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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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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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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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SR-OCC-2025-007 - Exhibit 3A - RED		
SR-OCC-2025-007 - Exhibit 3B - RED		
SR-OCC-2025-007 - Exhibit 3C - RED		

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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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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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.

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

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Form 19b-4

Proposed Rule Change  
by

**THE OPTIONS CLEARING CORPORATION**

Pursuant to Rule 19b-4 under the  
Securities Exchange Act of 1934

**Item 1. Text of the Proposed Rule Change**

Pursuant to the provisions of Section 19(b) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> The Options Clearing Corporation (“OCC”) is filing the proposed rule change with the Securities and Exchange Commission (“SEC” or “Commission”) to make updates to its portfolio revaluation process for purposes of determining intraday margin calls in order to better manage OCC’s intraday risk exposure to its Clearing Members.

The proposed changes are included in Exhibit 5 to File No. SR-OCC-2025-007. Material proposed to be added is underlined and material proposed to be deleted is marked in strikethrough text. 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>3</sup>

**Item 2. Procedures of the Self-Regulatory Organization**

The proposed rule change was approved for filing with the Commission by OCC’s Risk Committee on July 17, 2024, and OCC’s Board of Directors on July 18, 2024.

**Item 3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change****A. Purpose****Background**

OCC is the sole clearing agency for standardized equity options listed on national securities exchanges registered with the Commission. OCC also clears certain stock loan and

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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> 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>.

futures transactions. In its role as a clearing agency, OCC guarantees the performance of its Clearing Members for all transactions cleared by OCC by becoming the buyer to every seller and the seller to every buyer (or the lender to every borrower and the borrower to every lender, in the case of stock loan transactions). These clearing activities could expose OCC to financial risks if a Clearing Member fails to fulfil its obligations to OCC. In its role as guarantor for all transactions cleared through OCC, one of the more material risks related to a Clearing Member's failure to perform is credit risk arising from the activity of the Clearing Members whose performance OCC guarantees. OCC manages these financial risks through financial safeguards, including the collection of margin collateral from Clearing Members designed to, among other things, address the market risk associated with a Clearing Member's positions during the period of time OCC has determined it would take to liquidate those positions.

OCC has established a proprietary system, the System for Theoretical Analysis and Numerical Simulation ("STANS"), that runs various models used to calculate each Clearing Member's margin requirements. At the start of each business day, OCC collects margin requirements for each marginable account calculated by STANS based on the account's end-of-day positions<sup>4</sup> from the previous business day. OCC also makes intraday margin calls in defined circumstances. OCC's Rules grant it the authority to issue intraday margin calls based on intraday market volatility, changes in the size of a Clearing Member's positions, the value of securities deposited as margin, or otherwise to protect OCC, other Clearing Members or the general public, among other bases identified in Rule 609.<sup>5</sup>

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<sup>4</sup> The term "end-of-day positions" refers to the positions held by Clearing Members after the markets have closed each business day.

<sup>5</sup> See OCC Rule 609(a).

In particular, OCC requires the deposit of intraday margin to reflect changes in the value of securities deposited as margin by the Clearing Member when certain thresholds are breached pursuant to OCC Rule 609<sup>6</sup> and OCC's Margin Policy.<sup>7</sup> OCC maintains a portfolio revaluation process to monitor intraday price movements on Clearing Member positions for purposes of issuing margin calls and collecting additional margin assets when necessary.<sup>8</sup> Throughout the day, the portfolio revaluation process revalues Clearing Member start-of-day positions<sup>9</sup> with current prices to calculate updated account profit and loss ("P&L") for purposes of issuing intraday margin calls.<sup>10</sup>

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<sup>6</sup> See OCC Rule 609(a)(3). ("The Corporation may require the deposit of additional margin ('intra-day margin') by any Clearing Member in any account at any time during any business day to reflect changes in [...] the value of securities deposited by the Clearing Member as margin.")

<sup>7</sup> OCC's Margin Policy has been filed with and approved as a rule by the Commission. See Exchange Act Release Nos. 99169 (Dec. 14, 2023), 88 FR 88163 (Dec. 20, 2023) (SR-OCC-2023-008); 98101 (Aug. 10, 2023), 88 FR 55775 (Aug. 16, 2023) (SR-OCC-2022-012); 96566 (Dec. 22, 2022), 87 FR 80207 (Dec. 29, 2022) (SR-OCC-2022-010); 91079 (Feb. 8, 2021), 86 FR 9410 (Feb. 12, 2021) (SR-OCC-2020-016); 90797 (Dec. 23, 2020), 85 FR 86592 (Dec. 30, 2020) (SR-OCC-2020-014); 87718 (Dec. 11, 2019), 84 FR 68992 (Dec. 17, 2019) (SR-OCC-2019-010); 86436 (July 23, 2019), 84 FR 36632 (July 29, 2019) (SR-OCC-2019-006); 86119 (June 17, 2019), 84 FR 29267 (June 21, 2019) (SR-OCC-2019-004); 83799 (Aug. 8, 2018), 83 FR 40379 (Aug. 14, 2018) (SR-OCC-2018-011); 82658 (Feb. 7, 2018), 83 FR 6646 (Feb. 14, 2018) (SR-OCC-2017-007).

<sup>8</sup> The requirement that OCC engage in portfolio revaluation and revalue Clearing Member accounts using updated price data for purposes of issuing intraday margin calls is codified in the Margin Policy. See Exchange Act Release No. 82355 (Dec. 19, 2017), 82 FR 61060, 61064 (Dec. 26, 2017) (SR-OCC-2017-007) (codifying in the Margin Policy the revaluation of Clearing Member accounts using updated price data in accordance with the Portfolio Revaluation Monitoring Procedure, including the issuance of a margin call during standard equity trading hours when unrealized losses are observed for an account, based on start-of-day positions, exceeding 50% of that account's total risk charges). The details of the portfolio revaluation process are set out in the Portfolio Revaluation Monitoring Procedure, which is included as Exhibit 3A to File No. SR-OCC-2024-00X.

<sup>9</sup> The term "start-of-day positions" refers to Clearing Member end-of-day positions from the prior trading day adjusted for corporate actions, but which does not include any positions generated from overnight extended trading hours.

<sup>10</sup> OCC also issues margin calls when unrealized losses observed for an account based on positions from extended trading hours ("ETH") exceed a certain threshold ("ETH margin calls"). Id. (codifying in the Margin Policy the ETH margin call that OCC would issue when unrealized losses observed for an account, based on new ETH positions, exceed 25% of that account's total risk charges and the overall Clearing Member portfolio is also experiencing losses).

OCC collects margin in line with requirements at the start of each business day based on an account's end-of-day positions from the previous business day. However, OCC's exposure to its Clearing Members may change as a result of intraday changes in both prices and positions. To mitigate intraday risk exposure to its Clearing Members, OCC currently utilizes its portfolio revaluation process to determine intraday margin calls between the collection of margin at the start of each business day. Because the portfolio revaluation process is based on a Clearing Member's start-of-day positions, it does not consider exposure changes resulting from intraday position changes. To help mitigate such exposure changes, OCC proposes to enhance its portfolio revaluation process to incorporate current positions<sup>11</sup> when determining to issue intraday margin calls. Instead of portfolio revaluation, the enhanced process would more aptly be referred to as Intraday Profit and Loss ("Intraday P&L" or "IPL"). The IPL process would calculate P&L values for each Clearing Member's portfolio throughout the day by monitoring both changes in market prices and member positions. The proposed IPL process would also provide OCC the authority to issue intraday margin calls to cover increased exposures arising from changes in prices, positions or both. Under the proposed IPL process, OCC would measure the change in risk posed by member portfolios by calculating near real-time P&L values on current Clearing Member positions, which would allow OCC to better monitor intraday exposure and collect intraday margin when an applicable threshold is breached. For example, the proposed changes would allow OCC to account for any risk-reducing or risk-increasing trades and collect financial resources in proportion to such risk.<sup>12</sup> For the avoidance of doubt, such

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<sup>11</sup> The term "current positions" refers to Clearing Member positions at a certain point in time during the regular trading hours ("RTH"), which includes positions from the start-of-day and those generated during ETH and RTH.

