

OCCSM Technology Changes + Enhancements Reference Guide

Our current and future state described

JULY 2021

OCC

**THE FOUNDATION
FOR SECURE
MARKETSSM**

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Throughout this Reference Guide you will see icons that correspond to the following benefit areas.



Access + Transparency



Accuracy + Integrity



Comprehensiveness + Scale



Flexibility + Agility



Insights + Analysis



Optimization + Efficiency

All changes listed in this Reference Guide will be available at a launch unless otherwise indicated.

We have prepared this document with statements on the current and future state for the enhancements we are making to our clearing, risk management, and reporting services. More information is available for areas that are further along in development such as trades and post trades while overviews are provided for other areas such as the risk platform. We will update this document on a quarterly basis as more information becomes available.

As you read through this document, please consider how your systems and processes will be impacted. For example, you might consider whether you need to update your internal processes, procedures or evaluate if you will have any technology changes.

Along with this document, please [review the DDS Changes and Considerations Guide](#) which identifies known DDS changes. This document will be updated on a continuous basis.

Enhancements Highlighted

These benefits along with others described in this document build on the stability and market integrity our participants have come to expect with our clearance and settlement services and risk management methodologies.

Clearing

We are enhancing the clearing system to significantly improve your experience with capabilities such as:

Customized Screens with search filters, which can assist you in your analysis and reconciliation.

Dashboards with alerts for items such as pending transfers, MOSS transfers, pending CMTA agreements, unclaimed give-ups, pending collateral transactions, and others.

CSV Uploads for post trade and collateral transactions.

Futures Improvements with an improved give-up process, including enhanced grouping and average pricing for give-ups, ability to give-up trades from previous days, reversals and morning PCS.

An enhanced Stock Loan Program to develop a foundation for future clearing innovations. The enhanced Stock Loan program will enable us to guarantee more aspects of the contract and reduce counterparty credit risk.

Data Management and Reporting

Over time, we have seen the demand for data increase due to the need for regulatory reporting and problem resolution, and advances in data analytics. Our new platform will increase access to historical data and new reporting tools such as:

An Application Programming Interface (APIs) that will begin accepting inbound and outbound data. We will continue to support Data Distribution Services (DDS) transmissions; however, APIs will offer more data, flexibility and faster access.

Self-Service Reporting with a user interface with the ability for Clearing Members to query and view previous or intraday data.

Risk Management

We are improving our risk management platform to offer real-time functionality and flexible solutions, including access with a clear view of data and increased support for overnight trading sessions.

Clearing Changes

We will enhance our clearing platform, which will include changes to trade and post trade processing, collateral and stock loan.

Options and Futures Trade Processing

As with ENCORE, we will continue to receive, validate and novate matched trades from participant exchanges. When a matched trade is received, it is split into two transactions, a buy and a sell trade. To limit the amount of unnecessary information you must look through when viewing your trade data, we will no longer display the contra side of the trade to you. Also, the trade will have more attributes for you to see rejected, defaulted, backed out and busted trades.

Contra Party Information

Current State	Future State	Benefit
OCC provides contra party information on trades, via the ENCORE screens and DDS messages.	Clearing Members will no longer see contra party information on the screens or in DDS messages. Clearing Members will only see their side of the trade.	Streamlines content with only relevant information.

Universal Market Maker and Trade Source Acronym

Current State	Future State	Benefit
Universal Market Maker (UMM) trades are executed under a trade source acronym at the exchange and clear at OCC under the UMM acronym. The trade source acronym is currently not viewable on the trades.	<p>Clearing Members will now see the Trade Source acronym that is associated to the trade. DDS messages will continue to only display the UMM acronym.</p> <p>The trade source acronym will be referred to as the 'Market Maker Acronym' on the trade and the account where the trade actually clears will simply be the subaccount.</p>	Clearing Members have more transparency into the market maker involved in the trade and the acronym where the trade cleared.

Easier Search Functionality



Current State	Future State	Benefit
Clearing Members enter multiple queries to see cleared and executed trades on the Trade Inquiry screen.	Clearing Members will see all the trade details on one screen, including executed and cleared trades.	Clearing Members save time and have a better user experience, seeing all trade information in one view. They can run and save queries and dynamically filter returned data to investigate trade issues and discrepancies.

ENCORE Global



Current State	Future State	Benefit
Both ENCORE and ENCORE Global exist. ENCORE Global processes all trading activity for the next business day until the current day processing is completed.	Clearing Members will no longer see ENCORE Global. They will have one place to see both the current activity and any trading activity for the next business day.	Clearing Members save time and have a better user experience, seeing all trade and position information in one view for the current day and next business day.

Firm Flip



Current State	Future State	Benefit
Firm Flips allow Clearing Members to execute trades in one account, but flip to another account for clearing. They do not have any view into a firm flip.	If a firm flip is in place, Clearing Members will see the original account on the trade and where the trade cleared (flipped).	Clearing Members have more transparency into the original account and cleared account.

