December 6, 2019

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of No Objection to Advance Notice Related to Proposed Changes to The Options Clearing Corporation’s Rules, Clearing Fund Methodology Policy, and Clearing Fund and Stress Testing Methodology

I. INTRODUCTION

On October 10, 2019, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) advance notice SR-OCC-2019-806 (“Advance Notice”) pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, entitled Payment, Clearing and Settlement Supervision Act of 2010 (“Clearing Supervision Act”)\(^1\) and Rule 19b-4(n)(1)(i)\(^2\) under the Securities Exchange Act of 1934 (“Exchange Act”)\(^3\) to make changes to OCC’s Clearing Fund and stress testing rules and methodology.\(^4\) The Advance Notice was published for public comment in the Federal Register on November 12, 2019,\(^5\) and the Commission has received no comments regarding the changes

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\(^1\) 12 U.S.C. 5465(e)(1).


\(^3\) 15 U.S.C. 78a et seq.


proposed in the Advance Notice. The Commission is hereby providing notice of no objection to the Advance Notice.

II. BACKGROUND

As noted above, OCC proposes to revise its Clearing Fund and stress testing rules and methodology. Specifically, OCC proposes to: (1) incorporate a new set of stress test scenarios to be used in the monthly sizing of OCC’s Clearing Fund that are designed to capture the risks of extreme moves in individual or small subsets of securities; (2) revise OCC’s stress testing methodology for modeling certain volatility index futures; (3) modify OCC’s methodology for allocating Clearing Fund contribution requirements to standardize the margin risk component of the allocation formula for all Clearing Members; and (4) adopt an additional threshold for notifying senior management of intra-day margin calls based on certain stress test results. OCC also proposes to correct certain rules concerning OCC’s cooling-off period and replenishment/assessment powers.

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6 Since the proposal contained in the Advance Notice was also filed as a proposed rule change, all public comments received on the proposal are considered regardless of whether the comments are submitted on the Proposed Rule Change or the Advance Notice.

7 Capitalized terms used but not defined herein have the meanings specified in OCC’s Rules and By-Laws, available at https://www.theocc.com/about/publications/bylaws.jsp.

8 Additionally, OCC proposes clarifying and conforming changes to its Rules, Clearing Fund Methodology Policy (“Policy”), and Stress Testing and Clearing Fund Methodology Description (“Methodology Description”).
A. **Sizing Stress Test Scenarios**

On a monthly basis, OCC establishes the size of its Clearing Fund at the level it believes is necessary to maintain sufficient financial resources to cover losses arising from the default of the two Clearing Member Groups that would potentially cause the largest aggregate credit exposure to OCC under certain stress scenarios.\(^9\) OCC determines the size of its Clearing Fund each month through an approach based on broad-based market and systemic shocks (“Systemic Scenarios”).\(^10\) OCC proposes to incorporate an additional set of stress test scenarios to be used in the monthly sizing of OCC’s Clearing Fund that are designed to capture the risks of extreme moves in individual or small subsets of securities (“Idiosyncratic Scenarios”). The Idiosyncratic Scenarios would be in addition to the existing Systemic Scenarios. Because OCC’s monthly Clearing Fund sizing process is designed to cover OCC’s largest aggregate stress test exposures, the expansion of the set of Clearing Fund sizing stress tests could not reduce the size of OCC’s Clearing Fund.

In constructing the Idiosyncratic Scenarios, OCC would shock each single-name equity (i.e., excluding exchange-traded funds, exchange-traded notes, indices, and non-equity products). OCC would evaluate the effects of such shocks on every Clearing Member Group’s portfolios. Within each Clearing Member Group’s portfolio, OCC would identify the four single-name equities for which such shocks would result in the

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\(^9\) See Notice of Filing, 84 Fed. Reg. at 61121.

largest losses. OCC would then identify the two Clearing Member Groups with the largest aggregate losses. The combined losses of the two identified Clearing Member Groups would represent the loss that OCC would seek to cover in its monthly Clearing Fund sizing process. OCC believes that implementing the proposed Idiosyncratic Scenarios would enhance OCC’s stress testing methodology and overall resiliency by providing a more comprehensive suite of sizing stress tests to ensure that OCC maintains an appropriate level of financial resources to cover its credit exposures under scenarios addressing both systemic market risks and idiosyncratic risks.11

B. Volatility Index Futures

Under OCC’s current stress testing methodology, prices shocks for futures based on the Cboe Volatility Index (“VIX”)12 are equivalent to a price shock for the underlying. Because the VIX has no term structure, this process produces a uniform shock across expirations of the VIX futures contracts. Futures contracts for different expirations, however, generally trade at different prices reflecting the differing future price expectations of the underlying asset.13 OCC believes that applying a uniform shock across expirations is unrealistic, and that it would lead to an overestimation of VIX futures price shocks, particularly in market decline scenarios.14 As noted above, OCC

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12 The VIX is an index designed to measure the 30-day expected volatility of the SPX.