<sup>12</sup> The proposed rule change would not change the current thresholds for intraday or ETH margin calls that are set out in the Margin Policy.

changes would have no impact on OCC's calculation of STANS margin requirements or other models.

As noted earlier, OCC already has the authority to issue intraday margin calls under Rule 609 to maintain sufficient financial resources to cover its credit exposures.<sup>13</sup> Under the existing portfolio revaluation process, OCC can issue margin calls consistent with OCC's policies and procedures, to address the credit exposure from any unrealized losses in a Clearing Member's account above and beyond certain predetermined thresholds based on current market prices applied to a Clearing Member's start-of-day positions. This process measures a Clearing Member's profits and losses throughout the trading day. However, the process is limited, as currently designed, because it only considers a static snapshot of the account, comprised of a Clearing Member's start-of-day positions. This proposed rule change would not amend the purpose of the existing process, i.e., measuring a Clearing Member's intraday profits and losses; rather, it would introduce an improvement to the calculations by incorporating a Clearing Member's current positions in place of a Clearing Member's static start-of-day positions in the calculations. The proposed change from using static start-of-day positions to using current positions as inputs would allow OCC to account for both realized and unrealized losses due to market movements, the product of which will represent a near real-time determination of losses held across all Clearing Member accounts.

Margin calls issued under OCC's other intraday margin proposal recently approved by the Commission, File No. SR-OCC-2024-010 (the "2024 Proposal"),<sup>14</sup> address a different type

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<sup>13</sup> See supra note 6.

<sup>14</sup> See Exchange Act Release Nos. 102768 (Apr. 3, 2025), 90 FR 15274 (Apr. 9, 2025) (File No. SR-OCC-2024-010) (Order approving OCC proposal to establish a margin add-on charge that would be applied to all Clearing Member accounts); 102202 (Jan. 15, 2025), 90 FR 7722 (Jan. 22, 2025) (File No. SR-OCC-2024-010); 100664 (Aug. 6, 2024), 89 FR 65695 (Aug. 12, 2024) (File No. SR-OCC-2024-010).



of exposure. Margin calls issued under this proposed rule change, File No. SR-OCC-2025-007, address losses on current positions caused by market movements to limit OCC's exposure to intraday losses before the next start-of-day margin collection. In contrast, margin calls issued under the 2024 Proposal address the increase in the risk of losses (i.e., risk exposures) to minimize under-margining due to intraday trading activity that is not captured by start-of-day margin requirements calculated for the account. Like the current proposed rule change, under the 2024 Proposal, OCC can call for additional financial resources intraday by issuing intraday margin calls consistent with Rule 609 and OCC's policies and procedures. Under the 2024 Proposal, margin calls, if assessed, would target the increase in risk exposures resulting from intraday trading activities that breach certain risk-based statistical thresholds in individual Clearing Member accounts. Both proposals considered together would allow OCC to issue two separate margin calls on the same day to a Clearing Member, each targeting a specific type of exposure presented to OCC. Margin calls issued under this proposal are additional financial resources used to cover realized and unrealized losses. In contrast, margin calls issued under the 2024 Proposal are additional financial resources used to cover increased risk exposures. Both margin calls would encompass the Clearing Member's intraday trading activity for that day.

To illustrate this scenario, consider a hypothetical Clearing Member account that on a given trading day starts with a certain profit and loss threshold (as currently is the case in OCC's portfolio revaluation process), and an intraday monitoring threshold unique to that account's historic activity determined under the 2024 Proposal. Suppose further that early in the trading day the Clearing Member sells out of the money naked call options on an underlying equity or index. If later in the day the underlying price increases substantially, the call option may turn deep in the money causing potential outsized losses to the Clearing Member. By midday, the

loss on that trade in the Clearing Member account may exceed the loss threshold for the account on that day. This would result in a margin call being issued to the Clearing Member requesting additional financial resources under this proposal based on the losses in the account. This same trade could increase the Clearing Member's intraday risk exposure to OCC since it would constitute a new position held in that account. The resulting increase in risk exposure could exceed the intraday monitoring threshold for the account on that day and compel OCC to seek additional financial resources to cover this rise in intraday risk by issuing a separate margin call under the 2024 Proposal. The margin call issued under this proposal would cover the losses in the Clearing Member account at that point in time, and the margin call issued under the 2024 proposal would cover potential future losses. In practice, the example envisaged above would apply to current positions to account for intraday losses and increases in intraday risk exposures in Clearing Member accounts.

### **Proposed Changes**

OCC proposes to help mitigate its intraday risk exposure to its Clearing Members by updating its portfolio revaluation process to use current positions instead of start-of-day positions for purposes of determining intraday margin calls, as further described below. The proposed rule change is designed to allow OCC to better monitor intraday risk exposure to its Clearing Members and collect margin on an intraday basis in consideration of both position and price changes.

OCC utilizes its portfolio revaluation process to address the change in value of margin collateral. For purposes of charging intraday margin calls, OCC's portfolio revaluation process monitors a Clearing Member account's unrealized losses based on start-of-day positions. Start-of-day positions are revalued with current prices at set intervals ("revaluation runs" or "runs")

during standard equity trading hours to calculate updated account P&L. In accordance with OCC's Margin Policy, intraday margin calls are issued when unrealized losses are observed for an account, based on start-of-day positions, exceeding the threshold of 50% of that account's total risk charges.<sup>15</sup> OCC has established a minimum value of \$500,000<sup>16</sup> below which OCC will not issue an intraday margin call and a standard time for processing margin calls.<sup>17</sup> Intraday margin calls are generally issued at a single collection time at or around 12:00 p.m. Central Time ("CT").<sup>18</sup> OCC nonetheless retains its authority under Rule 609(a) to issue margin calls at any time on any business day.<sup>19</sup>

Under the proposed changes, the IPL process would incorporate current positions instead of start-of-day positions in intraday margin call P&L calculations. For purposes of charging intraday margin calls, OCC's IPL process would measure the change in risk by calculating near real-time P&L values on Clearing Member positions. Current positions would be revalued with current prices every five minutes during standard equity trading hours to calculate updated account P&L.<sup>20</sup> Intraday margin calls would be issued when unrealized losses are observed for an account, based on current positions, exceeding the 50% threshold of that account's total risk charges, as they are issued today. Such intraday margin calls would, in general, continue to be

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<sup>15</sup> See supra note 7.

<sup>16</sup> The minimum margin call threshold is aligned with the minimum Clearing Fund deposit of \$500,000. See OCC Rule 1003(a).

<sup>17</sup> See Exhibit 3A to File No. SR-OCC-2025-007 for the Portfolio Revaluation Monitoring Procedure.

<sup>18</sup> Id.

<sup>19</sup> See OCC Rule 609(a) ("[OCC] may require the deposit of additional margin ('intra-day margin') by any Clearing Member in any account at any time during any business day to reflect changes in: . . . .").

