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September 16, 2026

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

Re: Rule Certification by The Options Clearing Corporation Concerning Amendments to Its Rules to Establish a Procedures-Based Approach for Determining Product Eligibility During Overnight or Extended Trading Sessions Utilizing Its Current ETH Risk Management Framework.

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, The Options Clearing Corporation ("OCC") hereby certifies a rule change concerning amendments to OCC's Rules to establish a procedures-based approach for determining product eligibility during overnight or extended trading sessions ("ETH")[1] utilizing its current ETH risk management framework. The date of implementation of the rule is at least 10 business days following receipt of the certification by the CFTC. The proposal has also been submitted to the Securities and Exchange Commission ("SEC") under Section 19(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 19b-4 thereunder. The change will not be implemented until OCC has obtained all necessary regulatory approvals.

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

Explanation and Analysis

The purpose of this rule certification is to amend OCC's Rules to establish a procedures-based approach for determining product eligibility during overnight or ETH sessions utilizing its current ETH risk management framework. Currently, the only products that OCC clears in ETH sessions are index options listed by Cboe Global Markets, Inc. ("Cboe") and index futures listed by Cboe Futures Exchange, LLC ("CFE"). The proposed changes would create a framework for risk

[1] The term "ETH" means trading periods outside of normal exchange trading hours.

managing other products that an “Exchange”[2] may propose to trade outside of regular trading hours while maintaining the established risk management framework.[3]

The proposed changes would allow OCC to accommodate requests from any participating Exchange, including CFE’s request to trade options on index futures outside of regular trading hours and Cboe’s proposal, which was approved by the SEC,[4] to amend its Global Trading Hours to allow trading of multi-listed equity options.[5] Other Exchanges subsequently filed similar changes to their rules.[6] In addition, OCC has designed the changes to create a framework for evaluating other products that an Exchange may propose to be traded outside of regular trading hours in the future that can be effectively risk-managed within OCC’s established frameworks and procedures. To the extent OCC determines that changes to its existing ETH procedures would be necessary to support a particular product trading at a particular time, the proposed change would provide that such changes would be made in accordance with (i) OCC’s regulatory obligations (e.g., filing obligations under Section 19 of the Exchange Act) and (ii) the Participant Exchange Agreement[7] between OCC and the national securities exchanges or OCC’s agreement with a requesting futures market.[8]

2 OCC’s By-Laws define “Exchange” to include, among other things, a national securities exchange or a futures market.

3 See Exchange Act Release Nos. 74268 (Feb. 12, 2015), 80 FR 8917 (Feb. 19, 2015) (SR-OCC- 2014-24) (Order approving Proposed Rule Change concerning Extended and Overnight Trading Sessions, establishing the framework now being expanded) and 74241 (Feb. 10, 2015), 80 FR 8383 (Feb. 17, 2015) (SR-OCC-2014-812) (Notice of No Objection to Advance Notice concerning Extended and Overnight Trading Sessions).

4 See Exchange Act Release No. 105569 (May 28, 2026), 91 FR 33005 (June 02, 2026) (SR-CBOE-2025-079) (Order Approving Proposed Rule Change, as Modified by Amendment No. 1, to Allow for Extended Trading of Multi-Listed Equity Options).

5 Cboe proposes expanding the trading hours for multi-listed equity options to include a morning session from 6:30 a.m. to 8:25 a.m. Central time, while also evaluating the inclusion of a curb session from 3:00 pm Central time to 3:15 pm Central time as an extension of its Regular Trading Hours. See Exchange Act Release No. 104160 (Sep. 30, 2025), 90 FR 48091 (Oct. 3, 2025) (SR-CBOE-2025-079).

6 See, e.g., Exchange Act Release No. 105785 (June 26, 2026), 91 FR 40061 (July 1, 2026) (SR-MRX-2026-11); Exchange Act Release No. 105704 (June 16, 2026), 91 FR 37201 (June 22, 2026) (SR-NYSEAMER-2026-34).

7 In 2025, OCC and the national securities exchanges for which it provides clearance and settlement services executed the Amended and Restated Participant Exchange Agreement (hereinafter, the “Participant Exchange Agreement”) following SEC approval of a proposed rule change filed by OCC. *See* Exchange Act Release No. 103436 (July 11, 2025), 90 FR 32045 (July 16, 2025) (SR-OCC-2025-006).

8 Pursuant to Article XII, Section 1 of OCC’s By-Laws, (Conditions for the Corporation to Clear Futures, Futures Options or Commodity Options for an Exchange), OCC has executed a clearing agreement with CFE. OCC has also filed an agreement with MIAX Futures Exchange, LLC, which is pending execution in advance of that Exchange’s anticipated launch this year. See Exchange Act Release No. 103271 (June 16, 2025), 90 FR 26377 (June 20, 2025) (SR-OCC-2025-008).

OCC filed the proposed changes to OCC's Rules and the Extended Trading Hours Set-Up and Monitoring Procedure as Exhibits A and B, respectively. Material proposed to be added 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.[9]

Overview

OCC is a self-regulatory organization ("SRO") that is registered as a covered clearing agency ("CCA") under the Exchange Act, as amended, and a derivatives clearing organization ("DCO") under the Commodity Exchange Act. OCC is also a DCO that clears futures products for CFE, and MIAX Futures Exchange, LLC ("MIAX"),[10] both designated contract markets registered by the CFTC pursuant to Section 5 of the Commodity Exchange Act.[11] In its role as a CCA and central counterparty ("CCP"), OCC is the guarantor for all contracts cleared through OCC, assuming the role of buyer to every seller and the seller to every buyer to ensure prompt and accurate settlement. In its capacity as a CCP, OCC is exposed to certain risks, including credit risk[12], because OCC is obligated to perform pursuant to its By-Laws and Rules even when one of its members defaults. OCC manages its credit risk through various safeguards to ensure that it has sufficient financial resources in the event of a Clearing Member failure. For example, OCC periodically collects margin collateral from its Clearing Members, which is designed to cover the credit exposures they individually present to OCC with a high degree of confidence. OCC also maintains authority and has established procedures for collecting additional margin from Clearing Members on an intraday basis due to changes in positions[13] or changes in prices.[14]

The clearance of trades that occur outside of regular trading hours presents OCC with certain additional considerations from a risk management perspective. First, although OCC's Rules permit intraday margin calls generally, OCC is limited in its practical ability to issue and collect intraday

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9 OCC's By-Laws and Rules can be found on OCC's public website, available at https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules.

10 OCC is anticipated to commence clearing services for MIAX futures in May of 2026.

11 7 U.S.C. § 7.

12 Credit risk is the risk that OCC would not maintain sufficient financial resources to cover exposures.

13 See Exchange Act Release No. 102768 (Apr. 3, 2025), 90 FR 15274 (Apr. 9, 2025) (SR-OCC-2024-010).

14 See Exchange Act Release No. 82355 (Dec. 19, 2017), 82 FR 61060, 61064 (Dec. 26, 2017) (SR-OCC-2017-007) (codifying in the Margin Policy the issuance of a margin call when unrealized losses are observed for an account, based on start-of-day positions and updated prices). OCC has also filed, and the SEC has approved, a proposed rule change to transition from start-of-day to current positions; this change is pending implementation with Ovation launch. See Exchange Act Release No. 103677 (Aug. 11, 2025), 90 FR 39229 (Aug. 14, 2025) (SR-OCC-2025-007).

margin calls during ETH sessions from a Clearing Member presenting increased risk to OCC. Second, trading outside of regular hours presents greater operational risk due to reduced Clearing Member operational and risk staff available to address issues that might arise during extended hours. Third, OCC has observed that for those products that currently trade ETH, the markets for such options typically have more limited market liquidity, which can lead to higher transaction costs for participants seeking to initiate or unwind positions during ETH sessions. These market dynamics carry risk management implications. Shallow market environments can manifest price gapping,[15] where modest trades can lead to outsized market moves and can lead to changes in valuations of positions and thus, increases in margin requirements. Another consideration is the behavior of market makers, who may scale back quoting activity during extended trading hours due to wider uncertainty, lower volumes, and less capacity to hedge. If market maker participation decreases during extended trading hours, it could lead to episodic volatility and a degradation of price discovery.

OCC manages these risks for products that currently trade in ETH sessions through its ETH procedures. In 2015, OCC established its ETH procedures[16] for certain products proposed by Cboe and CFE to be traded outside of regular trading hours, including index options and index futures.[17] The ETH procedures allow for the provision of clearing and settlement services to participant exchanges subject to compliance with OCC's risk management procedures and controls. As described in more detail below, these procedures were designed to reduce and mitigate the risks associated with clearing trades executed in ETH sessions, and included the following components and controls: (i) qualification criteria used to approve Clearing Members for ETH sessions, including ETH deposit requirements, (ii) systemic controls to identify trades executed during ETH sessions by Clearing Members not approved for such sessions, (iii) enhancements to OCC's overnight monitoring of trades submitted by Exchanges during ETH sessions, (iv) enhancements to OCC's credit controls with respect to monitoring Clearing Members' credit risk during ETH sessions, including procedures for contacting an Exchange offering ETH sessions in order to invoke use of the Exchange's kill switch, and (v) rule enforcement actions such as taking appropriate disciplinary action against Clearing Members who attempt to clear during ETH session without first obtaining requisite approvals. These ETH procedures were also designed to work in conjunction

[15] The term "Price gapping" refers to situations where prices leap to a higher or lower level without any intermediate trading activity at the prices in between.

[16] See supra note 3. OCC now proposes to formally file such procedure as a rule.

