# What-If Margining Simulation

Risk exposure is a focal point of vital importance for all international markets and clearing organizations. As world financial derivatives markets expand and counterparty credit risk increases in size and complexity, an organization's ability to assess its exposure to credit risk has become even more critical.

## User-Friendly + Free Margin Calculation Tool

To answer the demand for fast, risk-enabled decision-making, OCC® is planning to release enhanced functionality for its What-If Margining Simulation in January 2023. As part of the Renaissance Initiative, the functionality enhancements will allow OCC to deliver a more efficient, user-friendly and free margin calculation tool that can be seamlessly built into its Clearing Members dashboards and platforms.

## Changes + Enhancements

By upgrading its legacy risk application tool, firms will for the first time have an Application Programming Interface (API)-based approach for submitting their portfolio of positions. Similar to the existing risk application in ENCORE today, the What-If Margining Simulation will create an opportunity for Members to view theoretical types of margin scenarios for analysis and understand how margin requirements change as positions do.

## What-If Margining Simulation Process


**STEP 1:** Clearing Member submits their hypothetical portfolio via an API


**STEP 2:** OCC runs it through STANS® to generate and return the theoretical margin requirement

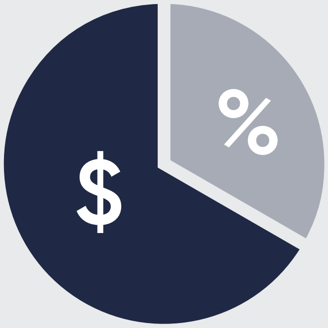
**STEP 3:** Clearing Member views theoretical margin calculation results for analysis and understanding

## Clearing Member Benefits

- Quickly receiving data for submitted what-if portfolios
- Increased operational efficiencies when managing multiple venues/varying margin methodologies
- Ability to integrate results into custom enterprise level solutions
- And secure login authentication via operating in the Cloud, pending regulatory review

In the future, the enhanced What-If Margining Simulation infrastructure will be further scaled to accommodate intraday margin calculations. This means a Member would have the ability to capture market moves on a near real-time basis and re-calculate the latest scenario based on current positions and market data/prices versus utilizing prior day's closing prices.

## Margin Overview




CCPs like OCC, require margin to be deposited by their respective clearing members as collateral for the coverage of each of their open positions.

Generally, this collateral is intended to ensure financial commitments can be quickly counterbalanced.

While the amount of collateral required varies by each clearing member, typically CCPs have two types of funding requirements: Initial and Variation Margin.

To determine margin requirements, OCC computes daily risk calculations following overnight processing and settlement. Similarly, the calculations vary depending on the type of customer, account and regulatory requirements. Click here to read more about OCC's STANS margin calculation.

To learn more about the Renaissance Initiative, click here. Questions? Please contact: OCCPlatformTransition@theocc.com