



DCO Rules

UNITED STATES COMMODITY FUTURES TRADING COMMISSION

Submitter Information	
Organization Name Options Clearing Corporation	
Organization Type DCO	Organization Acronym OCC
Submitted By bbrockway	Email Address bbrockway@theocc.com
Cover Sheet	
Submission Number 2205-0611-2707-52	Submission Date 5/6/2022 11:27:07 AM ET
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Rule Numbers OCC Rule 101, 605, 1002, 1004, 1005 and 1006.	
Date of Intended Implementation 6/27/2022	
Documents	
SR-OCC-2022-004 CFTC Letter.pdf SR-OCC-2022-004 (Settlement Timing) - Confidential Materials.pdf (Confidential Treatment Requested)	
Request For Confidential Treatment - Detailed Written Justification	
CFTC - FOIA Confidential Treatment Request.pdf	



May 6, 2022

VIA ELECTRONIC MAIL

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

Re: CFTC Regulation 40.6(a) Certification. Notification of Proposed Rule Change Concerning Revisions to OCC's Settlement Times for Margin and Clearing Fund Deposits (Rule Filing No. SR-OCC-2022-004)

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(a), The Options Clearing Corporation ("OCC") hereby certifies to the CFTC amendments to OCC's settlement times for margin and Clearing Fund deposits. This rule filing has been submitted to the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 ("Exchange Act"). The date of implementation of the rule is at least 10 business days following receipt of the rule filing by the CFTC or the date the proposed rule is approved by the SEC or otherwise becomes effective under the Exchange Act.

The proposed changes to OCC By-Laws, Rules, Clearing Fund Methodology and Liquidity Risk Management Framework are included in Exhibits A-D. Material proposed to be added to OCC's By-Laws, Rules, Clearing Fund Methodology and Liquidity Risk Management Framework as currently in effect is underlined and material proposed to be deleted is marked in strikethrough text. All capitalized terms not defined herein have the same meaning as set forth in the OCC By-Laws and Rules.¹

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

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>.

Explanation and Analysis

OCC is filing this proposed rule change to change the time frame for collecting Margin² and Clearing Fund deficits as well as increases in the Clearing Fund cash requirement (“Settlement Funds”). The proposed changes are generally intended to shorten the collection period for Settlement Fund deficits and align the time for satisfying start of day settlement to 8:00 am CT (“SOD Settlement Time”). OCC believes the proposed changes will reduce operational complexity by creating a more uniform settlement time for Clearing Fund deficits. The earlier SOD Settlement Time will also provide OCC with additional time to address a default event and implement protective actions. To provide increased transparency, the proposal also grants OCC discretion to extend funding deadlines when warranted by the circumstances (e.g., operational or system difficulties).

The contents of the proposed rule change are summarized as follows.

Background

Under OCC’s Rules, there are different windows for the collection of Settlement Funds depending on the reason for the deficit, and the settlement time for satisfying such deficits may vary. For example, OCC Rule 1005(a) currently requires Clearing Members to satisfy any general deficits within one hour of receiving notice from OCC; OCC Rule 1005(b) currently requires Clearing Members to satisfy any deficits related to a monthly or intra-month resizing of the Clearing Fund by 9:00 am CT on the second business day following notice from OCC; and whenever an amount is paid out of the Clearing Fund, OCC Rule 1006(h) requires Clearing Members to replenish the Clearing Fund following a charge thereto by 9:00 am CT on the first business day following notice from OCC. In certain cases, such as the monthly Clearing Fund sizing process, the current Rules provide a two day period for Clearing Members to deposit any additional required Clearing Fund assets, while simultaneously Clearing Members are eligible to withdraw any excess contributions based upon the new requirement. To address these issues, OCC proposes to change OCC’s rules concerning the collection of Settlement Funds. The proposed changes would, in general, allow OCC to reduce operational complexity by creating a more uniform settlement time for Clearing Fund deficits.

