DCO Rules

UNITED STATES
COMMODITY FUTURES TRADING COMMISSION

Submitter Information

Organization Name
Options Clearing Corporation

Organization Type	**Organization Acronym**
DCO	OCC
Submitted By [redacted]	**Email Address** [redacted]

Cover Sheet

Submission Number	**Submission Date**
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Submission Type
40.6(a) Rule Certification

Submission Description
Rule Certification by The Options Clearing Corporation Concerning Providing the Ability to Satisfy Daily Margin Deficit Amounts With Non-Cash Collateral Prior to Settlement Time

☐ **Request Confidential Treatment**

Registered Entity Identifier Code

Rule Numbers
OCC Rules 605, 605A, 606, and 607

Date of Intended Implementation
4/12/2027

Documents

CFTC Self-Certification (Cash Settlement Efficiency).pdf
Exhibit A (Rules).pdf

Request For Confidential Treatment - Detailed Written Justification

N/A

THE FOUNDATION FOR SECURE MARKETS

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November 17, 2026

VIA CFTC PORTAL
Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: Rule Certification by The Options Clearing Corporation Concerning Providing the Ability to Satisfy Daily Margin Deficit Amounts With Non-Cash Collateral Prior to Settlement Time

Dear Secretary Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended ("Act"), and Commodity Futures Trading Commission ("CFTC") Regulation 40.6, The Options Clearing Corporation ("OCC") hereby certifies a rule change to update OCC's cash settlement process to provide Clearing Members with the ability to satisfy daily margin deficit amounts with non-cash collateral prior to the daily Settlement Time. The date of implementation of the rule is at least 10 business days following receipt of the certification by the CFTC. The proposal has also been submitted to the Securities and Exchange Commission ("SEC") under Section 19(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 19b-4 thereunder. The change will not be implemented until OCC has obtained all necessary regulatory approvals.

In conformity with the requirements of Regulation 40.6(a)(7), OCC states the following:

Explanation and Analysis

The purpose of this rule certification is to update OCC's cash settlement process to provide Clearing Members with the ability to satisfy daily margin deficit amounts with non-cash collateral prior to the daily Settlement Time.

The proposed changes to OCC's Rules are contained in Exhibit A. Material proposed to be added is marked by underlining and material proposed to be deleted is marked with 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.[1]

Overview

OCC conducts a daily cash settlement process in which OCC drafts cash from Clearing Member bank accounts to offset any deficit in margin assets pledged by the Clearing Member as compared to the total required margin as of Settlement Time.[2] Currently, prior to Settlement Time (8:00 a.m. CT), OCC makes a Daily Margin Report available to each Clearing Member showing, among other things, the Clearing Member's margin requirements and margin previously deposited by the Clearing Member, as well as any surplus over the margin amount required or margin deficit to be satisfied. For all Clearing Members who are reported to have a margin deficit, OCC authorizes cash withdrawals from the Clearing Members' bank accounts in order to satisfy the deficit. Clearing Members currently do not have the opportunity to deposit additional collateral after receipt of the Daily Margin Report to offset any start-of-day margin deficit identified on the report before OCC drafts cash from the Clearing Members' bank accounts.

OCC proposes to replace the Daily Margin Report with a Daily Account Summary.[3] OCC proposes to offer Clearing Members an opportunity, after receiving the Daily Account Summary and prior to Settlement Time, to deposit collateral in order to reduce or eliminate their Start-of-Day Margin Deficit. Any such collateral deposit would correspondingly reduce or eliminate the necessary cash withdrawal from the Clearing Member's bank account. OCC's Rules already provide Clearing Members a similar opportunity to offset deficits in their Clearing Fund allocations

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1 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.

2 *See* OCC Rule 100 ("The term 'settlement time', when used in respect of a Clearing Member's obligation to pay the Corporation amounts owed to settle confirmed trades and/or stock loan transactions or any other obligations to the Corporation, other than those related to any cross-margining program with a Participating CCO and transactions settling outside the United States, means 8:00 A.M. Central Time").

3 The Daily Account Summary will be similar in substance to the current report except that the Deficit line on the document will be separated and described as a start-of-day obligation owed by the Clearing Member unless additional non-cash collateral is deposited.

prior to OCC withdrawing cash from Clearing Member bank accounts, as described in Rule 1005.[4] OCC seeks to give Clearing Members this ability with respect to margin deficits.

