



# 2015-2016 Highlights

## RISK AND CONTROL IMPROVEMENTS

### SEC Approves OCC Capital Plan

The U.S. Securities and Exchange Commission (SEC) approved OCC's capital plan and issued an order discontinuing the automatic stay that resulted from the filings of various petitions for review of the approval order. OCC declared a 2014 refund of \$33.3 million and a regular 2015 refund of \$40 million to clearing members, and a dividend of \$19.7 million to stockholder exchanges. A new fee schedule will result in a reduction in the average clearing fee of approximately 19 percent from previous levels.

### OCC Bolstered its Resiliency

In 2015 OCC accelerated the closure of more than 90 percent of legacy regulatory examination findings. We also implemented changes needed to comply with new requirements under SEC Regulation SCI and certain provisions of its proposed Covered Clearing Agency Rules.

### Actions Taken to Mature OCC Risk Management Framework

OCC improved the accuracy of its STAN margining system by integrating implied volatility modeling, which significantly improves the precision by which OCC calculates position risk. We expanded our capabilities to measure the adequacy of our financial resources by implementing rigorous new stress testing modules. We also developed the ability to collect clearing fund contributions intra-month, ensuring that the size of the OCC clearing fund is calibrated to risk presented by our cleared contracts on a timely basis.

### S&P Reaffirms OCC AA+/Stable Rating

OCC's AA+/Stable rating was reaffirmed by Standard & Poor's, who said, "The stable rating outlook incorporates our expectation that Options Clearing Corp. (OCC) will maintain its cautious risk appetite and preserve the sound quality of its financial safeguards."

### OCC Publishes PFMI Disclosures

OCC began publishing its quantitative disclosure regarding the Principles for Financial Market Infrastructures (PFMI) in accordance with the Committee on Payments and Market Infrastructures and the Board of the International Organization of Securities Commissions (CPMI-IOSCO) "Public Quantitative Disclosure Standards for Central Counterparties."

## GOVERNANCE AND MANAGEMENT IMPROVEMENTS

### OCC Appointed Seven New Members to Board of Directors

OCC named four new member directors: George S. Fischer, Thomas A. Frank, Eric W. Noll, and William T. Yates. It also named Thomas R. Cardello, Robert R. Litterman, and Susan E. Lester as new public directors.

### OCC Creates Board-Level Technology Committee

OCC's Board of Directors created a technology committee to enhance its oversight of technology and cyber-information security risks, which continues to be a top board-level issue across the globe. Currently, only eight percent of S&P 500 companies have dedicated technology committees.

### Expanded Leadership Team

OCC appointed John Grace as Executive Vice President and Chief Risk Officer, and Scot Warren as Executive Vice President, Business Development and The Options Industry Council. Luke Moranda was named Senior Vice President and Chief Information Officer. Joseph Kamnik was appointed Senior Vice President, General Counsel and Corporate Secretary. Jean Cawley was appointed Senior Vice President and Special Advisor to the Executive Chairman.

## INDUSTRY-LEADING INITIATIVES

### Cleared Contract Volume down Three Percent

OCC cleared contract volume reached over 4.2 billion, the third-highest year in our history. It was surpassed only by 2011's



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record volume of 4.6 billion contracts and 2014's 4.3 billion contracts. Securities lending CCP activities were up 16 percent for the year, with nearly 1.4 million new stock loan transactions.

## **Equivalence Recognition for U.S. CCPs**

OCC continued its efforts to ensure that it is recognized as a qualifying central counterparty under the European Market Infrastructure Regulation. This recognition will have significant positive impacts on the capital treatment exposures to OCC held by European bank-affiliated clearing members and other market participants subject to Basel III capital regulation in Europe.

## **CalPERS and OCC Renew \$1 Billion Committed Repurchase Facility**

OCC and CalPERS, the largest U.S. pension fund, renewed its first-of-its kind, pre-funded \$1 billion committed repurchase facility, with a staggered maturity schedule in which \$500 million would be available for renewal in June 2016 and the remaining \$500 million available for renewal in January 2017. With this renewal, OCC maintains \$3 billion total in liquidity resources to backstop our daily settlement process.

## **OCC Supported Launch of Energy-Related Derivatives Products at NASDAQ Futures (NFX)**

OCC worked with NFX to develop a clearing solution that serves the needs of its customers and OCC's clearing members. This collaboration increases competition in the energy futures markets and expands the scope of savings available at OCC through portfolio offsets.

## **OCC Led Industry Initiatives in Washington, D.C.**

OCC worked with the U.S. Securities Markets Coalition to strengthen its presence in Washington, D.C. as a leading industry advocate on important regulatory, legislative and tax issues affecting the listed options industry. A key focus was the Department of Labor fiduciary rule and its potential impact on the use of listed options by investors in their retirement accounts. Through the work of OCC and the Coalition, investors were able to continue to hold listed options in their retirement accounts.

## **OIC Provides Thought Leadership and Education**

The Options Industry Council (OIC) continued to lead educational initiatives on behalf of the listed options industry via a strong webinar program and targeted events for individual investors, advisors and institutions, including the first-ever ETF and Options Online Summit, Financial Advisor Forum, NYSE OIC Thought Leadership Forum, and support for member firm educational initiatives.

## **OIC Research Shows Increased Knowledge of Listed Options by Investors**

The Options Industry Council and the U.S. options industry released the results of a study by Harris Poll that shows industry efforts to educate investors about the use of listed options are generating positive results. According to the study, 85 percent of listed options users consider themselves to be extremely knowledgeable investors compared to 66 percent of non-users.

## **New Options Exchanges Welcomed by OCC**

OCC welcomed the launch of ISE Mercury and EDGX Options, bringing the total number of U.S. options markets to 14. OCC now provides central counterparty clearing and settlement services to 19 exchanges and trading platforms for options, security futures, financial and commodity futures, and securities lending transactions.