

From Encore to Ovation



Global Investor speaks to The OCC's **Mike Hansen**, Chief Clearing and Settlement Services Officer, and **Karen Glad**, Executive Director, Technical Certification and Documentation Services as OCC preps for 2024 industry-wide testing of the forthcoming clearing system.

Could you provide us with insights into OCC's new clearing system and its significance for the industry? What key features or improvements will it bring to the table?

Karen: We're building our new clearing system Ovation with state-of-the-art technology, moving from a single mainframe to microservices in the cloud that will help us to accelerate time to market for new exchange products, enhance access to data for our stakeholders, and quickly deploy technical upgrades. The new user interface will provide more flexibility in accessing data, such as export capabilities for all list views. For the transactional components, if users need to quickly make updates, they may do so using csv upload capabilities. If they don't normally

send and receive data electronically, and if they have a large transactional load for a single day or multiple days, the csv upload capabilities will alleviate the manual data entry process.

Mike: Whereas our current system ENCORE offers a one size fits all approach to data, the new clearing system will provide our market participants, both exchanges and clearing members, with access to Application Programming Interfaces (APIs), allowing them to customise their experience within the new system. This will allow users to pick and choose the data they want to see. This is something our stakeholders asked for – they might say, 'I only want this piece of data,' or 'I want data in a slightly different format,' and Ovation will give them that flexibility.

Industry-wide testing for Ovation is set to commence next year. Can you elaborate on the scope of this testing? Who and what will be included, and how does OCC plan to ensure a comprehensive evaluation?

Mike: Testing encompasses members, exchanges, banks, stock loan participants – basically, the entire OCC ecosystem. Anybody who sends or receives data electronically to or from OCC will be engaged in testing. It's far reaching in terms of who and what it will impact. For retail traders specifically, it's the responsibility of their respective clearing members to participate in testing. There is no testing for retail traders.

Karen: There will be two types of testing, both internal and external.

.....

“ We're building our new clearing system Ovation with state-of-the-art technology, moving from a single mainframe to microservices in the cloud that will help us to accelerate time to market for new exchange products, enhance access to data for our stakeholders, and quickly deploy technical upgrades. ”

“ Our primary goal for the implementation and testing is to ensure minimal impact to the market. ”

Mandatory external certification testing will encompass sending and receiving data to and from OCC. Once completed, exchanges and members can then test their daily processing environments and perform ad hoc testing on their own and try out unique combinations with production-like data. Everyone will have to attest to certification and readiness, and we'll then validate that they completed the testing correctly.

The second type of testing is our own operational readiness testing internally. We'll be running the two systems, ENCORE and Ovation, simultaneously side-by-side for a minimum of six months. This will simulate and process all the inputs from external parties; we'll run them in production and in Ovation on a daily basis, and we'll reconcile the data between the two throughout each day. This will give us a good understanding of the data that comes in daily that we're able to process and reconcile in addition to the specific testing the industry is doing.

External industry-wide testing is slated to begin in May 2024 and run for about nine months. We expect internal operational readiness testing to start in August 2024 and run for at least six months, with Ovation fully launching mid-year 2025.

How does OCC plan to address any issues or concerns that may arise during the testing process, and what is the expected outcome of the testing phase overall?

Karen: Issues identified during the testing will be analysed to determine if the issue is an application defect within Ovation, or a potential data

formatting issue for external users. For external data issues, we'll work with the affected users to adjust their data formats and make sure they input it accurately. If there's an internal issue, we would identify the appropriate team to address it and, once a fix has been identified, deploy an update into the Ovation environment to retest.

Our primary goal for the

implementation and testing is to ensure minimal impact to the market. We want to make sure everybody is ready to go live when Ovation launches. Our external stakeholders should not be impacted by OCC flipping the switch to the new system, and what users currently send and receive through OCC should continue to be processed on an ongoing basis. We are not implementing wholesale changes to all our messaging and data formats, or the protocols for them – they have remained relatively constant so we can make this huge infrastructure change while minimising disruption for our system's users. ■

Mike Hansen, Chief Clearing & Settlement Services Officer, Dallas Site Leader, OCC



In this role, Mike is responsible for OCC's day-to-day clearance and settlement functions and oversees the Collateral Services, Technical Certification & Documentation Services, Corporate Actions, and Market Operations functions. Mike has more than 20 years of options industry leadership experience and has served in various roles throughout his tenure at OCC, including in back office processing, pricing, and Member Services. He joined OCC in 2004 as an Investor Services representative.

Karen Glad, Executive Director, Technical Certification & Documentation Services, OCC



In this role, Karen is currently overseeing the release acceptance testing and transition activities of OCC's Clearing Members and participant exchanges for the firm's forthcoming clearing platform, Ovation. In the past, Karen has coordinated industrywide testing for other transformational projects including OCC's Options Symbology Initiative and Y2K. She joined OCC in 1990 and has served in various roles throughout her tenure, including as the Business Continuity Officer, in enterprise portfolio & project management, and in business operations.