

interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### *Electronic Comments*

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-DTC-2024-005 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

All submissions should refer to file number SR-DTC-2024-005. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of DTC and on DTCC's website ([dtcc.com/legal/sec-rule-filings](https://dtcc.com/legal/sec-rule-filings)). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-DTC-2024-005 and should be submitted on or before August 9, 2024.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>22</sup>

**J. Matthew DeLesDernier,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-100528; File No. SR-OCC-2024-008]

### Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by The Options Clearing Corporation Concerning the Modification of Its Margin Methodology, System for Theoretical Analysis and Numerical (STANS), To Conform Its Margin Model to the Contract Specifications for a New Exchange Product

July 15, 2024.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act" or "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 3, 2024, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by OCC. OCC filed the proposed rule change pursuant to Section 19(b)(3)(A)<sup>3</sup> of the Act and paragraph (f) or Rule 19b-4<sup>4</sup> thereunder. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

This proposed rule change would modify OCC's margin methodology, the System for Theoretical Analysis and Numerical Simulations ("STANS"), to conform its margin model to the contract specifications for a new exchange-traded futures contract based on the expected realized variance of an underlying interest (such contracts being "variance futures," and such model being the "Variance Futures Model") that the Cboe Future Exchange ("CFE") intends to list. OCC filed the proposed pursuant to Section

19(b)(3)(A)<sup>5</sup> of the Act and Rule 19b-4(f)(4)(i)<sup>6</sup> thereunder so that the proposal was effective upon filing with the Commission.

The proposed changes to the STANS Methodology Description are contained in confidential Exhibit 5 of filing SR-OCC-2024-008. Amendments to the existing text are underlined and material proposed to be deleted is marked by strikethrough text. The proposed changes are described in detail in Item 3 below. Replacement text specific to the proposed input descriptions of the daily settlement price calculation in Section 2.1.6 (Variance Futures), is presented without marking. The proposed rule change does not require any changes to the text of OCC's By-Laws or Rules. All terms with initial capitalization that are not otherwise defined herein have the same meaning as set forth in the OCC By-Laws and Rules.<sup>7</sup>

#### II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

##### (A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its capacity as a derivatives clearing organization ("DCO") registered with the Commodity Futures Trading Commission ("CFTC"), OCC clears certain futures products on behalf of CFTC-registered designated contract markets ("DCMs"), including CFE. Such futures products included CFE-listed variance futures based on the realized variance in the S&P 500 Index. To support this product, OCC developed and implemented a Variance Futures Model as part of STANS,<sup>8</sup> OCC's

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>6</sup> 17 CFR 240.19b-4(f)(4)(i).

<sup>7</sup> OCC's By-Laws and Rules can be found on OCC's public website: <https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules>.

<sup>8</sup> See Exchange Act Release No. 91079 (Feb. 8, 2021), 86 FR 9410, 9411 (Feb. 12, 2021) (File No. SR-OCC-2020-016) (noting the model to price variance futures as among the model components addressed by the STANS Methodology Description). OCC makes its STANS Methodology description available to Clearing Members. An overview of the STANS methodology is on OCC's public website:

<sup>22</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f).

proprietary risk management system for measuring the exposure of portfolios of options and futures cleared by OCC, including variance futures.<sup>9</sup> OCC most recently updated that model in 2022.<sup>10</sup> CFE delisted its variance futures the same year, with the intent of relisting such futures at a future date.<sup>11</sup>

CFE now intends to re-list its S&P 500 variance futures product with a different product design.<sup>12</sup> As discussed in more detail below, OCC proposes to amend its STANS Methodology Description to conform the description of the Variance Futures Model with the new product design. Specifically, OCC would simplify the description of the daily settlement of variance futures products to include configurable parameters to reflect changes in CFE's standardized formula for calculating the final settlement value for the new product. OCC does not believe this change would have any impact on Clearing Members because there is no open interest in variance futures currently. Rather, this change would serve to ensure that CFE's new product aligns with OCC's rules related to the clearance and settlement of variance futures.

<https://www.theocc.com/Risk-Management/Margin-Methodology>.

<sup>9</sup> Pursuant to OCC Rule 601(e)(1), OCC also calculates initial margin requirements for segregated futures accounts on a gross basis using the Standard Portfolio Analysis of Risk Margin Calculation System ("SPAN"). Commodity Futures Trading Commission ("CFTC") Rule 39.13(g)(8), requires, in relevant part, that a derivatives clearing organization ("DCO") collect initial margin for customer segregated futures accounts on a gross basis. While OCC uses SPAN to calculate initial margin requirements for segregated futures accounts on a gross basis, OCC believes that margin requirements calculated on a net basis (*i.e.*, permitting offsets between different customers' positions held by a Clearing Member in a segregated futures account using STANS) affords OCC additional protections at the clearinghouse level against risks associated with liquidating a Clearing Member's segregated futures account. As a result, OCC calculates margin requirements for segregated futures accounts using both SPAN on a gross basis and STANS on a net basis, and if at any time OCC staff observes a segregated futures account where initial margin calculated pursuant to STANS on a net basis exceeds the initial margin calculated pursuant to SPAN on a gross basis, OCC collateralizes this risk exposure by applying an additional margin charge in the amount of such difference to the account. See Exchange Act Release No. 72331 (June 5, 2014), 79 FR 33607 (June 11, 2014) (File No. SR-OCC-2014-13).