In addition, OCC proposes to align the collection of Settlement Funds with a consistent SOD Settlement Time. OCC’s current SOD Settlement Time is 9:00 am CT; however, the Board approved changing the SOD Settlement Time to 8:00 am CT. By aligning the SOD Settlement Time for margin and Clearing Fund deficiencies, OCC believes the proposed change would provide a clear

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Current OCC Rule 706(b) allows OCC to specify the settlement time for cross-margin accounts with Participating CCOs. As of the date of this filing, OCC only maintains cross-margin accounts with one Participating CCO, the Chicago Mercantile Exchange (“CME”). OCC’s Operations Manual specifies that the settlement time for OCC/CME cross margin debits is 7:30 am CT. This filing will not change the start-of-day settlement time for OCC/CME cross-margin debits. For the avoidance of doubt, the settlement time for OCC’s internal cross-margin program under Article VI, Section 25 of OCC’s By-Laws will be 8:00 am CT.

and consistent process for collecting Settlement Funds. Moving to an earlier settlement time would also provide OCC with more time to address a default event and implement necessary protective actions, including securing funds from its liquidity providers.

Changes to By-Laws

Currently, two definitions in OCC's By-Laws (Article I, Definitions; Article XV, Foreign Currency Options, Definitions) refer to the term "settlement time" as 9:00 am CT (10:00 am Eastern Time ("ET")). OCC proposes moving the definition in Article I of OCC's By-Laws to Chapter I, Rule 101 of OCC's Rules. This defined term does not appear elsewhere in the By-Laws, but is routinely used in OCC's Rules. OCC also proposes updating both definitions to instead provide for "settlement time" to be 8:00 am CT (9:00 am ET). Additionally, OCC proposes to clarify in the definition that would move to OCC's Rules that "settlement time" does not include settlements related to any cross-margin program with a Participating CCO. OCC Rule 706 allows OCC to specify the settlement time for cross-margin accounts with Participating CCOs. This filing will not change the start-of-day settlement time for the OCC/CME cross-margin account, which is currently 7:30 am CT, but will clarify any potential ambiguity about the start-of-day settlement time for these accounts.

Changes to Rules

Daily Margin Report

OCC Rule 605 currently requires Clearing Members to satisfy margin deficits by 9:00 am CT (10:00 am ET). OCC proposes to update Rule 605 to reference the above referenced defined term "Settlement Time."

Interpretation and Policy .01 to Rule 605 currently provides that the Daily Margin Report will not include the amount of margin required for variance futures and requires OCC to advise Clearing Members of margin requirements for variance futures by 9:00 am CT (10:00 am ET). When OCC clears variance futures, the margin requirements for such products would be included in the Daily Margin Report. Accordingly, OCC proposes to delete Interpretation and Policy .01 to Rule 605.

Monthly and Intra-Month Resizing

OCC Rule 1005(b) currently requires that Clearing Members satisfy any deficits due to a monthly or intra-month Clearing Fund resizing by the SOD Settlement Time on the second business day following notification of the resizing. The two-day collection period was intended to provide Clearing Members with sufficient notice of any changes to their Clearing Fund contribution requirements. However, this two-day collection period complicates the monitoring of OCC's prefunded credit and liquidity resources.

To address these issues, Management proposes to amend Rule 1005(b) to require that deficits due to the standard monthly resizing of the Clearing Fund be satisfied by the SOD Settlement Time on the first business day of each month. The proposed change would reduce the time to collect Clearing Fund deficits required to meet the new monthly Clearing Fund size. This change would reduce operational complexity related to the monitoring of OCC's prefunded credit and liquidity resources by providing transparency and certainty to OCC around OCC's available liquidity resources during the resizing process. Management also proposes to shorten the collection period for intra-month resizing to the next SOD Settlement Time following notification of the re-sizing to align with the monthly resizing period and other Clearing Fund deficit collection times and help ensure that OCC maintains adequate prefunded financial resources at all times. To provide additional transparency, Rule 1005(b) also grants OCC discretion to extend funding deadlines when warranted by the circumstances (e.g., operational or system difficulties).

General Deficits

OCC Rule 1005(a) currently requires that general Clearing Fund deficits (e.g., deficits caused by a decrease in the value of a Clearing Member's contribution or due to an adjusted contribution pursuant to Rule 1004³) must be satisfied within one hour of being notified of the deficit. As a practical matter, these deficits are currently generally collected in the morning each business day but outside of the start of day settlement cycle, which means that OCC currently processes two separate collections from certain Clearing Members.

