



Date: October 06, 2026

Subject: Default Management Program Testing

As part of OCC's commitment to maintaining a robust Default Management Program, we conduct regular default exercises to ensure organizational preparedness in the unlikely event of a Clearing Member default. In accordance with OCC Rule 304, OCC requires selected Clearing Members to participate in periodic default testing to demonstrate operational capability to participate in default management activities.

These tests are designed to:

- ☐ Prepare and train participants
- ☐ Provide valuable feedback
- ☐ Ensure timely and efficient liquidation processes
- ☐ Enhance the overall resiliency of OCC's Default Management Program

Clearing Members may be called upon to participate in various types of default management testing.

Testing may include, but is not limited to:

- ☐ Alternative Settlement capabilities
- ☐ Stock Loan close out
- ☐ Auction Participation
- ☐ Extended Hours escalation

This list is not exhaustive, and additional testing activities may be included.

Selected Clearing Members will be contacted directly by OCC regarding scheduling details and test scope. Please note that failure to participate in required default testing may result in formal disciplinary action pursuant to OCC's rules, including written warnings and/or fines.

Auction Participation

Auction testing is a critical component of OCC's default management framework. In accordance with OCC Rule 1104, OCC may use private auctions to liquidate a defaulted member's portfolio. The involvement of both Clearing Member and non-Clearing Member bidders is essential to ensure an effective auction process.

Portfolios used in auction testing may include various combinations of products and collateral. These tests provide valuable training opportunities for both new and existing auction participants.

Becoming a Pre-qualified Auction Bidder

Clearing Members interested in becoming pre-qualified auction bidders can:

- ☐ Email marketrisk@theocc.com
- ☐ Access applicable forms on the MyOCC Members Portal

Clearing Members with customers or market makers interested in becoming pre-qualified auction bidders can facilitate their application by providing them with the applicable forms available on the MyOCC Members Portal.

For more information on auction participation requirements or any questions regarding this memorandum, please email marketrisk@theocc.com.