<sup>20</sup> OCC does not propose any changes to its process for issuing ETH margin calls as part of this proposed rule change and the proposed IPL process will not impact ETH margin calls.

issued at a single collection time at or around 12:00 p.m. CT in accordance with the current process. OCC does not propose any changes to the minimum margin call value or the standard time for processing margin calls.

The proposed changes would allow OCC to collect resources from Clearing Members intraday based on changes in both positions and prices. Such changes are designed to allow OCC to better monitor intraday exposure by accounting for intraday position changes and collecting intraday margin accordingly. Because the current process revalues start-of-day positions, it does not account for Clearing Members engaging in risk-reducing or risk-increasing trades throughout the trading day. By revaluing current positions, the proposed IPL process would allow OCC to call for resources in response to intraday position changes, such as Clearing Members building large positions or trading out of their positions. For instance, a Clearing Member's start-of-day positions may present unrealized losses that exceed the threshold, whereas a Clearing Member's intraday positions may present unrealized losses that do not exceed the threshold due to intraday risk-reducing trades. A Clearing Member's start-of-day positions may lead to a larger margin call under the existing process than would be commensurate with the risks presented by its current positions.

For the avoidance of doubt, the proposed rule change would have no impact on OCC's calculation of STANS margin requirements or other models. OCC does not currently re-calculate STANS margin requirements on an intraday basis for purposes of charging an intraday margin call and does not propose to do so using this proposed rule change. The proposed rule change relates to the threshold for intraday margin calls when unrealized losses on a Clearing Member's account are greater than 50% of the account's total risk charges. The impact will be

dependent on a Clearing Member's trading activity and whether it is risk-reducing or risk-increasing relative to start-of-day positions used under the current approach.

#### *Portfolio Revaluation Process Changes*

The changes to the portfolio revaluation process are described below. Overall, the proposed rule change is intended to help mitigate exposure resulting from intraday changes to Clearing Member positions that may not be captured by the existing process.

**Current process:** Currently, revaluation runs for standard equity trading hours occur between 8:30 a.m. CT and 3:15 p.m. CT. Revaluation runs provide updated account P&L pertaining to start-of-day positions using current prices approximately every 40 minutes. OCC's system determines whether account P&L breaches the applicable threshold and sends an automated email to OCC's Market Risk and Default Management team ("MRDM") for review approximately every 40 minutes. After MRDM verifies that unrealized losses on a Clearing Member's account are greater than 50% of the account's total risk charges, a recommendation for an intraday margin call for additional margin collateral is escalated to Financial Risk Management ("FRM") team management. FRM management retains the authority to determine whether to approve the issuance of such intraday margin calls at a single collection time at or around 12:00 p.m. CT.<sup>21</sup> Under the Margin Policy, such margin calls must be approved by an OCC employee with the title of Executive Director or above. In situations where the approver determines the accuracy of the call may be in question or other factors indicate that it may be prudent to confirm the margin call amount, the approver may defer the decision to execute the margin call to a subsequent portfolio revaluation to confirm its validity. Margin calls after 1:30

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<sup>21</sup> The margin call would be issued based on the first complete and valid revaluation run at or around 12:00 p.m. CT. If no exceedance is detected at the time, no margin call is issued, even if the account had an exceedance during earlier runs.

PM CT must be approved by the Chief Financial Risk Officer, Chief Executive Officer, Chief Operating Officer, or Chief Risk Officer (“Senior Management”).<sup>22</sup> OCC retains its authority under Rule 609(a) to issue margin calls at any time on any business day.<sup>23</sup>

**Amended process:** As amended, IPL runs for standard equity trading hours will continue to occur between 8:30 a.m. CT and 3:15 p.m. CT. IPL runs will provide updated account P&L pertaining to current positions using current prices every five minutes. OCC’s system will determine whether account P&L breaches the applicable threshold and send an automated email to MRDM for review if there is a breach at set intervals. Such intervals will be configurable by OCC and will initially be set every 40 minutes. After MRDM verifies that unrealized losses on a Clearing Member’s account are greater than 50% of the account’s total risk charges, a recommendation for an intraday margin call for additional margin collateral will be escalated to FRM management. FRM management will retain the authority to determine whether to approve the issuance of such intraday margin calls at a single collection time at or around 12:00 p.m. CT.<sup>24</sup> Under the Margin Policy, margin calls will continue to require approval by an OCC employee with the title of Executive Director or above. In situations where the approver determines the accuracy of the call may be in question or other factors indicate that it may be prudent to confirm the margin call amount, the approver may defer the decision to execute the margin call to a subsequent run to confirm its validity. Margin calls after 1:30 PM CT will

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<sup>22</sup> See supra note 15.

<sup>23</sup> See supra note 17.

<sup>24</sup> The margin call would be issued based on the first complete and valid IPL run at or around 12:00 p.m. CT. If no exceedance is detected at the time, no margin call is issued, even if the account had an exceedance during earlier runs.

continue to require approval by Senior Management. OCC will retain its authority under Rule 609(a) to issue margin calls at any time on any business day.<sup>25</sup>

OCC also reviewed the potential impact of the proposed changes across all Clearing Members over a one-year period from February 2024 to January 2025 summarized in the following table:

**Table 1 – Comparison Between Portfolio Revaluation and IPL**

	<b><u>Current Methodology</u></b>	<b><u>Proposed Methodology</u></b>
<b>Total Margin Call Amount</b>	\$6,448.7 million	\$6,991.4 million
No. of Margin Calls	93	125
Average Call Amount	\$69.3 million	\$55.9 million

Overall, under the proposed methodology, the total number of margin calls is expected to increase by 34%, to 125 from the current 93 margin calls issued. However, average call amounts would be lower and reduced by approximately 19.3%, the equivalent of a \$13.4 million drop for an average call of around \$55.9 million. The minimum call amount would remain the same starting at \$500,000, but under the proposed methodology the largest call amount would also be reduced by 21.8%, the equivalent of a \$190.6 million drop to a lower call of \$682.7 million. Depending on the member's activity on a given date, intraday margin call amounts generated using current positions were on average lower than those under the portfolio revaluation process. While margin calls resulting from the proposed changes may differ across Clearing Members

<sup>25</sup>

See supra note 17.

due to members' activity, OCC believes that margin coverage under the enhanced IPL process will be more commensurate with the risks presented by its members' activity.<sup>26</sup>

### *Policy Changes*

To effect the proposed changes, OCC would amend the Margin Policy as follows. The current language requires FRM to ensure that OCC issues a margin call during standard equity trading hours, as provided in relevant procedures. OCC proposes to establish new procedures for FRM to monitor portfolios such that that OCC will be able to issue intraday margin calls during standard equity trading hours as portfolio positions change. Such changes are intended to emphasize that OCC engages in ongoing monitoring and to consider the authority provided to FRM management to determine whether to approve the issuance of intraday margin calls, as provided in the current procedures. OCC also proposes to replace references to portfolio revaluation and the Portfolio Revaluation Monitoring Procedure with references to IPL and the Intraday Profit & Loss Monitoring Procedure.<sup>27</sup> Furthermore, the Margin Policy currently directs OCC's FRM to issue an intraday margin call during standard equity trading hours when unrealized losses are observed for an account, based on start-of-day positions, exceeding 50% of that account's total risk charges. OCC proposes to remove "start-of-day" to show that the IPL process uses current positions for purposes of determining intraday margin calls. OCC also proposes to replace "total risk charges" with "total margin charges". In this context, "total risk

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<sup>26</sup> For the avoidance of doubt, the amended process will apply to all margin accounts other than cross-margin accounts for OCC's cross-margining program with the Chicago Mercantile Exchange ("CME"), which do not currently support intraday position feeds.