Trade Status



Current State	Future State	Benefit
Clearing Members can only see valid trades that cleared at OCC.	Clearing Members will see trades in all statuses from the trade screen, including active (cleared) trades, busted, backed out, trades that have been resubmitted and rejected trades.	Clearing Members see the full lifecycle of a trade, which will be beneficial in problem reconciliation.

Post Trades

We will continue to support post trade activity, which includes CMTA transfers, Adjustments, Transfers (including ACATS and bulk), Give-Ups, Trade Updates (for futures and options on futures) and Position Change Submission (PCS). In this section, you will learn about the changes that apply to all post trades, followed by changes specific to each transaction.

Transaction History



Current State	Future State	Benefit
Clearing Members can only see valid transactions for five business days.	Clearing Members will continue to see previous days activity, including the history of the transaction when the transaction was added, modified, accepted, reversed, etc. along with the individual or systems responsible and the applicable times.	The history will assist Clearing Members with reconciliation or audits.

CSV Uploads



Current State	Future State	Benefit
Clearing Members can only submit transactions via screen, MQ or file. If there are any technical difficulties Clearing Members have no alternative way to send a file.	Clearing Members will have an alternative way to upload post trade transactions via csv file.	Clearing Members gain an alternative way to submit a file to OCC increasing the user's ability to continue working.

CMTA Transfers

Exchanges



Current State	Future State	Benefit
The trade source is required on all CMTA transfers. It is often populated with any exchange and does not necessarily indicate the exchange where the trade was executed.	Exchanges will no longer be required on CMTA transfers and will not be included in the CMTA agreements.	Removing an unnecessary field since the exchange listed on the CMTA transfer was not necessarily the exchange where the trade was executed.

Reversals replace Deletes



Current State	Future State	Benefit
Clearing Members can delete CMTA transfers in ENCORE but cannot see the deletes on the ENCORE screens.	Rather than deleting a transaction, new functionality will give Clearing Members access to reverse the transaction. Reversals will not require contra party approval, but the originating Clearing Member must be an executor on the CMTA agreement to submit the transaction.	Reversals offer Clearing Members greater visibility into the transactions. Clearing Members will see the original transaction and the reversing transactions, for a full life cycle view of the transaction.

Actionable Identifier



Current State	Future State	Benefit
Clearing Members can see only one actionable identifier on post trades.	Clearing Members will see the Actionable Identifier on both the buy and sell side of the post trade activity.	The executing Clearing Members will be able to include its identifier for their records, which can assist with their reconciliation. They will also continue to provide the identifier for the carrying Clearing Member.

Settlement of Commission and Regulatory Fees (SCARF)



Current State	Future State	Benefit
OCC provides functionality for the settlement of fees and commissions between the Clearing Members. This functionality has not been utilized since December 2016.	Since there is no demand for this service, SCARF will no longer be available in the new platform.	OCC will not build the functionality since it is not being utilized.

Future CMTA Enhancements

Available After Launch



Current State	Future State	Benefit
With CMTA transfers, Clearing Members can move trades from one firm to another without contra party approval.	After the initial launch, OCC will move to a give-up and take-up model. This model will work similarly to the futures give-up process.	A give-up and take-up model will reduce the risk associated to mis-cleared trades and give Clearing Members greater control of what is cleared into their account.

Transfer of Accounts renamed to External Transfers

Reversals



Current State	Future State	Benefit
Reversals are not supported for post trade activity. To reverse a matched transfer of account, Clearing Members must reverse the entry in ENCORE and the contra party must approve it.	For matched transfer of accounts, Clearing Members will have new functionality that will reverse the transaction and generate a reversing entry. Either party can generate the reversal, but it will require contra party approval.	Clearing Members have a simplified process that saves them time with not having to retype the reversing transaction.

Transfer Totals



Current State	Future State	Benefit
Contra parties approve External Transfers via screens for files that Clearing Members submit, or via email for two-sided transfer files.	Contra parties can approve External Transfers via screens. They will be able to see information on the transfer and decide to accept or reject. Two-sided transfer files are no longer allowed to minimize risk.	Clearing Members see the transfer before accepting it, increasing efficiency and transparency.

Bulk Transfers



Current State	Future State	Benefit
OCC can move positions from one account to another. This move requires Clearing Members to complete an online form and requires email approval from the contra party. OCC then manually enters the bulk transfer on behalf of the member(s).	Clearing Members will submit their own bulk transfers with both parties approving in the system rather than via emails. OCC will also approve before the bulk transfer is processed.	Increases accuracy by eliminating manual errors and allows members to see the status of their transfer.

