



# OCC<sup>®</sup> Recovery and Orderly Wind-Down Plan Participant Guide

Updated as of June 7, 2024



**THE FOUNDATION  
FOR SECURE  
MARKETS<sup>®</sup>**

# Contents

## OCC

- Designation as a Systemically Important Financial Market Utility
- Regulatory Oversight
- Who OCC Serves

## Purpose of Recovery and Orderly Wind-Down Plan

## Expected Content of Recovery and Orderly Wind-Down Plan

## Governance of Recovery and Orderly Wind-Down Plan

## OCC's Critical Services

## OCC's Default Management Waterfall

## OCC's Enhanced Risk Management and Recovery Tools

## OCC's Recovery Tools and Illustrations

This OCC Recovery and Orderly Wind-Down Plan Participant Guide is intended to provide market participants with a high-level overview of OCC's Recovery and Orderly Wind-Down Plan. Nothing in this Guide supersedes the content of OCC's Rules, By-Laws, or Recovery and Orderly Wind-Down Plan. This Guide is subject to change.



# OCC is a SIFMU

## Systemically Important Financial Market Utility

“A failure or disruption of OCC could have cumulative negative effects on U.S. domestic options and futures markets, financial institutions, and the broader financial system that are substantial in their own right and so severe as to create a risk that liquidity and credit problems experienced could spread among financial institutions and other markets.”

Financial Stability Oversight Council, Designation of Systemically Important Financial Market Utilities  
July 18, 2012—Designating OCC as a SIFMU

# Regulatory Oversight

## SIFMU designation expanded regulatory oversight of OCC.



NOTE: OCC’s SIFMU designation does not extend to OCC’s futures business as OCC is not designated as a systemically important derivatives clearing organization under CFTC regulations.

SEC is a registered trademark of the U.S. Securities and Exchange Commission.



SIFMU designation imposes more extensive requirements under SEC regulations. In addition, as a Subpart C Derivatives Clearing Organization (“DCO”), OCC is subject to substantially the same regulatory obligations with the CFTC as a systemically important DCO.

In aggregate, over 2,000 SEC and CFTC regulations are applicable to OCC.

Also provides for prudential oversight by the Federal Reserve.

### International

OCC has reporting requirements to certain Canadian regulators.

OCC is recognized by the European Securities and Markets Authority (“ESMA”) to provide clearing services in the EU.

OCC is recognized to provide clearing services in the UK pursuant to the UK’s Temporary Recognition Regime, pending action on OCC’s application for permanent recognition.

# Who OCC Serves

OCC is the sole clearing agency for listed equity options in the U.S.



**17**

Options Exchanges

**2**

Future Exchanges

**100+**

Clearing Members

A list of OCC participant exchanges and futures exchanges is available at <https://www.theocc.com/Clearance-and-Settlement/Participant-Exchanges>.

A list of OCC clearing members is available at <https://www.theocc.com/Company-Information/Member-Directory>.



Public

# What is the Purpose of a Recovery and Orderly Wind-Down Plan?

OCC maintains a Recovery and Orderly Wind-Down Plan (“Plan”) that describes i) OCC’s ability to provide critical services in the event of severe financial or operational stress, and ii) its 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.

OCC’s Plan is maintained pursuant to SEC and CFTC Guidance and Rules:

*“[I]dentify scenarios that may potentially prevent [a Covered Clearing Agency] from...being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down...and...[prepare] appropriate plans...based on the result of that assessment.”*

SEC: Standards for Covered Clearing Agencies, 81 Fed. Reg. 70810 (Oct. 13, 2016).

“...[a] subpart C derivatives clearing organization shall identify scenarios that may potentially prevent it from being able to meet its obligations, provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down.”

CFTC: 17 C.F.R. § 39.39(c)(1).

# What is the Purpose of a Recovery and Orderly Wind-Down Plan?

The contents of the Plan are based on guidance from international standard setting bodies and domestic regulators.\* For example:

The CPMI-IOSCO report, Recovery of Financial Market Infrastructures (updated 2017) states that a recovery plan should include the following sections:

- A high-level summary that provides an overview of the recovery plan and how it will be implemented,
- An identification of the CCP's critical services,
- A substantive description of the CCP's recovery tools,
- An identification of "recovery triggers," and
- A discussion of stress scenarios that could threaten the viability of the CCP.

The CFTC has provided guidance in Letter 16-61 about the subjects that should be addressed in a recovery plan, including:

- A discussion of stress scenarios that could threaten the DCO's viability;
- A substantive description of the DCO's recovery tools;
- Agreements to be maintained during recovery;
- Financial resources necessary to implement recovery;
- Governance applicable to the recovery process,
- Notifications to regulators, clearing members, and others;
- Material assumptions; and
- Arrangements for updates and testing.

\*In 2023, both the SEC and CFTC proposed amendments to their rules that, if adopted, would further specify the required contents of the recovery and wind-down plans for clearing agencies and DCOs.

# Plan Governance

The Plan is filed with, and approved by, the SEC. OCC reviews the Plan regularly to ensure it remains accurate and fit-for-purpose.