Proposed Changes

OCC proposes to change its Rules to provide Clearing Members with an opportunity to reduce or eliminate any margin deficit identified in the Daily Account Summary to avoid OCC's cash draw prior to Settlement Time.

This change is expected to have positive effects on both OCC and Clearing Members. The current start-of-day margin cash settlement process often requires multiple inefficient transfers of collateral and cash during the trading day, resulting in temporary double-collateralization for Clearing Members. Presently, after OCC drafts cash from a Clearing Member's bank account prior to Settlement Time to satisfy a start-of-day-margin deficit, the Clearing Member often deposits non-cash collateral with OCC and requests that OCC return some or all of the cash back to the Clearing Member's bank account. OCC allows this intraday deposit of margin and returns the cash, but the process is inefficient for all parties. Under the current process, OCC must often make multiple cash transactions, drafting cash from Clearing Member accounts and then returning the cash to the Clearing Member on the same day. And because the cash transfer is not instantaneous, this series of events leaves Clearing Members double-collateralized for a period. Clearing Members may not receive their returned cash until hours after they deposited additional collateral, meaning that they are double-collateralized (through the newly deposited collateral and the cash that has not yet been returned) from the time when they deposit additional collateral until the previously drafted cash is returned to their bank accounts.

This process increases cash liquidity demands on Clearing Members, causes Clearing Members to hold excess collateral to attempt to avoid daily deficit cash drafts, and increases instances of same-day double-collateralization. For OCC, this process increases transactional cash flows, causing unnecessary inefficiency and increased operational risk. These issues could be alleviated or eliminated if Clearing Members had the opportunity to deposit collateral to satisfy any identified margin deficit before OCC withdraws cash to satisfy the deficit. And regardless of whether a Clearing Member chooses to deposit additional margin, the ultimate

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[4] *See* OCC Rule 1005(c) (authorizing OCC to withdraw from the Clearing Member's bank account an amount equal to any deficit the member fails to satisfy as shown on certain reports listing, among other things, the current amount of the contribution required of such Clearing Member and any deficit in the Clearing Member's contribution or surplus over and above the required amount).

Start-of-Day Margin Deficit and the corresponding deficit cash draft would be no greater than the deficit originally identified in the Daily Account Summary.

A hypothetical example may demonstrate how the updated daily settlement process would work in practice. If OCC were to report on a Clearing Member's Daily Account Summary that the Clearing Member faced a margin deficit, the Clearing Member would be afforded the choice whether to offset that deficit, in whole or in part, by depositing collateral prior to OCC issuing cash settlement instructions to the Clearing Member's bank. If the Clearing Member were to choose not to deposit additional collateral, OCC would issue cash settlement instructions to the Clearing Member's bank to satisfy the deficit with cash from the Clearing Member's account. But if the Clearing Member were to deposit additional collateral before OCC issued cash settlement instructions to the bank, the newly deposited collateral would reduce or eliminate the amount that OCC would withdraw from the Clearing Member's bank account.

If the proposed change is adopted, OCC will no longer immediately draft the full margin deficit from the Clearing Member's account in cash, but instead will give the Clearing Member the opportunity to satisfy or reduce the deficit with non-cash collateral before OCC conducts any cash draw from Clearing Member bank accounts. This reduces Clearing Members' need for cash liquidity, double-collateralization, and OCC's transactional cash flows and any attendant operational risk.

OCC does not anticipate that this proposed change would negatively affect its liquidity. Start of day liquidity is unaffected because OCC will continue to withdraw cash from Clearing Member bank accounts by Settlement Time each day to satisfy any remaining margin deficits, just as it does in the current model. And intraday liquidity will be only minimally affected. In the current model when OCC withdraws cash to satisfy a margin deficit, most of the cash is returned to Clearing Members that same day after the Clearing Members deposit additional non-cash collateral. Finally, the proposed change affects only margin deficits; it will not affect how OCC handles money that flows daily through it from one party to another or how OCC collects mandatory margin cash requirements from time to time. For example, the settlement system by which OCC collects cash from one Clearing Member and passes it along to another Clearing Member would remain unchanged, as would the process for when a Clearing Member defaults. OCC will have qualified liquidity resources supported by all eligible forms of collateral both at the start of the day and intraday under the proposed change.