<sup>27</sup> The draft Intraday Profit & Loss Monitoring Procedure is provided as confidential Exhibit 3B to SR-OCC-2025-007.



charges” consists of expected shortfall (“ES”),<sup>28</sup> stress test charges, and add-on charges. As amended “total margin charges” would continue to consist of ES, stress test charges and add-on charges. This change is intended to avoid potential confusion with the term “Total Risk” which is a defined term.<sup>29</sup> Given the similarity of these terms, OCC believes “total margin charges” is clearer in the context of intraday margin calls. Conforming changes are proposed in the following section when referencing “total risk charges”. This proposed rule change is designed to address the risk that OCC’s exposure to its Clearing Members may change as a result of intraday position changes. Overall, this proposed rule change would allow OCC to better monitor intraday risk exposure to its Clearing Members and clarify that OCC can collect margin on an intraday basis in consideration of both position and price changes.

### **Implementation Timeframe**

The proposed changes are related to a larger OCC technology initiative, Ovation. OCC will implement the proposed changes at the time Ovation becomes OCC’s system of record, which is planned to launch in the first half of 2026.<sup>30</sup> Accordingly, OCC will announce the implementation date of the proposed changes by an Information Memorandum posted to its public website at least 2 weeks prior to implementation. OCC plans to launch Ovation and implement the proposed changes no later than June 30, 2026, and OCC will announce another

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<sup>28</sup> As employed by OCC, ES is established as the estimated average of potential losses higher than the 99% value at risk (“VaR”) threshold. The term “VaR” refers to a statistical technique that is used in risk management to measure the potential risk of loss for a given set of assets over a particular time horizon.

<sup>29</sup> The term “Total Risk” is defined as 99% ES plus the stress test component in the STANS Methodology Description.

<sup>30</sup> See <https://www.theocc.com/Participant-Resources> (linking to reference guides and timelines for the launch of Ovation).

intended implementation date by Information Memorandum posted to its public website if the changes will not be implemented by that date.

B. Statutory Basis

OCC believes the proposed changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. In particular, OCC believes the proposed changes are consistent with Section 17A(b)(3)(F) of the Act.<sup>31</sup> Section 17A(b)(3)(F)<sup>32</sup> of the Act requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and, in general, to protect investors and the public interest. OCC believes that incorporating current positions in its portfolio revaluation process will help mitigate intraday risk exposure to its Clearing Members. As described above, OCC's exposure to its Clearing Members may change as a result of intraday changes in both prices and positions. OCC currently utilizes its portfolio revaluation process to determine intraday margin calls between the collection of margin at the start of each business day. Because the portfolio revaluation process is based on a Clearing Member's start-of-day positions, it does not consider exposure resulting from intraday position changes. To help mitigate such exposure, OCC proposes to incorporate current positions in the amended IPL process to determine intraday margin calls. The IPL process would calculate P&L values on Clearing Members' current portfolios using current market prices and monitor portfolios as they change throughout the day. The IPL process would measure the change in risk by calculating and incorporating near real-time P&L values on Clearing Member positions. This would allow OCC to better monitor intraday exposure by

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

<sup>32</sup> Id.

accounting for intraday position changes and collecting intraday margin accordingly, which would promote OCC's ability to continue to provide prompt and accurate clearance and settlement services. OCC thus believes that the proposed changes would be beneficial to and protective of OCC and its participants and that the proposed changes are therefore designed, in general, to protect investors and the public interest.

OCC believes that the proposed changes are also consistent with the SEC rules that apply to OCC as a covered clearing agency.<sup>33</sup> In particular, SEC Rule 17Ad-22(e)(6)(ii)<sup>34</sup> requires OCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, marks participant positions to market and collects margin, including variation margin or equivalent charges if relevant, at least daily and includes the authority and operational capacity to make intraday margin calls in defined circumstances. The proposed rule change would enhance OCC's ability to measure, monitor, and manage its credit exposures to its participants by utilizing the IPL process to consider current positions instead of start-of-day positions. The proposed rule change is intended to help mitigate exposure resulting from intraday changes to Clearing Member positions that may not be currently captured by existing OCC processes. Overall, this proposed rule change would allow OCC to better monitor intraday risk exposure to its Clearing Members and collect margin on an intraday basis in consideration of both position and price changes. Moreover, OCC would be better positioned to account for risk-reducing or risk-increasing trades and collect financial resources in proportion to such risk. Such changes would help OCC further ensure that it has sufficient information to take action to

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<sup>33</sup> 17 CFR 240.17Ad-22(a)(5).

<sup>34</sup> 17 CFR 240.17Ad-22(e)(6)(ii).

manage intraday exposures that may arise. For the above reasons, OCC believes that the proposed rule change is consistent with Section 17A of the Exchange Act<sup>35</sup> and the rules and regulations thereunder applicable to OCC.

**Item 4. Self-Regulatory Organization's Statement on Burden on Competition**

Section 17A(b)(3)(I) requires that the rules of a clearing agency do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.<sup>36</sup> The proposed rule change is designed to help mitigate OCC's intraday risk exposure to its Clearing Members by utilizing the IPL process which incorporates current positions instead of start-of-day positions for purposes of determining intraday margin calls. The IPL process would be used by OCC across all Clearing Members. OCC thus does not believe that the proposed rule change would unfairly hinder access to OCC's services.

While the proposed rule change may impact Clearing Members differently depending on their trading activity, OCC does not believe that the proposed rule change would impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. As discussed above, OCC's impact analysis indicates that at the Clearing Member level, while the number of intraday margin calls may increase from using current positions due to individual Clearing Member's trading activity on a given date, intraday margin call amounts would on average be lower than those under the portfolio revaluation process. While margin calls resulting from the proposed changes may differ due to Clearing Members' activity, OCC believes that margin coverage under the enhanced IPL process will be more commensurate with the risks presented by its Clearing Members' activity. Because the current

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<sup>35</sup> 15 U.S.C. 78q-1.

<sup>36</sup> 15 U.S.C. 78q-1(b)(3)(I).

process revalues start-of-day positions, it does not account for Clearing Members engaging in risk-reducing or risk-increasing trades throughout the trading day. By revaluing current positions, the proposed IPL process would allow OCC to call for resources in response to intraday position changes, such as Clearing Members building large positions or trading out of their positions. For example, the proposed IPL process would allow for risk-reducing positions to be incorporated into OCC's intraday margin collection cycle and would reduce intraday margin calls for some accounts which actively risk-manage their portfolios. Ultimately, the impact of the proposed rule change will be dependent on a Clearing Member's trading activity and whether it is risk-reducing or risk-increasing relative to the start-of-day positions used under the current approach. Further, the proposed rule change is intended to help mitigate exposure resulting from intraday changes to Clearing Member positions that may not be currently captured by existing OCC processes. The proposed rule change would be applied uniformly across all Clearing Members. Accordingly, OCC believes that the proposed rule change would not impose any burden or impact on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act.

**Item 5.        Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

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

**Item 6.        Extension of Time Period for Commission Action**

OCC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act<sup>37</sup> for Commission action.

**Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)**

Not applicable.

**Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

Not applicable.

**Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

**Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

**Item 11. Exhibits**

Exhibit 1A. Completed Notice of Proposed Rule Change for publication in the Federal Register.

Exhibit 3A. OCC's Portfolio Revaluation Monitoring Procedure.

Exhibit 3B. OCC's Intraday Profit & Loss Monitoring Procedure

Exhibit 3C. Confidential data and analysis concerning the proposed rule change.