OCC proposes to revise its rules to align the collection of general Clearing Fund deficits with the proposed SOD Settlement Time to provide consistency in settlement times throughout OCC's rules. Under revised Rule 1005(a), OCC would collect a general deficit arising under Rule 1005(a) at the Settlement Time, provided that it notified the Clearing Member of such deficit at least one hour prior to the Settlement Time on the day the notice was provided. Notice of general deficits under Rule 1005(a) would typically be provided to Clearing Members through OCC's overnight reporting process but may also be issued in response to market conditions or adjustments arising from mergers, consolidations, position transfers, business expansions, membership approval or other similar events. To achieve the operational efficiency contemplated by the proposal, the proposed revisions to Rule 1005(a) would align the collection period for general deficits to the Settlement Time in the ordinary course, and continue to provide Clearing Members with one hour to satisfy a deficit if notice was not provided at least one hour before the Settlement Time on a particular day. To provide additional transparency, Rule 1005(a) also grants OCC discretion to extend funding deadlines when warranted by the circumstances (e.g., operational or system difficulties).

Adjustments to Clearing Fund Contributions

³ Under Rule 1004, Clearing Fund contributions may be adjusted due to a Clearing Member merger, consolidation, position transfer, business expansion, membership approval or other similar event.

Rule 1004 provides that any deficiency arising from an adjustment due to a Clearing Member merger, consolidation, position transfer, business expansion, membership approval or other similar event shall be satisfied in accordance with Rule 1005(a). Rule 1004 currently provides an exception that allows a Clearing Member to satisfy an obligation that would be due on the first business day of a calendar month to be satisfied on the second business day if the deficit coincides with a regular monthly sizing collection. The proposal would eliminate this exception because regular monthly sizing deficits would no longer be collected two business days after notification under the proposed formulation of Rule 1005.

Replenishment and Assessments

OCC Rule 1006(h) currently requires that Clearing Members make good any charges to the Clearing Fund, whether in the form of replenishments or assessments, by 9:00 am the following business day. OCC proposes to amend Rule 1006(h) to align the collection period for replenishments and assessments with the proposed SOD Settlement Time. OCC believes that using the defined term “Settlement Time” rather than stating a specific time in Rule 1006(h) will help achieve the consistency intended by this proposal. As described above, aligning the time for satisfying settlement and Clearing Fund obligations to the new definition of Settlement Time will reduce operational complexity by creating a more uniform settlement time. Moving to the earlier time (i.e., 8:00 am CT) would also provide OCC with more time to address a default event and implement necessary protective actions, including securing funds from its liquidity providers. OCC also proposes to make corresponding changes to Rule 1006(h)(B), which reiterates that each Clearing Member shall have and shall at all times maintain the ability to make good any deficiency described in Rule 1006(h) during a cooling-off period.

OCC also proposes to amend Rule 1006(h)(A) and Rule 1006(h)(B) to allow the Corporation to specify a later time for which Clearing Members must make good on any charges to the Clearing Fund. The purpose of this change is to provide increased transparency by granting OCC discretion to extend funding deadlines when warranted by the circumstances (e.g., operational or system difficulties).

Deficits Due to Amendment of OCC's Rules

Currently, under Rule 1002(e), if a Clearing Member's contribution to the Clearing Fund increases due to an amendment of OCC's Rules, the increase shall not become effective until the Clearing Member is given at least two business days prior written notice of the amendment. This notification period provides time for any Clearing Member to notify OCC in writing that it wishes to terminate its clearing membership and close out or transfer its open positions before the effective date of the amendment. Clearing Members that do not notify OCC of such termination must satisfy the increased contribution by 9:00 am CT on the second business day following notification of the amendment.

OCC proposes to allow a five-business day notification period to allow Clearing Members additional time to determine whether to terminate clearing membership as a result of any such rule change and close out or transfer all open positions before the effective date of the amendment. The purpose of this change is to update Rule 1002(e) to better reflect OCC's current practice pursuant to which Clearing Members are generally afforded more than five-business days' notice of any change in Clearing Fund requirements that result from an amendment of OCC's Rules through the regulatory filing process. As this change codifies an existing practice, OCC does not believe it will modify Clearing Member behavior or otherwise have an adverse impact on OCC.

OCC also proposes to revise Rule 1002(e) to align with the proposed SOD Settlement Time. As described above, this change is intended to reduce operational complexity by creating a more uniform settlement time for Clearing Fund deficits, including those described in Rule 1002(e), that aligns with the current collection period for other obligations to OCC.