13 When there is a large shock to the VIX it has consistently been observed that the change in price of near-term VIX future contracts is much larger than for further out expirations. See Notice of Filing, 84 Fed. Reg. at 61122, n. 11.

14 See Notice of Filing, 84 Fed. Reg. at 61122.
proposes to revise its stress testing methodology for modeling certain volatility index futures. Specifically, the proposed change would produce differing price shocks for VIX futures across the term structure. The proposed methodology would be based on SPX volatility shocks across different expirations, as opposed to the current methodology’s reliance on a single shock to the VIX. OCC believes that implementation of the proposed methodology would improve pricing for VIX futures as well as VIX options.\[^{15}\]

**C. Clearing Fund Allocation**

OCC allocates Clearing Fund contribution requirements to individual Clearing Members, in part, based on each Clearing Member’s proportionate share of risk margin, which OCC refers to as “total risk.”\[^{16}\] The majority of Clearing Member margin requirements are based on OCC’s System for Theoretical Analysis and Numerical Simulations ("STANS"), which is OCC’s proprietary risk management system. The margin requirement for certain Clearing Members’ accounts, however, is calculated using the Standard Portfolio Analysis of Risk Margin Calculation System ("SPAN"), which reflects customer gross margining.\[^{17}\] OCC proposes to define “total risk” as based

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\[^{15}\] See Notice of Filing, 84 Fed. Reg. at 61123. OCC uses VIX futures to calculate theoretical values for VIX options.


\[^{17}\] See Notice of Filing, 84 Fed. Reg. at 61123, n. 16 (stating that “OCC calculates margin requirements for segregated futures accounts using both SPAN on a gross basis and STANS on a net basis, and if at any time OCC staff observes a segregated futures account where initial margin calculated pursuant to STANS on a net basis exceeds the initial margin calculated pursuant to SPAN on a gross
on the same margin model for all Clearing Members. OCC believes it is more appropriate to use the same margin risk measurement for all Clearing Members when allocating Clearing Fund contribution requirements to allow for a more equitable comparison across all accounts.

D. Margin Call Notification

On a daily basis, OCC evaluates the sufficiency of its financial resources based on OCC’s potential exposure to Clearing Member Groups under certain stress test scenarios (“Sufficiency Stress Tests”). Based on the results of the Sufficiency Stress Tests, OCC may call for additional collateral to ensure that it maintains sufficient financial resources to guard against potential losses. For example, OCC is authorized to make an intra-day margin call against a Clearing Member Group whose Sufficiency Stress Test exposures breach a pre-determined threshold. Currently, OCC’s rules require that written notification of such intra-day margin calls in excess of $500 million be provided to OCC’s Executive Chairman, Chief Executive Officer, and Chief Operating Officer (“Office of the CEO”). OCC proposes to revise its rules to require that written notification of stress test-related intra-day margin calls also be sent to the Office of the CEO when a stress test-related intra-day margin call would exceed 75 percent of the Clearing Member’s excess net capital. OCC believes that this additional notification

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18 Specifically, OCC proposes to use STANS plus certain add-on charges as the basis for determining each Clearing Member’s proportionate share of total risk.

