide that funds are deposited into an OCC liquidating settlement account in the name of the defaulting clearing member to pay start of day settlements. In addition to updating the relevant

numbers in the scenario to account for accurate data, OCC's proposed changes incorporate additional detail into the scenario. OCC's proposed changes update an existing provision to provide "OCC returns the \$70 million to the Clearing Fund account at the Federal Reserve Bank." Later in the scenario, OCC's existing Plan provides that the auction winning bidder takes possession of the defaulting Clearing Member's position. OCC proposes to include additional information in this provision by adding "and \$75 million is returned to Clearing Fund account at the Federal Reserve Bank to fully repay the borrowing. Lastly, OCC proposes to add the provision that OCC files a \$60 million insurance claim less a \$10 million retention to cover \$50 million of the \$90 million loss, and meanwhile, OCC exercises the \$75 million working capital line of credit as needed for liquidity purposes. The remaining proposed revisions to stress scenario 4 provide additional granularity within the scenario to promote clarification and provide a more realistic approach to the scenario. The additional granularity is proposed solely to give the reader more detail and context without making any changes to the scenario or tools that OCC would apply in Scenario 4. Finally, OCC's proposed changes remove information that OCC believes is no longer relevant to the scenario.

*General revisions to the RWD Plan identified during OCC's annual review process.*

OCC's proposed changes throughout the RWD Plan replace the term "Executive Chairman" with "Chairman" and "Chief Legal Officer and General Counsel" with "General Counsel" to align with changes to OCC's existing organizational structure and descriptions of roles. OCC's proposed changes also update the name of OCC's Working Group from the "Recovery and Wind-Down Working Group" or "RWD Plan Working Group" to the "Default and Recovery Working Group" to reflect the combination of two

prior working groups: the Recovery and Wind-Down Working Group (also referred to as the RWD Plan Working Group) and the Default Management Working Group.<sup>47</sup> OCC's proposed changes also update the reference from "Head of Default Management" to "Executive Director, Market Risk and Default Management" ("ED, MRDM") to reflect accurate to role titles. Lastly, OCC's proposed changes eliminate the reference in Chapter 6 to OCC's "recovery and resolution plan," and replace it with OCC's "RWD Plan." This change is intended to promote consistency and align with the titling of the Plan referenced in OCC's existing Board Charter.

## 2. Statutory Basis

OCC believes the proposed rule change is consistent with Section 17A of the Exchange Act<sup>48</sup> and Rule 17Ad-22(e)(3)(ii)<sup>49</sup> thereunder. Section 17A(b)(3)(F) of the Act<sup>50</sup> requires, among other things, that the rules of a clearing agency be designed, in general, to protect investors and the public interest. OCC believes that the proposed rule change is consistent with this requirement because the proposed changes are designed to, as a whole, modify OCC's existing RWD Plan to provide for effective recovery and orderly wind-down. OCC's proposed modifications, among other things: (i) identify OCC's core services to be maintained in a recovery or wind-down, which include OCC's pricing and valuation services and clearing and settlement functions, and the related staffing roles that would support those functions including those within the Business

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<sup>47</sup> Because the two pre-existing working groups contained multiple points of overlap, OCC combined the pre-existing working groups to eliminate redundancy, ensure clarity in responsibilities and streamline the function.

<sup>48</sup> 15 U.S.C. 78q-1.

<sup>49</sup> 17 CFR 240.17ad-22(e)(3)(ii).

<sup>50</sup> 15 U.S.C. 78q-1(b)(3)(F).

Operations, Corporate, Financial Risk Management and Information Technology support functions as described in the proposed Plan; (ii) identify OCC's service providers for core services, which include vendors, financial market utilities, banks, liquidity providers, and liquidation agents, and address how OCC would ensure that such service providers would continue in a recovery or wind-down through reliance on the absence of a "material adverse change" clause or similar provision ("MAC Clauses") in each key agreement with such service provider that would permit the counterparty to terminate the agreement and discontinue the provision of services in the event of a recovery or during a wind-down; (iii) clarify OCC's process used to monitor and determine whether the criteria that could trigger implementation of a recovery or wind-down have been met through identifying responsibilities of the Financial Risk Management, IT, and Corporate Finance teams at OCC; and (iv) clarify OCC's process for testing the RWD Plan annually, including the involvement of other stakeholders participating in the test, and the roles and responsibilities of OCC's Management, Working Group, and Working Group Delegate or Chair in reviewing the testing results, and incorporating lessons learned from testing into the Plan. OCC believes these proposed modifications would help OCC anticipate, better prepare for and respond to times of extreme market stress or other events that could lead to a recovery or wind-down. Additionally, OCC believes these proposed modifications enhance OCC's ability to preserve its financial stability by proactively identifying mechanisms to ensure the continuity of OCC's core services and the continuation of the staffing roles to support those core services in times of a recovery or during a wind-down. This, in turn, would limit disruption not only to OCC and its Clearing Members, but to other market participants and the broader U.S. financial system. OCC believes the

proposed changes to its RWD Plan provide OCC with the tools to effectively address a variety of potential risks, thereby improving OCC's ability to ultimately maintain market and public confidence during a time of unprecedented stress.