Consistent with CPMI-IOSCO's Principles for Financial Market Infrastructures, SEC and CFTC rules require systemically important CCPs to maintain viable plans for recovery and resolution (or wind-down) necessitated by (i) uncovered credit losses and liquidity shortfalls, and (ii) general business risk, operational risk, and other risks that threaten the CCP as a going concern.

- OCC's Plan was first approved by the SEC in September 2018. The Plan has since been approved multiple times, with the most recent being August 2023.

OCC reviews the Plan at least annually, and any proposed changes are reviewed and approved by OCC's Board of Directors ("Board") before being filed with the SEC for approval.

- Review of the Plan is led by OCC's Default Management Working Group and Recovery Management Working Group (collectively, "DRWG"), which are cross-functional groups that meet jointly to review the Plan and recommend modifications to OCC's Management Committee, which upon approval recommends changes to the Board Risk Committee and the Board.



# OCC Critical Services

OCC's Plan has defined clearance and settlement services for listed derivatives and pricing and valuation services as critical services.

Identification of critical services is based on CPMI-IOSCO and FSB guidance.

“Critical” refers to the importance of the activity, function, or service to the smooth functioning of the market(s) that the financial market utility serves (including both clearing members and other financial market utilities) and, in particular, the maintenance of financial stability.

- Critical services are performed by “Critical Support Functions,” which are functions performed by OCC (or are performed by a third-party provider) that, if they failed, would lead to the inability of OCC to perform its critical services.

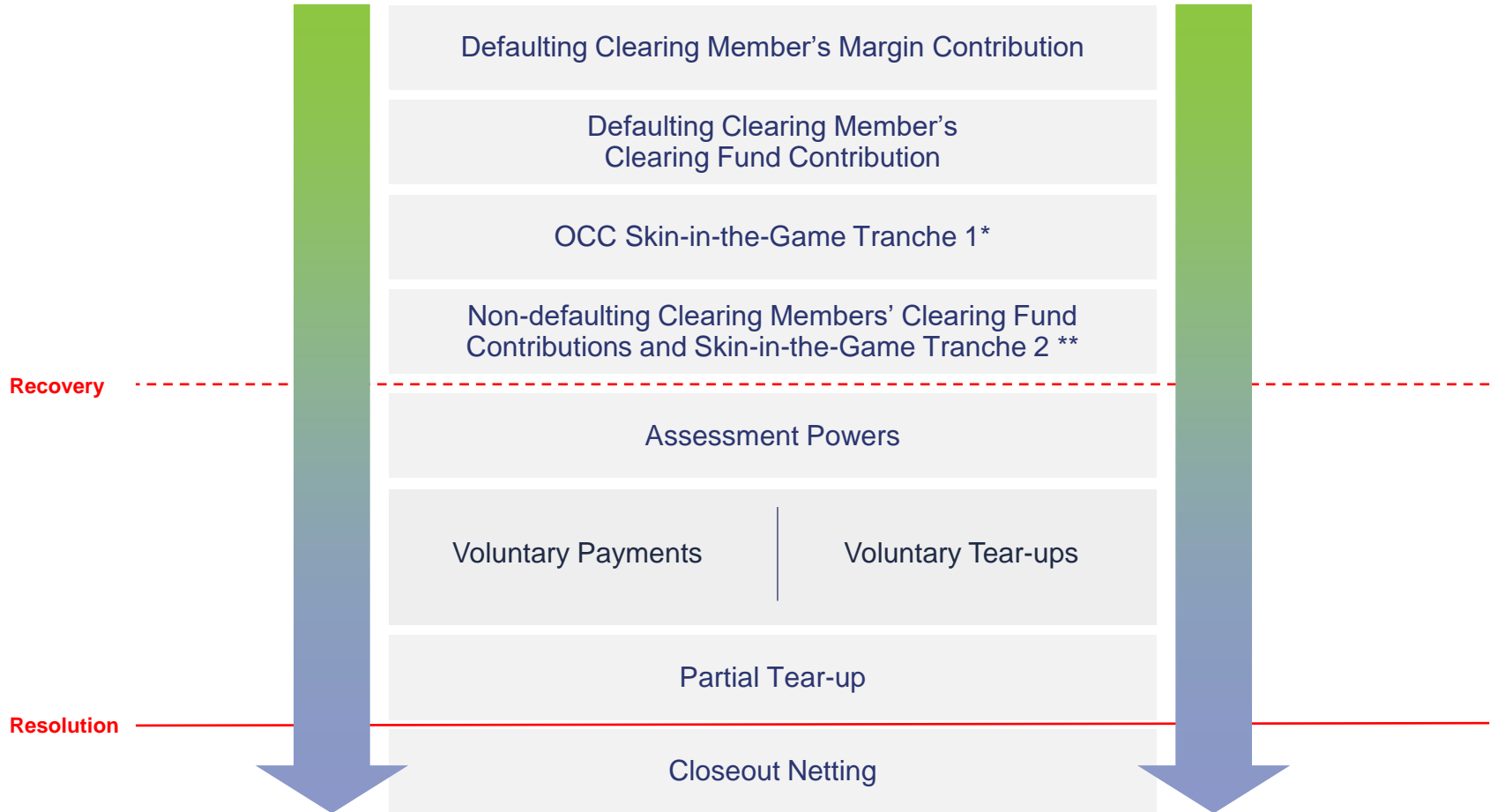
Each service provided by OCC was assessed for criticality against criteria defined by the DRWG.