19 See Notice of Filing, 84 Fed. Reg. at 61123.
requirement is appropriate because it would allow OCC’s senior management to be informed as soon as practicable of, and to subsequently monitor, circumstances where a margin call may strain a particular Clearing Member’s ability to meet such requirements based on its financial condition or the amount of collateral it has available to pledge when certain pre-identified thresholds have been exceeded.20

E. Cooling-Off Period

In 2018, OCC implemented a set of recovery tools, including revisions to OCC’s authority to assess its Clearing Members for funds to replenish OCC’s Clearing Fund.21 For example, OCC implemented a “cooling-off period” during which its authority to levy such assessments is capped, which provides certainty to Clearing Members regarding their potential obligations to OCC. In proposing such revisions, OCC intended that the cooling-off period would be triggered by any proportionate Clearing Fund charges to Clearing Members related to the default of a Clearing Member.22 OCC’s current rules, however, do not provide for a cooling-off period based on proportionate Clearing Fund charges arising out of two specific sets of circumstances: (1) in connection with protective transactions effected for the account of OCC pursuant to Chapter XI of OCC’s Rules and (2) as a result of a failure of any Clearing Member to make any other required obligations.

20 See Notice of Filing, 84 Fed. Reg. at 61123.


22 See Notice of Filing, 84 Fed. Reg. at 61124. Such triggers include the assessments arising out of a Clearing Member’s failure to meet its obligations regarding confirmed trades, exercised or assigned contracts, stock loan transactions, or the liquidation of a Clearing Member’s open positions. See id. at n. 22.
payment or render any other required performance (as provided in clauses (v) and (vi) of OCC Rule 1006(a)). OCC proposes to revise its rules such that any proportionate Clearing Fund charges to Clearing Members related to the default of a Clearing Member, including the two listed above, would trigger a cooling-off period.

III. COMMISSION FINDINGS AND NOTICE OF NO OBJECTION

Although the Clearing Supervision Act does not specify a standard of review for an advance notice, the stated purpose of the Clearing Supervision Act is instructive: to mitigate systemic risk in the financial system and promote financial stability by, among other things, promoting uniform risk management standards for systemically important financial market utilities (“SIFMUs”) and strengthening the liquidity of SIFMUs.23

Section 805(a)(2) of the Clearing Supervision Act24 authorizes the Commission to prescribe regulations containing risk-management standards for the payment, clearing, and settlement activities of designated clearing entities engaged in designated activities for which the Commission is the supervisory agency. Section 805(b) of the Clearing Supervision Act25 provides the following objectives and principles for the Commission’s risk-management standards prescribed under Section 805(a):

- to promote robust risk management;
- to promote safety and soundness;
- to reduce systemic risks; and
- to support the stability of the broader financial system.

Section 805(c) provides, in addition, that the Commission’s risk-management

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standards may address such areas as risk-management and default policies and procedures, among other areas.\(^{26}\)

The Commission has adopted risk-management standards under Section 805(a)(2) of the Clearing Supervision Act and Section 17A of the Exchange Act (the “Clearing Agency Rules”).\(^{27}\) The Clearing Agency Rules require, among other things, each covered clearing agency to establish, implement, maintain, and enforce written policies and procedures that are reasonably designed to meet certain minimum requirements for its operations and risk-management practices on an ongoing basis.\(^{28}\) As such, it is appropriate for the Commission to review advance notices against the Clearing Agency Rules and the objectives and principles of these risk management standards as described in Section 805(b) of the Clearing Supervision Act. As discussed below, the Commission believes the changes proposed in the Advance Notice are consistent with the objectives and principles described in Section 805(b) of the Clearing Supervision Act,\(^ {29}\) and in the

\(^{26}\) 12 U.S.C. 5464(c).


\(^{28}\) 17 CFR 240.17Ad-22.

\(^{29}\) 12 U.S.C. 5464(b).
Clearing Agency Rules, in particular Rules 17Ad-22(e)(2) and (4).\textsuperscript{30}

A. **Consistency with Section 805(b) of the Clearing Supervision Act**

The Commission believes that the proposal contained in OCC’s Advance Notice is consistent with the stated objectives and principles of Section 805(b) of the Clearing Supervision Act. Specifically, as discussed below, the Commission believes that the changes proposed in the Advance Notice are consistent with promoting robust risk management in the area of credit risk, promoting safety and soundness, reducing systemic risks, and supporting the stability of the broader financial system.\textsuperscript{31}

The Commission believes that the proposed changes to OCC’s stress testing methodology are consistent with the promotion of robust risk management as well as safety and soundness at OCC. As described above, OCC proposes to expand the suite of stress tests it uses to size the Clearing Fund each month, and to revise OCC’s estimation of VIX futures prices for stress testing. The introduction of the Idiosyncratic Scenarios to the monthly sizing of OCC’s Clearing Fund would be in addition to the Systemic Scenarios OCC already uses to size its Clearing Fund and would help OCC address risks not currently contemplated by OCC’s Systemic Scenarios. Additionally, OCC proposes to revise its process for shocking VIX futures prices to reflect the actual term structure dynamics of such futures. OCC’s current use of a uniform shock for VIX futures contracts, regardless of tenure, is inconsistent with its observation that futures contracts with different expirations generally trade at different prices reflecting the differing future price expectations of the underlying asset. By enhancing its methodology for modeling

\textsuperscript{30} 17 CFR 240.17Ad-22(e)(2) and 17 CFR 240.17Ad-22(e)(4).