[17] OCC's By-Laws define (i) an "index future" as a future on an index of securities of commodities, and (ii) an "index option contract" as any option contract the underlying interest of which is a securities index or commodities index.

with risk controls that OCC confirms are in place at each of the Exchanges that offer ETH sessions.[18]

While these procedures were designed to facilitate the clearing of index options and index futures, Exchanges, including CFE and Cboe, have requested that OCC expand its support for other products during the ETH sessions. First, CFE has requested that OCC provide clearance and settlement services for options on VIX futures ("VX Futures Options")[19] during the same hours in which VIX futures currently trade. Second, Cboe, Nasdaq and NYSE have filed proposed changes to their Global Trading Hours for multi-listed equity options.[20] Specifically, these proposals would establish an early morning session from 6:30 a.m. Central Time to 8:25 a.m. Central Time and an afternoon session from 3:00 p.m. Central Time to 3:15 p.m. Central Time for trading of multi-listed equity options. These proposals also limit the number of equity options classes that may be designed for its Global Trading Hours to 100 option classes and establish criteria for eligibility based on average daily options volume, market capitalization of the underlying equity, and average daily trading volume of the underlying equity. Cboe has stated these criteria will help ensure options designated for trading in its Global Trading Hours will have sufficient demand and liquidity to support a Global Trading Hours market.[21]

OCC has evaluated these proposed changes to Exchange rules to determine whether OCC has the legal framework, operational capacity and risk management processes in place to support the clearance and settlement of such products during such hours. OCC evaluates each proposed product using criteria that include, among other things: (1) compatibility with OCC's existing margin methodology, (2) availability of real-time settlement pricing, and (3) consistency with OCC's operations risk management requirements.

OCC has determined to treat the proposed early morning session as extended trading hours, and to extend OCC's ETH procedures to that activity. OCC believes that extending the ETH procedures to the early morning trading session is prudent from a risk management perspective to address potential operational and market risk associated with trading in such early morning session. OCC's ETH procedures have operated without disruption through multiple periods of high volatility since 2015. The proposed products are not new to OCC, as single-name equity options and options on VX futures are already cleared by OCC during regular trading hours and margined using OCC's

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18 See Exchange Act Release No. 74268 (Feb. 12, 2015), 80 FR 8917 (Feb. 19, 2015) (SR-OCC-2014-24) (Order approving Proposed Rule Change concerning Extended and Overnight Trading Sessions).

19 VX Futures Options are options on Cboe Volatility Index ("VX") futures. VX futures are cash-settled futures on the Cboe Volatility Index ("VIX Index").

20 See supra notes 5-6.

21 See Exchange Act Release No. 105153 (Apr. 6, 2026), 91 FR 18010, 18013 (Apr. 9, 2026) (SR-CBOE-2025-079) (Amendment No. 1).

existing margin methodology. Further, the Exchanges' proposed eligibility criteria would limit initial participation to the most liquid U.S. equity options, reducing the risk of outsized credit exposures to OCC during the early morning session. In addition, consistent with OCC's Rule 609,[22] any credit risk accumulated during the early morning session is subject to OCC's start of business margin call at 8:30 a.m. CT, at which time settlement banks are open and OCC can collect any required additional margin deposit.

OCC's determination that its existing ETH procedures are adequate to manage the risks associated with the proposed extension of ETH rests not only on product compatibility, but also on the material enhancements and substantial build-out to its risk management processes and systems in the years since the ETH procedures were first implemented. For example, OCC has made enhancements to its proprietary margin methodology, the System for Theoretical Analysis and Numerical Simulations ("STANS"), including by, among other things:

(i) incorporating daily price and returns data of securities; [23]

(ii) incorporating variations in implied volatility; [24]

(iii) enhancing its models for generating theoretical values for listed options [25] and the futures products that OCC clears; [26]

(iv) establishing a risk-based liquidation charge to account for the costs of liquidating a defaulting Clearing Member's portfolio;[27]

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[22] See OCC Rule 609.

[23] See Securities Exchange Act Release No. 83326 (May 18, 2018), 83 FR 25081 (May 31, 2018) (SR-OCC-2017-022).

[24] See Securities Exchange Act Release No. 84879 (Dec. 20, 2018), 83 FR 67392 (Dec. 28, 2018) (SR-OCC-2018-014); Securities Exchange Act Release No. 95319 (July 19, 2022), 87 FR 44167 (July 25, 2022) (SR-OCC-2022-001).

[25] See Securities Exchange Act Release No. 86731 (Aug. 22, 2019), 84 FR 45188 (Aug. 28, 2019) (SR-OCC-2019-005).

[26] See Securities Exchange Act Release No. 85873 (May 16, 2019), 84 FR 23620 (May 22, 2019) (SR-OCC-2019-002); Securities Exchange Act Release No. 89392 (July 24, 2020), 85 FR 45938 (July 30, 2020) (SR-OCC-2020-007); Securities Exchange Act Release No. 90139 (Oct. 8, 2020), 85 FR 65886 (Oct. 16, 2020) (SR-OCC-2020-012); Securities Exchange Act Release No. 91833 (May 10, 2021), 86 FR 26586 (May 14, 2021) (SR-OCC-2021-005); Securities Exchange Act Release No. 100528 (July 15, 2024), 89 FR 58736 (July 19, 2024) (SR-OCC-2024-008).

[27] See Securities Exchange Act Release No. 86119 (June 17, 2019), 84 FR 29267 (June 21, 2019) (SR-OCC-2019-004).

(v) establishing procedures for adjusting certain parameters when the products OCC clears and the markets it serves experience high volatility;[28]

(vi) enhancing the models to better account for the risk of short-dated options;[29] and

(vii) implementing and enhancing backtesting procedures for monitoring the performance of the models and establishing a margin charge should OCC identify backtesting deficiencies at the Clearing Member level.[30]

Further, OCC has made enhancements to its intraday risk monitoring and collection of margin resources to cover intraday risk, including by establishing an Intraday Risk Charge and thresholds for margin calls during regular trading hours, similar to the procedures for ETH established in 2014.[31] Further enhancements to the intraday risk process have been designed and will be implemented upon migration to OCC's new clearance and settlement system, Ovation.[32]

In addition, beginning in 2018, OCC also implemented a comprehensive stress testing methodology that it uses to size its Clearing Fund and call for additional resources if stressed exposures exceed certain thresholds, to ensure that OCC maintains sufficient financial resources to cover the loss of the two Clearing Member groups presenting the largest stressed exposures to OCC in extreme but plausible market conditions.[33] OCC has also diversified its access to liquidity

28 See Securities Exchange Act Release No. 102057 (Jan. 6, 2025), 90 FR 714 (Jan. 6, 2025) (SR-OCC-2024-014).

29 See Securities Exchange Act Release No. 102203 (Jan. 15, 2025), 90 FR 7721 (Jan. 22, 2025) (SR-OCC-2024-016).

30 See Securities Exchange Act Release No. 73749 (Dec. 5, 2014), 79 FR 73673 (Dec. 11, 2014) (SR-OCC-2014-810); Securities Exchange Act Release No. 75290 (June 24, 2015), 80 FR 37323 (June 30, 2015) (SR-OCC-2014-810); Securities Exchange Act Release No. 100998 (Sep. 11, 2024), 89 FR 76171 (Sep. 17, 2024) (SR-OCC-2024-009).

31 See Securities Exchange Act Release No. 102768 (Apr. 3, 2025), 90 FR 15285 (Apr. 9, 2025) (SR-OCC-2024-010).

32 See Securities Exchange Act Release No. 103677 (Aug. 11, 2025), 90 FR 39229 (Aug. 14, 2025) (SR-OCC-2025-007).

33 See Securities Exchange Act Release No. 83561 (June 11, 2018), 83 FR 27957 (June 15, 2018) (SR-OCC-2018-006); Securities Exchange Act Release No. 83735 (July 27, 2018), 83 FR 37855 (Aug. 2, 2018) (SR-OCC-2018-008); Securities Exchange Act Release No. 87717 (Dec. 11, 2019), 84 FR 68985 (Dec. 17, 2019) (SR-OCC-2019-009); Securities Exchange Act Release No. 87718 (Dec. 11, 2019), 84 FR 68992 (Dec. 17, 2019) (SR-OCC-2019-010); Securities Exchange Act Release No. 89014 (June 4, 2020), 85 FR 35446 (June 10, 2020) (SR-OCC-2020-003); Securities Exchange Act Release No. 90827 (Dec. 30, 2020), 86 FR 659 (Jan. 6, 2021) (SR-OCC-2020-015); Securities Exchange Act Release No. 100147 (May 15, 2024), 89 FR 44752 (May 21, 2024) (SR-OCC-2024-006); Securities Exchange Act Release No. 103597 (July 30, 2025), 90 FR 36461 (Aug. 4, 2025) (SR-OCC-2025-009).

through the addition of new liquidity facilities and liquidity providers to ensure OCC has sufficient qualifying liquid resources to meet liquidity demands in such stressed conditions,[34] including liquidity demands arising from OCC's election under its accord with the National Securities Clearing Corporation ("NSCC") to step into the shoes of a Clearing Member for whom NSCC has ceased to act in order to ensure the continued settlement of exercise and assignment activity for physically settled options through NSCC's CNS system.[35] Taken together, OCC believes that these risk management enhancements help to ensure that OCC's existing ETH procedures are sufficient to support the expanded ETH sessions.[36]

OCC has also determined that it may support the proposed afternoon session as regular trading hours, regardless of whether that trading session is classified as regular trading hours, a curb session, or some other designation under the rules of an Exchange. OCC believes treating such activity as within regular trading hours is consistent with the definition of ETH under its existing ETH procedures.