Positions

Excess Closing Buy and Sell Columns



Current State	Future State	Benefit
<p>An excess closing transaction occurs when a closing trade or post trade contract quantity is greater than the position quantity. When this happens, the transaction will create an opening buy or sell for the remainder. Today, excess buys or sells can be seen in italics on the position screen.</p>	<p>New columns on the screen will show Clearing Members the excess buy or sell quantities associated with the transaction.</p>	<p>These additional columns provide Clearing Members with a clearer view of the excess closing transactions.</p>

Futures Give-Ups and Post Trades

With the modular platform, OCC has completely overhauled the futures give-up process to align it more closely with industry standard futures processing. OCC is committed to make continual updates to this process and will roll out additional features after launch. The allocation process will be renamed to the give-up/take up process. The give-up is the action of giving a trade to another firm. The take up is the action by the contra firm to accept the give-up.

It is important to note that ENCORE currently moves positions with the allocation and give-up process and simply references trades. Instead of this being a position management process, the give-up process will now be a trade management function, which means trades and not positions will be moved.

Ability to Further Allocate Claimed Give-Ups



Current State	Future State	Benefit
Clearing Members are not able to give-up a trade once it is claimed.	Clearing Members will have the ability to further allocate a trade once it is claimed and see full traceability from original trade through final give-up.	Clearing Members have more flexibility to further allocate a trade.

Prevent 'Over-Allocating'



Current State	Future State	Benefit
ENCORE moves positions, not trades. The current system references the position, allowing for the possibility to 'over allocate' a trade.	It will not be possible for Clearing Members to move a trade quantity that is greater than the original trade.	This change may help prevent regulatory issues with Clearing Members over-allocating a trade.

Open and Close Indicators



Current State	Future State	Benefit
Clearing Members are required to indicate open and close on give-ups.	Clearing Members are no longer required to indicate open and close on give-ups. Any give-up that is not coded will default to an opening transaction. Clearing Members can choose to change the open and close indicators.	Open and Close indicators are not an industry standard for futures. Clearing Members have requested that if give-ups are not marked, they default to open. This change will bring OCC more in line with industry standards.

Ability to Give-Up Trade from Previous Days



Current State	Future State	Benefit
Clearing Members are only able to give-up current day trades from the Trade Inquiry screen in ENCORE. This limitation has caused frustration for members over the years if Clearing Members needed to give-up activity from previous days.	Clearing Members will be able to select trades from the current day or previous five days and give them up.	Clearing Members will have the flexibility to give-up current day trades and trades from the previous five days.

Enhanced Grouping and Average Pricing Abilities



Current State	Future State	Benefit
Clearing Members do not use ENCORE's limited average pricing capabilities due to operational inefficiencies.	Clearing Members have access to arrange trades into an average price group. Trades can be added or removed from the group throughout the day and once the member is ready to give-up the group, it can be finalized and given out to one or many Clearing Members.	Clearing Members will have average pricing capabilities that are easier to manage and execute.

Reversals



Current State	Future State	Benefit
<p>Reversals are not supported for allocations. To reverse claimed allocations, Clearing Members typically submit a transfer of account to move the position back.</p>	<p>For claimed give-ups, Clearing Members will have new functionality that reverses the transaction and generates a reversing entry. Either party can initiate the reversal, but it will require contra party approval.</p> <p>Reversals must be initiated on the date the give-up was claimed.</p>	<p>Clearing Members have a simplified process, saving them time by not having to retype the reversing transaction.</p>

Account Type on Give-Ups



Current State	Future State	Benefit
<p>On allocations, OCC requires Clearing Members to populate the account type on the contra side.</p>	<p>The Clearing Member entering a give-up does not need to indicate the account type on the contra side. It will be the take-up Clearing Member claiming the give-up who will be required to indicate the account type.</p>	<p>This change requires the take-up Clearing Member to indicate the account where the give-up should be processed, allowing more flexibility for the take-up Clearing Member.</p>

Give-Ups within the same CMO



Current State	Future State	Benefit
<p>In ENCORE, give-ups are automatically claimed within the same CMO.</p>	<p>If there is a give-up within the same CMO, Clearing Members will be required to accept them. They do have an option of setting up a give-up agreement, which will automate accepting the give-up.</p>	<p>Clearing Members will have alignment with industry standards.</p>

Give-Ups must be entered using the OCC Trade ID



Current State	Future State	Benefit
<p>In ENCORE, allocations use the Exchange Trade ID as the unique identifier to connect the allocation to the trade.</p>	<p>The give-up must use the OCC Trade ID in order to connect the give-up to the trade. The original exchange Trade will contain both the exchange and OCC trade ID for traceability.</p>	<p>This change will improve the ability for Clearing Members to track give-ups within the new platform.</p>