In making the assessment OCC considered:

- (1) OCC's market share for the service provided,
- (2) the service's importance to the overall economy,
- (3) the availability of existing alternate service providers,
- (4) barriers to a clearing member's ability to transfer to alternative service provider(s),
- (5) impact to clearing members or markets if the OCC service discontinues,
- (6) financial barriers to new entry by alternative service providers,
- (7) operational barriers to new entry by alternative service providers, and
- (8) legal/regulatory barriers to new entry by alternative service providers.

# OCC's Default Management Waterfall

The Recovery and Orderly Wind-Down Plan is reflected in OCC's default management waterfall.



\*OCC Skin-in-the-game Tranche 1 consists of OCC's minimum contribution and liquid net assets funded by equity over 110% of the Target Capital Requirement. Combined, OCC's minimum corporate contribution and OCC Skin-in-the-game Tranche 2 are greater than 25% of OCC's Target Capital Requirement.

\*\*OCC would contribute unvested funds in the Executive Deferred Compensation Plan contributed after January 1, 2020, pari passu with Clearing Fund deposits of non-defaulting members.





# OCC's Enhanced Risk Management and Recovery Tools

# International Standards for Recovery Tools

OCC considers CPMI-IOSCO recommended criteria in developing its recovery tools.

From Recovery of Financial Market Infrastructures, § 3.3: Characteristics of Recovery Tools

<b>Comprehensive</b>	<b>Effective</b>	<b>Transparent, measurable, manageable, and controllable</b>	<b>Create appropriate incentives</b>	<b>Minimize negative impact</b>
<p>The tools should comprehensively address how OCC would continue to provide its critical services.</p>	<p>Each tool should be reliable and timely, and OCC should have a strong legal basis for its use.</p>	<p>The tools should enable those who would bear losses and shortfalls to measure, manage, and control their exposure to OCC.</p>	<p>The tools should properly incentivize OCC's owners, participants, and other stakeholders.</p>	<p>The tools should minimize negative impact on participants and the financial system.</p>

# OCC's Enhanced Risk Management Tools

Tool	Purpose	Description and Analysis
<b>Use of OCC's Skin-in-the-Game (Tranche 1)</b>	Uncovered Losses	<ul style="list-style-type: none"> <li>▪ OCC must use its minimum contribution and liquid net assets funded by equity ("LNAFBE") over 110% of its Target Capital Requirement in the event of a loss or deficiency to the Clearing Fund.</li> <li>▪ Tranche 1 of OCC's skin-in-the-game is used prior to charging Clearing Fund deposits of non-defaulting Clearing Members.</li> </ul>
<b>Cash Clearing Fund Requirement</b>	Liquidity Shortfalls	<ul style="list-style-type: none"> <li>▪ OCC established a minimum aggregate cash contribution, funded by all Clearing Members, to the Clearing Fund.</li> <li>▪ Executive Chairman, CEO, or COO may temporarily increase the minimum aggregate cash contribution to up to 100% of the Clearing Fund.</li> </ul>
<b>Borrowing From Clearing Fund</b>	Liquidity Shortfalls	<ul style="list-style-type: none"> <li>▪ OCC has the authority to borrow from or against the Clearing Fund.</li> <li>▪ Executive Chairman, CEO, or COO has discretion to determine the method of borrowing (including, without limitation, pledging Clearing Fund assets as security for loans and/or using them to effect repurchase, securities lending or other transactions).</li> </ul>
<b>Bank Credit Facility</b>	Liquidity Shortfalls	<ul style="list-style-type: none"> <li>▪ OCC has a secured 364-day revolving credit facility with a syndicate of bank lenders.</li> <li>▪ Provides additional immediate access to liquidity to meet settlement obligations.</li> </ul>
<b>Repo Facilities</b>	Liquidity Shortfalls	<ul style="list-style-type: none"> <li>▪ OCC has a secured committed repo facility with a financial institution and several secured committed repo facilities with state-sponsored pension funds.</li> <li>▪ Provides additional immediate access to liquidity to meet settlement obligations.</li> </ul>

