



**THE FOUNDATION
FOR SECURE
MARKETS®**

#54010

Date: January 26, 2024

Subject: Temporary Increase to Clearing Fund Size

OCC is issuing this Information Memorandum to notify Clearing Members of a temporary increase in the size of the Clearing Fund. OCC recently discovered an error in the stressed price calculation of a certain sub-set of American-style options as having been incorrectly valued using a European-style options pricing methodology within Comprehensive Stress Testing calculations when certain conditions were met. This error resulted in the Clearing Fund being sized at a level below the amount required under OCC's Comprehensive Stress Testing & Clearing Fund Methodology, and Liquidity Risk Management Description ("Methodology"). As a result, OCC is using its authority under OCC Rule 1001(d) to temporarily increase the size of the Clearing Fund, on an intra-month basis, until the next monthly sizing of the Clearing Fund on February 1, 2024. At this time, OCC anticipates that upon the resizing, the temporary increase will be incorporated into Clearing Fund size.

Pursuant to OCC Rule 1001(d), OCC is authorized to temporarily increase the size of the Clearing Fund at any time for the protection of the OCC, Clearing Members or the general public. OCC believes the temporary increase in Clearing Fund size is necessary to ensure that OCC's prefunded financial resources are consistent with the amounts required under the Methodology and is therefore being undertaken in furtherance of the integrity of OCC and the stability of the financial system, and takes into consideration the legitimate interests of Clearing Members and market participants.

The temporary increase would result in an increase of \$25,000,000 to the Clearing Fund, which will be allocated proportionately among Clearing Members. Clearing Members can see the change in their requirement via Encore. The acceptable forms of deposit for Clearing Fund deficits include cash and Government securities in accordance with OCC Rule 1002 and minimum Clearing Fund Cash Requirements will apply.

Any Clearing Member who does not satisfy a Clearing Fund deficit by the next standard settlement at 8:00am Central Time on January 29, 2024, will be immediately issued a draft upon their bank in order to satisfy any Clearing Fund deficit.

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.