Temporary Increase in Clearing Fund Cash Requirement

Interpretation and Policy .03 to Rule 1002 requires Clearing Members to satisfy any increase in their required cash contribution resulting from an increase in overall Clearing Fund Cash Requirement no later than the second business day following notification of the increase. OCC proposes to revise Rule 1002 to require that Clearing Members satisfy an increase in required cash contributions by the first SOD Settlement Time following notification of the increase. The purpose of this change is to reduce operational complexity by creating a more uniform settlement time that aligns with the current collection period for other obligations to OCC.

Conforming Changes to Policies and Agreements

In connection with the proposed changes described above, OCC will need to make conforming changes to the Clearing Fund Methodology Policy and Liquidity Risk Management Framework. The changes to the Clearing Fund Methodology include updating the policy to reflect the timing for satisfying an increase to the Clearing Fund Cash Requirements and eliminating the policy language describing the exception set forth in Rule 1004 as described more fully above. These changes are intended to update the Clearing Fund Methodology Policy to conform with the proposed changes to OCC's rules described above and support the reduced operational complexity that OCC expects to achieve by creating a more uniform SOD Settlement Time. The proposed changes would also amend the Liquidity Risk Management Framework to note that Clearing Members will have until no later than the first start of day settlement time following the day on which notice is provided by OCC or an alternative time established by an OCC officer to meet their minimum Clearing Fund cash contribution.

OCC reviewed the DCO core principles ("Core Principles") as set forth in the Act. During this review, OCC identified the following Core Principle as potentially being impacted:

Settlement Procedures. OCC believes that implementing the proposed rule change is consistent with Core Principle E. CFTC Regulation 39.14 requires DCOs to establish appropriate tools and procedures to complete settlements on a timely basis. The proposal would improve OCC's capacity to facilitate clearance and settlement by allowing OCC to collect financial resources consistent with its calculated requirements as soon as reasonably possible.

Default Management. OCC believes that implementing the proposed rule change is consistent with Core Principle G. CFTC Regulation 39.16 requires DCOs to adopt default rules and procedures designed to allow for the efficient, fair, and safe management of events during which clearing members become insolvent or default on the obligations of such clearing members to the derivatives clearing organization. The proposed amendments are consistent with the Core Principle G as the earlier settlement time would provide OCC with additional time to identify and address a potential default or other issue that could potentially impact its ability to settle transactions.

Opposing Views

No opposing views were expressed related to the rule amendments.

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 the proposed rule change on OCC's website concurrently with the filing of this submission.

Certification

OCC hereby certifies that the rule set forth at Item 1 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 Mark C. Brown, Joe Kamnik or me.

Sincerely,



Blake Brockway
Executive Principal, Associate General Counsel

Enclosure

EXHIBIT A



OCC BY-LAWS

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**THE OPTIONS CLEARING CORPORATION
BY-LAWS**

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ARTICLE 1: DEFINITIONS

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~~Settlement Time (16) 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 such transactions settling outside the United States, means 9:00 A.M. Central Time (10:00 A.M. Eastern Time) on the settlement day for such confirmed trades and/or stock loan transaction or other obligation. Amended December 14, 2012.~~

~~The term "settlement time", when used in respect of the Corporation's obligation to pay a Clearing Member amounts owed to settle confirmed trades and/or stock loan transactions or any other obligations to a Clearing Member, other than such transactions settling outside the United States, means 1:00 P.M. Central Time (2:00 P.M. Eastern Time) on the settlement day for such confirmed trades and/or stock loan transaction or other obligation. For confirmed trades and/or stock loan transactions or other obligations settling outside the United States, the settlement time therefor shall be as specified in the By-Laws, Rules or procedures of the Corporation. Amended November 7, 1991, November 1, 1994; October 28, 2002; June 24, 2011; December 14, 2012.~~

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Short Position

(1647) The term "short position" in respect of options or BOUNDS means a person's obligation as the writer (or as an agent for the writer) of one or more option contracts of a series of options or one or more BOUNDS of a series of BOUNDS. In respect of futures, the term "short position" means a person's position as the seller (or as an agent for the Seller) of the underlying interest under one or more contracts in a series of futures. Amended August 26, 1996; March 3, 1999, August 20, 2001, May 16, 2002, [\[MM DD, 202Y\]](#).