Description of Change

In order to provide Clearing Members with the opportunity to satisfy daily margin deficits with collateral prior to OCC initiating a cash draw from their bank accounts, OCC

proposes to amend its Rules.[5] In particular OCC proposes amendments to Rule 605 and the creation of a new Rule 605A to implement this change.

OCC proposes to amend Rule 605 to change the name of the report Clearing Members receive identifying their margin deficit from "Daily Margin Report" to "Daily Account Summary." This change is proposed to more accurately reflect the document that Clearing Members receive on a daily basis that identifies their margin deficit. OCC also proposes shortening and simplifying the rule by simply stating that the Daily Account Summary will show the margin required by the Clearing Member's "margined positions," rather than listing each type of position that could require margin; however, the types of positions covered in the report will not change. Additionally, OCC proposes to move the sentences requiring that any margin deficit be satisfied by Settlement Time and authorizing OCC to withdraw cash from the Clearing Member's bank account to obtain satisfaction from current Rule 605 to proposed Rule 605A and to make conforming changes, as discussed below.

Rule 605A creates a new term, the "Start-of-Day Margin Deficit," to represent any remaining margin deficit after a Clearing Member has had the opportunity to deposit collateral to offset the margin deficit identified in the Daily Account Summary. New Rule 605A states that Clearing Members are permitted to deposit such collateral to reduce any margin deficit identified in the Daily Account Summary. Under the new Rule, when OCC receives and recognizes the newly deposited collateral before OCC has issued withdrawal instructions to the Clearing Member's bank, the outstanding margin deficit will be reduced. The margin deficit identified in the Daily Account Summary minus the value of the collateral deposited thereafter is the Start-of-Day Margin Deficit, and subject to the provisions of Rule 606 OCC may withdraw cash from the Clearing Member's bank account to satisfy this deficit.

Finally, the changes to Rule 605 and the creation of Rule 605A will require ancillary changes in Rule 606 to add the term Start-of-Day Margin Deficit and in Rules 606 and 607 to change the term Daily Margin Report to Daily Account Summary.

Implementation Timeframe

OCC expects to implement the proposed changes following receipt of all necessary approvals and within approximately 270 days after the launch of Ovation[6] as OCC's system of record in light

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[5] OCC does not propose to amend OCC Rule 706 to apply this change to cross-margining accounts at this time. OCC intends to address its cross-margining accounts, including their daily settlement procedure, in a future filing.

[6] OCC is building Ovation, a new clearance and settlement system, to replace its current clearing platform. Information about OCC's planned launch of Ovation may be found at https://www.theocc.com/company-information/occ-transformation.

of the technical system changes that are required to implement this change. OCC will announce the implementation date of the proposed changes by an Information Memorandum posted to its public website at least two weeks prior to implementation.

Consistency with DCO Core Principles

OCC reviewed the DCO core principles ("Core Principles") as set forth in the Act, the regulations thereunder, and the provisions applicable to a DCO that elects to be subject to the provisions of 17 CFR Subpart C ("Subpart C DCO"). During this review, OCC identified the following as potentially being impacted:

> **Risk Management.** OCC believes that implementing the proposed rule change will be aligned with Core Principle D,[7] which requires, in part, that each DCO ensure that it possesses the ability to manage the risks associated with discharging the responsibilities of a DCO through the use of appropriate tools and procedures. The proposed changes are designed to reduce operational risk by decreasing the frequency of transactional cash flows, as Clearing Members will have the ability to avoid having cash drawn from their account—only to be returned later that same day—by depositing non-cash collateral to offset any deficit prior to settlement.

For these reasons, OCC believes that the proposed changes are consistent with the requirements of the DCO Core Principles and the CFTC Regulations thereunder.

Opposing Views

No substantive opposing views were expressed related to the rule amendments by OCC's Board members, Clearing Members or market participants. Public comments on the proposed rule change filed with the SEC, if any, and any OCC response to such comments may be viewed on the SEC's public website.[8]

Notice of Pending Rule Certification

OCC hereby certifies that notice of this rule filing has been given to Clearing Members of OCC in compliance with Regulation 40.6(a)(2) by posting a copy of this certification on OCC's website concurrently with the filing of this submission.