This proposed rule change would amend OCC's Rules to establish a legal framework governing OCC's authority to determine product eligibility and session hours for ETH clearing, and to accommodate Exchange proposals to expand the products and hours covered by its ETH procedures. Specifically, the proposed amendments would: (i) clarify that OCC determines what constitutes "regular trading hours" and "extended trading hours" for purposes of OCC's operations and risk management (i.e., this determination is independent of how a particular Exchange may categorize such trading under its rules); (ii) provide that contracts cleared during extended trading hours will be subject to OCC's established ETH procedures; (iii) provide that OCC will determine in its sole discretion, and for the protection of OCC, its Clearing Members and the general public, whether the risk of a product proposed by an Exchange to be traded in extended trading hours may be managed under OCC's existing ETH procedures; and (iv) provide that if OCC determines that an Exchange's proposal requires changes to OCC's existing ETH procedures, such changes will be made in accordance with (a) OCC's regulatory obligations and (b) OCC's agreement with the

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34 See Securities Exchange Act Release No. 76821 (Jan. 4, 2016), 81 FR 3208 (Jan. 20, 2016) (SR-OCC-2015-805); Securities Exchange Act Release No. 88317 (Mar. 4, 2020), 85 FR 13681 (Mar. 9, 2020) (SR-OCC-2020-801); Securities Exchange Act Release No. 88971 (May 28, 2020), 85 FR 34257 (June 3, 2020) (SR-OCC-2020-804); Securities Exchange Act Release No. 89039 (June 10, 2020), 85 FR 36444 (June 16, 2020) (SR-OCC-2020-803); Securities Exchange Act Release No. 95327 (July 20, 2022), 87 FR 44457 (July 26, 2022) (SR-OCC-2022-802); Securities Exchange Act Release No. 95670 (Sep. 2, 2022), 87 FR 55048 (Sep. 8, 2022) (SR-OCC-2022-803); Securities Exchange Act Release No. 103047 (May 15, 2025), 90 FR 21800 (May 21, 2025) (SR-OCC-2025-801).

35 See Securities Exchange Act Release No. 99735 (Mar. 14, 2024), 89 FR 19907 (Mar. 20, 2024) (SR-OCC-2023-007); Securities Exchange Act Release No. 104350 (Dec. 9, 2025), 90 FR 57796 (Dec. 12, 2025) (SR-OCC-2025-013).

36 OCC intends to monitor ETH activity as volumes develop to determine if any changes to its existing procedures are necessary to support current or future products.

Exchange. These changes are designed to both accommodate existing Exchange requests, as well as to serve as a foundation for evaluating future Exchange requests to trade products outside of regular trading hours, while ensuring that if OCC needs to make changes to its operations and risk management processes to accommodate such requests, such changes would remain consistent with OCC's regulatory obligations and agreements with the Exchanges.

Existing ETH Procedures

OCC manages the risk associated with clearance and settlement of trades in ETH sessions through ETH procedures, approved by the SEC, that include (i) qualification criteria for Clearing Member participation, (ii) systemic controls to detect unauthorized trading by participants that have not qualified to trade in ETH sessions, (iii) overnight monitoring of Clearing Members' credit risk during ETH sessions, (iv) credit controls to address potential increased exposure during ETH sessions, and (v) rule enforcement should Clearing Members trade in ETH sessions without prior approval. Under the proposed rule changes discussed below, these procedures would apply to the clearance and settlement of trading in hours that OCC has determined are outside of regular trading hours.

<u>Qualification Criteria</u>

In order to mitigate risks associated with clearing for ETH sessions, Clearing Members that participate in such trading sessions are required to provide contact information to OCC for operational and risk personnel available to be contacted by OCC during such sessions. In addition, OCC requires that Clearing Members participating in an ETH session post additional margin in a designated account in order to mitigate against the risk that OCC cannot draft a Clearing Member's bank account during an ETH session.[37] OCC has also adopted procedures whereby, on a quarterly basis, it confirms its record of Clearing Members eligible for ETH sessions with a similar record maintained by Exchanges offering such ETH sessions.

With respect to providing operational and risk contacts, under OCC Rule 201(b), each Clearing Member is required to maintain facilities for conducting business with OCC, and a representative of the Clearing Member authorized in the name of the Clearing Member to take all action necessary for conducting business with OCC is required to be available at the facility during such hours as may be specified from time-to-time by OCC. Similarly, OCC Rules 203(c) and (d) require Clearing Members to ensure that they have the appropriate number of qualified personnel and to maintain the ability to process anticipated volumes and values of transactions. OCC uses this

[37] Clearing Members will be required to designate a proprietary bank account to ensure that OCC has a general lien on the assets in the account and can use them to satisfy any obligation of the Clearing Member to OCC.

existing authority to require Clearing Members trading during ETH sessions to maintain operational and risk staff that may be contacted by OCC during such sessions.

OCC charges Clearing Members qualified to participate in ETH sessions additional margin requirement in an amount of the lesser of $10 million or 10% of the Clearing Member's net capital ("ETH margin add-on"), which is equal to the first monitoring risk threshold (described below) and which would be collected as part of regular morning settlement. Clearing Members must identify the proprietary account that would be charged the ETH margin add-on amount. The ETH margin add-on requirement is intended to provide OCC with additional margin assets should a Clearing Member's credit risk increase during ETH sessions.[38] Clearing Members that do not have sufficient excess margin on deposit with OCC to meet the ETH margin add-on amount are required to deposit additional funds with OCC to satisfy the ETH margin add-on requirement as part of regular morning settlement.[39]

OCC Clearing Members wishing to participate in trading activity during ETH trading sessions must receive OCC's approval, as described above, before an Exchange would grant trading privileges for such sessions. OCC also confirms that an Exchange offering ETH trading sessions has implemented a procedure to periodically (i.e., quarterly) validate its record of approved clearing firms against OCC's record of Clearing Members approved for ETH sessions. Any discrepancies between the two records would be promptly resolved by either the Clearing Member obtaining approval at OCC for ETH sessions, or by the Exchange revoking the clearing firm's trading privileges for ETH sessions.

Systemic Controls

OCC has implemented systemic controls so that trades submitted to OCC during ETH sessions that have been executed by Clearing Members not approved for such trading sessions would be reviewed by OCC staff after acceptance but before being processed (each such trade being a "Reviewed Trade"). OCC would contact the submitting Exchange regarding each Reviewed Trade in order to determine if the trade is a valid trade. If the Exchange determines that the Reviewed Trade was in error such that, as provided in Article VI, Section 7(c), a new or revised trade information is required to properly clear the transaction, OCC expects the Exchange would instruct OCC to disregard or "bust" the trade. If the Exchange determines that the Reviewed Trade was not

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38 Clearing Members approved for ETH sessions who do not meet the ETH margin add-on requirement for a given ETH session are treated like a Clearing Member not approved ETH sessions, as described below.

39 Under OCC Rule 601, OCC has the discretion to fix the margin requirement for any account at an amount that it deems necessary or appropriate under the circumstances to protect the interests of Clearing Members, OCC and the public.

in error, then OCC would clear the Reviewed Trade[40] and take appropriate disciplinary action against the non-approved Clearing Member, as described below. OCC believes that clearing the Reviewed Trade is appropriate in order to avoid potentially harming the Clearing Member approved for ETH sessions that is on the opposite side of the transaction.

Overnight Monitoring

OCC has implemented additional overnight monitoring in order to better monitor Clearing Members' credit risk during ETH sessions. Such monitoring of credit risk is similar to existing OCC practices concerning futures cleared during overnight trading hours and includes automated processes within ENCORE to measure, by Clearing Member: (i) the aggregate mark-to-market amounts of a Clearing Member's positions, including positions created during overnight trading, based on current prices using OCC's Portfolio Revaluation system, (ii) the aggregate incremental margin produced by all positions resulting from transactions executed during overnight trading, and (iii) with respect to options cleared during ETH sessions, the aggregate net trade premium positions resulting from trades executed during ETH trading (each of these measures being a "Credit Risk Number"). Hourly credit reports are generated containing the Credit Risk Numbers expressed in terms of both dollars and, except for the mark-to-market position values, as a percentage of net capital for each Clearing Member trading during ETH sessions. The Credit Risk Numbers are the same information used by OCC staff to evaluate Clearing Member exposure during regular trading hours and, in addition to OCC's knowledge of its Clearing Members' businesses, are effective measures of the risk presented to OCC by each Clearing Member. OCC's Operations staff review such reports as they are generated and, in the event that any of the Credit Risk Numbers for positions established by a Clearing Member during an ETH session exceeds established thresholds, staff would alert OCC's Market Risk staff[41] of the exceedance in accordance with established procedures, as described below. Market Risk staff follow a standardized process concerning such exceedances, including escalation to OCC's management, if required by such process.

With respect to OCC's escalation thresholds, if any Credit Risk Number of a Clearing Member approved for ETH sessions is $10 million or more, or any Credit Risk Number equals 10% or more of the Clearing Member's net capital, an email is generated with a Level 1 Exceedance. This threshold functions as an early warning system, alerting Market Risk and Member Services to a developing credit risk situation before it reaches levels requiring more urgent intervention. At this tier, Operations staff notifies Market Risk and Member Services by email; Market Risk reviews the

[40] OCC is obligated under the Participant Exchange Agreement to accept and clear all matched trades in accordance with OCC's By-Laws and Rules reported to it by participating exchanges. The Participant Exchange Agreement does not provide OCC with authority to reject matched trades from exchanges or allow it to require that exchanges implement preventative controls.

[41] OCC's Member Services staff will also receive alerts in order to contact Clearing Members as may be necessary.

notification and assesses whether immediate action is warranted. More prescriptive remedial action is not required at this tier because the exposure level is covered by the pre-positioned ETH margin add-on, which OCC holds at the start of each ETH session. The higher thresholds require progressively more urgent action because they represent exposures that exceed that buffer.