<sup>10</sup> See Exchange Act Release No. 95319 (July 19, 2022), 87 FR 44167, 44170 (July 25, 2022) (SR-OCC-2022-001).

<sup>11</sup> See Choe, Update—CFE April 2022 Contract Listing Changes (Apr. 14, 2022), [https://cdn.cboe.com/resources/product\\_update/2022/Update-New-CFE-Contracts-Added-in-April-2022.pdf](https://cdn.cboe.com/resources/product_update/2022/Update-New-CFE-Contracts-Added-in-April-2022.pdf).

<sup>12</sup> See Choe, Variance Futures (last updated Mar. 6, 2024), [https://cdn.cboe.com/resources/participant\\_resources/New\\_Cboe\\_Variance\\_Futures\\_Product\\_Overview.pdf](https://cdn.cboe.com/resources/participant_resources/New_Cboe_Variance_Futures_Product_Overview.pdf).

#### (1) Purpose

Variance futures are commodity futures for which the underlying interest is a variance.<sup>13</sup> The underlying variance is calculated using historical daily closing values of the reference variable. When a variance futures contract is listed, it defines the initial variance strike. This initial variance strike represents the estimated future variance at contract expiration. The final settlement value is determined based on a standardized formula for calculating the realized variance of the S&P 500 measured from the time of initial listing until expiration of the contract. At maturity, the buyer of the contract pays the amount of predefined strike to the seller and the seller pays the realized variances. Therefore, the buyer profits if the realized variance at maturity exceeds the predefined variance strike. S&P 500 variance futures are exchange-traded futures contracts based on the realized variance of the S&P 500.

CFE's proposed S&P 500 Variance Futures have a final settlement value that will be determined by a standardized formula for calculating the realized variance of the S&P 500. Compared to the previous variance futures delisted by CFE in April 2022, the proposed contract has a simpler settlement definition:

1. Rather than the previous contract's settlement being based on the difference of the realized variance from a fixed delivery variance strike, the proposed variance future settlement is based only on the realized variance—equivalent to setting the delivery variance strike to 0.

2. Rather than using an interest rate-based factor to discount the variance, the proposed variance future settlement has no scaling—equivalent to scaling by 1.

3. Rather than including a term for the accumulation of interest on daily variation margin, the proposed variance future settlement has no term included—equivalent to setting the term to 0.

<sup>13</sup> A variance is a statistical measure of the variability of price returns relative to an average (mean) price return. Accordingly, OCC believes that an underlying variance is a "commodity" within the definition of Section 1a(4) of the Commodity Exchange Act ("CEA"), which defines "commodity" to include "all . . . rights, and interests in which contracts for future delivery are presently or in the future dealt in." 7 U.S.C. 1a(9). OCC believes a variance is neither a "security" nor a "narrow-based security index" as defined in Section 3(a)(10) and Section 3(a)(55)(A) of the Exchange Act, respectively, and therefore is within the exclusive jurisdiction of the CFTC. OCC clears this product in its capacity as a DCO registered under Section 5b of the CEA. See Exchange Act Release No. 49925 (June 28, 2004), 69 FR 40447 (July 2, 2004) (File No. SR-OCC-2004-08).

4. Rather than recentering the value around 1000, the proposed variance future settlement does not recenter—equivalent to setting this term to 0.

5. Rather than scale the variance calculation by 10,000, the proposed variance future settlement does not scale the variance—equivalent to scaling by 1.

The current STANS Methodology Description explicitly details the terms and specific values of these parameters based on product specifications for the variance futures that CFE delisted in 2022. OCC proposes to instead define these terms as parameters within the STANS Methodology Description that would be determined by the specifications of the products that the applicable DCM is authorized to list, rather than as set values in the STANS Methodology Description. As amended, the STANS Methodology Description would ensure that OCC's Variance Futures Model is consistent with CFE's new product design. In addition, by setting the values as configurable parameters based on the DCM's contract specifications, OCC would be able to accommodate potential variance futures products that may be listed in the future with different contract specifications. Other than allowing OCC to conform the settlement calculation to the DCM's contract specification, the change would have no effect on OCC's Variance Futures Model, as addressed in detail in the 2022 filing that established OCC's current model approach for such products.<sup>14</sup>

#### (2) Statutory Basis

OCC believes the proposed rule change is consistent with Section 17A of the Exchange Act<sup>15</sup> and the rules and regulations thereunder applicable to OCC. Section 17A(b)(3)(F) of the Act<sup>16</sup> requires, in part, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts and transactions for which it is responsible. As described above, some inputs used in the Variance Futures Model for the calculation of the contract daily settlement were set in the STANS Methodology Description using specific values based on CFE's previous contract specifications for the variance futures it delisted in April 2022. The proposed changes would allow OCC to align those values with the contract

<sup>14</sup> See Exchange Act Release No. 94165 (Feb. 7, 2022), 87 FR 8072, 8077–8078 (Feb. 11, 2022) (SR-OCC-2022-001).

