Date: September 26, 2023

Subject: Proposed Changes to the OCC/NSCC Accord

OCC is issuing this Memo to notify Clearing Members of OCC's regulatory filings (SR-OCC-2023-007 and SR-OCC-2023-801) to revise the Accord and make related changes to OCC By-Laws, Rules and related policies. The Accord is an agreement between OCC and the National Securities Clearing Corporation ("NSCC") that allows OCC's physically settled exercise and assignment activity to enter NSCC's Continuous Net Settlement ("CNS") system, at which point, OCC's settlement guarantee transfers to NSCC and NSCC settles the underlying securities associated with option expirations. The Accord increases efficiency for equity settlement due to the netting benefits CNS provides.

NSCC and OCC have agreed to implement, pending regulatory approval, a revised Accord intended to improve overall resiliency in relation to liquidity risk associated with options exercise and assignment activity which would address issues arising in the event of a default. Specifically, the revised Accord includes a new concept, the "Guaranty Substitution Payment" ("GSP"). The GSP is the amount of cash OCC would need to pay NSCC for NSCC to guarantee and process settlement activity in CNS in the event of a common member default. The GSP is made up of two components, (i) the defaulting member's NSCC margin deficits and (ii) the defaulting member's NSCC start of day supplemental liquidity deposits. The GSP will be accounted for within OCC's current liquidity risk management practices. The GSP will be additive to the existing stressed liquidity demands that OCC is currently calculating to comply with the Cover 1 liquidity regulatory requirements.

Individual clearing member liquidity demands are dependent on the firm's risk profile. Clearing Members who would like to understand the impact to their firm, or have any questions pertaining to this memorandum, please email stlrmgroup@theocc.com. OCC will publish further guidance once regulatory approval has been received and a final implementation date has been set.