Exhibit 5. Proposed changes to OCC's Margin Policy.

**Exhibit 3A, Exhibit 3B, Exhibit 3C and Exhibit 5 are omitted and filed separately with the Commission in connection with a request for confidential treatment pursuant to 17 CFR 240.24b-2.**

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

## EXHIBIT 1A

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-[\_\_\_\_\_] ); File No. SR-OCC-2025-007)

[May \_\_, 2025]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change by The Options Clearing Corporation Concerning Updates to its Portfolio Revaluation Process for Purposes of Determining Intraday Margin Calls in Order to Better Manage OCC's Intraday Risk Exposure to its Clearing Members.

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 May 15, 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 updates to its portfolio revaluation process for purposes of determining intraday margin calls in order to better manage OCC's intraday risk exposure to its Clearing Members.

The proposed changes are included in Exhibit 5 to File No. SR-OCC-2025-007. Material proposed to be added is underlined and material proposed to be deleted is

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

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

marked in strikethrough text. 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>3</sup>

I. 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.

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

(1) Purpose

**Background**

OCC is the sole clearing agency for standardized equity options listed on national securities exchanges registered with the Commission. OCC also clears certain stock loan and futures transactions. In its role as a clearing agency, OCC guarantees the performance of its Clearing Members for all transactions cleared by OCC by becoming the buyer to every seller and the seller to every buyer (or the lender to every borrower and the borrower to every lender, in the case of stock loan transactions). These clearing activities could expose OCC to financial risks if a Clearing Member fails to fulfil its obligations to OCC. In its role as guarantor for all transactions cleared through OCC, one of the more material risks related to a Clearing Member's failure to perform is credit risk

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<sup>3</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>.



arising from the activity of the Clearing Members whose performance OCC guarantees. OCC manages these financial risks through financial safeguards, including the collection of margin collateral from Clearing Members designed to, among other things, address the market risk associated with a Clearing Member's positions during the period of time OCC has determined it would take to liquidate those positions.

OCC has established a proprietary system, the System for Theoretical Analysis and Numerical Simulation ("STANS"), that runs various models used to calculate each Clearing Member's margin requirements. At the start of each business day, OCC collects margin requirements for each marginable account calculated by STANS based on the account's end-of-day positions<sup>4</sup> from the previous business day. OCC also makes intraday margin calls in defined circumstances. OCC's Rules grant it the authority to issue intraday margin calls based on intraday market volatility, changes in the size of a Clearing Member's positions, the value of securities deposited as margin, or otherwise to protect OCC, other Clearing Members or the general public, among other bases identified in Rule 609.<sup>5</sup>

In particular, OCC requires the deposit of intraday margin to reflect changes in the value of securities deposited as margin by the Clearing Member when certain thresholds are breached pursuant to OCC Rule 609<sup>6</sup> and OCC's Margin Policy.<sup>7</sup> OCC

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<sup>4</sup> The term "end-of-day positions" refers to the positions held by Clearing Members after the markets have closed each business day.

<sup>5</sup> See OCC Rule 609(a).

<sup>6</sup> See OCC Rule 609(a)(3). ("The Corporation may require the deposit of additional margin ('intra-day margin') by any Clearing Member in any account at any time during any business day to reflect changes in [...] the value of securities deposited by the Clearing Member as margin.")

maintains a portfolio revaluation process to monitor intraday price movements on Clearing Member positions for purposes of issuing margin calls and collecting additional margin assets when necessary.<sup>8</sup> Throughout the day, the portfolio revaluation process revalues Clearing Member start-of-day positions<sup>9</sup> with current prices to calculate updated account profit and loss (“P&L”) for purposes of issuing intraday margin calls.<sup>10</sup>

OCC collects margin in line with requirements at the start of each business day based on an account’s end-of-day positions from the previous business day. However, OCC’s exposure to its Clearing Members may change as a result of intraday changes in

<sup>7</sup> OCC’s Margin Policy has been filed with and approved as a rule by the Commission. See Exchange Act Release Nos. 99169 (Dec. 14, 2023), 88 FR 88163 (Dec. 20, 2023) (SR-OCC-2023-008); 98101 (Aug. 10, 2023), 88 FR 55775 (Aug. 16, 2023) (SR-OCC-2022-012); 96566 (Dec. 22, 2022), 87 FR 80207 (Dec. 29, 2022) (SR-OCC-2022-010); 91079 (Feb. 8, 2021), 86 FR 9410 (Feb. 12, 2021) (SR-OCC-2020-016); 90797 (Dec. 23, 2020), 85 FR 86592 (Dec. 30, 2020) (SR-OCC-2020-014); 87718 (Dec. 11, 2019), 84 FR 68992 (Dec. 17, 2019) (SR-OCC-2019-010); 86436 (July 23, 2019), 84 FR 36632 (July 29, 2019) (SR-OCC-2019-006); 86119 (June 17, 2019), 84 FR 29267 (June 21, 2019) (SR-OCC-2019-004); 83799 (Aug. 8, 2018), 83 FR 40379 (Aug. 14, 2018) (SR-OCC-2018-011); 82658 (Feb. 7, 2018), 83 FR 6646 (Feb. 14, 2018) (SR-OCC-2017-007).

<sup>8</sup> The requirement that OCC engage in portfolio revaluation and revalue Clearing Member accounts using updated price data for purposes of issuing intraday margin calls is codified in the Margin Policy. See Exchange Act Release No. 82355 (Dec. 19, 2017), 82 FR 61060, 61064 (Dec. 26, 2017) (SR-OCC-2017-007) (codifying in the Margin Policy the revaluation of Clearing Member accounts using updated price data in accordance with the Portfolio Revaluation Monitoring Procedure, including the issuance of a margin call during standard equity trading hours when unrealized losses are observed for an account, based on start-of-day positions, exceeding 50% of that account’s total risk charges). The details of the portfolio revaluation process are set out in the Portfolio Revaluation Monitoring Procedure, which is included as Exhibit 3A to File No. SR-OCC-2024-00X.

<sup>9</sup> The term “start-of-day positions” refers to Clearing Member end-of-day positions from the prior trading day adjusted for corporate actions, but which does not include any positions generated from overnight extended trading hours.

<sup>10</sup> OCC also issues margin calls when unrealized losses observed for an account based on positions from extended trading hours (“ETH”) exceed a certain threshold (“ETH margin calls”). Id. (codifying in the Margin Policy the ETH margin call that OCC would issue when unrealized losses observed for an account, based on new ETH positions, exceed 25% of that account’s total risk charges and the overall Clearing Member portfolio is also experiencing losses).

both prices and positions. To mitigate intraday risk exposure to its Clearing Members, OCC currently utilizes its portfolio revaluation process to determine intraday margin calls between the collection of margin at the start of each business day. Because the portfolio revaluation process is based on a Clearing Member's start-of-day positions, it does not consider exposure changes resulting from intraday position changes. To help mitigate such exposure changes, OCC proposes to enhance its portfolio revaluation process to incorporate current positions<sup>11</sup> when determining to issue intraday margin calls. Instead of portfolio revaluation, the enhanced process would more aptly be referred to as Intraday Profit and Loss ("Intraday P&L" or "IPL"). The IPL process would calculate P&L values for each Clearing Member's portfolio throughout the day by monitoring both changes in market prices and member positions. The proposed IPL process would also provide OCC the authority to issue intraday margin calls to cover increased exposures arising from changes in prices, positions or both. Under the proposed IPL process, OCC would measure the change in risk posed by member portfolios by calculating near real-time P&L values on current Clearing Member positions, which would allow OCC to better monitor intraday exposure and collect intraday margin when an applicable threshold is breached. For example, the proposed changes would allow OCC to account for any risk-reducing or risk-increasing trades and collect financial resources in

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<sup>11</sup> The term "current positions" refers to Clearing Member positions at a certain point in time during the regular trading hours ("RTH"), which includes positions from the start-of-day and those generated during ETH and RTH.

proportion to such risk.<sup>12</sup> For the avoidance of doubt, such changes would have no impact on OCC's calculation of STANS margin requirements or other models.