If any Credit Risk Number of a Clearing Member approved for ETH sessions is $50 million or more, or equals 25% or more of the Clearing Member's net capital, Operations staff would be required to contact, by telephone and email: (i) Market Risk and Member Services, (ii) the applicable Exchange for secondary review, and (iii) the Clearing Member's designated contacts. The on-call Market Risk duty officer would also consider if additional action is necessary, which may include contacting a designated executive officer in order to issue an intra-day margin call pursuant to OCC Rule 609, increase the Clearing Member's margin requirement in order to prevent the withdrawal of a specified amount of excess margin collateral, if any, the Clearing Member has on deposit with OCC pursuant to OCC Rule 601, or contacting the Exchange in order to invoke use of its kill switch. A Rule 601 margin requirement increase and Rule 609 intraday margin call are tools that reflect the operational constraints for ETH trading during hours in which banks may not be open, such as overnight. If banks are not open, OCC would not be able to collect additional cash during the hours in which such trading was taking place. In that case, OCC Rule 601 serves as a real-time tool that takes effect immediately, preventing a Clearing Member from withdrawing excess collateral already on deposit with OCC, without requiring a cash transfer. When settlement banks reopen, Rule 609 enables OCC to collect additional funds where a Clearing Member's existing excess collateral is insufficient to cover the incremental risk incurred during ETH. OCC Rule 601 also allows OCC to reduce the amount it would need to draft for a Rule 609 margin call by the amount of excess collateral the Clearing Member has on deposit at OCC.

If any Credit Risk Number is $75 million or more, or equals 50% or more of the Clearing Member's net capital, Operations staff would be required to contact, by telephone and email, Market Risk staff, the on-call Market Risk duty officer and a designated executive officer. Such officer would be responsible for reviewing the circumstances and determining whether to implement credit controls, which are described in greater detail below and include: issuing an intra-day margin call, increasing a Clearing Member's margin requirement in order to prevent the withdrawal of a specified amount of excess margin collateral, if any, the Clearing Member has on deposit with OCC, whether further escalation is warranted in order for OCC to take protective measures pursuant to OCC Rule 305, or contact the Exchange in order to invoke use of its kill switch. OCC believes that these thresholds strike an appropriate balance between effective risk monitoring and operational efficiency.

<u>Credit Controls</u>

In order to address credit risk associated with trading during ETH sessions, and as described above, OCC collects the ETH margin add-on from Clearing Members and monitors and analyzes the impact that positions established during such sessions have on a Clearing Member's overall exposure. Should the need arise based on threshold breaches described above, and pursuant to OCC Rule 609, OCC may require the deposit of additional margin ("intra-day margin") by any Clearing Member that increases its incremental risk as a result of trading activity during ETH sessions. Should a Clearing Member's exposure significantly increase, OCC has the authority under OCC Rule 601 to increase a Clearing Member's margin requirement which would restrict its ability to withdraw excess margin collateral.

Furthermore, if a Clearing Member's trading activity during ETH sessions causes its exposure to exceed OCC's intra-day margin call threshold, OCC would require the Clearing Member to deposit intra-day margin equal to the incremental risk presented by the Clearing Member. Specifically, if a Clearing Member has a current risk charge[42] exceeding 25% and a loss of greater than $50,000 from an ETH session(s), OCC would initiate an intra-day margin call, subject to OCC's policies and procedures.[43] The margin call amount would be calculated using positions and prices as of the most recent snapshot generated during the ETH session.[44] Accordingly, OCC would know at approximately 8:30 a.m. (Central Time) if an intra-day margin call on a Clearing Member would be initiated based on breaches of this threshold.[45] This "start of business" margin call is in addition to daily margin OCC collects from Clearing Members pursuant to OCC Rule 605, any intra-day margin call that OCC may initiate as a result of regular trading sessions or special margin call that OCC may initiate.

In addition to, or instead of, requiring additional intra-day margin, OCC Rule 601[46] and OCC's Margin Policy work together to authorize Market Risk staff to increase a Clearing Member's margin requirement which may be in an amount equal to an intra-day margin call.[47] Any increased margin requirement will remain in effect until the next business day. This action would immediately prevent Clearing Members from withdrawing any excess margin collateral (in the amount of the

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42 The current risk charge is the margin risk charge used for intraday portfolio revaluation margin calls; but updated with any change in risk charge occurring from depositing or withdrawing Specific Deposit, Escrow Deposit, or Valued Securities collateral.

43 See Exchange Act Release No. 82355 (Dec. 19, 2017), 82 FR 61060, 61064 (Dec. 26, 2017) (SR-OCC-2017-007) (codifying in the Margin Policy that ETH intraday margin calls would be subject to a minimum value established in OCC's procedures).

44 See supra note 30.

45 OCC has current credit exposure data available at or near the close of each ETH session on which to base the determination whether to initiate a start-of-business margin call at 8:30 a.m. CT.

46 In addition, OCC Rule 601 provides OCC with the authority to fix the margin requirement for any account or any class of cleared contracts at such amount as it deems necessary or appropriate under the circumstances to protect the respective interests of Clearing Members, OCC and the public.

47 Clearing Members frequently deposit margin at OCC in excess of requirements.

increased margin requirement) the Clearing Member has deposited with OCC. With respect to clearing trades executed in ETH sessions, and in the event OCC requires additional margin from a Clearing Member, Market Risk staff may use increased margin requirements as a means of collateralizing the increase in incremental risk a Clearing Member incurred during such sessions.[48] Such action may be taken by OCC instead of or in addition to issuing an intra-day margin call depending on the amount of excess margin a Clearing Member has on deposit with OCC and the amount of the incremental risk presented by such Clearing Member. This intra-day margin call process as described in the preceding paragraph, including OCC's ability to manually increase Clearing Members' margin requirements, mitigates the risk that OCC is under-collateralized as a result of overnight trading hours.

Moreover, a designated executive officer may call an Exchange offering ETH sessions to invoke use of its kill switch. The kill switch would prevent a Clearing Member (or the market participant clearing through a Clearing Member) from executing trades on the Exchange during a given ETH session or, if needed, stop all trading during a given ETH session. Finally, pursuant to OCC Rule 307B, the Chief Executive Officer or the Chief Operating Officer of OCC, in certain circumstances, has the authority to impose limitations and restrictions on the transactions, positions and activities of a Clearing Member. This authority would be used, as needed, in the event a Clearing Member accumulates significant credit risk during ETH sessions, or a Clearing Member's activities during such trading sessions otherwise warrant OCC taking protective action.

Rule Enforcement Actions

In order to deter Clearing Members from attempting to participate in ETH sessions without authorization as well as appropriately enforce the above-described processes, OCC maintains authority to initiate a rule enforcement action against a Clearing Member that attempts to participate in ETH sessions without first obtaining the necessary approval. As described above, Clearing Members not approved for ETH sessions who trade during ETH sessions would have their trades reviewed by OCC staff. Clearing Members who attempted to participate in ETH sessions that did not obtain the necessary approval to do so may be subject to a minor rule violation fine.[49] In addition, if a Clearing Member's operational or risk contacts for ETH sessions were unavailable had OCC attempted to contact such individuals, the Clearing Member may be subject to a minor rule violation fine. OCC has existing processes in place to monitor for Clearing Member violations of OCC's Rules and such processes would also apply to Clearing Member activity during ETH sessions.

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[48] Clearing Members would be able to substitute the locked-up collateral during normal time frames (i.e., 6:00 a.m. to 5:00 p.m. (Central Time) for equity securities).

[49] See OCC Rule 1201(b).

Proposed Changes

OCC proposes amendments to its Rules and its ETH procedures to accommodate any participating Exchange request, including CFE's and Cboe's proposals for extended trading hours in VX Futures Options and multi-listed equity options, to establish a legal framework for the consideration of an Exchange's future extension of trading hours for these or other products. Specifically, OCC proposes to amend Rule 402, which is currently reserved, to establish a rule concerning products cleared outside of regular trading hours. In addition, OCC proposes to make changes to its ETH Procedure to amend the definition of "extended trading hours" to encompass not only hours in which U.S. payment systems are closed, as ETH is currently defined therein, but also to incorporate hours in which OCC has determined there may be heightened operational risk or market risk. In addition, OCC proposes to revise its ETH procedures to define the end of the ETH monitoring window as the start of regular trading hours. This revision would clarify to Clearing Members that OCC will conduct uninterrupted monitoring throughout all ETH sessions including the proposed early morning session between 6:30 a.m. and 8:25 a.m. CT.

Proposed Rule 402

Rule 402 would clarify that products executed on an Exchange outside of regular trading hours, as determined by OCC, would be subject to OCC's established procedures for the risk management of cleared contracts during ETH sessions, as is the case for index options and index futures traded in ETH sessions today. Accordingly, the amended Rule would provide OCC's authority to determine whether a product proposed to be traded at a particular time would be subject to OCC's procedures for the management of risk during regular trading hours or those for ETH. For example, OCC has determined that the proposed Exchange extension of trading hours for multi-listed equity options from 3:00 pm Central to 3:15 pm Central may be considered regular trading hours under OCC's rules. Such extension does not raise the same concerns, or to the same degree, about the availability of U.S. payment systems or Clearing Member staffing to support such trading during such hours that motivated the design of the ETH procedures. This rule also clarifies that it is OCC that determines whether particular hours are considered regular trading hours or extended trading hours for purposes of OCC's own rules and operations. How a particular Exchange classifies such hours under Exchange Rules is not determinative. For example, Cboe initially proposed to consider the afternoon session as a "curb" session,[50] and then subsequently amended its proposal to consider it an extension Cboe's Regular Trading Hours.[51] OCC would make its own determination of how to classify an Exchange's proposed hours based on the impact on OCC's operations and risk management.

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[50] See Exchange Act Release No. 93819 (Dec. 15, 2021), 86 FR 73038 (Dec. 23, 2021) (SR-CBOE-2021-071).

[51] See Exchange Act Release No. 94484 (Mar. 4, 2022), 87 FR 17359 (Mar. 28, 2022) (SR-CBOE-2021-071).

