



Date: December 04, 2024

Subject: OCC Clearing Member Risk Management Reviews

OCC Rule 305 requires each clearing member to maintain current written risk management policies and procedures that address the risks the member may pose to OCC. As announced in Information Memo #34384, OCC has been conducting risk reviews of clearing members' risk management policies, procedures and processes since 2014, pursuant to OCC Rule 305 (formerly 311) and OCC's obligations under CFTC Regulation 39.13(h)(5)(ii). Each Clearing Member is subject to a risk review on a periodic basis; generally, within six months of activating its clearing account at OCC and at least once every three years. Clearing Members posing elevated risk to OCC may be subject to more frequent monitoring and examination.

As part of the due diligence conducting a Risk Review, OCC Credit Risk Management ("CRM") and Market Risk Default Management may request an onsite visit to have discussions about risk mitigation processes with Clearing Member risk management stakeholders. CRM Analysts will make every attempt to schedule a mutually convenient day and time for the onsite visit. In the event an onsite visit cannot be scheduled or is found not to be necessary due to the limited exposure posed by the Clearing Member to OCC, a video conference call may be scheduled to discuss the members' risk mitigation process with firm risk management stakeholders.

In risk exams beginning in 2025, CRM will focus on:

- key aspects of a member's financial condition, including capital, asset quality, management, profitability, and liquidity. Regarding liquidity, reviews will cover liquidity resources utilization, liquidity stress testing, and contingency funding
- market risk management including, but not limited to, client onboarding, intraday client risk monitoring, portfolio stress testing, risk system utilization
- stock loan counterparty risk monitoring and operations
- firm governance
- operational risk management, including, but not limited, with respect to spread instruction files (OCC Rule 611), actionable identifiers (OCC Rule 401), and Customer Gross Margin Files (OCC Rule 401, OCC Information Memo #31120).

To ensure that CRM maintains a current record of each Clearing Member's liquidity resources and to enhance CRM's due diligence in the review of a Clearing Member's liquidity risk management, CRM will request the submission of each Clearing Member's liquidity resources in January 2025 and on at least a monthly basis thereafter, pursuant to OCC Rule 305(b) and Rule 306.

If you have any questions pertaining to this memo, please e-mail OCC Credit Risk Management at creditriskanalysts@theocc.com.