As noted earlier, OCC already has the authority to issue intraday margin calls under Rule 609 to maintain sufficient financial resources to cover its credit exposures.<sup>13</sup> Under the existing portfolio revaluation process, OCC can issue margin calls consistent with OCC's policies and procedures, to address the credit exposure from any unrealized losses in a Clearing Member's account above and beyond certain predetermined thresholds based on current market prices applied to a Clearing Member's start-of-day positions. This process measures a Clearing Member's profits and losses throughout the trading day. However, the process is limited, as currently designed, because it only considers a static snapshot of the account, comprised of a Clearing Member's start-of-day positions. This proposed rule change would not amend the purpose of the existing process, i.e., measuring a Clearing Member's intraday profits and losses; rather, it would introduce an improvement to the calculations by incorporating a Clearing Member's current positions in place of a Clearing Member's static start-of-day positions in the calculations. The proposed change from using static start-of-day positions to using current positions as inputs would allow OCC to account for both realized and unrealized losses due to market movements, the product of which will represent a near real-time determination of losses held across all Clearing Member accounts.

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<sup>12</sup> The proposed rule change would not change the current thresholds for intraday or ETH margin calls that are set out in the Margin Policy.

<sup>13</sup> See supra note 6.

Margin calls issued under OCC's other intraday margin proposal recently approved by the Commission, File No. SR-OCC-2024-010 (the "2024 Proposal"),<sup>14</sup> address a different type of exposure. Margin calls issued under this proposed rule change, File No. SR-OCC-2025-007, address losses on current positions caused by market movements to limit OCC's exposure to intraday losses before the next start-of-day margin collection. In contrast, margin calls issued under the 2024 Proposal address the increase in the risk of losses (i.e., risk exposures) to minimize under-margining due to intraday trading activity that is not captured by start-of-day margin requirements calculated for the account. Like the current proposed rule change, under the 2024 Proposal, OCC can call for additional financial resources intraday by issuing intraday margin calls consistent with Rule 609 and OCC's policies and procedures. Under the 2024 Proposal, margin calls, if assessed, would target the increase in risk exposures resulting from intraday trading activities that breach certain risk-based statistical thresholds in individual Clearing Member accounts. Both proposals considered together would allow OCC to issue two separate margin calls on the same day to a Clearing Member, each targeting a specific type of exposure presented to OCC. Margin calls issued under this proposal are additional financial resources used to cover realized and unrealized losses. In contrast, margin calls issued under the 2024 Proposal are additional

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<sup>14</sup> See Exchange Act Release Nos. 102768 (Apr. 3, 2025), 90 FR 15274 (Apr. 9, 2025) (File No. SR-OCC-2024-010) (Order approving OCC proposal to establish a margin add-on charge that would be applied to all Clearing Member accounts); 102202 (Jan. 15, 2025), 90 FR 7722 (Jan. 22, 2025) (File No. SR-OCC-2024-010); 100664 (Aug. 6, 2024), 89 FR 65695 (Aug. 12, 2024) (File No. SR-OCC-2024-010).

financial resources used to cover increased risk exposures. Both margin calls would encompass the Clearing Member's intraday trading activity for that day.

To illustrate this scenario, consider a hypothetical Clearing Member account that on a given trading day starts with a certain profit and loss threshold (as currently is the case in OCC's portfolio revaluation process), and an intraday monitoring threshold unique to that account's historic activity determined under the 2024 Proposal. Suppose further that early in the trading day the Clearing Member sells out of the money naked call options on an underlying equity or index. If later in the day the underlying price increases substantially, the call option may turn deep in the money causing potential outsized losses to the Clearing Member. By midday, the loss on that trade in the Clearing Member account may exceed the loss threshold for the account on that day. This would result in a margin call being issued to the Clearing Member requesting additional financial resources under this proposal based on the losses in the account. This same trade could increase the Clearing Member's intraday risk exposure to OCC since it would constitute a new position held in that account. The resulting increase in risk exposure could exceed the intraday monitoring threshold for the account on that day and compel OCC to seek additional financial resources to cover this rise in intraday risk by issuing a separate margin call under the 2024 Proposal. The margin call issued under this proposal would cover the losses in the Clearing Member account at that point in time, and the margin call issued under the 2024 proposal would cover potential future losses. In practice, the example envisaged above would apply to current positions to account for intraday losses and increases in intraday risk exposures in Clearing Member accounts.

### **Proposed Changes**

OCC proposes to help mitigate its intraday risk exposure to its Clearing Members by updating its portfolio revaluation process to use current positions instead of start-of-day positions for purposes of determining intraday margin calls, as further described below. The proposed rule change is designed to allow OCC to better monitor intraday risk exposure to its Clearing Members and collect margin on an intraday basis in consideration of both position and price changes.

OCC utilizes its portfolio revaluation process to address the change in value of margin collateral. For purposes of charging intraday margin calls, OCC's portfolio revaluation process monitors a Clearing Member account's unrealized losses based on start-of-day positions. Start-of-day positions are revalued with current prices at set intervals ("revaluation runs" or "runs") during standard equity trading hours to calculate updated account P&L. In accordance with OCC's Margin Policy, intraday margin calls are issued when unrealized losses are observed for an account, based on start-of-day positions, exceeding the threshold of 50% of that account's total risk charges.<sup>15</sup> OCC has established a minimum value of \$500,000<sup>16</sup> below which OCC will not issue an intraday margin call and a standard time for processing margin calls.<sup>17</sup> Intraday margin calls are generally issued at a single collection time at or around 12:00 p.m. Central Time

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<sup>15</sup> See supra note 7.

<sup>16</sup> The minimum margin call threshold is aligned with the minimum Clearing Fund deposit of \$500,000. See OCC Rule 1003(a).

<sup>17</sup> See Exhibit 3A to File No. SR-OCC-2025-007 for the Portfolio Revaluation Monitoring Procedure.

(“CT”).<sup>18</sup> OCC nonetheless retains its authority under Rule 609(a) to issue margin calls at any time on any business day.<sup>19</sup>

Under the proposed changes, the IPL process would incorporate current positions instead of start-of-day positions in intraday margin call P&L calculations. For purposes of charging intraday margin calls, OCC’s IPL process would measure the change in risk by calculating near real-time P&L values on Clearing Member positions. Current positions would be revalued with current prices every five minutes during standard equity trading hours to calculate updated account P&L.<sup>20</sup> Intraday margin calls would be issued when unrealized losses are observed for an account, based on current positions, exceeding the 50% threshold of that account’s total risk charges, as they are issued today. Such intraday margin calls would, in general, continue to be issued at a single collection time at or around 12:00 p.m. CT in accordance with the current process. OCC does not propose any changes to the minimum margin call value or the standard time for processing margin calls.

The proposed changes would allow OCC to collect resources from Clearing Members intraday based on changes in both positions and prices. Such changes are designed to allow OCC to better monitor intraday exposure by accounting for intraday position changes and collecting intraday margin accordingly. Because the current process revalues start-of-day positions, it does not account for Clearing Members

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<sup>18</sup> Id.