Proposed Rule 402 would further provide that OCC would determine, at its sole discretion and for the protection of OCC, its Clearing Members and the general public, whether the risk of a product proposed by an Exchange to be traded in extended trading hours may be managed under OCC's existing ETH procedures. As such, Rule 402 documents OCC's authority to evaluate the proposed expansion of ETH sessions and products to determine whether OCC's risk management procedures are adequate to support the expansion. As discussed above, the current ETH procedures were designed with index options and index futures in mind. The procedures may not be sufficient to address the risks associated with the trading of all products at all hours, particularly the risks of overnight trading in equity options[52]. However, OCC believes that its existing ETH procedures are adequate to address the risks associated with the proposed early morning session. As discussed above, OCC already clears and margins these products during regular trading hours using its existing margin methodology. In addition, the Exchanges' proposed eligibility criteria further limits participation, confining the scope of eligible products to the most liquid names. Beyond this, the early morning session would run from 6:30 a.m. to 8:25 a.m. CT, and any credit risk accumulated during that brief period is subject to OCC's start of business margin authority at 8:30 a.m., when settlement banks are open and OCC can collect additional margin.

Should any other Exchange propose similar hours for similar products, the Rule would also allow OCC to accommodate that Exchange's request. OCC's review and determination of products or hours to be added to ETH sessions, as documented in proposed Rule 402, would also align OCC's Rules with provisions of the Participant Exchange Agreement. Specifically, the Participant Exchange Agreement provides that to the extent OCC agrees to undertake a program or project for a particular Exchange, OCC shall be prepared to undertake comparable programs and projects for each other Exchange that requests it to do so, without discrimination as to schedules, costs, or other terms and conditions. The Participant Exchange Agreement further provides that "each Exchange shall comply with operational specifications for Options including for extended and overnight trading hours specified by OCC and supported by OCC's By-Laws and Rules."[53] Proposed Rule 402 is therefore designed to be consistent with and provide transparency in OCC's Rules regarding OCC's existing ETH Procedures, which the Exchanges agreed to abide by under the Participant Exchange Agreement.

Finally, proposed Rule 402 would provide that if OCC determines that an Exchange's proposal to allow trading in certain products at certain hours requires changes to OCC's existing ETH procedures, such changes would be made in accordance with (i) OCC's regulatory obligations

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52 The proposed framework would accommodate products that can be risk managed within OCC's existing ETH procedures without modification. Should a proposed product or session require changes to those procedures, OCC will submit any required regulatory filing with the SEC.

53 OCC's Amended and Restated participant Exchange Agreement has been filed and approved as a rule by the SEC. See Exchange Act Release No. 103738 (Aug. 15, 2025), 90 FR 40875 (Aug. 21, 2025) (SR-OCC-2025-011), 103436 (Jul. 11, 2025), 90 FR 32045 (Jul. 17, 2025) (SR-OCC-2025-006).

and (ii) OCC's agreement with the Exchange, including the Participant Exchange Agreement or any agreement with a futures market under Article XII, Section 1 of OCC's By-Laws. Accordingly, Rule 402 would provide transparency that should OCC determine that changes to the ETH procedures are necessary, any such changes must be made consistent with OCC's regulatory obligations, including its obligation to file proposed rule changes with the SEC under Exchange Act Section 19(b)[54] and Rule 19b-4[55] thereunder and with the CFTC. In addition, for transparency, proposed Rule 402 would also refer to and be consistent with OCC's obligations under its agreements with the Exchanges. For example, the Participant Exchange Agreement requires OCC to use commercially reasonable efforts to maintain sufficient operational capacity to clear new options on behalf of the Exchanges and to expand operations capabilities as expeditiously as possible and as warranted to facilitate an Exchange's ability to clear new options. Accordingly, should OCC determine that changes to the ETH procedures are required to support an expansion, OCC would make commercially reasonable efforts to implement changes to its ETH procedures, including filing any necessary proposed rule changes, as expeditiously as possible.

ETH Procedure

OCC also proposes to formally file the ETH Procedure as a rule. [56] Although the ETH Procedure has governed OCC's ETH program since its inception, it was not filed as a rule at that time. OCC is now proposing to codify it as a rule to provide Clearing Members transparency on the program's governance and operational requirements.

In addition to formally filing the ETH Procedure as a rule, OCC proposes to make the following changes:

(i) *Extended ETH Monitoring Window*. OCC proposes to clarify within the ETH Procedure that ETH credit risk monitoring and Clearing Member eligibility validation would occur during the same monitoring window, with both processes continuing until the start of regular trading hours at 8:30 a.m. Under the current procedure, the monitoring window was not expressly defined with reference to the start of regular trading hours. The proposed change would clarify to Clearing Members that both processes would remain active for the full duration of any ETH session.

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54 15 U.S.C. 78s(b)(1).

55 17 CFR 240.19b-4.

56 As noted above, the procedure was established in 2015 following SEC approval in connection with the proposal to provide for extended trading hours. See supra note 3. OCC now proposes to codify its procedures to provide certainty and transparency on OCC's ETH framework.

(ii) *Publication of ETH Procedure and Eligible Products List*. OCC proposes to publish both the ETH Procedure and a list of ETH eligible products and their associated clearing sessions on OCC's public website. OCC also proposes to establish a new requirement within the ETH Procedure to issue an Information Memorandum whenever the ETH Procedure is amended or products are added to or removed from the eligible list. A new eligibility review is required each time an Exchange proposes to expand the products eligible for ETH clearing or to expand the hours for an existing product beyond what has previously been reviewed and determined. These changes are designed to provide Clearing Members and other market participants with transparency on the scope of OCC's ETH program, and any material changes to the program. In addition, OCC also proposes to remove from the ETH Procedure the header information identifying the procedure owner, rule-filed designation, and version number, as well as the related documents and revision history sections. This information does not constitute a rule and will continue to be maintained in OCC's internal policy governance system of record. Consolidating this information in a single system of record is efficient and reduces the risk of inconsistency between the system of record and the Procedure itself.

(iii) *Revised Clearing Members ETH Approval Process*. OCC proposes to clarify Market Risk's role in reviewing and approving Clearing Member applications for ETH participation. Under the revised procedure new or existing Clearing Members seeking to participate during ETH Sessions must, in addition to meeting baseline requirements, receive approval from an FRM Officer.[57] Market Risk would assess each Clearing Member eligibility for ETH participation by evaluating that Clearing Member's: (1) financial condition, (2) operational readiness, and (3) risk profile. Market Risk would present a recommendation to the FRM Officer who would approve or deny the Clearing Member's ETH participation. The determination would be documented via email. Given the expanded scope of OCC's ETH eligible products, the ETH approval process would provide OCC with a more disciplined approach to managing the credit and operational risks associated with ETH participation.

(iv) *ETH Product Eligibility Integration*. OCC proposes to also clarify that the ETH product eligibility determination would be separately incorporated into its New Product review process, to ensure these products would be evaluated according to the established standards defined in the New Product Procedure. Under the revised procedure, when an Exchange proposes a new product or trading session for ETH clearing, OCC will evaluate the proposal through its established new product review framework, taking into account operational, financial risk, regulatory, and trading session designation factors.

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57 Officers are identified in OCC's By-Laws. See OCC By-Law Art IV. In this context, an FRM Officer would include any member of FRM appointed by the Chief Executive Officer or Chief Operating Officer, including a Managing Director, Executive Director or Executive Principal. Id., at § 9.

This change makes explicit a process OCC already follows and ensures that ETH product eligibility is subject to the same documented standards applicable to all new products OCC proposes to clear.

(v) *ETH Exceedance Review.* OCC proposes to also document within the ETH Procedure the process that OCC uses to review and categorize exceedances identified by its credit risk monitoring process during ETH sessions. Specifically, the revised procedure clarifies that not all monitoring alerts reflect actual ETH trading losses as exceedances may be attributed to non-trading activities. The revised procedure provides that Core Clearing would verify whether an exceedance resulted from ETH trade activity and would document cases where the exceedance is confirmed to result from non-trade activity.

Finally, OCC proposes to make certain additional conforming, clarifying, and non-substantive administrative changes to the ETH Procedure, including grammatical corrections and updated departmental references to reflect current organizational titles and responsibilities.

Proposed Amendment to Rule 307B

OCC proposes to amend Rule 307B to add a fifth use case to paragraph (a) to clarify the protective measures that may be imposed on a Clearing Member. The proposed amendment would codify OCC's existing authority under Rule 307B to authorize the Chief Executive Officer, Chief Operating Officer, or a Designated Officer of the Corporation, such as an FRM Officer, to revoke a Clearing Member's authorization to participate in ETH sessions as such officer deems necessary or appropriate in the circumstances. Such authority to revoke a Clearing Member's ETH authorization may be exercised where material changes to that Clearing Member's financial condition, operational readiness, or risk profile presents risks to OCC that warrant the imposition of protective measures. Prior to the proposed amendment, Rule 307B did not specifically address ETH participation; OCC's authority to restrict a Clearing Member's access to ETH session was derived from Rule 307B(a)(1) pursuant to which OCC may prohibit or impose limitations on the clearance of any transactions that increase credit or liquidity risk.[58] OCC believes that stating this authority explicitly, rather than relying on current rule 307B(a)(1) is necessary and beneficial because the existing Rule 307B(a)(1) provides general authority to restrict clearing activity, which does not specifically address the revocation of a Clearing Member's ETH participation, which is a distinct operational mechanism. An express rule provision would eliminate any interpretative ambiguity on the scope of OCC's authority for this use case, which would also reduce the risk of potential disputes. Since the proposed amendment adds a new use case to paragraph (a) of Rule 307B, any revocation would continue to be subject to the existing review procedures set forth in Rule 307B(b) and (c). Those

58 OCC Rule 307B(a)(1).

procedures afford affected Clearing Members the opportunity to request review by OCC's Risk Committee, to receive advance notice of any hearing, to be heard and to present evidence, and to be represented by counsel.

