

OCC 2017 HIGHLIGHTS

RISK AND CONTROL IMPROVEMENTS

OCC Bolstered its Resiliency

OCC continued to implement significant changes to its information security maturity model which helps in complying with the requirements under SEC Regulation SCI. OCC also implemented a comprehensive risk management framework, met its 2017 quality standards, and continued work in maturing its cyber security plans and processes.

S&P Reaffirms OCC AA+/Stable Rating

In its December 2017 report, S&P said OCC's outlook is stable because it expects OCC "to implement the new financial safeguards in 2018, provided it receives regulatory approval." S&P also noted that OCC "enjoys large economies of scale and has ample capacity to absorb up to 2.5 times the largest historical trading volumes per day with the current OCC systems."

INDUSTRY- LEADING INITIATIVES

2017 Total Cleared Contract Volume Up Four Percent, Third Highest Volume Year Ever

OCC 2017 volume reached the third highest total cleared contract volume ever with 4,327,576,930 contracts, a four percent increase from the 4,167,747,777 cleared contracts in 2016. OCC also reported record-breaking 2017 volume for cleared futures with 138,029,762 cleared contracts; a 32 percent increase from 2016.

Government Relations

OCC and its partners in the U.S. Securities Markets Coalition conducted an unprecedented amount of educational outreach with policymakers in Washington, D.C. in 2017, building on their consistent engagement over the past several years. OCC and the Coalition were successful in discouraging inclusion of a mark-to-market tax regime for exchange-listed options in the Tax Cuts and Jobs Act tax bill in 2017. Given that there have been both Republican and Democratic proposals to institute mark-to-market over the past four years, the lack of its inclusion in the new tax law was a significant achievement for the industry.

OCC and the Coalition, along with other industry partners, also engaged in efforts to obtain interpretive relief from regulatory capital rules that grossly overstate banks' economic exposure to exchange-listed option positions. Industry representatives met with regulatory officials at the Federal Reserve and Treasury Department to explain the urgency of adjusting the risk-weighted assets ratio through interpretive relief or another mechanism. While the issue remained unresolved at year end, on October 6th the Treasury Department recommended that in addition to an eventual move to SA-CCR, there should be a "near-term" fix to address this issue, including "a risk-adjusted approach for valuing options for purposes of the capital rules to better reflect the exposure."

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OCC and EquiLend Clearing Services Partner on CCP Securities Lending

OCC and EquiLend Clearing Services (ECS), the global securities finance trading platform and technology provider, joined forces to bring greater access to central counterparty clearing in the securities finance marketplace. ECS has developed a Middle Office platform to support the infrastructure for OCC's Market Loan Program by maintaining outstanding loan information for the Market Loan program; processing post-trade functions including mark to market, returns, recalls and other trade lifecycle events; and interacting with OCC's proprietary system to facilitate settlements. Total securities lending volume cleared by OCC in 2017 increased 22 percent over 2016 volume.

OIC and Cerulli Associates Publish Study on How Financial Advisors Use and Think about Exchange-Listed Options

In May 2017, The Options Industry Council (OIC), an industry resource funded by OCC, shared the results of a new research study, *How Financial Advisors Use and Think About Exchange-Listed Options*. OIC and Cerulli Associates, a global research and consulting firm specializing in asset management and distribution trends worldwide, teamed up to get a better understanding of the behavior of advisors who use options strategies with clients as well as those advisors that are not using them or considering them. More than 600 advisors across various advisory channels were surveyed on how, when and why they used options. This study identifies target audiences and educational strategies for OIC and the exchange-listed options industry that may lead to increased adoption of exchange-listed options strategies among financial advisors to help grow the options markets.

Promoting Industry Growth

OCC supported the introduction of 10 options and 115 futures new products on behalf of the exchange-listed options industry, including becoming the first CCP to offer cleared Bitcoin futures. OCC's total cleared contract volume reached 4.32 billion contracts, cleared futures volume reached 138 million contracts, up 32 percent from 2016. Securities lending CCP activity reached a new high with 2.3 million new loan transactions, up 22 percent from 2016.

New Options Exchange Welcomed by OCC

OCC congratulated MIAX on the launch of MIAX PEARL, which began operations on February 5th. This successful launch brings the total number of U.S. options markets to fifteen.

OIC Celebrates 25th Anniversary as Leading Provider of Unbiased Options Education

OIC launched a year-long celebration commemorating 25 years as the leading unbiased educational resource for investors who use or want to learn how to trade U.S. exchange-listed options. OIC's mission is to increase the awareness, knowledge and responsible use of exchange-listed equity options among a global audience of individual investors, financial advisors and institutional managers.

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OCC Presents Long-time Industry Leader Gina McFadden with 2017 Sullivan Award

OCC presented Gina McFadden, a long-time leader in the U.S. listed equity options industry and the former Executive Director of The Options Industry Council, with the 2017 Joseph W. Sullivan Options Industry Achievement Award. This award is given to individuals in recognition of outstanding contributions to the U.S. options industry. Gina is the first woman to receive the Sullivan Award.

GOVERNANCE AND MANAGEMENT ENHANCEMENTS

Four New Leaders Appointed to OCC Board of Directors

OCC named Andrej Bolkovic, CEO of ABN AMRO Clearing Chicago, LLC, Kurt Eckert, Partner and Head of Market Structure at Wolverine Trading, Rachelle Keller, Chief Operating Officer for Prime, Futures and Securities Services at Citi, and Stephen Luparello, Managing Director and General Counsel for Citadel Securities, as Member Directors to its Board of Directors.

Expanded Leadership Team

Throughout 2017, OCC expanded its leadership team. John P. Davidson, a senior executive with more than 35 years of experience in the global financial services industry, joined OCC as President and Chief Operating Officer. David A. Hoag, a technology executive with nearly 25 years of information systems and development experience, joined OCC as Senior Vice President and Chief Information Officer. Mark Morrison, formerly with State Street Corporation and several government defense and security agencies, was named as Senior Vice President and Chief Security Officer. David Ridgway, a former senior risk management executive with BNY Mellon, joined OCC as Senior Vice President, Enterprise Risk Management. Amy McCormick, formerly with the National Futures Association, was named as First Vice President, Financial Risk Management.