\textsuperscript{31} 12 U.S.C. 5464(b).
price shocks for VIX futures, OCC should be able to produce more appropriate VIX futures price shocks in its stress scenarios, which in turn should enhance OCC’s ability to accurately and appropriately size its Clearing Fund. The Commission believes that these changes, taken together, are consistent with the promotion of robust risk management as well as safety and soundness at OCC.

The Commission also believes that the proposed changes to OCC’s stress testing methodology are generally consistent with reducing systemic risk and supporting the broader financial system. The introduction of the Idiosyncratic Scenarios and revision of stress test shocks to VIX futures are designed to provide OCC with a more robust and accurate stress testing methodology. OCC uses its stress testing methodology to size and monitor its total financial resources. OCC relies on such resources to manage the potential losses arising out of the default of a Clearing Member under extreme but plausible market conditions. Strengthening the methodology that OCC uses to manage its financial resources, therefore, strengthens OCC’s ability to manage Clearing Member defaults, which, in turn, enhances OCC’s ability to manage systemic risk and to support the broader financial system.

The Commission believes that the proposed changes regarding notice of intra-day margin requirements and allocation of Clearing Fund requirements also are consistent with the promotion of robust risk management at OCC. Currently, OCC notifies its Office of the CEO when intra-day margin calls generated in response to OCC’s daily stress tests are large in absolute terms (i.e., in excess of $500 million). OCC proposes to also notify its Office of the CEO when such margin calls are large relative to the Clearing Member against which they are made (i.e., in excess of 75 percent of the Clearing
Member’s excess net capital). The Commission believes that such notification would provide additional meaningful risk management information to OCC’s senior management, which in turn could be used to inform critical decisions. Additionally, OCC proposes to revise its method of allocating Clearing Fund contribution requirements across Clearing Members. OCC proposes to redefine the “total risk” component of its Clearing Fund allocation formula such that it would rely on the same underlying model for all Clearing Members when calculating total risk (as opposed to using different models for different Clearing Members depending on their cleared positions). The proposed change would not alter the allocation weighting, but, in the Commission’s view, it would provide a more consistent metric by which to assess risks across Clearing Members.\(^{32}\) The Commission believes that these changes as well are consistent with the promotion of robust risk management as well as safety and soundness at OCC.

Finally, the Commission believes that the proposed expansion of triggers for the cooling-off period is consistent with the promotion of safety and soundness at OCC. The Commission continues to believe that the cooling-off period provides certainty and predictability regarding Clearing Members’ maximum liability for Clearing Fund contributions.\(^{33}\) Currently, however, the cooling-off period would be triggered by some, but not all proportionate Clearing Fund charges to Clearing Members arising out of a Clearing Member’s failure to meet certain obligations under OCC’s rules. OCC proposes

\(^{32}\) While the proposed change would not affect the total size of the Clearing Fund, it would result in changes to Clearing Members’ proportionate share of the Clearing Fund.

to expand the set of events that would trigger the cooling-off period to include certain protective transactions and the failure of a Clearing Member to meet its obligations under certain of OCC’s rules. The two events to be added as cooling-off period triggers are similar to the current triggers in that they pertain to proportionate Clearing Fund charges designed to manage the failure of a Clearing Member to meet its obligations to OCC. The Commission believes that including these two additional events as cooling-off period triggers would provide Clearing Members with additional certainty and predictability regarding their potential maximum liability for Clearing Fund contributions, which in turn is consistent with the promotion of safety and soundness at OCC.