For these reasons, OCC believes the proposed changes to its RWD Plan are reasonably designed to protect investors and the public interest, in accordance with Section 17A(b)(3)(F) of the Act.<sup>51</sup>

Rule 17Ad-22(e)(3)(ii)<sup>52</sup> requires OCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to include plans for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses.<sup>53</sup> As described above, OCC's RWD Plan outlines OCC's plans to recover from, or wind-down its operations as a result of severe stress brought about by credit losses, liquidity shortfalls, losses from general business risk or other losses, including losses from operational disruption. The proposed modifications to OCC's RWD Plan evaluate, among other things, how OCC would continue to provide its core services during a recovery or wind-down and analyze, from a staffing perspective, how staffing roles necessary to support OCC's core services would continue in a recovery or during a wind-down. Additionally, the proposed modifications identify the subset of OCC's service providers necessary to ensure the continued delivery of its core services throughout a recovery or wind-down. Further, the proposed changes explain OCC's process for testing the Plan and the roles and responsibilities for reviewing the testing results. These proposed

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<sup>51</sup> Id.

<sup>52</sup> 17 CFR 240.17ad-22(e)(3)(ii).

<sup>53</sup> 17 CFR 240.17ad-22(e)(3)(ii).

updates enhance OCC's existing RWD Plan and codify its existing elements to ensure that those elements remain in the Plan over time. For those reasons, OCC believes that the proposal is consistent with Rule 17Ad-22(e)(3)(ii).

Lastly, OCC believes the proposed changes identified during its annual review process are also consistent with Rule 17Ad-22(e)(3)(ii).<sup>54</sup> These changes, among other things, update the Plan so that the role descriptions of OCC's Management, the support functions, and department ratings all align with OCC's existing organizational structure. The proposed changes also incorporate information related to OCC's enhanced risk management and recovery tools in the event of a non-default loss. Furthermore, OCC's proposed changes provide additional clarification and granularity in each of OCC's detailed stress scenarios. These proposed changes seek to streamline the scenarios by updating data points to reflect current information, eliminating provisions that OCC believes are no longer relevant, and including new provisions that promote a more realistic approach to each scenario. OCC believes the proposed changes identified during its annual review process improve the accuracy of the Plan by incorporating the most up to date information within the Plan so that OCC can reasonably anticipate and prepare for the possibility of a recovery or wind-down. In this regard, OCC believes its proposed rule change is consistent with Rule 17Ad-22(e)(3)(ii).<sup>55</sup>

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

Section 17A(b)(3)(I) of the Act<sup>56</sup> requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the

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<sup>54</sup> Id.

<sup>55</sup> Id.

<sup>56</sup> 15 U.S.C. 78q-1(b)(3)(I).

purposes of the Act. OCC does not believe that the proposed rule changes to modify OCC's RWD Plan would impact or impose any burden on competition.<sup>57</sup> The proposed modifications to OCC's RWD Plan, which must be formally filed by April 17, 2025, and effective by December 15, 2025, would promote OCC's compliance with the SEC RWD Rule. The proposed changes to OCC's RWD Plan are designed to clearly articulate the newly established requirements of the SEC RWD Rule including, but not limited to: (i) the elements related to planning, including the identification and use of scenarios, triggers, tools, staffing, and service providers for core services, (ii) the timing and implementation of RWPs and (iii) the testing and board approval of RWPs. The proposed changes to OCC's RWD Plan also aim to, among other things, reduce potential losses for its participants and limit market disruptions by addressing how OCC's core services would continue in the event of a recovery and during a wind-down and identifying which staffing roles would deploy the RWP and supervise its implementation. Overall, the proposed changes are designed to promote OCC's effective planning for a recovery or orderly wind-down by including forward-looking analyses in OCC's RWD Plan to reduce the occurrence of abrupt or unanticipated market disruptions.

For the foregoing reasons, OCC believes that the proposed changes are in the public interest, would be consistent with the requirements of the Act applicable to clearing agencies, and would not impact or impose a burden on competition.

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15 U.S.C. 78q-1(b)(3)(I).

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

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

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

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

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

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

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-OCC-2025-005 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-OCC-2025-005. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also 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-2025-005 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to  
delegated authority.<sup>58</sup>

Secretary

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17 CFR 200.30-3(a)(12).

**Exhibit 5**

This Exhibit contains one electronic file embedded in this cover page for filing efficiency, as identified below. OCC has omitted the embedded file pursuant to 17 CFR 240.24b-2. OCC has separately filed and requested confidential treatment of the cover page containing the embedded file as protected from public disclosure by Exemptions 4 and 8 of the Freedom of Information Act (“FOIA”), 5 U.S.C. 552(b)(4), (b)(8), and 15 U.S.C. 78x(e) because the information it contains concerns (i) OCC’s trade secrets and commercial information not customarily released to the public and is, and always has been, treated as the private information of OCC, the release of which is likely to cause foreseeable harm to OCC’s commercial or financial interests; and (ii) the supervision of OCC, a financial institution regulated by the Commission. OCC believes the Form 19b-4 Information and Exhibit 1A provide a clear and adequate description of the relevant substance of the embedded file to facilitate meaningful public comment.

Embedded File: **[Redacted Pursuant to Rule 24b-2]**

- SR-OCC-2025-005 - RWD Plan Exhibit 5 Amendment 1.docx; 121 pages.