Short Term Option

(1748) The term "short term option" means an option of a series of options that expires one week after it is opened for trading. Short term option series may be opened in any option class. Series of short term options may be opened on a Friday that is a business day and shall expire, at the expiration time, on the next Friday that is a business day; provided, however, that if a Friday is not a business day, the series shall be opened (or shall expire) on the first business day immediately prior to that Friday. Adopted July 12, 2005. Amended [\[MM DD, 202Y\]](#).

Statutory Disqualification

(1849) The term "statutory disqualification" shall have the meaning given to it in Section 3(a) of the Securities Exchange Act of 1934, as amended. Adopted February 11, 1976. Amended [\[MM DD, 202Y\]](#).

Statutory Rules

(1929) The term "statutory rules" in respect of the Corporation means the Certificate of Incorporation, the By-Laws, the Rules, and such of the stated policies, practices and interpretations of the Corporation as are deemed to be rules and have become effective under the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission thereunder.

Adopted February 11, 1976. Amended [MM DD, 202Y].

Stock Borrow Position

(2024) The term "stock borrow position" means the position of a Borrowing Clearing Member in respect of a Stock Loan.

Adopted July 15, 1993. Amended [MM DD, 202Y].

Stock Future

(2122) The term "stock future" means a security future for which the underlying security is an equity security or an index-linked security.

Adopted August 20, 2001. Amended July 18, 2012; [MM DD, 202Y].

Stock Loan

(2223) The term "Stock Loan" means either a "Hedge Loan" or a "Market Loan" or both as the context requires.

Adopted July 15, 1993. Amended January 23, 2009; [MM DD, 202Y].

Stock Loan/Hedge Program

(2324) The term "Stock Loan/Hedge Program" means the Corporation's program for processing and monitoring Stock Loans and hedging stock loan positions and stock borrow positions against stock option positions, all as further described in the By-Laws and Rules.

Adopted July 15, 1993. Amended [MM DD, 202Y].

Stock Loan Position

(2425) The term "stock loan position" means the position of a Lending Clearing Member in respect of a Stock Loan.

Adopted July 15, 1993. Amended [MM DD, 202Y].

Stock Market-Maker; Stock Specialist

(2526) The term "stock specialist" or "stock market-maker" means a member of a national securities exchange or national securities association who is acting as a market-maker or specialist, or a group of such members acting as a specialist unit, pursuant to the rules of such exchange or association in a stock that is an underlying security in respect of any stock option contract issued by the Corporation.

Amended [MM DD, 202Y].

Style of Option

(2627) The term "style of option" means the classification of an option as an American option, a European option or a capped option.

Amended October 28, 1991; [MM DD, 202Y].

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ARTICLE XV – FOREIGN CURRENCY OPTIONS

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Definitions

SECTION 1.

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Settlement Time

(1) The term "settlement time" in respect of a confirmed trade in foreign currency options settling in the United States means ~~8:00~~ 9:00-A.M. Central time (~~9:00~~ 10:00-A.M. Eastern time) on the first business day immediately following the day on which the Corporation receives confirmed trade information in respect of such transaction from the Exchange on which such transaction was effected. The term "settlement time" in respect of a confirmed trade in foreign currency options settling outside the United States means 11:00 A.M. local time in the country of origin of the trading currency (i.e., the premium currency), or such other time as the Corporation may specify, on the first foreign business day in that country immediately following the business day on which the Corporation receives confirmed trade information in respect of such transaction from the Exchange on which such transaction was effected.

Adopted November 1, 1994. Amended [MM DD, 202Y].

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Christopher J. Kirkpatrick

May 6, 2022

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EXHIBIT B



OCC RULES

Underlined text indicates new text

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**THE OPTIONS CLEARING CORPORATION
RULES**

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RULE 101 – Definitions

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Settlement Time

(1) 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 (9:00 A.M. Eastern Time) on the settlement day for such confirmed trades and/or stock loan transaction or other obligation.

The term “settlement time”, when used in respect of the Corporation’s obligation to pay a Clearing Member amounts owed to settle confirmed trades and/or stock loan transactions or any other obligations to a Clearing Member, other than such transactions settling outside the United States, means 1:00 P.M. Central Time (2:00 P.M. Eastern Time) on the settlement day for such confirmed trades and/or stock loan transaction or other obligation. For confirmed trades and/or stock loan transactions or other obligations settling outside the United States, and transactions related to any cross-margining program with a Participating CCO the settlement time therefor shall be as specified in the By-Laws, Rules or procedures of the Corporation.