Accordingly, and for the reasons stated above, the Commission believes the changes proposed in the Advance Notice are consistent with Section 805(b) of the Clearing Supervision Act.\textsuperscript{34}

**B. Consistency with Rule 17Ad-22(e)(2) under the Exchange Act**

Rule 17Ad-22(e)(2)(v) under the Exchange Act requires that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for governance arrangements that, among other things, specify clear and direct lines of responsibility.\textsuperscript{35}

As described above, OCC proposes to add a new internal reporting requirement regarding certain intra-day margin calls. OCC may call for additional margin from Clearing Members based on the results of its Sufficiency Stress Tests. In addition to

\textsuperscript{34} 12 U.S.C. 5464(b).

\textsuperscript{35} 17 CFR 240.17Ad-22(e)(2)(v).
notifying its Office of the CEO when such margin calls are large in absolute terms (i.e., in excess of $500 million), OCC now proposes to also notify to its Office of the CEO when such margin calls are large relative to the Clearing Member against which they are made (i.e., in excess of 75 percent of the Clearing Member’s excess net capital). The Commission agrees that such notification would inform OCC’s senior management, who could then monitor circumstances as appropriate, when an intra-day margin call could strain the resources of a particular Clearing Member based on its financial condition. Accordingly, the Commission believes that the adoption of such a notification requirement is consistent with Rule 17Ad-22(e)(2)(v) under the Exchange Act.  

C. **Consistency with Rule 17Ad-22(e)(4) under the Exchange Act**

Rule 17Ad-22(e)(4) under the Exchange Act requires, in part, that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes.  

1. **Stress testing**

Rules 17Ad-22(e)(4)(i) and (iii) under the Exchange Act require that a covered clearing agency’s policies and procedures meet the requirements of Rule 17Ad-22(e)(4) by maintaining financial resources at the minimum to enable OCC to cover a wide range of foreseeable stress scenarios that include, but are not limited to, the default of the

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37 17 CFR 240.17Ad-22(e)(4).
participant family that would potentially cause the largest aggregate credit exposure for OCC in extreme but plausible market conditions. Further, Rule 17Ad-22(e)(4)(vi) under the Exchange Act requires that a covered clearing agency’s policies and procedures meet the requirements of Rule 17Ad-22(e)(4) by testing the sufficiency of a covered clearing agency’s total financial resources available to meet the minimum financial resource requirements under Rules 17Ad-22(e)(4)(i) through (iii).

As described above, OCC proposes to expand the set of stress tests that it uses to size the Clearing Fund by adding the Idiosyncratic Scenarios to its current suite of stress tests. The Idiosyncratic Scenarios are designed to capture the risk of extreme moves in individual securities or small subsets of securities while the current Systemic Scenarios are based on broad-based market and systemic shocks. Consistent with the general view that expanding the types of scenarios that a clearing agency uses in its monthly sizing process makes the clearing agency’s risk management robust to a broader range of shocks, the Commission believes that OCC’s proposal to add the Idiosyncratic Scenarios to its suite of stress tests would be a strengthening change that is consistent with the requirements of Rules 17Ad-22(e)(4)(i) and (iii) under the Exchange Act.

Additionally, OCC proposes to revise its stress testing methodology to produce differing price shocks for VIX futures across the term structure. The proposed methodology would be based on SPX volatility shocks across different expirations, as opposed to the current methodology’s reliance on a single shock to the VIX. As

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38 17 CFR 240.17Ad-22(e)(4)(i) and 17 CFR 240.17Ad-22(e)(4)(iii).
40 17 CFR 240.17Ad-22(e)(4)(i) and 17 CFR 240.17Ad-22(e)(4)(iii).
discussed above, these changes would help OCC produce more appropriate VIX futures price shocks in its stress scenarios, which in turn should enhance OCC’s ability to accurately and appropriately size its Clearing Fund, consistent with the requirements of Rule 17Ad-22(e)(4)(vi).

Accordingly, the Commission believes that, taken together, OCC’s proposed changes to its stress testing methodology would be consistent with the requirements of Rules 17Ad-22(e)(4)(i), (iii), and (vi).\footnote{17 CFR 240.17Ad-22(e)(4)(i); 17 CFR 240.17Ad-22(e)(4)(iii); and 17 CFR 240.17Ad-22(e)(4) (vi).}

2. **Clearing Fund Allocation**

As noted above, Rule 17Ad-22(e)(4) under the Exchange Act generally requires that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes.\footnote{17 CFR 240.17Ad-22(e)(4).}