Consistency with DCO Core Principles

OCC reviewed the DCO core principles ("Core Principles") as set forth in the Act, the regulations thereunder, and the provisions applicable to a DCO that elects to be subject to the provisions of 17 CFR Subpart C ("Subpart C DCO"). During this review, OCC identified the following as potentially being impacted:

> **Participant and Product Eligibility.** OCC believes that implementing the proposed rule change will be aligned with Core Principle C,[59] which requires, in part, that a derivatives clearing organization establish appropriate requirements for determining the eligibility of agreements, contracts, or transactions submitted to the derivatives clearing organization for clearing, taking into account the derivatives clearing organization's ability to manage the risks associated with such agreements, contracts, or transactions. Proposed Rule 402 would establish OCC's authority to determine, in its sole discretion and for the protection of OCC, its Clearing Members and the general public, whether a product proposed by an Exchange to be traded during ETH may be risk-managed within OCC's existing ETH procedures. As described above, OCC evaluates each proposed product using criteria that include, among other things, compatibility with OCC's existing margin methodology, availability of real-time settlement pricing, and consistency with OCC's operations risk management requirements. This procedures-based approach allows OCC to apply a consistent, risk-based standard that limits ETH treatment to products that can be adequately risk-managed within its established framework. For the foregoing reasons, OCC believes the proposed rule change is consistent with DCO Core Principle C.

> **Risk Management.** OCC believes that implementing the proposed rule change will be aligned with Core Principle D,[60] which requires, in part, that each DCO ensure that it possesses the ability to manage the risks associated with discharging the responsibilities of a DCO through the use of appropriate tools and procedures. This proposed rule change maintains the core risk controls established in 2014 and provides for a scalable operational framework to accommodate trading in ETH sessions that can be risk-managed within OCC's existing procedures. OCC would continue to maintain its current framework for monitoring and risk mitigation in ETH sessions. OCC also believes that the proposed changes provide additional clarity for the industry by defining ETH sessions as trading periods outside of

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59 7 U.S.C. 7a-1(c)(2)(C).

60 7 U.S.C. 7a-1(c)(2)(D).

Exchanges' normal trading hours, and that the proposed amendment to Rule 307B strengthens OCC's ability to manage risks arising from ETH activity by providing an express mechanism to revoke a Clearing Member's ETH authorization where material changes to that Clearing Member's financial condition, operational readiness, or risk profile warrant the imposition of protective measures. Central to this risk management approach is OCC's ETH margin framework, which comprises three interlocking layers that produce margin commensurate with the risks and particular attributes of each relevant product, portfolio, and market during ETH sessions, and maintain OCC's capacity to mark positions to current market prices and initiate intraday margin calls on an intraday basis. As described above, OCC's margin methodology constitutes the first layer that produces product- and portfolio-commensurate margin for all products cleared by OCC during regular trading hours. No changes to that methodology are required to extend its coverage to ETH sessions. OCC's second layer is its ETH credit risk monitoring, comprising the Portfolio Revaluation and Intraday Margins systems. These systems provide P&L and margin monitoring during ETH sessions, and support OCC's tiered escalation framework and intraday margin call authority. This proposal extends the monitoring and escalation framework to all products authorized for ETH clearing without modification to either system. OCC's third layer is its ETH margin add-on that is charged to any Clearing Member participating in ETH sessions. The add-on was specifically designed to address OCC's inability to collect incremental margin when settlement banks are closed. For the foregoing reasons, OCC believes the proposed rule change is consistent with DCO Core Principle D.

Default Rules and Procedures. OCC believes that the proposed rule change is consistent with Core Principle G,[61] which requires, in part, that a DCO have the authority and operational capacity to take timely action to contain losses and liquidity demands and continue to meet its obligations, including by requiring its participants to take part in the testing and review of its default procedures, including any close-out procedures, at least annually and following material changes thereto. OCC's established exchange controls and periodic review procedures are specifically tailored to oversee Clearing Member trading activity during the ETH sessions. These procedures ensure that OCC possesses the authority and operational readiness to monitor trades and coordinate Clearing Member approvals with participant exchanges. Such proactive oversight mitigates uncollateralized credit and liquidity exposures, enabling OCC to take timely action to contain losses and manage liquidity demands while fulfilling its obligations. For these reasons, OCC believes the proposed rule change is consistent with Core Principle G.

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61 7 U.S.C. 7a-1(c)(2)(G).

Legal Risk. OCC believes that the proposed rule change is consistent with Core Principle R,[62] which requires a DCO to have a well-founded, transparent, and enforceable legal framework for each aspect of the activities of the DCO. The proposed changes are designed to modify OCC's Rules to provide additional transparency by stating that the products eligible for trading in ETH sessions will be subject to OCC's established procedures as well as to define ETH sessions and standard trading hours by reference to normal exchange trading hours. The procedures-based approach establishes clear product eligibility criteria in OCC's procedures rather than enumerating each product type in OCC's Rules. This framework would enable market participants to understand eligibility requirements while enabling OCC to authorize new products without resorting to filing separate rule changes for each new product proposed for trading during ETH sessions. Therefore, OCC believes that the proposed changes promote compliance and consistency with the requirements of DCO Core Principle R to have a well-founded, transparent, and enforceable legal framework for each aspect of the activities of the DCO.

For these reasons, OCC believes that the proposed changes are consistent with the requirements of the DCO Core Principles and the CFTC Regulations thereunder.

Opposing Views

No substantive opposing views were expressed related to the rule amendments by OCC's Board members, Clearing Members or market participants. Public comments on the proposed rule change filed with the SEC, if any, and any OCC response to such comments may be viewed on the SEC's public website.[63]

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62 7 U.S.C. 7a-1(c)(2)(R).

63 See Options Clearing Corporation (OCC) Rulemaking, https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking/occ

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 this certification on OCC's website concurrently with the filing of this submission.

Certification

OCC hereby certifies that the rules set forth at Exhibit A and B of the enclosed filing comply with the Act and the CFTC's regulations thereunder.

Should you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

/s/ Hafez A. Almiladi

Hafez A. Almiladi
Assistant General Counsel
The Options Clearing Corporation

Enclosure: Exhibit A – Proposed Changes to OCC's Rules.

Exhibit B – Proposed Changes to OCC's Extended Trading Hours Set-Up and Monitoring Procedure.

<u>EXHIBIT A</u>

OCC

Proposed Changes to OCC's Rules

<u>Underlined</u> text indicates new text

~~Strikethrough~~ text indicates deleted text

CHAPTER IV – TRADE, REPORTING, NOVATION, AND CONFIRMATION

RULE 402 – ~~Reserved~~ Products Cleared Outside of Regular Trading Hours

(a) Products executed on an Exchange outside of regular trading hours, as determined by the Corporation, will be subject to the Corporation's established procedures for the risk management of cleared contracts during extended trading hours, which include measures to manage the risks for Clearing Members authorized to clear activity in extended trading hours. The Corporation will determine, at its sole discretion and for the protection of the Corporation, its Clearing Members, and the general public, whether the risk of a product proposed by an Exchange to be traded in extended trading hours may be managed under the Corporation's existing extended trading hours procedures. If the Corporation determines that an Exchange's proposal requires changes to the Corporation's existing procedures, such proposed changes will be made in accordance with (i) the Corporation's regulatory obligations and (ii) the Participant Exchange Agreement or an agreement under Article XII, Section 1 of the By-Laws.

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CHAPTER III – MEMBERSHIP STANDARDS

RULE 307B – Restrictions on Certain Transactions, Positions and Activities

(a) The Chief Executive Officer or Chief Operating Officer, or, if it is not feasible for the Chief Executive Officer or Chief Operating Officer to take such action, then a Designated Officer of the Corporation may impose the following restrictions on a Clearing Member's positions in any circumstances that warrant the imposition of protective measures under Rule 307.

(1) Prohibit or impose limitations on the clearance of any transactions that increase credit or liquidity risk;

(2) Require such Clearing Member to reduce, eliminate, or hedge existing positions presenting increased credit, liquidity or operational risk to the Corporation;

(3) Require such Clearing Member to transfer any existing positions or accounts maintained or carried by such Clearing Member to another Clearing Member; ~~and/or~~

(4) Restrict such Clearing Member's outsourced activities or activities as an Appointed Clearing Member or prohibit such Clearing Member from engaging in such activities or to impose such limitations on such activities as such officer deems necessary or appropriate in the circumstances~~.~~; and/or

(5) Revoke a Clearing Member's authorization to participate in extended trading hours as such officer deems necessary or appropriate in the circumstances.

* * *

EXHIBIT B

Proposed Changes to OCC's Extended Trading Hours Set-Up and Monitoring Procedure

Underlined text indicates new text

~~Strikethrough~~ text indicates deleted text

~~**Procedure Owner:**~~	~~Director, Market Risk~~
~~**Version Effective Date:**~~	~~11/07/2025[Date of publication]~~
~~**Document Type:**~~	~~Non-Regulatory~~
~~**Version Number:**~~	~~1516 [System maintained version numbering]~~

PURPOSE

This procedure describes the following activities related to OCC support for products traded on OCC exchanges during E~~e~~xtended T~~t~~rading H~~h~~ours ("ETH", see definition below):

- Set-up activities and responsibilities associated with accounts that are approved to clear products during ETH.
- Monitoring of trade activity during ETH along with escalation of any ETH trade activity for accounts that are not approved for ETH.
- Monitoring of credit risk during ETH and the escalation of any accounts that develop credit risk in excess of established thresholds due to ETH trade activity.
- Periodic testing of ETH Escalation to both OCC and ETH participant exchange management.

OCC ~~will~~ conducts monitoring of activity in ETH eligible products outside of Regular Trading Hours (RTH). This includes both overnight sessions (beginning at ~~available for ETH trading during the hours when OCC is unable to conduct cash settlement, generally~~ 5:00 PM CT) and early morning session prior to the start of regular trading hours~~until 7 AM CT the following day~~. During these~~is~~ periods, OCC ~~will~~ monitors for trades executed during extended trading sessions in non-ETH eligible accounts and ~~. During this period OCC will~~ performs ETH credit risk monitoring of all accounts as described within this procedure.

APPLICABILITY AND SCOPE

Member Services ("MS") is responsible for the set-up activities for ETH approved Clearing Member accounts.

~~Market Operations ("MO")~~Core Clearing and Market Ops are~~is~~ responsible for the monitoring of trade activity during ETH and escalation of any trade activity for non-approved accounts. MS has a role in the escalation and resolution of trade activity for non-approved accounts.