Adopted [MM DD, 202Y].

Spot Month Series

(24) The term "spot month series," used as of the third Friday or any prior business day in any calendar month, shall mean any series of options expiring in that calendar month. Used as of any business day in a calendar month after the third Friday, such term shall mean any series of options expiring in the next succeeding calendar month.

Adopted September 25, 1978. Amended January 23, 1992; [MM DD, 202Y].

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RULE 605 – Daily Margin Report

Prior to ~~8:00~~ 9:00 A.M. Central Time (~~9:00~~ 10:00 A.M. Eastern Time) of each business day, the Corporation shall make available to each Clearing Member a Daily Margin Report for each account maintained by the Clearing Member with the Corporation. The Daily Margin Report shall show the amount of margin required by the Corporation on the Clearing Member’s short 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 ~~9:00 A.M. Central Time (10:00 A.M. Eastern 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 shall

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.

~~... Interpretations and Policies:~~

~~.01 The Daily Margin Report will not include the amount of margin required by the Corporation on the Clearing Member's positions in variance futures. Instead, the Corporation will advise Clearing Members of such margin requirement separately, but in any event before 9:00 A.M. Central Time. For all purposes of the By-Laws and Rules, including Rule 605, the margin requirement with respect to variance futures will be treated as if it were included in the Daily Margin Report.~~

~~Amended October 26, 1989; January 29, 1991; July 15, 1993; June 11, 1998; March 29, 1999; August 20, 2001; May 16, 2002; May 10, 2004; March 20, 2009; December 26, 2012.~~

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CHAPTER X – CLEARING FUND CONTRIBUTIONS

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RULE 1002 – Clearing Fund Contributions

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(e) *Deficits Due to Amendments.* If the contribution to the Clearing Fund to be made by a Clearing Member is increased as a result of an amendment of the Rules, the increase shall not become effective ~~until unless~~ the Clearing Member is given ~~two~~ at least five business days prior written notice of the effective date of the amendment. Unless a Clearing Member notifies the Corporation in writing that it wishes to terminate its clearing membership and closes out or transfers all of its open long and short positions before the effective date of such amendment, such Clearing Member shall be liable to make the increased contribution by ~~9:00 A.M. Central Time (10:00 A.M. Eastern Time)~~ the Settlement Time on the ~~second business day following the day on which notice is~~ effective date of the amendment or such later time as provided by the Corporation.

* * *

~~... Interpretations and Policies:~~

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.03 For purposes of Rule 1002(a)(i), a Clearing Member shall satisfy any increase in its required cash contribution pursuant to an increase in Clearing Fund Cash Requirement by the first Settlement Time following such notification ~~no later than the second business day following the day on which notice is provided by the Corporation~~ unless the Clearing Member is notified by an officer of the Corporation of an alternative time to satisfy such obligation.

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Amended September 1, 2018; February 15, 2019; June 29, 2020; October 6, 2020; [MM DD, 202Y].

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RULE 1004 – Adjustments to Clearing Fund Contributions

Adjusted Contribution. The required Clearing Fund contribution of a Clearing Member may be adjusted by the Corporation due to mergers, consolidations, position transfers, business expansions, membership approval or other similar events in connection with the calculations made in respect of a particular calendar month or at any other time. The Corporation shall provide notice to affected Clearing Members, by means of the reports described in Rule 1007, as soon as practicable after any such adjustment is determined. Any deficit resulting from the adjusted contribution shall be satisfied by the Clearing Member as provided in Rule 1005(a); ~~provided, however that a deficit that would otherwise be required to be satisfied on the first business day of a calendar month may be satisfied on the second business day if the deficit coincides with a deficit due to regular monthly sizing of the Clearing Fund as provided for in Rule 1005(b).~~ All individual adjustments as of a particular date, taken together, may result in a corresponding increase in the amount of the Clearing Fund but shall not be deemed to be a change in the calculated Clearing Fund size as that may be determined under Rule 1001. Any adjusted contribution resulting from any adjustment shall be in effect until the earlier of the next adjustment of the calculated size of the Clearing Fund under Rule 1001, or the next adjustment of the Clearing Member's required contribution pursuant to this paragraph.

