



**Date:** August 30, 2024

**Subject:** Intraday Risk Monitoring

OCC is issuing this Information Memo to inform Clearing Members of changes related to its ongoing monitoring initiative to identify and collateralize its exposure to intraday risk.

Under OCC's existing Watch Level surveillance process OCC monitors and identifies patterns of risk increasing activity in ODTE options for the purposes of instituting protective measures when warranted.<sup>1</sup> Clearing Members and execution-only accounts that breach the 5% net capital threshold are then subject to additional monthly review, and possible protective measures in the form of additional margin.<sup>2</sup>

The next phase of the initiative, recently filed with the SEC as filing number SR-OCC-2024-010,<sup>3</sup> extends the existing approach to all Clearing Members and all products OCC clears without regard to net capital thresholds. The filing will formally establish an Intraday Risk Charge margin "add-on" as part of OCC's Rules. The add-on would be equal to the average of a Clearing Member's account peak intraday risk increase over the previous month's daily trading activity. The daily peak risk increase would be determined from risk snapshots generated at 20-minute intervals that capture changes in Clearing Member accounts during extended and intraday trading between the hours of approximately 12:30 am to 3:15 pm CST. The add-on will be assessed on all Clearing Members and execution-only accounts but will exclude any cross-margin accounts.

In addition to the add-on, this phase will also establish certain monitoring thresholds which if breached may trigger an intraday margin call on a Clearing Member subject to OCC's policies and procedures. If an intraday margin call is issued, the call amount would be calculated as the difference between the intraday risk increase and the add-on determined at approximately 12:00 pm CST. Per Rule 609, Clearing Members must satisfy margin calls within one hour.

OCC has reviewed the potential impact on all Clearing Members over a one-year period and observed that the add-on would have generated an average margin increase of less than 5% in the aggregate. OCC notes that the ten firms most impacted by the add-on collectively represented approximately 68% of the additional margin that would have been assessed, with the average daily margin increase falling in the range between 3% and 35%. OCC also notes that the impact of the add-on was dependent on each respective account's trading activity.

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<sup>1</sup> See OCC Rule 307.

<sup>2</sup> See OCC Rule 307C.

<sup>3</sup> The filing can be found on OCC's public website: <https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules>, or on the SEC's public website: <https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking/occ>.

**Contact Information**

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