Morning PCS



Current State	Future State	Benefit
<p>Clearing Members can use the CFTC Open Interest Correction Screen to update their open interest for CFTC reporting. This activity does not generate adjustments within ENCORE.</p>	<p>OCC will eliminate the CFTC Open Interest Correction Screen and will instead accept PCS transactions that Clearing Members submit the next day. Once processed, these files will update the positions at OCC and the reported open interest. Clearing Members who miss the evening PCS cutoff or need to send corrections will have until 8:00 am CT the next business morning.</p>	<p>Clearing Members will have more flexibility to correct open interest for regulatory reporting. This change aligns with industry practices.</p>

Exercises and Expiration

CSV Uploads



Current State	Future State	Benefit
Clearing Members can only submit exercise instructions or contrary instructions via screen, MQ or file. If there are any technical difficulties, Clearing Members have no alternative way to send a file.	Clearing Members will have an alternative way to upload exercises, EEDs, or DNEDs via csv file.	Clearing Members gain an alternative way to submit a file to OCC, increasing the user's ability to continue working.

Viewing Exercises and Assignments



Current State	Future State	Benefit
Exercises and assignments are located on separate screens.	Clearing Members will see exercises and assignments displayed on the same screen.	Clearing Members will see all information on one screen, allowing for more efficient processing.

Viewing Expiring Instructions



Current State	Future State	Benefit
Clearing Members can view non-expiring exercises that are submitted across the entire membership. They can only see the series submitted for an exercise, not the Clearing Member.	Clearing Members will also have access to see expiration instruction submitted across the membership. They will only see the series submitted for an exercise, not the Clearing Member.	Clearing Members will have information to support them with their reconciliation process. For example, if they have a break on a short expiring position, they will try to reconcile it if there is a pending exercise.

Warning and Alerts



Current State	Future State	Benefit
<p>Because ENCORE does not send alerts, OCC calls Clearing Members when they have an out-of-the-money exercise above \$10,000 or do not have enough long positions to cover their exercise. We also call Clearing Members on expiring positions when they have an in-the-money not exercised or out-of-the-money exercised, and the dollar extensions are greater than \$10,000. Clearing Members can also run a report for expiring options.</p>	<p>For non-expiring options, Clearing Members will be alerted to out-of-the-money dollar extensions above \$10,000 threshold, and insufficient positions. These alerts will appear on their dashboard and on the Exercise screen. They will also be alerted to dollar extensions above \$10,000 for expiring positions. As a result, OCC will no longer call Clearing Members for expiring and non-expiring options.</p>	<p>Clearing Members will receive automated notifications on non-expiring exercises and expiring instructions.</p>

Viewing Expiration Information



Current State	Future State	Benefit
<p>Expiring Exercise Declaration (EED)s and Do Not Exercise Declaration (DNED)s and Exercise by Exception (Ex-by-Ex) are displayed on separate screens.</p>	<p>EEDs, DNEDs and Ex-by-Ex will all be displayed on the same screen allowing the Clearing Members to see all information on their expiring position from one screen.</p>	<p>Clearing Members will see all expiring information on one screen, allowing for a more efficient expiration processing.</p>

Expiring Exercise Declaration (EED) and Do Not Exercise Declaration (DNED) Changes



Current State	Future State	Benefit
<p>Today, OCC accepts EEDs and DNEDs, and processes the first one received for each series/ account.</p> <p>EEDs can be used to not exercise in the money options or exercise an out-of-the-money option.</p> <p>DNEDs are used to not exercise an in-the-money option.</p>	<p>Members can submit both an EED and DNED for the same series and with the understanding that the contrary exercise instruction will be executed based on the final price of the underlying.</p> <p>For customer and firm accounts, EEDs will only be used to exercise out-of-the-money options and DNEDs will be used to not exercise in-the-money options.</p> <p>For market-maker accounts, OCC will continue to process the first instruction (EED/DNED) received.</p> <p>Example:</p> <p>In a Clearing Member’s customer account, there are positions held by three different customers on the same option.</p> <ul style="list-style-type: none"> ▪ Customer A submits instructions to exercise no matter what. ▪ Customer B wants the position exercised if it is in-the-money, and therefore doesn’t submit any instructions. ▪ Customer C does not want the exercise no matter what. <p>The Clearing Member can submit the EED for customer A’s request and the DNED for customer C’s request and if the position ends in-the-money, it will ignore the EED, process the DNED and exercise the long quantity reduced by the DNED. This process reduces the need for Clearing Members to update quantities in the Exercise by Exception screen after prices have been finalized.</p>	<p>Clearing Members can submit both types of transactions, and OCC will process the correct one for the customer and firm accounts. Allowing Clearing Members to submit both types of transactions is especially useful when a closing price is expected to be very close to a strike price, and separate accounts within the omnibus account submit different instructions.</p>

Late Contrary Intentions



Current State	Future State	Benefit
Contrary instructions that are deemed late cannot easily be viewed.	Clearing Members will have a clear indicator of 'late' contraries that will be reported to regulators and they will be marked late on a real-time basis.	Clearing Members can see what transactions will be reported late to regulators.