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7 7 U.S.C. 7a-1(c)(2)(D).

8 See Options Clearing Corporation (OCC) Rulemaking, https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking/occ.

Certification

OCC hereby certifies that the rule set forth at Exhibit A of the enclosed filing complies with the Act and the CFTC's regulations thereunder.

Should you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

/s/ [redacted]

[redacted]
[redacted]
The Options Clearing Corporation

Enclosure: Exhibit A

Exhibit A

Rules

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RULE 605 – ~~Daily Margin Report~~Daily Account Summary

Prior to 8:00 A.M. Central Time (9:00 A.M. Eastern Time) of each business day, the Corporation ~~shall~~will make available to each Clearing Member ~~a Daily Margin Report~~a Daily Account Summary for each account maintained by the Clearing Member with the Corporation. The ~~Daily Margin Report shall~~Daily Account Summary will show the amount of margin required by the Corporation on the Clearing Member's ~~short~~ margined positions ~~in options (including futures options and commodity options that are subject to the Corporation's margin requirements pursuant to any Participating CCO Agreement), the Clearing Member's positions in futures (including commodity futures that are subject to the Corporation's margin requirements pursuant to any Participating CCO Agreement), and the Clearing Member's exercised contracts and stock loan and borrow positions~~. Margins previously deposited by the Clearing Member and any surplus over the amount required or deficit to be satisfied, as the case may be, will also be shown. ~~A deficit in any account of a Clearing Member as shown in the Daily Margin Report of a particular day shall be satisfied by Settlement Time on such day, notwithstanding any error in such Report and notwithstanding any margin excess that may exist in another account of the Clearing Member. Subject to the provisions of Rule 606, the Corporation shall be authorized to withdraw from the Clearing Member's bank account established in respect of any account an amount equal to such deficit as shown on the Daily Margin Report.~~ All errors in the ~~Daily Margin Report~~ Daily Account Summary ~~shall~~must be reported to the Corporation promptly, and any correction or adjustment in the amount of required margin shall be shown on the next day's ~~Daily Margin Report~~Daily Account Summary.

RULE 605A – Start-of-Day Margin Deficit

A Clearing Member may deposit eligible collateral to reduce or satisfy a margin deficit reported in its Daily Account Summary. If the Corporation receives and recognizes collateral deposited by a Clearing Member before the Corporation issues cash settlement instructions to the Clearing Member's bank, the Corporation will deduct the value of the received collateral, as calculated pursuant to Rule 601(c)(2), from the margin deficit identified in the Daily Account Summary. The Start-of-Day Margin Deficit is the margin deficit reflected on the Daily Account Summary less the value of any collateral received and recognized before the Corporation issues cash settlement instructions. The Start-of-Day Margin Deficit must be satisfied at Settlement Time, notwithstanding any error in the Daily Account Summary, notwithstanding any margin excess that may exist in another account of the Clearing Member, and notwithstanding any additional collateral the Clearing Member has deposited or attempted to deposit which was not timely received and recognized by the Corporation. Subject to the provisions of Rule 606, the Corporation may

withdraw from the Clearing Member's bank account established in respect of any account an amount equal to the Start-of-Day Margin Deficit.

RULE 606 – Application of Settlement Credit

The Corporation may apply in satisfaction of ~~any margin deficit~~the Start-of-Day Margin Deficit any credit balance in favor of the Clearing Member shown on ~~his~~its Daily ~~Position Report~~Account Summary to be applicable to trades that settle on the business day of such margin deficit; provided, however, that any such balance arising in a segregated futures account may not be applied in satisfaction of any margin deficit arising in any account other than a segregated futures account.

RULE 607 – Application of Cash Margin Excess

A margin excess reported on a Clearing Member's ~~Daily Margin Report~~Daily Account Summary, not to exceed the amount of cash margin on deposit as shown in such ~~Report~~Summary, may be applied against the amount of the net daily premium and variation payment due to the Corporation in such account in accordance with Rule 502 or against the foreign currency option exercise settlement amount due to the Corporation in accordance with Rule 1606; provided, however, that the cash margin excess and the obligation to which it is applied must be in the same currency.