<sup>19</sup> See OCC Rule 609(a) (“[OCC] may require the deposit of additional margin (‘intra-day margin’) by any Clearing Member in any account at any time during any business day to reflect changes in: . . .”).

<sup>20</sup> OCC does not propose any changes to its process for issuing ETH margin calls as part of this proposed rule change and the proposed IPL process will not impact ETH margin calls.



engaging in risk-reducing or risk-increasing trades throughout the trading day. By revaluing current positions, the proposed IPL process would allow OCC to call for resources in response to intraday position changes, such as Clearing Members building large positions or trading out of their positions. For instance, a Clearing Member's start-of-day positions may present unrealized losses that exceed the threshold, whereas a Clearing Member's intraday positions may present unrealized losses that do not exceed the threshold due to intraday risk-reducing trades. A Clearing Member's start-of-day positions may lead to a larger margin call under the existing process than would be commensurate with the risks presented by its current positions.

For the avoidance of doubt, the proposed rule change would have no impact on OCC's calculation of STANS margin requirements or other models. OCC does not currently re-calculate STANS margin requirements on an intraday basis for purposes of charging an intraday margin call and does not propose to do so using this proposed rule change. The proposed rule change relates to the threshold for intraday margin calls when unrealized losses on a Clearing Member's account are greater than 50% of the account's total risk charges. The impact will be dependent on a Clearing Member's trading activity and whether it is risk-reducing or risk-increasing relative to start-of-day positions used under the current approach.

#### *Portfolio Revaluation Process Changes*

The changes to the portfolio revaluation process are described below. Overall, the proposed rule change is intended to help mitigate exposure resulting from intraday changes to Clearing Member positions that may not be captured by the existing process.

**Current process:** Currently, revaluation runs for standard equity trading hours occur between 8:30 a.m. CT and 3:15 p.m. CT. Revaluation runs provide updated account P&L pertaining to start-of-day positions using current prices approximately every 40 minutes. OCC's system determines whether account P&L breaches the applicable threshold and sends an automated email to OCC's Market Risk and Default Management team ("MRDM") for review approximately every 40 minutes. After MRDM verifies that unrealized losses on a Clearing Member's account are greater than 50% of the account's total risk charges, a recommendation for an intraday margin call for additional margin collateral is escalated to Financial Risk Management ("FRM") team management. FRM management retains the authority to determine whether to approve the issuance of such intraday margin calls at a single collection time at or around 12:00 p.m. CT.<sup>21</sup> Under the Margin Policy, such margin calls must be approved by an OCC employee with the title of Executive Director or above. In situations where the approver determines the accuracy of the call may be in question or other factors indicate that it may be prudent to confirm the margin call amount, the approver may defer the decision to execute the margin call to a subsequent portfolio revaluation to confirm its validity. Margin calls after 1:30 PM CT must be approved by the Chief Financial Risk Officer, Chief Executive Officer, Chief Operating Officer, or Chief Risk Officer ("Senior

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<sup>21</sup> The margin call would be issued based on the first complete and valid revaluation run at or around 12:00 p.m. CT. If no exceedance is detected at the time, no margin call is issued, even if the account had an exceedance during earlier runs.

Management”).<sup>22</sup> OCC retains its authority under Rule 609(a) to issue margin calls at any time on any business day.<sup>23</sup>

**Amended process:** As amended, IPL runs for standard equity trading hours will continue to occur between 8:30 a.m. CT and 3:15 p.m. CT. IPL runs will provide updated account P&L pertaining to current positions using current prices every five minutes. OCC’s system will determine whether account P&L breaches the applicable threshold and send an automated email to MRDM for review if there is a breach at set intervals. Such intervals will be configurable by OCC and will initially be set every 40 minutes. After MRDM verifies that unrealized losses on a Clearing Member’s account are greater than 50% of the account’s total risk charges, a recommendation for an intraday margin call for additional margin collateral will be escalated to FRM management. FRM management will retain the authority to determine whether to approve the issuance of such intraday margin calls at a single collection time at or around 12:00 p.m. CT.<sup>24</sup> Under the Margin Policy, margin calls will continue to require approval by an OCC employee with the title of Executive Director or above. In situations where the approver determines the accuracy of the call may be in question or other factors indicate that it may be prudent to confirm the margin call amount, the approver may defer the decision to execute the margin call to a subsequent run to confirm its

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<sup>22</sup> See supra note 15.

<sup>23</sup> See supra note 17.

<sup>24</sup> The margin call would be issued based on the first complete and valid IPL run at or around 12:00 p.m. CT. If no exceedance is detected at the time, no margin call is issued, even if the account had an exceedance during earlier runs.

validity. Margin calls after 1:30 PM CT will continue to require approval by Senior Management. OCC will retain its authority under Rule 609(a) to issue margin calls at any time on any business day.<sup>25</sup>

OCC also reviewed the potential impact of the proposed changes across all Clearing Members over a one-year period from February 2024 to January 2025 summarized in the following table:

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**Table 1 – Comparison Between Portfolio Revaluation and IPL**

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	<u><b>Current Methodology</b></u>	<u><b>Proposed Methodology</b></u>
<b>Total Margin Call Amount</b>	\$6,448.7 million	\$6,991.4 million
No. of Margin Calls	93	125
Average Call Amount	\$69.3 million	\$55.9 million

Overall, under the proposed methodology, the total number of margin calls is expected to increase by 34%, to 125 from the current 93 margin calls issued. However, average call amounts would be lower and reduced by approximately 19.3%, the equivalent of a \$13.4 million drop for an average call of around \$55.9 million. The minimum call amount would remain the same starting at \$500,000, but under the proposed methodology the largest call amount would also be reduced by 21.8%, the

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<sup>25</sup>

See supra note 17.

equivalent of a \$190.6 million drop to a lower call of \$682.7 million. Depending on the member's activity on a given date, intraday margin call amounts generated using current positions were on average lower than those under the portfolio revaluation process. While margin calls resulting from the proposed changes may differ across Clearing Members due to members' activity, OCC believes that margin coverage under the enhanced IPL process will be more commensurate with the risks presented by its members' activity.<sup>26</sup>

### *Policy Changes*

To effect the proposed changes, OCC would amend the Margin Policy as follows. The current language requires FRM to ensure that OCC issues a margin call during standard equity trading hours, as provided in relevant procedures. OCC proposes to establish new procedures for FRM to monitor portfolios such that that OCC will be able to issue intraday margin calls during standard equity trading hours as portfolio positions change. Such changes are intended to emphasize that OCC engages in ongoing monitoring and to consider the authority provided to FRM management to determine whether to approve the issuance of intraday margin calls, as provided in the current procedures. OCC also proposes to replace references to portfolio revaluation and the Portfolio Revaluation Monitoring Procedure with references to IPL and the Intraday Profit & Loss Monitoring Procedure.<sup>27</sup> Furthermore, the Margin Policy currently directs

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<sup>26</sup> For the avoidance of doubt, the amended process will apply to all margin accounts other than cross-margin accounts for OCC's cross-margining program with the Chicago Mercantile Exchange ("CME"), which do not currently support intraday position feeds.

<sup>27</sup> The draft Intraday Profit & Loss Monitoring Procedure is provided as confidential Exhibit 3B to SR-OCC-2025-007.

