

SEC Charges Options Clearing Corporation with Rule Failures

FOR IMMEDIATE RELEASE

2023-31

Washington D.C., Feb. 16, 2023 — The Securities and Exchange Commission today announced that The Options Clearing Corporation (OCC) will undertake remedial efforts and pay \$17 million in penalties to settle charges that it failed to comply with its SEC-approved Stress Testing and Clearing Fund Methodology rule during certain times between October 2019 and May 2021.

According to the SEC's order, Chicago-based OCC's failure to implement and comply with its own rule was the result of its failure to properly establish, implement, and enforce written policies and procedures reasonably designed to manage certain operational risks. The SEC's order further finds that OCC failed to modify its Comprehensive Stress Testing System and did not provide timely notification to the SEC of this failure as required by Regulation SCI. Regulation SCI requires certain entities to take corrective action with respect to systems disruptions, systems compliance issues, and systems intrusions and to notify the Commission of such events. The SEC's order also finds that OCC failed to comply with its margin methodology, margin policy, and stress testing and clearing fund methodology relating to specific wrong way risk and holiday margin.

"OCC is the sole registered clearing agency for exchange listed option contracts in the United States," said Chair Gary Gensler. "Today's action by the SEC reinforces the importance of OCC's compliance with risk management policies and procedures designed to meet its obligations to our financial system."

"OCC plays a critical role in our financial markets, and the fact that they violated the very rules designed to ensure the stability and efficiency of those markets is, in a word, troubling," said Gurbir S. Grewal, Director of the SEC's Division of Enforcement. "The SEC's order includes a substantial penalty and imposes important undertakings while recognizing OCC's remedial efforts and commitment to both redressing these violations and preventing future ones."

In addition to the \$17 million penalty, OCC has undertaken several remedial measures, including to revise its model validation policies and procedures; enhance its approach to risk data governance; implement changes to elements of its control environment, including processes, procedures, and controls; and conduct appropriate training on the changes.

This is the SEC's second enforcement action against OCC. In a [September 2019 settled action](#), the SEC charged OCC with failing to establish and enforce policies and procedures involving financial risk management, operational requirements, and information-systems security, and imposed remedial measures and a \$15 million penalty.

The SEC's investigation was conducted by Richard G. Stoltz and Charles J. Kerstetter of the Chicago Regional Office and supervised by Kathryn A. Pyszka and Daniel Gregus. The SEC appreciates the assistance of the Commodity Futures Trading Commission.

###

Related Materials

- [SEC Order](#)