Adopted September 1, 2018. Amended [MM DD, 202 Y].

RULE 1005 – Deficits and Increased Contributions

(a) *Deficits Generally.* Except as otherwise provided in this Chapter X, including but not limited to paragraph (b) below and Rule 1002(e), or as the Corporation may otherwise agree from time to time in writing, whenever a report for a Clearing Member described in Rule 1007 shows a deficit, including but not limited to a deficit caused by a decrease in the value of the Clearing Member's contribution or an adjusted contribution pursuant to Rule 1004, such Clearing Member shall satisfy the deficit by (i) the Settlement Time if the Corporation provides the Clearing Member with notice of such deficit at least one hour prior to the Settlement Time, (ii) a deposit in a form approved by the Corporation no later than one hour after being notified by the Corporation of such deficit if notice is not provided at least one hour prior to the Settlement Time on the day the notice is provided, or (iii) such later time as provided by the Corporation.

(b) *Deficits Due to Intra-Month and Regular Monthly Sizing.* Whenever a report described in Rule 1007 is made available in connection with regular monthly or intra-month determination of the calculated size of the Clearing Fund under Rule 1001 and the report shows a deficit for any Clearing Member, such Clearing Member shall satisfy the deficit by a deposit in a form approved by the Corporation. Deficits due to standard monthly resizing of the Clearing Fund shall be satisfied by 9:00 A.M. Central Time (10:00 A.M. Eastern Time) on the second business day following the day on which notice is provided by the Corporation. Settlement Time on the first business day of the month or such later time as provided by the Corporation. Deficits due to an intra-month resizing shall be due by the first Settlement Time following notification or such later time as provided by the Corporation.

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Adopted September 1, 2018. Amended [MM DD, 202 Y].

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RULE 1006 – Purpose and Use of Clearing Fund

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(h) *Making Good of Charges to the Clearing Fund.* (A) *Replenishment.* Whenever an amount is paid out of the Clearing Fund contribution of a Clearing Member, whether by proportionate charge or otherwise, such Clearing Member shall be liable to promptly make good the deficiency in its required contribution resulting from such payment by replenishment of the Clearing Fund. Each Clearing Member shall have and shall at all times maintain the ability to replenish any deficiency described in this Rule 1006(h) by ~~9:00 A.M. Central Time (10:00 A.M. Eastern Time)~~ the first Settlement Time on the first business day following the day on which the Corporation notifies ~~following notification to~~ the Clearing Member of such deficiency or such later time as provided by the Corporation.

(B) *Cooling-Off Period; Assessments.* Notwithstanding anything in this Rule 1006(h) and except as provided for below, if an amount is paid out of the Clearing Fund as a result of a proportionate charge under Rule 1006(b) resulting from any of the events described in clauses (i) through (vi) of Rule 1006(a), then starting on the date of such proportionate charge there shall automatically commence a cooling-off period during which a Clearing Member will not be liable to make good more than an additional 200% of the amount of its then required contribution (for definitional purposes, amounts in excess of a Clearing Member's then required contribution shall be "assessments"). The cooling-off period shall be fifteen consecutive calendar days from the date of such proportionate charge; provided however, that if one or more subsequent events described in clauses (i) through (vi) of Rule 1006(a) occur during the fifteen-day period and result in one or more proportionate charges against the Clearing Fund, the cooling-off period shall be extended through (i) the fifteenth calendar day from the date of the most recent proportionate charge resulting from the subsequent event, or (ii) the twentieth calendar day from the date of the initial proportionate charge, whichever is sooner. After the cooling-off period ends, Clearing Members shall not be liable for any deficiency arising from losses or expenses suffered by the Corporation as a result of any event described in clauses (i) through (vi) of Rule 1006(a) that occurred during the cooling-off period. Each Clearing Member shall have and shall at all times maintain the ability to make good any deficiency described in this Rule 1006(h) by ~~9:00 A.M. Central Time (10:00 A.M. Eastern Time)~~ the first Settlement Time on the first business day following ~~the day on which the Corporation notifies~~ notification to the Clearing Member of such deficiency or such later time as provided by the Corporation.

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Amended September 1, 2018; February 13, 2019; December 16, 2019; January 24, 2020; June 29, 2020; May 27, 2021; September 22, 2021; MM DD, 202Y.

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