Agreements

CMTA Agreements

Trade Sources



Current State	Future State	Benefit
The trade source is required on all CMTA Agreements. Most Clearing Members set up agreements on all trade sources.	Trade sources will no longer be required on CMTA Agreements.	The agreements are between the Clearing Members and they are not limited to certain trade sources. Clearing Members will no longer have to update their agreements when new trade sources are added.

Pending CMTA Agreements



Current State	Future State	Benefit
CMTA Agreements can sit in a Pending state indefinitely.	A counter party is alerted and will need to approve CMTA Agreements to make them valid. OCC will purge all pending agreements if the counterparty does not take action within five business days.	By purging agreements that are pending beyond five business days, OCC eliminates unapproved agreements and limits the risk of counter parties approving outdated agreements.

Settlement of Commission and Regulatory Fees (SCARF)



Current State	Future State	Benefit
OCC provides functionality for the settlement of fees and commissions between the Clearing Members. The agreement allows Clearing Members to indicate if they want to settle fees and commissions.	Since there is no demand for this service, SCARF will no longer be available.	OCC will not build the functionality since it has not been utilized since 2016.

Give-Up Agreements

Allocation Agreements will be renamed to Give-Up Agreements. Below are the changes to Give-Up Agreements.

Pending Give-Up Agreements



Current State	Future State	Benefit
Give Up Agreements can sit in a pending state indefinitely.	A counterparty will need to approve Give-Up Agreements to make them valid. OCC will purge all pending agreements if the counterparty does not take action within five business days.	By purging agreements that are pending beyond five business days, OCC eliminates unapproved agreements and limits the risk of counterparties approving outdated agreements.

Give-Ups with the same CMO



Current State	Future State	Benefit
Clearing Members do not need agreements for give-ups within the same CMO. The transactions are automatically accepted.	If there is a give-up within the same CMO, Clearing Members will be required to accept them. They do have an option of setting up a Give-Up Agreement, which will allow for the give-up to be automatically accepted.	Clearing Members will have alignment with industry standards.

Customer Gross Margin Submission

For CFTC regulated customer segregated futures accounts, OCC receives customer account position information from Clearing Members on a nightly basis. This information is used in our margin processing and may impact the Clearing Member’s margin requirement.



Current State	Future State	Benefit
<p>A file is submitted on nightly basis. If problems exist with the file submitted, OCC and Clearing Members do not know about the problems until margin requirements are calculated overnight.</p>	<p>Clearing Members will continue to submit files, but they will have more transparency into the results of the file submission and the number of records accepted or rejected. They will have visibility into the quantity of long and short positions that will be identified as naked based upon the most recently submitted customer gross margin positions along with current OCC netted positions. The accuracy of the evaluation is dependent upon whether the OCC netted positions are final for the business date.</p> <p>Future state:</p> <p>They will have the ability to preview the potential impact of the file submitted before margins run later in the evening. The means to assess what the margin requirement would be is based upon the most recently submitted customer gross margin positions along with the most current OCC netted positions and pricing results. The accuracy of the evaluation is dependent upon whether the OCC netted positions and pricing results are final for the business date.</p>	<p>New visibility allows Clearing Members to identify potential issues and correct them before nightly processing.</p>

Spreads Submission

To reduce customer account margin requirements by using the value of a long position to offset the short position margin requirement, Clearing Members must be able to provide OCC with a lien against the long option position in accordance with the rules, thus creating an 'unsegregated' long position. These spread instructions can impact the Clearing Member's margin requirement. In the new modular platform, Clearing Members will have more transparency into the file and preview the impact to margin earlier in the evening:



Current State	Future State	Benefit
<p>A file is submitted on a nightly basis. If problems exist with the file submitted, OCC and Clearing Members do not know about the problems until margin requirements are calculated overnight.</p>	<p>Clearing Members will continue to submit files, but they will have more transparency into the results of each file submission and the number of records accepted or rejected. They will see an assessment of each long option position that shows requested spread quantity and total long quantity along with the determined unsegregated long quantity is based upon the most recently submitted spread instructions and the current OCC options and futures positions. The accuracy of the evaluation is dependent upon whether the OCC positions are final for the business date.</p> <p>Future State:</p> <p>Clearing Members will have the ability to preview the potential impact of the file submitted before margins run later in the evening. The means to determine what the margin requirement would be is based upon the most recently submitted spread instructions, and all the OCC positions for the account and pricing results. The accuracy of the evaluation is dependent upon whether the OCC positions and pricing results are final for the business date.</p>	<p>This visibility allows Clearing Members to identify potential issues and correct them before nightly processing.</p>

Collateral + Cash Settlement Enhancements

Our new platform will offer numerous enhancements to collateral and cash settlement processing. These changes will result in easier navigation across screens and the introduction of various alerting mechanisms in conjunction with customizable dashboards. You will benefit from greater transparency into activity flows and straight through processing capabilities.