~~MO~~ Core Clearing is responsible for the monitoring of credit risk during ETH and escalation of any accounts whose credit risk exceeds predetermined thresholds.

Market Risk ~~and Default Management~~ ("MR~~DM~~") is responsible for review and approval of Clearing Members applying to clear products available for trading during ETH, and for additional analysis of credit risk exceedances during ETH ~~while MS provides a supporting role~~.

PROCEDURE CONTENT

Approval and Set-Up of ETH Accounts

New or existing Clearing Members who ~~wish~~ apply to clear products available for trading during ETH must meet two baseline requirements and receive approval from an Executive Director or above of FRM. ~~Once these requirements are met, they are automatically approved for ETH.~~

1. The Clearing Member must provide operational and risk contacts available to be contacted by OCC staff during ETH.

~~1.~~2. The Clearing Member must choose a proprietary account to carry an ETH Margin Adjustment, which will be equal to the lesser of $10 million or 10% of the Clearing Member's net capital.

    a. If the Clearing Member is not approved for firm options/futures/options on futures activity, they may select a customer account. A segregated futures customers' account may only be selected if the Clearing Member is not approved for options.

MS is responsible for collecting the ETH contact information which will include the designated contact name(s), phone number(s), and email address(es). ~~Such information will be maintained within the Contact Facility section within MyOCC.~~

MS is responsible for identifying the account to be charged the ETH Margin.

After the contacts and account type have been identified, MS ~~will~~ notif~~y~~ies ~~FRM~~Market Risk by emailing MarketRisk@theocc.com with the Clearing Member's contacts and account type ~~at least one week in advance and receive FRM's acknowledgement of receipt prior to updating eligibility for the firm [~~. Market Risk assesses the Clearing Member's suitability for ETH participation by evaluating: (1) the Clearing Member's financial condition; (2) the Clearing Member's operational readiness; and (3) the Clearing Member's risk profile. Based on this assessment, Market Risk presents a recommendation to an Executive Director or above of FRM. The Executive Director approves or denies the Clearing Member's ETH participation. The determination is documented via email. Market Risk communicates the decision to the Clearing Member [**MS 3.0**].

Following ~~notification~~approval: MS ~~will~~ updates eligibility as outlined in the Account Maintenance Procedure and the CMO Maintenance Job Aid.

~~1.~~ Maintenance must be performed one business day before ETH trading can begin to allow for OCC's nightly process to run and calculate the margin add-on necessary.

Once complete, MS will send an email to memberupdate@theocc.com indicating the Clearing Member ~~is now s~~set-up ~~or revocation~~ is complete. Additionally, MS will coordinate with the relevant exchanges regarding the Clearing Member's ~~approva~~status~~l~~, update ~~add~~

the ETH contacts in the~~to the~~ Contact Facility and update the Clearing Member Directory on the public website.

Exchanges that maintain separate ETH sessions will be responsible for confirming the eligibility of a Clearing Member requesting access to trading during ETH. OCC provides a daily file of ETH eligible firms to each ETH exchange.

OCC's ENCORE systems perform ETH eligibility validation through the end of the applicable ETH session. For products trading during early morning ETH sessions, eligibility validation continues until the start of regular trading hours. If an exchange submits a trade on behalf of a Clearing Member not approved for ETH, OCC's trade validation process flags the trade for review by Core Clearing or Market Operations.

Determination of ETH Product Eligibility

When an exchange proposes a new product or trading session for ETH clearing, the proposal is evaluated through OCC's new product review process as described in the New Product Procedure. The assessment considers operational, financial risk, regulatory, and trading session designation factors.

OCC will publish the ETH Procedure and a list of ETH-eligible products and their associated clearing sessions on OCC's public website and will issue an Information Memo whenever the Procedure is amended or products are added to or removed from the eligible list.

Assessment of ETH Margin Adjustments

As part of the requirements to be approved for ETH, the Clearing Member is required to post additional margin of the lesser of $10 million or 10% of the Clearing Member's net capital. This amount will be automatically calculated on a nightly basis and assessed against ETH accounts as a margin add-on charge. CS monitors for bank approval of all start-of-day debit settlements (which includes deficit drafts). Refer to the Cash & Settlement Processing Procedure for the steps relating to the determination and processing of deficit drafts.

Monitoring of ETH Trade Activity

The trade validation process ~~within ENCORE and ENCORE GLOBAL~~ will flag any ETH trades for accounts that are not approved for ETH. Core Clearing~~MO~~ and Market Operations are~~is~~ responsible for monitoring trade activity during ETH and will take the following steps when ETH trades are flagged for review:

1. Core Clearing~~MO~~ or Market Ops will contact the exchange that submitted the trade to confirm the accuracy of the account information on the trade.
2. If the trade information is deemed to be incorrect, then the exchange will be responsible for sending a corresponding bust transaction.
3. If the exchange confirms that the trade information is valid then Core Clearing~~MO~~ or Market Ops will resubmit the trade from the Pended Trades screen in Internal Encore.
4. After resubmitting an ETH trade that was flagged for review, Core Clearing~~MO~~ or Market Ops will contact the on-call resource from MS. This will be evidenced in the appropriate Core Clearing~~MO~~ or -Market Ops ~~checklist and~~ Shift Turnover.

MS is responsible for the following activities after an ETH trade was cleared in an account that was not approved for ETH.

1. The MS on-call resource ~~will~~ immediately contacts the emergency contact at the Clearing Member that cleared the trade and notifies~~y~~ them of the activity.
2. The following day MS will begin a minor rule violation referral as set forth in the Clearing Member Rule Violation Procedure.
3. MS will ask for a root cause analysis from the Clearing Member and their remediation to assure that they have controls in place to prevent recurrence.
4. MS will determine whether the Clearing Member wishes to clear products that are available for trading during ETH and if so will instruct them to initiate the ETH approval process as described in this procedure.

ENCORE automatically validates post trade CMTA transfers/allocations for ETH eligibility. During the ETH session, Allocations and CMTA Transfers are not allowed unless both firms are approved as ETH-eligible at OCC. If either the submitting or receiving Clearing Member is not eligible, the Allocation entry/acceptance or the CMTA Transfer is rejected. OCC will not reject CMTA transfers and Allocations for non-ETH firms if As of Date is populated with a previous date. [**MS 1.0**]

Nightly, a batch job creates a CSV file of Clearing Members who are ETH eligible and copies the file to ETH Exchanges' DDS FTP folder to allow them to download. [**MS 2.0**]

Monitoring of ETH Credit Risk

OCC has developed systems that monitor the credit risk, which is measured by profit and loss, incremental margin impact, and ~~n~~Net ~~t~~Trade ~~p~~Premium of activity (further defined in Definitions Section of this Procedure) in Clearing Member accounts. These systems produce exception reports of these credit risk metrics through a set of emails that are sent to the Core Clearing~~MO~~ and Risk Analysts email groups. Core Clearing~~MO~~ is responsible for monitoring these emails during ETH and for escalating any accounts that are shown to have exceeded the credit thresholds that are described below. The escalation steps are dependent upon the credit threshold that was exceeded.

In the event of stale or incorrect prices within the ETH credit risk monitoring systems and depending on the scenario, Core Clearing~~MO~~ staff can escalate Pricing and Margins or perform manual overrides to bring current mark prices in line with current market conditions. These updates are prescribed to Core Clearing~~MO~~ by Pricing and Margins.

Escalation and Remediation of ETH Credit Risk Exceedances

ETH monitoring is intended to identify credit exposures arising from trading activity occurring during the ETH session. OCC's alerting systems may identify exceedances arising from non-trade activity (i.e. position transfers). Escalation is only necessary when the exceedance is the result of trade activity occurring in the ETH session.

When an exceedance is identified, Core Clearing or Market Operations verifies whether the exceedance resulted from actual ETH trade activity by reviewing trade logs to confirm matched trades were executed. Core Clearing also verifies that the prices and profit/loss figures in the alert are accurate by cross-referencing with an OCC pricing vendor. Events such as post-trade activity (including position transfers without a transaction price), Clearing Member-originated incorrect file submissions, and price smoothing calculations may generate alerts that do not reflect actual ETH trading losses. Exceedances confirmed to result from non-trade activity are documented as false positives in the ETH Turnover Log and do not require further escalation.

If the credit risk metric emails indicate that credit risk metrics (delineated as portfolio losses, intraday pays or risk increases) for any account has exceeded $10 million or 10% of the Clearing Member's net capital then the following steps will occur:

1. If the account is approved for ETH Core Clearing~~MO~~ will forward the emails to riskanalysts@theocc.com, marketrisk@theocc.com, memberservices@theocc.com and marketoperations@theocc.com. This will be evidenced in the appropriate MO checklist and Shift Turnover.
2. If the account is not approved for ETH, then the following additional steps will occur:
    a. Core Clearing~~MO~~ will immediately contact their Management and the on-call representative from MS.
    b. Core Clearing~~MO~~ Management and MS will determine the appropriate solution to prevent additional ETH activity in the account. This may include contacting the exchange to restrict any additional trades to the account.
    c. Core Clearing~~MO~~ will notify MR~~DM~~ of any escalation steps through an email to the MR~~DM~~ email group (marketrisk@theocc.com).
    d. These steps will be evidenced in the appropriate Core Clearing~~MO~~ checklist and Shift Turnover.