# OCC's Enhanced Risk Management Tools cont.

Tool	Purpose	Description and Analysis
<b>Assessment Powers for the Pre-Funded Clearing Fund</b>	Liquidity Shortfalls	<ul style="list-style-type: none"> <li>▪ The Clearing Fund is pre-funded to an amount established on at least a monthly basis and must be replenished by Clearing Members whenever an amount is paid out of it.</li> <li>▪ Until the amount of pre-funded Clearing Fund resources are used, OCC considers assessments to be an Enhanced Risk Management Tool.</li> </ul>
<b>Insurance Coverage</b>	Replenish Equity	<ul style="list-style-type: none"> <li>▪ OCC maintains insurance coverage for a variety of business risks including those related to specific non-default operational loss scenarios.</li> <li>▪ The time frame for payment of insurance claims varies greatly and could be weeks or months from the time of the claim so OCC cannot rely upon insurance for liquidity shortfalls.</li> </ul>
<b>Working Capital Line of Credit</b>	Liquidity Shortfalls	<ul style="list-style-type: none"> <li>▪ OCC has a working capital line of credit which can be used to finance working capital needs and for general corporate purposes of OCC.</li> <li>▪ None of the proceeds from the line of credit may be used to meet obligations from the default or suspension of Clearing Members or other such activities.</li> </ul>
<b>Clearing Fee Change</b>	Replenish Equity	<ul style="list-style-type: none"> <li>▪ If Shareholders' Equity falls below 110% of OCC's Target Capital Requirement, OCC may implement a clearing fee increase.</li> </ul>
<b>Extension of Settlement</b>	Operational Disruption	<ul style="list-style-type: none"> <li>▪ The Board of Directors and the Office of the CEO ("OCEO") have the authority to extend, to the close of Federal Reserve Bank's Fedwire Funds Service on a settlement day, OCC's settlement window.</li> </ul>

# OCC Recovery Tools

OCC's Recovery and Orderly Wind-Down Plan, Rules, and By-Laws provide tools and authorities for OCC Management and the Board to address credit losses and liquidity shortfalls, and several of the tools can enable OCC to re-establish a matched book.

Tool	Purpose	Description and Analysis
<b>Assessment Rights</b>	Uncovered Losses	OCC may assess up to 200% of each Clearing Member's Clearing Fund contribution within the cooling-off period.
<b>Voluntary Payments</b>	Uncovered Losses	OCC may call for voluntary contributions from non-defaulting Clearing Members. Can be done only after: (i) one or more Clearing Members default, and (ii) OCC determines that it does not have sufficient resources to satisfy its obligations resulting from the default(s).
<b>Voluntary Tear-Up</b>	Re-Establish Matched Book	OCC may call for a Voluntary Tear-Up from non-defaulting Clearing Members/customers. Can only be done after: (i) one or more Clearing Members default, (ii) OCC has attempted one or more auctions, and (iii) OCC determines that it may not have sufficient resources to satisfy its obligations resulting from the default(s).
<b>Partial Tear-Up</b>	Re-Establish Matched Book	If additional measures are necessary following voluntary tear-up, OCC may tear-up the remaining open positions of a defaulted Clearing Member and related open positions of non-defaulting Clearing Members/customers. Can only be done after: (i) one or more Clearing Members default, (ii) OCC has attempted one or more auctions, and (iii) OCC determines that it may not have sufficient resources to satisfy its obligations resulting from the default(s).
<b>Operational Loss Fee</b>	Uncovered Losses	OCC may charge a fee on Clearing Members if OCC's LNAFBE are below a threshold amount as specified in OCC's Capital Management Policy. Unlike the tools listed above, the Operational Loss Fee is reserved for non-default losses.



# Tools/Approaches OCC Does Not Use

There are several tools and approaches used by other CCPs that OCC does not use currently use, including:

Tool	Purpose	Description and Analysis
<b>Variation Margin Gains Haircutting</b>	Uncovered Losses	<ul style="list-style-type: none"> <li>Reduce pro rata amount owed participants with in-the-money positions, while continuing to collect from participants with out-of-money positions.</li> <li>In certain circumstances, could concentrate losses on a subset of participants, potentially impacting end-users who may not be positioned to absorb such losses.</li> </ul>
<b>Use of Non-Defaulters' Initial Margin</b>	Uncovered Losses	<ul style="list-style-type: none"> <li>Write down initial margin provided by non-defaulting participants, who would have to replenish initial margin and/or reduce exposure to the CCP.</li> <li>U.S. laws protecting client collateral limit the applicability of this tool.</li> <li>May have significant procyclical effects and impact participants' willingness to participate in a CCP.</li> </ul>
<b>Forced Allocation</b>	Matched Book	<ul style="list-style-type: none"> <li>Allocate defaulter's open positions to non-defaulting participants, at prices determined by the CCP.</li> <li>Methods may include allocating to participants who, for example (i) hold positions related to defaulter positions, or (ii) made unsuccessful bids in auctions.</li> <li>May result in participants being forced to take on risk that they can't measure ex-ante and/or are unable to manage, particularly in a volatile market.</li> </ul>
<b>Forced Repo</b>	Liquidity Shortfalls	<ul style="list-style-type: none"> <li>Require participants to enter into mandatory repo transactions.</li> <li>Require a CCP to analyze each participant's ability to absorb liquidity allocations of the magnitudes contemplated, particularly non-bank participants, and may generate undue risk to participants or indirectly back to the CCP.</li> <li>Most appropriate only for certain participants; creates additional operational burdens.</li> </ul>
<b>Payment in Kind</b>	Liquidity Shortfalls	<ul style="list-style-type: none"> <li>Require participants who are owed funds by the CCP to accept payments in non-cash forms.</li> <li>Require a CCP to analyze each participant's ability to absorb non-cash allocations of the magnitudes contemplated, particularly non-bank participants, thereby potentially creating undue risk to participants or indirectly back to the CCP.</li> <li>Non-cash forms acceptable to participants would be a very narrow subset.</li> </ul>