Collateral Transactions



Current State	Future State	Benefit
OCC provides one activity summary screen and multiple pending activity screens.	Clearing Members will see 1) changes to collateral positions in the Collateral Position History screen 2) view pending or approved transactions in the Collateral Transaction screen; 3) track activity status through different states (e.g. pending execution validation, pending OCC approval, etc.).	Clearing Members will have a better experience with a more efficient way of searching for collateral activity in more centralized locations rather than viewing over multiple screens and viewing the lifecycle of a transaction through the various states.

Collateral Positions



Current State	Future State	Benefit
OCC provides a screen for each type of collateral position.	Clearing Members can view all collateral positions on one screen.	Clearing Members can search for collateral inventory with greater efficiency.

Asset Manager Identifier



Current State	Future State	Benefit
OCC typically provides the SWIFT BIC code as the asset manager identifier on applicable collateral inventory and transaction records.	An easily identifiable acronym will be provided on collateral screens.	Clearing Members have a more intuitive way to identify the Asset Manager associated with a collateral record.

SWIFT Instruction History



Current State	Future State	Benefit
OCC does not provide external access for Clearing Members to track SWIFT payment instruction messages.	Clearing Members will be able to track the lifecycle of SWIFT payment instruction messages.	Clearing Members will have transparency to view the progress and state of SWIFT payment instructions (e.g. start-of-day and intra-day payment activity).

Withdrawal Priorities



Current State	Future State	Benefit
OCC does not allow Clearing Members to prioritize collateral withdrawal transactions. Only OCC internal users can set prioritizations. Also, prioritized items are attempted first and if unsuccessful, other non-prioritized items may be processed.	Clearing Members will have the ability to prioritize collateral withdrawal transactions. The new platform will process non-prioritized items only after prioritized items have been processed.	Clearing Members will have more control to manage collateral movements.

Collateral – Eligible Securities Information



Current State	Future State	Benefit
Collateral eligibility information is currently only available in a DDS message format.	Clearing Members will have access to see collateral eligibility information on the screen and through DDS formats on the new platform.	Clearing Members gain another way to view collateral eligibility information.

Letters of Credit

We will continue to accept Letters of Credit (LOC) as collateral, but with enhancements to the way letters of credit amendments are processed and allocated across tier accounts. The LOC will be classified as an asset with the allocations displayed as collateral positions.

Allocations



Current State	Future State	Benefit
<p>LOC amendments are applied as collateral only after they have been manually reviewed and approved by OCC staff and allocated by the Clearing Member.</p>	<p>Clearing Members will have access to set a default allocation account per LOC and maintain the ability to reallocate LOC's irrespective of existing default settings.</p> <p>If a default account is set when the LOC amendment is accepted, an increase will be allocated automatically. If the entire LOC is allocated to the default account, a decrease will be applied automatically; or, if the decrease is taking the LOC down to zero.</p> <p>LOC amendments received via SWIFT will no longer pend for OCC staff review, but they will process straight through the system.</p>	<p>Clearing Members will have flexibility in establishing a default tier account per LOC number that will eliminate the need for them to allocate to the account every time an amendment is issued. Additionally, the process is more efficient given the straight-through approach.</p>

Concentration Limits



Current State	Future State	Benefit
<p>Validations of LOC concentration limits is a detective process performed daily by OCC staff.</p>	<p>Clearing Members will see a view of concentration limit statuses regarding LOCs.</p>	<p>Clearing Members will avoid potential violations of exceeding the LOC concentration limits more effectively.</p>

Letter of Credit Types



Current State	Future State	Benefit
Pass-through LOCs are not identified in the current system. OCC manually tracks them.	The new system will clearly distinguish between standby and pass-through LOC types.	Clearing Members will have a more detailed view of pass-through LOCs.

Letter of Credit Restrictions



Current State	Future State	Benefit
LOCs (if applicable) may be designated as restricted or not restricted. However, numerous types of restrictions are not displayed.	LOCs will display the specific restriction type that is validated accordingly.	Improved transparency and validation controls.

DTC Pledged Collateral (Valued Security, Specific Deposit, Escrow Supporting Collateral)

Clearing Members initiate collateral transactions via depositories and banks to OCC. Upon receipt, OCC validates and processes these transactions, updates collateral positions and the account excess deficit balances, and sends back activity and position data messaging to the initiating member. The new platform simplifies the processing of transactions, eliminating functionality that is used infrequently and improves collateral efficiencies by promptly returning securities that may otherwise remain pending throughout the day. We will add new measures to give Clearing Members control over which third-party participants they choose to accept activity.