OCC relies on the Clearing Fund as a source of mutualized resources available to manage losses arising out of a Clearing Member’s default. OCC’s method for allocating contributions to the Clearing Fund among Clearing Members is aligned primarily with the credit risk posed by each Clearing Member.\footnote{Clearing Fund allocations are based on a weighting of 70\% margin risk, what OCC refers to as the “total risk” component of its Clearing Fund allocation formula, with open interest and cleared volume weighted at 15\% each.} OCC proposes to redefine the margin risk component of its Clearing Fund allocation formula such that it would rely on the

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41 17 CFR 240.17Ad-22(e)(4)(i); 17 CFR 240.17Ad-22(e)(4)(iii); and 17 CFR 240.17Ad-22(e)(4) (vi).

42 17 CFR 240.17Ad-22(e)(4).

43 Clearing Fund allocations are based on a weighting of 70\% margin risk, what OCC refers to as the “total risk” component of its Clearing Fund allocation formula, with open interest and cleared volume weighted at 15\% each.
same underlying model – STANS – for all Clearing Members (as opposed to relying on STANS for most Clearing Members and SPAN for certain Clearing Members with segregated futures accounts). The proposed change would not change the overall allocation weighting (i.e., margin risk would still account for 70 percent of Clearing Members’ Clearing Fund allocation), but the Commission believes it would provide a more consistent metric by which to assess margin risk across Clearing Members.

Accordingly, the Commission believes that the proposed change is reasonably designed to support the management of OCC’s credit exposures to its participants. OCC relies on the Clearing Fund as a source of mutualized resources available to manage losses arising out of a Clearing Member’s default. OCC method for allocating contributions to the Clearing Fund is aligned primarily with the credit risk posed by each Clearing Member. The proposed change would not change the allocation weighting but, the Commission believes, it would provide a more consistent metric by which to assess risks across Clearing Members. The Commission believes, therefore, that OCC’s proposed change to its Clearing Fund allocation methodology is consistent with the requirements of Rule 17Ad-22(e)(4).44

3. Cooling-Off Period

Rule 17Ad-22(e)(4)(ix) under the Exchange Act requires, in part, that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to describe its process to replenish any financial resources it may use following a default or other event in which use of resources is

44 17 CFR 240.17Ad-22(e)(4).
contemplated.\textsuperscript{45}

As noted above, OCC’s current recovery tools include a cooling-off period, during which OCC’s authority to assess Clearing Members for funds to replenish OCC’s Clearing Fund is limited. Recognizing the limit that such a cooling-off period places on the financial resources available to OCC, the Commission continues to believe that the cooling-off period provides certainty and predictability regarding Clearing Members’ maximum liability for Clearing Fund contributions.\textsuperscript{46} OCC proposes to expand the set of events that would start the cooling-off period to include proportionate Clearing Fund charges to Clearing Members triggered by certain protective transactions or the failure of a Clearing Member to meet certain obligations under OCC’s rules, consistent with OCC’s original intention with its prior filing. The two events to be added as triggers for the cooling-off period are similar to the current triggers in that they pertain to amounts paid out of the Clearing Fund to manage the failure of a Clearing Member to meet its obligations to OCC. Consistent with the Commission’s statements regarding the current formulation of the cooling-off period, the Commission believes that the proposed expansion is consistent with OCC’s obligations to describe its process to replenish any financial resources it may use following a default or other event in which use of resources is contemplated as required under Rule 17Ad-22(e)(4)(ix).\textsuperscript{47}

Accordingly, and for the reasons stated above, the Commission believes the

\textsuperscript{45} 17 CFR 240.17Ad-22(e)(4)(ix).


\textsuperscript{47} 17 CFR 240.17Ad-22(e)(4)(ix).
changes proposed in the Advance Notice are consistent with Rule 17Ad-22(e)(4) under the Exchange Act.\textsuperscript{48}

\section*{IV. CONCLUSION}

IT IS THEREFORE NOTICED, pursuant to Section 806(e)(1)(I) of the Clearing Supervision Act, that the Commission DOES NOT OBJECT to Advance Notice (SR-OCC-2019-806) and that OCC is AUTHORIZED to implement the proposed change as of the date of this notice or the date of an order by the Commission approving proposed rule change SR-OCC-2019-009 whichever is later.

By the Commission.

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Jill M. Peterson\newline
Assistant Secretary
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\textsuperscript{48} 17 CFR 240.17Ad-22(e)(4).