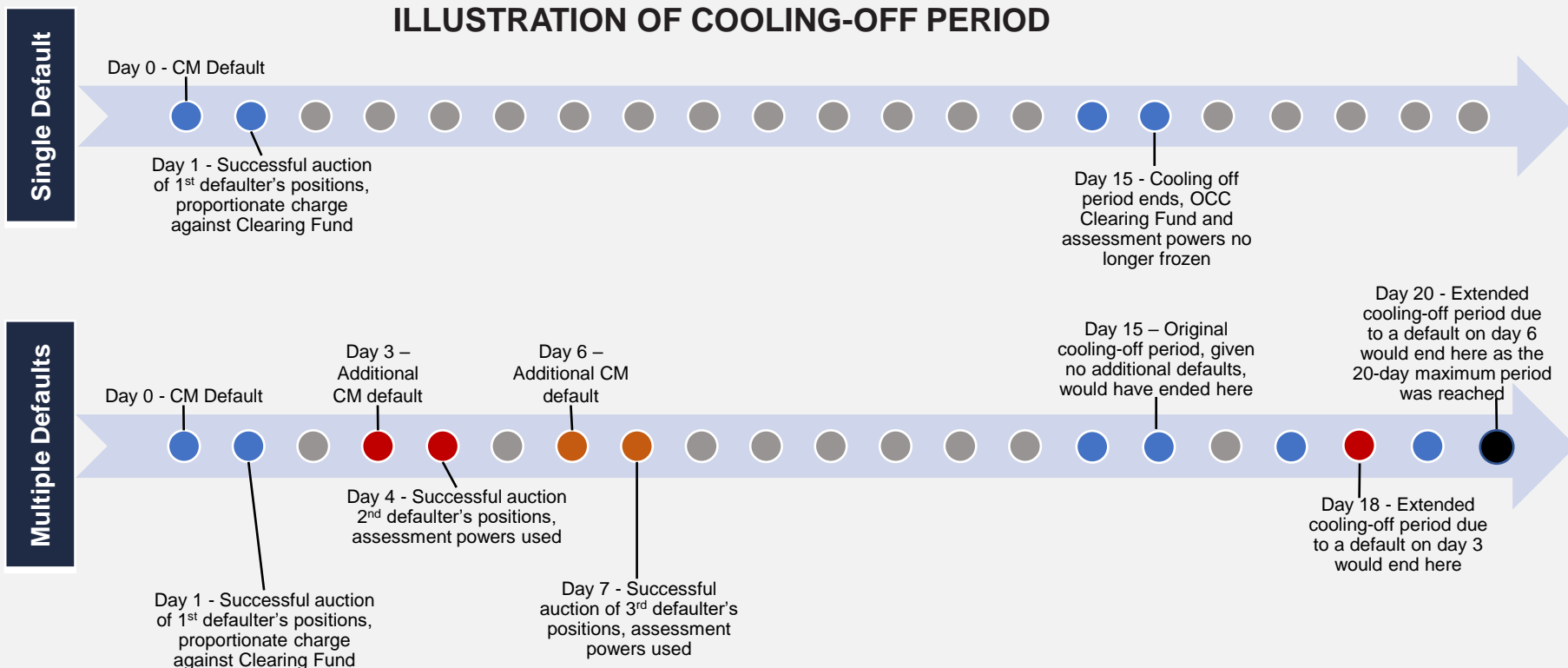


# OCC's Recovery Tool Examples and Illustrations

# Cooling-Off Period Timeline for Assessments

Assessments are subject to an automatic fifteen calendar days cooling-off period (rolling to a maximum of twenty days if there is a subsequent default during that period).

## ILLUSTRATION OF COOLING-OFF PERIOD



# What is Potential Future Exposure?

Potential Future Exposure (“PFE”) is a measure of the loss OCC may incur from holding the remaining positions over a two-day period in stressed market conditions.

PFE is an extension of the STANS<sup>SM</sup> model OCC uses to calculate daily margin requirements. PFE consists of the position net asset value, expected shortfall, and a stress-test component. Unlike the daily margin requirement, which only looks to collateralize 25% of the stress-test charge, PFE utilizes the full value of the stress-test charge.

