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#55330

Date: October 08, 2024

Subject: Proposed Rule Change Regarding OCC's Backtesting Framework and to Establish a Resource Backtesting Margin Charge

On September 11, 2024, the Securities and Exchange Commission ("SEC") approved a proposed rule change (SR-OCC-2024-009) to enhance OCC's practices related to backtesting. Among other things, the proposed changes establish a new category of backtesting (Resource Backtesting) to measure whether OCC's margin resources adequately cover its credit exposure to each participant at the Clearing Member level and implement a new margin add-on charge (the Resource Backtesting Margin Charge) that would apply to Clearing Members whose 12-month trailing Resource Backtesting coverage falls below OCC's 99 percent backtesting coverage target. The Resource Backtesting Margin Charge generally will be equal to the third-largest Resource Backtesting deficiency during the previous 12 months, rounded up to the nearest \$1000. OCC will allocate the Resource Backtesting Margin Charge proportionally to the Margin Tier Accounts contributing to the third-largest Resource Backtesting deficiency. However, OCC has authority to increase the charge for a particular account in an amount necessary to achieve its 99 percent backtesting coverage target at the Clearing Member level.

The SEC's order approving the proposed rule change can be located at <https://www.sec.gov/files/rules/sro/occ/2024/34-100998.pdf>. The proposal was also certified with the Commodity Futures Trading Commission as of September 16, 2024.

On November 15, 2024, OCC will begin posting this add-on for Clearing Members whose Resource Backtesting coverage falls below the threshold. The charge is expected to be in effect the following business date (i.e., November 18, 2024). This charge will only apply to Margin Tier Accounts for Clearing Members whose Resource Backtesting coverage falls below the 99 percent backtesting coverage target. Clearing Members can review the impact from the charge for related Margin Tier Accounts in the M79 – Add-On Charge Summary by CMO Report. OCC will contact Clearing Members expected to have a Resource Backtesting Margin Charge prior to the date on which OCC will begin applying the charge. If the implementation date is modified for any reason, OCC will announce a new date via information memorandum.

If you have any questions regarding this memo, please contact your Clearing Member representative or the Member Services Help Desk at the following numbers: 800-621-6072 or 800-544-6091. Within Canada, please call 800-424- 7320. Clearing Members may also e-mail us at memberservices@theocc.com.

If you have any questions understanding your specific results, please e-mail the market risk department at marketrisk@theocc.com.