



**THE FOUNDATION  
FOR SECURE  
MARKETS**

**#47119**

**TO: ALL CLEARING MEMBERS**

**DATE: JUNE 11, 2020**

**SUBJECT: PLANNED IMPLEMENTATION OF LIQUIDITY RISK MANAGEMENT  
FRAMEWORK**

As previously communicated in Memo #[46883](#), on April 6, 2020, OCC filed a proposed rule change ([SR-OCC-2020-003](#)) and advance notice ([SR-OCC-2020-802](#)) with the Securities and Exchange Commission (“SEC”) to amend OCC’s Rules, adopt a new Liquidity Risk Management Framework, and revise OCC’s stress testing methodology to enhance its management of liquidity risk and the sizing and monitoring of OCC’s liquidity resources. On June 4, 2020, the SEC approved OCC’s proposed rule change<sup>1</sup> and issued a Notice of No Objection to OCC’s advance notice filing.<sup>2</sup> The proposed changes are currently pending certification with the Commodity Futures Trading Commission. The proposed changes are designed to enhance OCC’s overall resiliency, particularly with respect to the level of OCC’s liquidity resources. Contingent upon receiving all necessary regulatory approvals, the anticipated implementation date for this proposal is June 29, 2020.

The proposal includes the following enhancements to OCC’s management of liquidity risk:

- Utilize the output of OCC’s existing credit stress testing methodology for liquidity stress testing
- Increase OCC’s Base Liquidity Resources to \$6.5 Billion<sup>3</sup>
- Collect additional resources from the Clearing Member Organization (“CMO”) Group responsible for stressed liquidity demands exceeding Available Liquidity Resources
- Provide authority to increase the required Clearing Fund Cash Requirement incrementally
- Implement a two-day notification period on all Clearing Fund collateral substitutions of government securities for cash in excess of the firm’s minimum Clearing Fund cash requirement

[Pro forma](#) reports of Member’s liquidity demands can be accessed via ENCORE (Reports>Core >CMO Exchange>Topic>Collateral Reports>Report> Liquidity Sufficiency Report Parallel).

Individual Clearing Member’s liquidity demands are dependent on the firm’s risk profile. Clearing Members who would like to understand the impact to their firm should contact the Stress Testing and Liquidity Risk Management team at [stlrmgroup@theocc.com](mailto:stlrmgroup@theocc.com) for additional information.

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<sup>1</sup> <https://www.sec.gov/rules/sro/occ/2020/34-89014.pdf>

<sup>2</sup> <https://www.sec.gov/rules/sro/occ-an/2020/34-89004.pdf>

<sup>3</sup> OCC has already increased the minimum cash requirement in the Clearing Fund to \$3.5 Billion dollars utilizing OCC’s current authority under OCC Rule 1002 as detailed in Information Memo [#46147](#).

The implementation of the two-day notification period for substituting Clearing Fund cash referenced above will involve new functionality and updates to certain ENCORE Collateral screens expected to be in effect on Monday June 29, 2020. OCC's Collateral Services team will be offering Clearing Members two WebEx training sessions covering these changes that will be tentatively scheduled from 10 A.M. – 11 A.M. CT on Monday June 22, 2020 and Wednesday June 24, 2020. Clearing Members only need to attend one of the meetings. Invitations will be distributed to Operations Managers and other contacts during the week of June 15<sup>th</sup>.

For further information regarding the training sessions, please contact Member Services at [MemberServices@theocc.com](mailto:MemberServices@theocc.com).

Users encountering issues with, or lack of, ENCORE access should contact Member Services at 800-544-6091. Within Canada, call 800-424-7320. Member Services can also be reached at [memberservices@theocc.com](mailto:memberservices@theocc.com)