



2018 Highlights

Risk and Control Improvements

Phase One of OCC Financial Safeguards Framework Approved by SEC

Phase one of OCC's new Financial Safeguards Framework (FSF) was approved by the U.S. Securities and Exchange Commission (SEC) in July. The new FSF includes an improved methodology for OCC to better determine the size of its clearing fund, a new "Cover Two" approach that exceeds U.S. regulatory standards and better aligns with other systemically important derivative clearing houses, and a new risk-based allocation on clearing fund contribution requirements that improves transparency and incentivizes clearing members to reduce margin risk. Under the new clearing fund methodology, OCC returned over \$3 billion to its clearing firms.

OCC Recovery Tools, Recovery and Orderly Wind-Down Plan Approved by SEC

In August, the U.S. Securities and Exchange Commission (SEC) approved OCC's proposed recovery tools and proposed recovery and orderly wind-down (RWD) plan, providing critical tools designed to enable OCC to successfully manage extreme market disruptions in future financial crises. The recovery tools and RWD plan provide several key enhancements to OCC's resiliency, including improved assessment powers, new tools to extinguish losses and an updated RWD plan.

OCC Pays Refund of \$78.7 Million Under Approved Capital Plan

In September, OCC issued the 2017 clearing member refund of \$78.7 million under its capital plan. The refund was comprised of a regular refund of approximately \$53.0 million, as well as a special refund of 2017 clearing fees of approximately \$25.7 million. The latter represents the excess of 2017 pre-tax net income over OCC's target revenue based on achievement of a 25 percent business risk buffer as required under OCC's capital plan.

S&P Reaffirms OCC AA+/Stable Rating

In its December 2018 report, Standard and Poor's (S&P) said OCC's outlook is stable because of the "expectation that the company's recently approved financial safeguard framework and the implementation of minimum cash clearing fund requirements will continue to provide substantial protection against member default, from both a loss-absorbing and liquidity standpoint, in extreme but plausible market conditions."

Industry-Leading Initiatives

OCC Clears Record-Setting 5.24 Billion Total Contracts in 2018

OCC cleared 5.24 billion total contracts and 5.14 billion options contracts in 2018. These numbers surpass the previous records, set in 2011, of 4.60 billion total contracts and 4.56 billion options contracts. OCC also cleared 567,833,544 total contracts in October 2018, the highest monthly total since OCC's founding in 1973.

OCC Applauds Passage of Options Markets Stability Act by U.S. House of Representatives

H.R. 5749, the Options Markets Stability Act, was passed by the U.S. House of Representatives on July 10. This legislation requires the appropriate U.S. federal banking agencies to increase the risk-sensitivity of the capital treatment of centrally-cleared options. OCC and the U.S. Securities Markets Coalition worked with Members of Congress to help ensure that market makers can provide vital liquidity for investors who use the U.S. equity options markets to help manage their financial risk.

OCC Launches New Brand Identity

OCC launched a new brand identity that aligns with its increasingly visible role as a systemically important financial market utility, influential thought leader, and steward of the U.S. exchange-listed options industry. The new OCC logo represents the stable foundation the company provides to financial markets. The new visual identity, guiding actions and rally cry, in conjunction with the company's mission, purpose and values, emphasizes OCC's brand promise to enable a stable tomorrow.

OCC Named 2018 "Clearing House of the Year - The Americas" by FOW Magazine

OCC was named the 2018 "Clearing House of the Year - The Americas" by *FOW Magazine*. The announcement took place on December 4 at the FOW International Award gala dinner in London, which honors achievements that have supported the advancement of the global derivatives industry.

OCC Named Best Clearing House by Markets Media

OCC was named Best Clearing House by Markets Media on April 24 in New York as part of the publication's 6th Annual Markets Choice Awards. Winners are determined based on feedback from readers of Markets Media and Traders Magazine, as well as editorial interviews with leaders in financial markets and the MCA Advisory Board.

OIC Sponsors Greenwich Associates Study on how Institutional Investors Use and Think About Exchange-Listed Options

The Options Industry Council sponsored a Greenwich Associates study to take a closer look at how institutional investors use and perceive exchange-listed options strategies. Greenwich interviewed 80 institutional investors in the U.S. The goal of the study was to identify target audiences and educational strategies for the OIC that may lead to increased adoption of exchange-listed options strategies among institutional investors.

OIC Commissions Burton Taylor 2018 Report on Options Demand in Europe

The Options Industry Council commissioned a report, *European Demand for Exchange-Listed Equity Options*, that was released in June. This latest study builds upon previous studies done in 2014 and 2011. Order flow from Europe is estimated to account for nine percent of total trading in U.S. exchange-listed equity options, with European investors focusing on income generation, capital appreciation and volatility strategies. The report found there is significant opportunity to expand retail investor activity.

Governance and Management Enhancements

Proposed Leadership Enhancements

OCC's Board of Directors unanimously approved the following leadership enhancements, which will become effective upon regulatory approval of by-law and regulatory changes necessary to effectuate this structure: John Davidson, currently President and Chief Operating Officer, would be promoted to Chief Executive Officer; Scot Warren, currently Executive Vice President and Chief Administrative Officer, would be promoted to Executive Vice President and Chief Operating Officer. Craig Donohue, currently Executive Chairman and Chief Executive Officer, would remain at OCC as Executive Chairman.

Five Financial Services Experts Elected or Re-Elected to OCC Board of Directors

During OCC's annual stockholder meeting in April, Thomas A. Frank, Stephen Luparello and Christine L. Show were unanimously elected as Class II Member Directors. Thomas R. Cardello and Alice Patricia White were unanimously elected as Class III Public Directors.

OCC Appoints General Counsel of NYSE Group to Board of Directors

Elizabeth King, General Counsel of NYSE Group, was appointed to the OCC Board of Directors as an Exchange Director in July. She fills a vacancy created by the departure of former NYSE Group President Thomas Farley in May. King subsequently was elevated to the role of Chief Regulatory Officer, Intercontinental Exchange, and General Counsel, NYSE Group.

OCC Names Two New Senior Leaders

OCC announced two new senior leaders in December. Vishal Thakkar, formerly First Vice President of Financial Risk Management and Risk Advisory Services at OCC, was promoted to Senior Vice President and Head of Enterprise Risk Management. Timothy Dwyer was appointed Senior Vice President of Strategic Systems, a new position at OCC. Dwyer came to OCC from Prudential, where he was Vice President of Product Delivery within the company's Individual Solutions Group.