Pledges with Errors



Current State	Future State	Benefit
DTC pledges containing errors or incorrect information pend for correction in the OCC system. Clearing Members and other participants must login to OCC's system to resolve issues; however, they do not widely utilize this process.	The new platform will immediately reject invalid pledge activity and automatically return deposits to the participant account at DTC.	This automated process is more efficient and keeps closely in sync the inventory balances between OCC's internal system and OCC's accounts at DTC.

Approved Pledgors



Current State	Future State	Benefit
Clearing Members have no control over which DTC participants can pledge securities to their OCC account. It is possible for a pledgor to mistakenly pledge shares to any clearing member's account.	Clearing Members can provide a list of approved pledgors to avoid the acceptance of erroneous pledges. If no approved pledgors are provided, the system will not restrict any pledgor account from pledging collateral to a Clearing Member.	This change will help prevent the erroneous pledging of shares to Clearing Members' accounts and give Clearing Members more control.

Cash

The new platform will introduce straight-through processing of various cash transactions that Clearing Members submitted. Additionally, more transparency will allow Clearing Members to closely track the lifecycle of cash activity from inception to bank confirmation.

Cash Collateral



Current State	Future State	Benefit
OCC staff submits valid cash collateral transactions for settlement (typically in batches) throughout the day.	Certain valid cash transactions will process straight-through and can be based on certain dependencies.	Clearing Members will see improvement in collateral processing times, resulting in a more efficient movement of cash.

Settlement Run and Instruction Status



Current State	Future State	Benefit
Clearing Members have limited visibility into bank processing times or statuses. They have to call OCC for this information.	Clearing Members will be able to track the SWIFT payment instructions from creation to bank confirmation.	Clearing Members will have increased transparency into every cash settlement transaction.

Start of Day Debits and Credits Detail



Current State	Future State	Benefit
Start of Day Debit and Credit details of what makes up a net settlement amount are only available on reports and DDS.	Settlement instruction breakdown details will be available via the new platform screens. OCC will continue to produce this information on reports and DDS.	Clearing Members have an alternative option to view settlement instruction details.

Alerting



Current State	Future State	Benefit
System generated alerts or statistics regarding the status of settlement payments are not available.	Clearing Members will have access to a dashboard that will provide settlement payment alerts and statistics.	Clearing Members have visibility into the processing of outstanding settlement transactions.

Government Securities

Transfers



Current State	Future State	Benefit
<p>Clearing Members have limitations when transferring government securities across tier accounts. Clearing Members can only transfer one government security to one or multiple other tier accounts within the same Clearing Member number. Validations do apply.</p>	<p>Clearing Members will be able to transfer multiple securities to multiple tier accounts within the same Clearing Member number with certain restrictions.</p>	<p>Clearing Members will have additional flexibility when moving collateral within a Clearing Member number.</p>

Money Only Settlement Service (MOSS)

MOSS functionality allows Clearing Members the ability to exchange cash related to business activities. Clearing Members will have more flexibility on payment dates and increased control measures.



Current State	Future State	Benefit
<p>The contra party must approve MOSS transactions within the current business day and only requires one user from each Clearing Member firm to complete. Approved transactions will be sent to the banks for settlement same day. Un-approved items are deleted from the system by end of day.</p>	<p>Clearing Members who initiate a MOSS transaction can select a same day or next day settlement. Once the contra party approves the transaction, the system will automatically send it to the bank for settlement on the appropriate day.</p> <p>MOSS transactions will require a four-eye check on both the initiating and approving side of the transaction.</p>	<p>Clearing Members have more flexibility to transact miscellaneous business-related cash payments and stronger controls to reduce erroneous transactions.</p>

Risk Management

We are transitioning our current risk management methodologies to a risk platform, which will offer real-time functionality, transparency, flexibility, and easier access to data. In conjunction with the launch of the new platform, the methodology will not change in how margin or clearing fund requirements are calculated. Clearing Members will receive more detailed updates on the new functionality in a future update.

Portfolio Revaluation



Current State	Future State	Benefit
<p>Clearing Members have access to screens where they can see their account excess and deficit balances, net asset values, and p/l pertaining to the start-of-day portfolio. They can leverage this information to assess the potential for intraday margin calls or view those that have been previously issued.</p>	<p>Clearing Members will have access to a screen to see higher frequency updates (price, p/l, NAV, pay/collects) and more granular results. Clearing Members will ascertain their portfolio exposures more frequently with current positions and at various levels of aggregation via API connectivity and a new graphical user interface. OCC is currently analyzing additional changes and enhancements to this module, some of which will be available after launch.</p>	<p>Clearing Members will have access to more accurate portfolio and position-level exposure metrics on a near real-time basis.</p>