If the credit risk metric emails indicate that credit risk metrics for any account has exceeded $50 million or 25% of the Clearing Member's net capital as a result of ETH trading then the following steps will occur in addition to all of the steps for the lower credit threshold:

1. Core Clearing~~MO~~ will contact the on-call resource for MR~~DM~~ via phone and email marketrisk@theocc.com. This will be evidenced in the appropriate Core Clearing~~MO~~ checklist and Shift Turnover. Core Clearing~~MO~~ will also contact the on-call resource for MS if MR~~DM~~ deems the issue is significant enough to require MS notification at that time. MR~~DM~~ will validate the credit exceedance and, if MR~~DM~~ deems the issue is significant, may instruct Core Clearing~~MO~~ to assist in contacting the designated ETH contact for the Clearing Member. If the specified ETH contact is unreachable then Core Clearing~~MO~~ will continue to escalate until they speak with a representative of the Clearing Member.
2. Once instructed by MR~~DM~~, Core Clearing~~MO~~ will coordinate a phone call between MR~~DM~~ staff, the Clearing Member, MS (if necessary), and the applicable exchange for an additional review.
3. MR~~DM~~ will review the credit exceedance with the Clearing Member and then contact an on-call duty officer from MR~~DM~~ to determine whether any additional steps are warranted to remediate the credit risk. This may include a margin adjustment utilizing the steps below and/or to request that the exchange restrict any additional trades for the account. Any actions requested to be taken will be confirmed via email.
    a. MR~~DM~~ staff may request approval from an FRM officer to complete a margin adjustment in order to lockup excess collateral.

i. In order to determine the amount of excess collateral available for potential withdrawal, MR~~DM~~ staff will review the Inventory Summary field within the Collateral section of ENCORE.

ii. After receiving approval to complete the margin adjustment, MR~~DM~~ staff will complete the adjustment by entering a debit margin adjustments for the account using the ENCORE Collateral>Support Functions>Requirement Adjustment screen.

iii. After completing all debit margin adjustments, MR~~DM~~ staff will send an email requesting a peer review of the updates. A second staff member or manager will confirm via email reply.

b. If the losses remain during the remainder of the ETH session, a margin call may be completed by MR~~DM~~ during the 8:30 AM run per the Portfolio Revaluation Monitoring Procedure. Prior to the margin call notification being disseminated to CS, staff will complete an offsetting credit adjustment to reverse the debit adjustment completed after receiving an Officer's approval utilizing the steps above.

If the credit risk metric emails indicate that credit risk metrics for any account has exceeded $75 million or 50% of the Clearing Member's net capital as a result of ETH trading activity then the following steps will occur in addition to all of the steps for lower credit thresholds:

1. Core Clearing~~MO~~ will coordinate a phone call with MR~~DM~~ and the Chief Financial Risk Officer ("CFRO")~~ and/or Chief Risk Officer ("CRO")~~. After reviewing the details of the exceedance such officers may approve completion of an intra-day margin call, increasing the margin requirement of the account, taking protective measures ~~pursuant to OCC Rule 305~~, requesting that the exchange restrict any additional trades to the account, and/or limiting the ability to transfer trades or positions into the account. Any actions requested to be taken will be confirmed via email.

The table below summarizes the steps taken for each escalation threshold

Credit Exposure	**Escalation for Non-Approved Clearing Members**	**Escalation for Approved Clearing Members**
$10 million or 10% of Net Capital	Any activity in a Non-Approved Clearing Member account regardless of credit exposure gets escalated immediately to Member Services and the applicable exchange. Risk Analysts riskanalysts@theocc.com and Market Risk marketrisk@theocc.com should be emailed with the details as well.	Email Risk Analysts riskanalysts@theocc.com, Market Risk marketrisk@theocc.com, Member Services memberservices@theocc.com, and ~~Market Operations~~Core Clearing marketoperations@theocc.com.

	• This escalation may result in measures to prevent additional trading (i.e. engaging a kill-switch for regular trades).	
$50 million or 25% of Net Capital	Contact: • Market Risk ~~and Default Management~~ (marketrisk@theocc.com) for immediate review. Contact Member Services if necessary. • Applicable Exchange • Clearing Member's Back Office	
$75 million or 50% of Net Capital	In addition to contacts listed in $50M/25% exceedance category, also contact: • Chief Financial Risk Officer, or Chief Risk Officer Consider Protective Measures: • Request exchange to Initiate Kill-Switch • Special Margin Call	

~~Market Operations~~ ETH Shift Turnover

At the conclusion of the Shift, Core Clearing~~MO~~ Staff will be responsible for producing the ~~MO~~ ETH Turnover Log. This Turnover Log will include the following itemized details:

- Credit thresholds exceeded and escalation performed
- Exceedances arising from non-trade activity that were not escalated
- Market data snapshot
- Production issues encountered
- Details of any trades flagged for review
- Details of any defaulted CMTA trades

The ~~MO~~ ETH Turnover will be sent to the following email group: OPSProblemslog@theocc.com

ETH Membership Monitoring

MS reconciles ETH accounts with the applicable exchanges on a quarterly basis. Please see the External Account Reconciliation Procedure for additional information.

Annual ETH Escalation Testing

On at least an annual basis, the ETH escalation process should be tested. Test participants may include Market Risk and Default Management, Member Services, ~~Market Operations~~Core Clearing, Designated Officer[1] as well as Risk, Operations, and/or Senior Management at the corresponding exchange(s) as applicable.

[1] This includes the Chairman, Chief Executive Officer ("CEO"), Chief Operating Officer ("COO"), Chief Risk Officer ("CRO") and Chief Financial Risk Officer ("CFRO").

The test scenario should include but not be limited to a C~~c~~learing ~~m~~Member exceeding credit risk thresholds requiring escalation. The escalation should result in a conference call that includes both OCC and exchange management to discuss initiating a K~~k~~ill ~~s~~Switch on the affected account. A test recap should be distributed to test participants.

Core Clearing~~MO~~ is responsible for the monitoring of credit risk during ETH and escalation of any accounts whose credit risk exceeds thresholds. Market Risk ~~and Default Management (MRDM)~~ is responsible for additional assessment of credit risk exceedances during ETH when notified by Core Clearing~~MO~~ while Member Services (MS) provides a supporting role.

~~RELATED PGP DOCUMENTS~~

- ~~Margin Policy~~
- ~~Trade and Position Processing Policy~~
- ~~Cash & Settlement Processing Procedure~~
- ~~Clearing Member Rule Violation Procedure~~
- ~~Portfolio Revaluation Monitoring Procedure~~
- ~~Account Maintenance Procedure~~
- ~~External Account Reconciliation Procedure~~
- ~~New Product Procedure~~

SUPPORTING EXHIBITS

- N/A

DEFINITIONS

Capitalized terms used herein and not defined below shall have the meaning set forth in OCC's By-Laws and Rules.

~~The meaning of terms~~ **Extended Trading Hours** (“ETH”) – describes trading sessions designated by OCC as occurring outside of regular trading hours for risk management purposes. ETH sessions may include both overnight sessions (beginning after the close of regular trading hours) and early morning sessions (occurring prior to the start of regular trading hours on the current trade date). OCC determines, in its discretion, which trading sessions constitute ETH based on an assessment of the applicable risk management and operational considerations. ~~when US payment systems are closed. Very few exchanges offer trading outside of regular hours and of those that do, n~~Not all exchanges offer trading during the same periods during the ETH timeframe. Trading sessions that an exchange conducts during the current trade date and that overlap with or are contiguous to regular trading hours may be designated by OCC as regular trading hours rather than ETH. ~~Exception: Products that do not have overnight trading but open prior to 7:00 am CT are not considered as participating in extending trading.~~

- **Margin and Profit/Loss (P/L) changes** – A summary of margin and P/L changes are disseminated on a periodic basis for the Top 10 largest changes as both a dollar figure and as a percentage of Net Capital.
- **Net Trade Premium** – As part of the Portfolio Reval job plan, the system produces a Pay-Collect report which summarizes the projected next-day settlement obligations. The specifics of this report are available in the Clearing Member Monitoring and Protective Measures Procedure.
- **Kill Switch** - In the event a Clearing Member's ETH trade activity results in excessive losses or incremental risk, OCC will escalate both internally and with the exchange for the affected Clearing Member in order to terminate trading. This is executed by OCC Designated Officer requesting the exchange to systematically terminate any future trading while the situation is further assessed. This is also known as initiating a Kill Switch.

Resource/System Name	Critical Service/Function Provided	User
ENCORE	Account masterfile Trade processing Post trade processing Position processing Collateral processing	MS, MR, CS, and ~~MO~~Core Clearing
ENCORE Global	Trade processing Post trade processing Position processing	MS, MR, CS, and Core Clearing~~MO~~
Portfolio Reval	Calculates profit and loss credit risk metric and generates periodic emails	Core Clearing~~MO~~ and MR
Intraday Margins	Calculates margin impact credit risk metric and generates periodic emails	Core Clearing~~MO~~ and MR
Microsoft Outlook	Internal communication and email archival	All

~~**REVISION HISTORY**~~

~~**THIS REVISION HISTORY REFLECTS THE LAST THREE REVISION CYCLES OF THE PGP DOCUMENT. PREVIOUS REVISION HISTORY CYCLES CAN BE FOUND IN POLICYTECH.**~~

~~Ver. No.~~	~~Version Effective Date~~	~~Revision Summary~~
~~10.0~~	~~08/24/2022~~	~~Annual Review. Updated Career Framework Titles.~~
~~11~~	~~07/25/2024~~	~~PGP Review~~
~~12~~	~~11/07/2025~~	~~Update to Clearing Member ETH activation~~
~~**13**~~	~~**TBD**~~	~~**UPDATED TO SUPPORT CBOE GTH EXPANSION AND PROCEDURES-BASED ETH PRODUCT ELIGIBILITY FRAMEWORK PER THE NEW PRODUCT PROCEDURE. EXPANDED PRODUCT SCOPE TO INCLUDE MULTI-LISTED EQUITY OPTIONS AND OPTIONS ON FUTURES. UPDATED ETH DEFINITION AND MONITORING WINDOW REFERENCES. REPLACED AUTOMATIC ETH QUALIFICATION WITH CFRO DISCRETIONARY APPROVAL BASED ON FINANCIAL CONDITION, OPERATIONAL READINESS, AND RISK PROFILE ASSESSMENT. ADDED CFRO AUTHORITY TO REVOKE ETH APPROVAL.**~~