

CLEARINGHOUSE OF THE YEAR

With the maturation of the US listed options industry's growth rate and regulatory changes, OCC is evolving from processing trades for market participants to managing risk for the industry.

"As a SIFMU, we advocate on behalf of the industry to provide exchanges and clearing firms with a strong, competitive marketplace. We work hard to stay ahead of the evolving expectations of domestic and international regulators as well as international standards imposed by rating agencies," says OCC executive chairman Craig Donohue, noting that the OCC is continuing to work with the EC, ESMA and the SEC as they seek a common approach for the regulation of cross-border QCCPs.

Regulated CCPs such as OCC have an excellent track record during times of market stress. This demonstrated resiliency led global policymakers to mandate that more financial transactions be cleared through CCPs following the 2008 financial crisis.

"OCC is stronger today as a result of the improvements that regulators have made to the framework for CCPs. These enhancements bolster OCC's leadership role in fostering market confidence and reducing systemic risk while maintaining our position as an independent risk manager," says Donohue.

The SEC gave final approval to OCC for its capital plan in February. "Our stewardship role in the US listed options industry requires that we promote resiliency in everything we do and in the markets we serve. The successful implementation of our capital plan allows OCC to meet that responsibility by significantly strengthening our financial resources.

"When the SEC granted final approval our plan, it confirmed that strengthening OCC's capitalisation is a compelling public interest. We believe the capital plan is a vital component to our goal of providing world-class service to market participants and ensuring the resiliency of an important market utility."

Partnerships and collaboration were mentioned throughout OCC's 2015 annual report. "This approach is critical,

OCC

Executive chairman Craig Donohue speaks to *Andrew Neil* about the importance of working with regulators and implementing technology



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as demonstrated by our partnership with CalPERS, the largest US pension fund, to diversify our committed liquidity resources, and with NASDAQ Futures to develop a clearing solution that serves their customers' needs and OCC's clearing members."

OCC is engaged with exchanges and clearing firms to identify and develop innovative products and solutions, such as securities lending, which serve the evolving needs of market participants. "As the industry continues to face strong economic and regulatory headwinds, our

collective dedication to these efforts will be critical to promoting continued growth for the US listed options industry."

OCC is also adding scalability in its technology platforms to manage expected industry growth. It is focused on the flexibility of its technology, as derivatives markets are inherently innovative and amenable to new construction.

"We have developed a technology roadmap that is ambitious in scope and we continue to develop proprietary and smart risk analytical tools to support market participants," says Donohue. "Blockchain and distributed ledger technology have the potential to be significant in the post-trade landscape over the next 15 years. These technologies also have the potential to transform what we do and how we do it."

Managing extreme market events and reducing systemic risk remains at the heart of OCC's business. "We are establishing a more robust leadership role in the post-trade space, backed by enhanced risk management procedures and liquidity," he says. "We enhanced our resiliency, recapitalised the organisation, and strengthened our management team."

Enhanced capital requirements continue to create incentives for market participants to seek greater capital efficiencies by working more closely with CCPs. "To support this, we are working to extend our capabilities in securities finance where we guarantee return of stock or cash to market participants. This innovative solution maintains liquidity resources during times of market stress." ☺