



**THE FOUNDATION  
FOR SECURE  
MARKETS**

**#43344**

**TO: ALL CLEARING MEMBERS**  
**DATE: JULY 11, 2018**  
**SUBJECT: DEFAULT TESTING REQUIRED PARTICIPATION**

In 2017, OCC implemented a new rule designed to enhance the overall resiliency of OCC's Default Management Program by requiring Clearing Members to participate in periodic default testing exercises. (See <https://www.sec.gov/rules/sro/occ/2017/34-80372.pdf>)

A clearing member is obligated to demonstrate that it is operationally capable to participate in default management related activities as instructed by OCC, in accordance with the process prescribed in OCC Rules 218 (c) and (d).

Default testing includes, but is not limited to, participation in mock auctions, acting as agent to support liquidation of cleared products and collateral, or any other appropriately designed test necessary to demonstrate operational readiness. Failure to participate in default testing will result in written warning and/or fines.

For more information on how to become an auction participant or any questions regarding this memo please e-mail [marketrisk@theocc.com](mailto:marketrisk@theocc.com).