PFE vs. Remaining Financial Resources		
<b>PFE</b>	NAV:	\$(100,000)
	Expected Shortfall:	\$(10,000,000)
	Stress Component:	\$(4,000,000)
	Total:	\$(14,100,000)
<b>Remaining Financial Resources</b>	Remaining Assessment Powers:	\$14,000,000
	Total:	\$14,000,000
<b>Net</b>		\$(100,000)

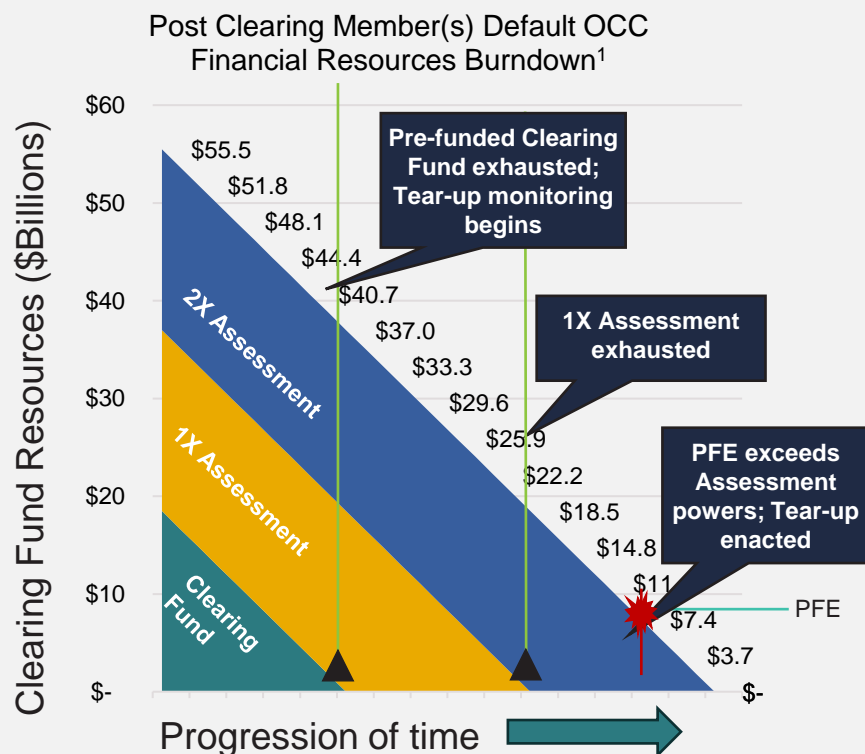
Based upon remaining positions in the defaulted clearing member(s) portfolio.

Once PFE exceeds OCC’s Remaining Financial Resources,\* it will seek Board approval to enact tear-ups.

\*Resources available for immediate use by OCC to cover losses resulting from default. At this stage of the default management process, it is likely that Remaining Financial Resources are only the amount of OCC’s remaining assessment powers and possibly the contribution of OCC’s retained earnings, if such contribution has received the approval of the Board and unanimous approval of Stockholder Exchanges.

# OCC's Tear-Up Authority

Voluntary and partial tear-ups are recovery tools designed to return OCC to a matched book after other default management tools have failed. The tools work by extinguishing the remaining contracts of a defaulted Clearing Member at OCC's marking price.



## Circumstances of Use

One or more Clearing Members have defaulted and:

1. OCC has conducted at least one auction of the portfolio(s) of the defaulted Clearing Member(s). The auction(s) failed to return OCC to a matched book state; and
2. No market exists for remaining contracts and/or no liquidation agent is available; and
3. OCC has exhausted the pre-funded portion of the Clearing Fund and has determined the PFE exceeds its remaining assessment powers.

1. Illustrative example only ■ Clearing Fund ■ 1x ■ 2x

# What Prices Would OCC Use?

Although OCC's rules provide flexibility, OCC's goal would be to conduct all tear-ups based on OCC's closing price. This would provide for consistency with prices used for marking other open positions and enable OCC to use its existing pricing procedures.

**Illustrative OCC Tear-Up Timeline**

Time (CT)	6AM	7AM	8AM	9AM	10AM	11AM	12PM	1PM	2PM	3PM	4PM	5PM	6PM	7PM	8PM	9PM	10PM	11PM	
Day T												Yellow				Dark Blue			
Day T+1	Dark Blue		Yellow	Orange							Green	Purple							

Yellow	Positions finalized and PFE calculated
Dark Blue	Board authorizes tear-up authority
Yellow	OCC issues tear-up notices to Clearing Members*
Orange	Voluntary tear-ups tendered
Green	Partial tear-ups calculated
Purple	Voluntary and partial tear-ups effected

Voluntary and partial tear-ups will be effected at a price determined by OCC, with the goal of executing at the closing price on T+1.

\*Actual time for accepting tear-up instructions will be specified in the notice.

**INITIATING TEAR-UP PROCESS:** Upon Board approval, OCC issues notice to affected Clearing Members and solicits voluntary tenders. At the end of the day, tender notices are compared with remaining positions to be torn-up after allocation of voluntary interest. In the event OCC has not received enough voluntary interest, it will allocate tear-ups pro rata to the other accounts holding those positions on an involuntary basis. All tear-ups (both voluntary and involuntary) will be conducted at close of business on T+1.

# OCC Price Source Hierarchy

In the ordinary course of business, OCC obtains pricing data from multiple sources, including listing exchanges and market data vendors.