OCC's FRM to issue an intraday margin call during standard equity trading hours when unrealized losses are observed for an account, based on start-of-day positions, exceeding 50% of that account's total risk charges. OCC proposes to remove "start-of-day" to show that the IPL process uses current positions for purposes of determining intraday margin calls. OCC also proposes to replace "total risk charges" with "total margin charges". In this context, "total risk charges" consists of expected shortfall ("ES"),<sup>28</sup> stress test charges, and add-on charges. As amended "total margin charges" would continue to consist of ES, stress test charges and add-on charges. This change is intended to avoid potential confusion with the term "Total Risk" which is a defined term.<sup>29</sup> Given the similarity of these terms, OCC believes "total margin charges" is clearer in the context of intraday margin calls. Conforming changes are proposed in the following section when referencing "total risk charges". This proposed rule change is designed to address the risk that OCC's exposure to its Clearing Members may change as a result of intraday position changes. Overall, this proposed rule change would allow OCC to better monitor intraday risk exposure to its Clearing Members and clarify that OCC can collect margin on an intraday basis in consideration of both position and price changes.

### **Implementation Timeframe**

The proposed changes are related to a larger OCC technology initiative, Ovation. OCC will implement the proposed changes at the time Ovation becomes OCC's system

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<sup>28</sup> As employed by OCC, ES is established as the estimated average of potential losses higher than the 99% value at risk ("VaR") threshold. The term "VaR" refers to a statistical technique that is used in risk management to measure the potential risk of loss for a given set of assets over a particular time horizon.

<sup>29</sup> The term "Total Risk" is defined as 99% ES plus the stress test component in the STANS Methodology Description.

of record, which is planned to launch in the first half of 2026.<sup>30</sup> Accordingly, OCC will announce the implementation date of the proposed changes by an Information Memorandum posted to its public website at least 2 weeks prior to implementation. OCC plans to launch Ovation and implement the proposed changes no later than June 30, 2026, and OCC will announce another intended implementation date by Information Memorandum posted to its public website if the changes will not be implemented by that date.

(2) Statutory Basis

OCC believes the proposed changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. In particular, OCC believes the proposed changes are consistent with Section 17A(b)(3)(F) of the Act.<sup>31</sup> Section 17A(b)(3)(F)<sup>32</sup> of the Act requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and, in general, to protect investors and the public interest. OCC believes that incorporating current positions in its portfolio revaluation process will help mitigate intraday risk exposure to its Clearing Members. As described above, OCC's exposure to its Clearing Members may change as a result of intraday changes in both prices and positions. OCC currently utilizes its portfolio

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<sup>30</sup> See <https://www.theocc.com/Participant-Resources> (linking to reference guides and timelines for the launch of Ovation).

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

<sup>32</sup> Id.

reevaluation process to determine intraday margin calls between the collection of margin at the start of each business day. Because the portfolio revaluation process is based on a Clearing Member's start-of-day positions, it does not consider exposure resulting from intraday position changes. To help mitigate such exposure, OCC proposes to incorporate current positions in the amended IPL process to determine intraday margin calls. The IPL process would calculate P&L values on Clearing Members' current portfolios using current market prices and monitor portfolios as they change throughout the day. The IPL process would measure the change in risk by calculating and incorporating near real-time P&L values on Clearing Member positions. This would allow OCC to better monitor intraday exposure by accounting for intraday position changes and collecting intraday margin accordingly, which would promote OCC's ability to continue to provide prompt and accurate clearance and settlement services. OCC thus believes that the proposed changes would be beneficial to and protective of OCC and its participants and that the proposed changes are therefore designed, in general, to protect investors and the public interest.

OCC believes that the proposed changes are also consistent with the SEC rules that apply to OCC as a covered clearing agency.<sup>33</sup> In particular, SEC Rule 17Ad-22(e)(6)(ii)<sup>34</sup> requires OCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, marks participant positions

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<sup>33</sup> 17 CFR 240.17Ad-22(a)(5).

<sup>34</sup> 17 CFR 240.17Ad-22(e)(6)(ii).



to market and collects margin, including variation margin or equivalent charges if relevant, at least daily and includes the authority and operational capacity to make intraday margin calls in defined circumstances. The proposed rule change would enhance OCC's ability to measure, monitor, and manage its credit exposures to its participants by utilizing the IPL process to consider current positions instead of start-of-day positions. The proposed rule change is intended to help mitigate exposure resulting from intraday changes to Clearing Member positions that may not be currently captured by existing OCC processes. Overall, this proposed rule change would allow OCC to better monitor intraday risk exposure to its Clearing Members and collect margin on an intraday basis in consideration of both position and price changes. Moreover, OCC would be better positioned to account for risk-reducing or risk-increasing trades and collect financial resources in proportion to such risk. Such changes would help OCC further ensure that it has sufficient information to take action to manage intraday exposures that may arise. For the above reasons, OCC believes that the proposed rule change is consistent with Section 17A of the Exchange Act<sup>35</sup> and the rules and regulations thereunder applicable to OCC.

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

Section 17A(b)(3)(I) requires that the rules of a clearing agency do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.<sup>36</sup> The proposed rule change is designed to help mitigate OCC's intraday risk

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<sup>35</sup> 15 U.S.C. 78q-1.

<sup>36</sup> 15 U.S.C. 78q-1(b)(3)(I).

exposure to its Clearing Members by utilizing the IPL process which incorporates current positions instead of start-of-day positions for purposes of determining intraday margin calls. The IPL process would be used by OCC across all Clearing Members. OCC thus does not believe that the proposed rule change would unfairly hinder access to OCC's services.

While the proposed rule change may impact Clearing Members differently depending on their trading activity, OCC does not believe that the proposed rule change would impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. As discussed above, OCC's impact analysis indicates that at the Clearing Member level, while the number of intraday margin calls may increase from using current positions due to individual Clearing Member's trading activity on a given date, intraday margin call amounts would on average be lower than those under the portfolio revaluation process. While margin calls resulting from the proposed changes may differ due to Clearing Members' activity, OCC believes that margin coverage under the enhanced IPL process will be more commensurate with the risks presented by its Clearing Members' activity. Because the current process revalues start-of-day positions, it does not account for Clearing Members engaging in risk-reducing or risk-increasing trades throughout the trading day. By revaluing current positions, the proposed IPL process would allow OCC to call for resources in response to intraday position changes, such as Clearing Members building large positions or trading out of their positions. For example, the proposed IPL process would allow for risk-reducing positions to be incorporated into OCC's intraday margin collection cycle and would reduce intraday margin calls for some accounts which actively risk-manage their

portfolios. Ultimately, the impact of the proposed rule change will be dependent on a Clearing Member's trading activity and whether it is risk-reducing or risk-increasing relative to the start-of-day positions used under the current approach. Further, the proposed rule change is intended to help mitigate exposure resulting from intraday changes to Clearing Member positions that may not be currently captured by existing OCC processes. The proposed rule change would be applied uniformly across all Clearing Members. Accordingly, OCC believes that the proposed rule change would not impose any burden or impact on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act.

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

Written comments were not and are not intended to be solicited with respect to the proposed rule change, and have not been received.

II. 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.

### III. 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-2025-007 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-2025-007. 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-2025-007 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>37</sup>

Secretary

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<sup>37</sup> 17 CFR 200.30-3(a)(12).

**Exhibit 3A**

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]**

- OCC’s Portfolio Revaluation Monitoring Procedure; 6 pages.

**Exhibit 3B**

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]**

- OCC’s Intraday Profit & Loss Monitoring Procedure, 7 pages;

**Exhibit 3C**

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]**

- Confidential data and analysis concerning the proposed rule change; spreadsheet file.



**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]**

- Proposed changes to OCC’s Margin Policy; 3 pages;