<sup>15</sup> 15 U.S.C. 78q–1.

<sup>16</sup> 15 U.S.C. 78q–1(b)(3)(F).

specifications for CFE's new product, thereby ensuring that OCC may clear and settle the new variance futures CFE intends to list based on the updated contract specifications. Accordingly, OCC believes the changes made to the inputs are designed to promote the prompt and accurate clearance and settlement of variance futures contracts for which OCC is responsible, in accordance with Section 17A(b)(3)(F) of the Exchange Act.<sup>17</sup>

#### *(B) Clearing Agency's Statement on Burden on Competition*

Section 17A(b)(3)(I) of the Act<sup>18</sup> requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed change would conform OCC's Variance Futures Model to CFE's new contract specification for the S&P 500 variance futures it intends to list. The Variance Futures Model, which is part of OCC's STANS margin methodology, would be used to calculate margin requirements for all Clearing Members. The proposed changes would not inhibit access to OCC's services in any way, would apply to all Clearing Members uniformly, and would not disadvantage or favor any particular user in relationship to another user. Accordingly, OCC does not believe that the proposed rule change would unfairly inhibit access to OCC's services or impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act.

#### *(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

Written comments were not and are not intended to be solicited with respect to the proposed change and none have been received. OCC will notify the Commission of any written comments received by OCC.

### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>19</sup> and paragraph (f) of Rule 19b-4<sup>20</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such

action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

The proposal shall not take effect until all regulatory actions required with respect to the proposal are completed.<sup>21</sup>

### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

#### *Electronic Comments*

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-OCC-2024-008 on the subject line.

#### *Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090. All submissions should refer to File Number SR-OCC-2024-008. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of OCC and on OCC's website at <https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules>.

<sup>21</sup> Notwithstanding its immediate effectiveness, implementation of this rule change will be delayed until this change is deemed certified under CFTC Regulation 40.6.

Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-OCC-2024-008 and should be submitted on or before August 9, 2024.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>22</sup>

**J. Matthew DeLesDernier,**  
*Deputy Secretary.*

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BILLING CODE 8011-01-P

## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-100530; File No. 4-698]

### **Joint Industry Plan; Order Instituting Proceedings To Determine Whether To Approve or Disapprove an Amendment to the National Market System Plan Governing the Consolidated Audit Trail Regarding Cost Savings Measures**

July 15, 2024.

#### **I. Introduction**

In July 2012, the Securities and Exchange Commission (the "Commission" or "SEC") adopted Rule 613 of Regulation NMS, which required national securities exchanges and national securities associations (the "Participants")<sup>1</sup> to jointly develop and submit to the Commission a national market system ("NMS") plan to create, implement, and maintain a consolidated audit trail (the "CAT").<sup>2</sup> On November 15, 2016, the Commission approved the NMS plan required by Rule 613 (the "CAT NMS Plan").<sup>3</sup> On March 27, 2024,

<sup>22</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> The Participants include BOX Exchange LLC, Cboe BYX Exchange, Inc., Cboe BZX Exchange, Inc., Cboe C2 Exchange, Inc., Cboe EDGA Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe Exchange, Inc., The Financial Industry Regulatory Authority, Inc., Investors' Exchange LLC, Long-Term Stock Exchange, Inc., MEMX LLC, Miami International Securities Exchange LLC, MIAX Emerald, LLC, MIAX PEARL, LLC, Nasdaq BX, Inc., Nasdaq GEMX, LLC, Nasdaq ISE, LLC, Nasdaq MRX, LLC, Nasdaq PHLX LLC, The Nasdaq Stock Market LLC, New York Stock Exchange LLC, NYSE American LLC, NYSE Arca, Inc., NYSE Chicago, Inc., and NYSE National, Inc.

<sup>2</sup> See Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722 (Aug. 1, 2012) ("Rule 613 Adopting Release"); 17 CFR 242.613.

<sup>3</sup> See Securities Exchange Act Release No. 78318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) ("CAT NMS Plan Approval Order"). The CAT NMS Plan is Exhibit A to the CAT NMS Plan Approval Order.

<sup>17</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>18</sup> 15 U.S.C. 78q-1(b)(3)(I).

<sup>19</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>20</sup> 17 CFR 240.19b-4(f).