<b>Equities (Underlier, Collateral Deposits, and Stock Loan)</b>	<ul style="list-style-type: none"><li>▪ Last traded price.</li><li>▪ Midpoint of most recent bid/ask.</li><li>▪ Review of related products (e.g., SPY and IVV).</li></ul>
<b>Index Underlier</b>	<ul style="list-style-type: none"><li>▪ Listing exchange provided value (Obtained from service provider, e.g., Russell, S&amp;P).</li><li>▪ Market data vendor provided value (unofficial close).</li><li>▪ Review of related products (e.g., SPX, SP futures adjusted for cost of carry and/or related ETFs).</li></ul>
<b>Futures</b>	<ul style="list-style-type: none"><li>▪ Listing exchange final settlement.</li><li>▪ Mid-pointing of most recent bid/ask.</li><li>▪ Review of surrounding contract months that have pricing.</li><li>▪ Review of related products.</li></ul>
<b>Options and Futures Options</b>	<ul style="list-style-type: none"><li>▪ All options and futures options are valued using output from OCC's Implied Volatility Smoothing Algorithm.</li><li>▪ Bid/ask prices are core inputs. Other inputs include yield curve and dividends.</li><li>▪ Attempts to enforce put/call parity and elimination of price arbitrage while keeping final price within the bid/ask spread.</li></ul>

# Approach for Products Lacking Price Discovery

OCC's existing pricing procedures provide for the use of alternative or theoretical prices when no current price exists, as described below.

## **If the underlying deliverable does not have current market quotations:**

- Per OCC Rule 805(j), OCC will use the last traded price of the security.

## **If option contracts do not have current market quotations:**

- If no current market quotations are available for an individual or limited number of option contracts, OCC will utilize price and implied volatility of surrounding contracts to determine a final settlement price in line with the rest of the option chain.
- If no current market quotations are available for any contract in an option chain, OCC will utilize all current pricing inputs available (i.e., underlying value, time-to-maturity, yield curve, dividend) along with prior day's volatility curve (adjusted for change in underlying value) to determine the current marking value for the contract.

# Example: Oversubscribed Tear-Up\*

Clearing Member 1 has defaulted and has 920 contracts that need to be torn-up. A total of 1,315 contracts were voluntarily tendered resulting in an oversubscription of 395 contracts. OCC will extinguish the 920 contracts exclusively through voluntary tear-up, which will be apportioned pro rata between Clearing Members 2 and 3.

ABCD July 50 Calls Remaining Open Positions at Defaulting Member (red) vs. Voluntary Tear-Up (green)

Clearing Member	Account Type (Customer/Firm)	Symbol	Call / Put	Series/ Contract Date	Strike	Exp Date / Settle Date	Start Long	Start Short
1	C	ABCD	C	7/30/2024	50	7/26/2024 7/29/2024	0	920
2	C	ABCD	C	7/30/2024	50	7/26/2024 7/29/2024	0	395
2	F	ABCD	C	7/30/2024	50	7/26/2024 7/29/2024	10	0
3	C	ABCD	C	7/30/2024	50	7/26/2024 7/29/2024	529	0
3	F	ABCD	C	7/30/2024	50	7/26/2024 7/29/2024	776	0

Mandatory Pro-Rata Assignment of ABCD July 50 Calls Voluntary Tear-Up (green)

Clearing Member	Long Positions Tendered		Pro-Rata Assigned Voluntary Tear-Up		Remaining Long (After Tear-Up)
	Number	Percent	Number	Percent	
2F	10	0.8%	7	0.8%	3
3C	529	40.2%	370	40.2%	159
3F	776	59.0%	543	59.0%	233
<b>Total</b>	<b>1315</b>	<b>100%</b>	<b>920</b>	<b>100%</b>	<b>395</b>





# Example: Undersubscribed Tear-Up\*

Clearing Member 3 has defaulted and has 260 contracts that need to be torn-up. During the voluntary tear-up period only 40 contracts were tendered. All voluntary tenders are accepted. OCC must then proceed with partial tear-up of the 220 remaining contracts. This is done by pro rata assignment.

XYZ Options Remaining Open Positions at Defaulting Member (red) vs. Voluntary Tear-Up (green)

Clearing Member	Account Type (Customer/Firm)	Symbol	Call / Put	Series/ Contract Date	Strike	Exp Date / Settle Date	Start Long	Start Short
1	C	XYZ	C	7/1/2024	50	8/6/2024 - 8/9/2024	0	40
2	C	XYZ	C	7/1/2024	50	8/6/2024 - 8/9/2024	0	20
3	C	XYZ	C	7/1/2024	50	8/6/2024 - 8/9/2024	0	260
4	C	XYZ	C	7/1/2024	50	8/6/2024 - 8/9/2024	0	40
5	F	XYZ	C	7/1/2024	50	8/6/2024 - 8/9/2024	40	0
6	F	XYZ	C	7/1/2024	50	8/6/2024 - 8/9/2024	2	0
7	C	XYZ	C	7/1/2024	50	8/6/2024 - 8/9/2024	126	0
7	F	XYZ	C	7/1/2024	50	8/6/2024 - 8/9/2024	92	0
8	C	XYZ	C	7/1/2024	50	8/6/2024 - 8/9/2024	100	0