STANSSM Margin Analysis



Current State	Future State	Benefit
<p>Clearing Members can review margin results and modify existing portfolios or submit hypothetical portfolios to determine potential margin requirements.</p>	<p>Clearing Members will see this functionality enhanced with more transparency into the requirements.</p> <p>After the new platform launches, OCC will implement additional enhancements such as submitting portfolios through an API. Clearing Members will be able to request an intraday margin rerun on their current or a hypothetical portfolio using intraday prices.</p>	<p>Clearing Members will have a better view of the margin requirements.</p>

Comprehensive Stress Testing System



Current State	Future State	Benefit
<p>Clearing Members receive stress testing support information only via reports.</p>	<p>Via a new graphical user interface with drill-down capabilities, Clearing Members will receive greater insights into the drivers of stressed scenario exposure, margin calls, clearing fund requirements, and stressed liquidity demands.</p>	<p>Clearing Members will be able to understand the relationships between margin requirements, collateral composition, and the resulting scenario shortfalls and stressed liquidity demands.</p>

Reports

The current ENCORE system produces hundreds of core reports. These reports include different views of the same activity and many of these reports are never viewed. With the new modular platform, we will reduce the number of core reports that are produced daily and provide a user interface with the ability for users to query and view data. A user interface will replace decommissioned core reports and on-demand reports and can be used to query previous or intraday activity.

Reports

Current State	Future State	Benefit
ENCORE produces hundreds of core reports. These reports include different views of the same activity and many of these reports are never viewed.	With the new modular platform, we will reduce the number of core reports that are produced daily and provide a user interface with the ability for users to query and view data.	A user interface will allow more flexibility and allow users to download data to be used for their own analysis.

We are finalizing the list of core reports that we will continue to produce. Below is a pending list of core reports that will likely continue to be available in the new platform.

Encore Report Name*		
<ul style="list-style-type: none"> ▪ Collateral Activity by CMO Report ▪ Collateral Inventory Report by CMO ▪ Account Summary By CMO Report ▪ Daily Spreads Report ▪ Equity Option Delivery Advice ▪ Equity Option BTB Delivery Advice ▪ Index Option Delivery Advice ▪ Equity Futures BTB Delivery Advice ▪ Equity Futures Delivery Advice ▪ Futures Index Option Delivery Advice ▪ Equity Option BTB Settled Activity ▪ Late Delivery Advice ▪ Position Activity Futures Final ▪ Position Activity EQ IND ▪ Futures Activity FTR ▪ Futures Daily Positions Activity ▪ Position Summary EQ IND ▪ Futures Summary FTR ▪ Futures Summary FTR (parallel) 	<ul style="list-style-type: none"> ▪ Position Summary FUTFINAL ▪ Clearing Fund Status Report ▪ MOSS Activity Report ▪ Clearing Fund Cash Accrued Interest Report ▪ Stock Loan Mark-to-Market Activity Report ▪ Equity Futures BTB Settled Advice ▪ Ex By Ex Final ▪ Monte-Carlo Daily Margin Summary ▪ Monte Carlo SL Memo Margin Reconciliation Report ▪ Forecasting Reconciliation Report ▪ Encore Report Name ▪ Stock Loan Add-On Charge Report ▪ Monte-Carlo Daily Margin Detail ▪ Equity Memo Margin Reconciliation ▪ Drive MPP CO Memo Margin Reconciliation Report ▪ Drive MPP CO SL Memo Margin Reconciliation Report ▪ Settle on Open Memo Margin Reconciliation ▪ Monte Carlo Margins EA Reconciliation Report 	<ul style="list-style-type: none"> ▪ Add-on Charge Summary by CMO ▪ OnDemand Margin Adjustments Summary Report ▪ Monte-Carlo Margin Requirement Reconciliation ▪ Clearing Fund Sizing and Projection Analysis ▪ Clearing Fund Sufficiency Report ▪ Clearing Fund Sizing Report ▪ Daily Liquidity Forecast External Report ▪ Universal Billing Report

* Proposed List – Complete list of Core Reports is still being finalized

About OCC

The Options Clearing Corporation (OCC) is the world's largest equity derivatives clearing organization. Founded in 1973, OCC is dedicated to promoting stability and market integrity by delivering clearing and settlement services for options, futures and securities lending transactions. As a Systemically Important Financial Market Utility (SIFMU), OCC operates under the jurisdiction of the U.S. Securities and Exchange Commission (SEC), the U.S. Commodity Futures Trading Commission (CFTC), and the Board of Governors of the Federal Reserve System. OCC has more than 100 clearing members and provides central counterparty (CCP) clearing and settlement services to 19 exchanges and trading platforms. More information about OCC is available at www.theocc.com.

About the Renaissance Initiative

The Renaissance Initiative is a multi-year technology modernization project that will evolve our architecture from monolithic to modular. When completed, Renaissance will deliver increased business agility, more efficient and effective operations, and scalable technology that is more resilient for our participating exchanges, clearing member firms and market participants. Market users will experience benefits including more intuitive interfaces, self-service reporting, strengthened analytics

Questions?

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