

Unscheduled Market Closings Guide

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Introduction

Periodically, OCC observes unscheduled closings, which are most often the result of natural disasters, ad hoc National Holidays, disruptions of infrastructure, and other unpredictable events. With each aforementioned situation, equity underlying exchanges were unavailable.

OCC is issuing this guide to advise external stakeholders (exchanges, members, etc.) how OCC intends to proceed in the event of an unscheduled closing. Exchanges and members should review their own internal processes to ensure there will not be any conflict with OCC's planned outage response.

Specific situations may cause deviation from the planned response guide. All items are subject to change depending on the circumstances.

Planned Response

In the event of an unscheduled closing, OCC intends to conduct processing within normal production time frames. However, unexpected scenarios may require deviations from normal processing times. OCC will work with the industry on a best-efforts basis to address those situations. OCC's objective is to have minimal impact or disruption to any of OCC's external stakeholders.

Below is a chart of existing OCC processes compared to a hypothetical example where all or some of OCC's exchanges have an unscheduled closing.

Planned Response

OCC UNSCHEDULED MARKET CLOSE

Process	Description	Status
Daily Settlement	OCC expects members to meet all daily settlement time frames.	Normal time frames
Collateral Processing	Membership will be expected to recognize all normal collateral windows.	Normal time frames
Trade Processing	Trade processing would continue for any exchange that remains open. There could be a scenario where options exchanges close but futures exchanges remain open.	Trade processing available, if needed
Clearing Member Input	OCC members submitting LOPR, CGM, Large Trader, Delta Position Limit, or Spread files should expect submission to be conducted within normal time frames..	Normal window time frames maintained
Settlement Prices	If an outage at either an equity underlying or an equity option exchange prevents OCC from determining a same-day settlement price for a product, OCC will follow OCC Rule 805 guidance for assigning a settlement price.	Prior business day closing prices will be used for equity underlying values. Index settlement prices will be determined by a panel of exchanges pursuant to Article XVII Section 4 of the OCC By-Laws
Stock Loan Activity	OCC is reliant upon DTCC availability to complete stock loan processing. If available, OCC would be prepared to process and clear Hedge Program / Market Loan activity.	Normal processing
Exercise Instructions	OCC will accept exercise instructions and process exercise and assignment activity. OCC participant exchanges may elect to restrict exercises of non-expiring American-style index options pursuant to their rules.	Option exercises will be accepted
Proprietary DDS	OCC sends out proprietary trade, settlement, position movement, account and collateral information on a daily basis. OCC would continue to make these daily files available in both push and pull formats.	Normal time frames
Non-Proprietary DDS	OCC series, RBH, and price files would be distributed at normal time frames if possible.	Normal time frames
OTC Activity	OCC would process volume operating independently of equity underlying or option exchanges.	Normal time frames
ENCORE Screens and Reports	Normal access to ENCORE and ENCORE report generation.	Normal access
Margin Processing	OCC would process risk and margin amounts using normal methodologies.	Normal time frames

The above chart represents OCC's intended response. All items are subject to change if market factors dictate alternative actions.

Communication Regarding Closure

In the case of an unscheduled close, an Information Memo will be posted to OCC's public website (www.theocc.com) that provides details and overall guidance. Subscribers to OCC email broadcasts and ENCORE users will be alerted to Memo updates via emails or broadcast radars. The following information may be provided in the Memo:

- Confirmation of standard settlement processing or guidance on any changes in settlement price methodology. In the event of certain exchange unavailability, OCC has discretion to use the last available closing price that may be from a previous date.
- Confirmation of standard collateral processing or guidance on any changes.
- Guidance on any Extended Trading Hours activity that may be planned while some exchanges are unavailable.
- Updates on which exchanges or industry utilities are unavailable, root causes and outage estimates.
- Details on which exchanges may be submitting trade activity.
- Updates to OCC processing times.
- Explanation of any changes to standard exercise and assignment activity. Additional information regarding settlement date can be passed along after receiving confirmation from DTCC on whether the outage date was considered an active settlement date.
- Detail any changes to available reports, ENCORE screens, DDS transmissions, and inbound file timeframes such as LOPR, CGM, PCS or Delta Position Limit.

Additional Information

For more information on underlying prices at expiration for unavailable exchanges, see OCC Rule 805 (j) of the OCC Rules (<http://www.theocc.com/about/publications/publication-listing.jsp>). With regards to hedge program / stock loan positions, OCC will use the previous day's underlying prices for mark to market when exchanges are unavailable.

To observe past outage Memos, please see Memos #22480 or #31463 at www.theocc.com.

Please contact Member Services at 800.621.6072 memberservices@theocc.com with questions.