Pro-Rata Assignment of XYZ Partial Tear-Up (green)

Clearing Member	Long Positions Tendered		Pro-Rata Assigned Mandatory Tear-Up		Remaining Long (After Tear-Up)
	Number	Percent	Number	Percent	
6F	2	0.6%	1	0.6%	1
7C	126	39.4%	87	39.4%	39
7F	92	28.7%	63	28.6%	29
8C	100	31.3%	69	31.4%**	31
<b>Total</b>	<b>320</b>	<b>100%</b>	<b>220</b>	<b>100%</b>	<b>100</b>

\*\*Percentage differences in "long positions tendered" and "pro-rata assigned mandatory tear-up" are a result of rounding necessary to assign tear-ups in full contract increments.

\*All data is for illustrative purposes only

Public



# Appendix

# Covered Clearing Agency Regulations

OCC is subject to certain SEC regulations concerning recovery and wind-down as a Covered Clearing Agency.

SEC Regulation*	Description of Regulatory Requirement
Rule 17Ad-22(e)(3)(ii)	Establish, implement and maintain plans for the recovery and orderly wind-down necessitated by credit losses, liquidity shortfalls, general business risk losses, or any other losses.
Rule 17Ad-22(e)(4)(viii)	Effectively identify, measure, monitor, and manage credit exposures, including by addressing the allocation of credit losses a Covered Clearing Agency may face if collateral and other resources are insufficient to fully cover its credit exposures.
Rule 17Ad-22(e)(4)(ix)	Effectively identify, measure, monitor, and manage credit exposures, including by establishing a process to replenish any financial resources a Covered Clearing Agency may use following a default or other event.
Rule 17Ad-22(e)(7)(viii)	Effectively measure, monitor, and manage liquidity risk by, at a minimum, addressing foreseeable liquidity shortfalls that would not be covered by liquid resources.
Rule 17Ad-22(e)(7)(ix)	Effectively measure, monitor, and manage liquidity risk by, at a minimum, establishing a process for replenishing any liquid resources that a Covered Clearing Agency may employ during a stress event.



\*All applicable regulations are as of publication date

Public

# Subpart C DCO Regulations

Since becoming a Subpart C DCO in March 2021, OCC has been subject to certain CFTC regulations concerning recovery and wind-down.

CFTC Regulation	Description of Regulatory Requirement
<b>Rule 39.35(a)(1)</b>	<p>Adopt explicit rules and procedures that address fully any loss arising from any individual or combined default, which address how Subpart C DCO would allocate losses exceeding its available financial resources.</p> <p>Include rules and procedures that address:</p> <ul style="list-style-type: none"><li>▪ Allocation of losses exceeding financial resources available to the Subpart C DCO;</li><li>▪ Repayment of funds borrowed by the Subpart C DCO; and</li><li>▪ Replenishment of financial resources employed during a stress event, so that the Subpart C DCO can continue to operate in a safe and sound manner.</li></ul>
<b>Rule 39.35(b)(1)</b>	<p>Establish rules and/or procedures that enable Subpart C DCO to promptly meet all of its settlement obligations if one or more Clearing Members default or if a liquidity shortfall exceeds Subpart C DCO's available financial resources.</p>
<b>Rule 39.35(b)(2)(iii)</b>	<p>Establish a process to replenish any liquidity resources that Subpart C DCO may employ during a stress event so that it can continue to operate in a safe and sound manner.</p>
<b>Rule 39.39(b)</b>	<p>Maintain viable plans for orderly recovery and wind-down necessitated by credit losses, liquidity shortfalls, general business risk losses or any other losses.</p>

# Applicable PFMI Standards

PFMI Principle and Key Consideration	Description of International Standard
<b>PFMI Principle 3, Key Consideration 4</b>	<p>Identify scenarios that may potentially prevent an FMI from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down.</p> <p>Prepare appropriate plans for its recovery or orderly wind-down based on the results of that assessment.</p>
<b>PFMI Principle 4, Key Consideration 7</b>	<p>Establish rules and procedures that address fully any credit losses it may face as a result of any individual or combined default among its participants. These rules and procedures should also:</p> <ul style="list-style-type: none"><li>▪ Address how potentially uncovered credit losses would be allocated, including the repayment of funds borrowed from liquidity providers; and</li><li>▪ Indicate the Financial Market Infrastructure’s process to replenish any financial resources that may be employed during a stress event.</li></ul>
<b>PFMI Principle 7, Key Consideration 10</b>	<p>Establish rules and procedures to enable the FMI to effect same-day, and where appropriate multi-day and intraday, settlement obligations on time following one or more Clearing Members default. These rules and procedures should also:</p> <ul style="list-style-type: none"><li>▪ Address unforeseen/potentially uncovered liquidity shortfalls; and</li><li>▪ Indicate the FMI’s process to replenish any liquidity resources it that may be employed during a stress event.</li></ul>