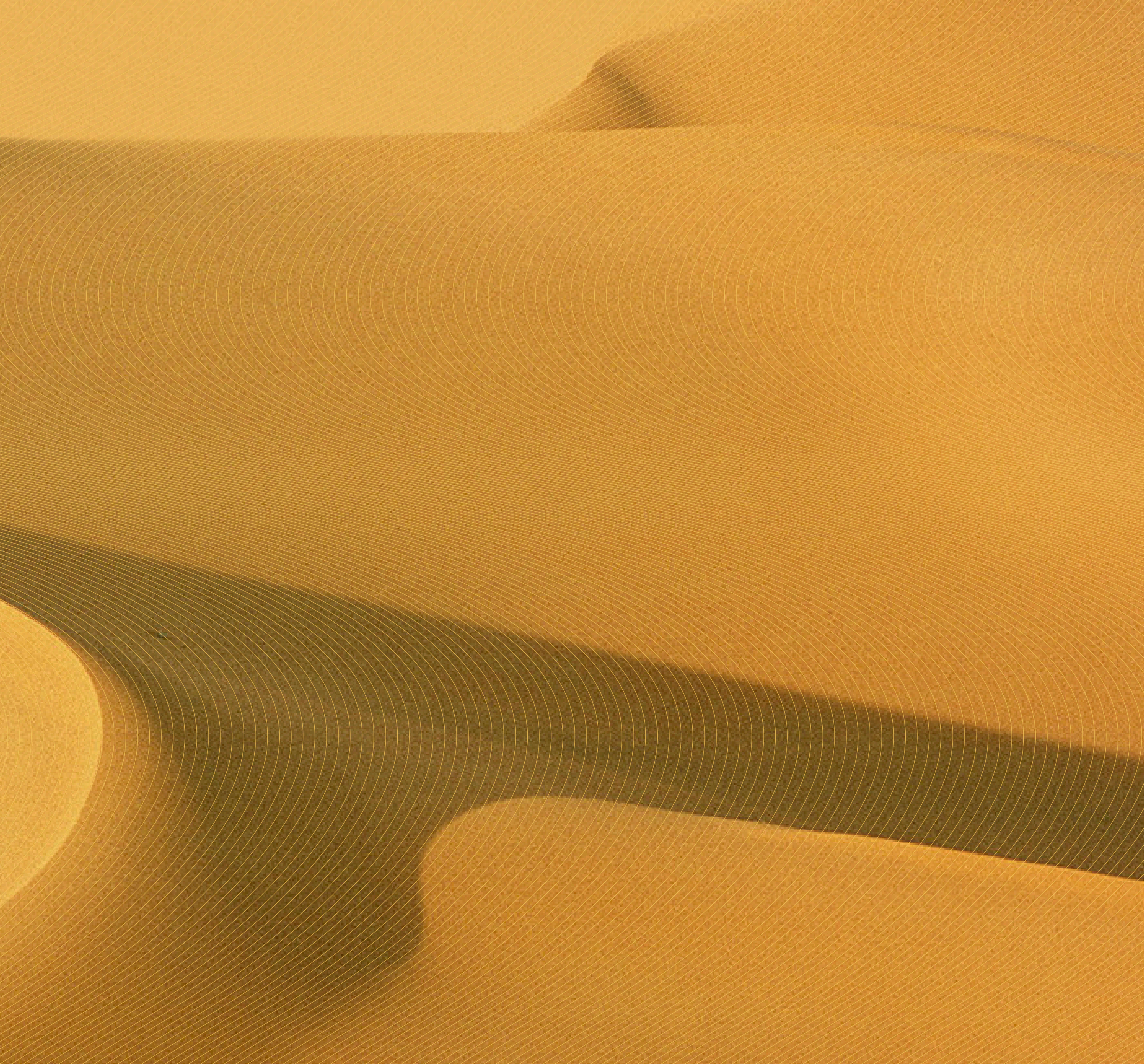
2014 Annual Report

THE ONLY CONSTANT

OCC


The only constant
IS
CHANGE



As the financial services landscape changes, so does OCC. The legislative and regulatory drive to make greater use of central counterparties following the financial crisis underscores the importance of OCC. Our role in contributing to sound capital markets and the stability of the broader economy is evident. We are fundamentally altering how we do things—policies and procedures, internal business controls, testing and validation processes, core risk management methodologies and capital management—to enhance our resiliency and meet the heightened standards of a systemically important institution.

The only constant is change

CHANGE FOR THE BETTER

It is the dawn of a new era. Systemically important financial market utilities like OCC are challenged with heightened regulatory requirements. But with great challenges, come great opportunities. We embrace the opportunity to play a larger, more important role in the world's capital markets and to provide an unprecedented level of safety to investors. These changes are closely aligned with our core mission of risk management, operational integrity and internal controls. OCC is prepared for what tomorrow brings.

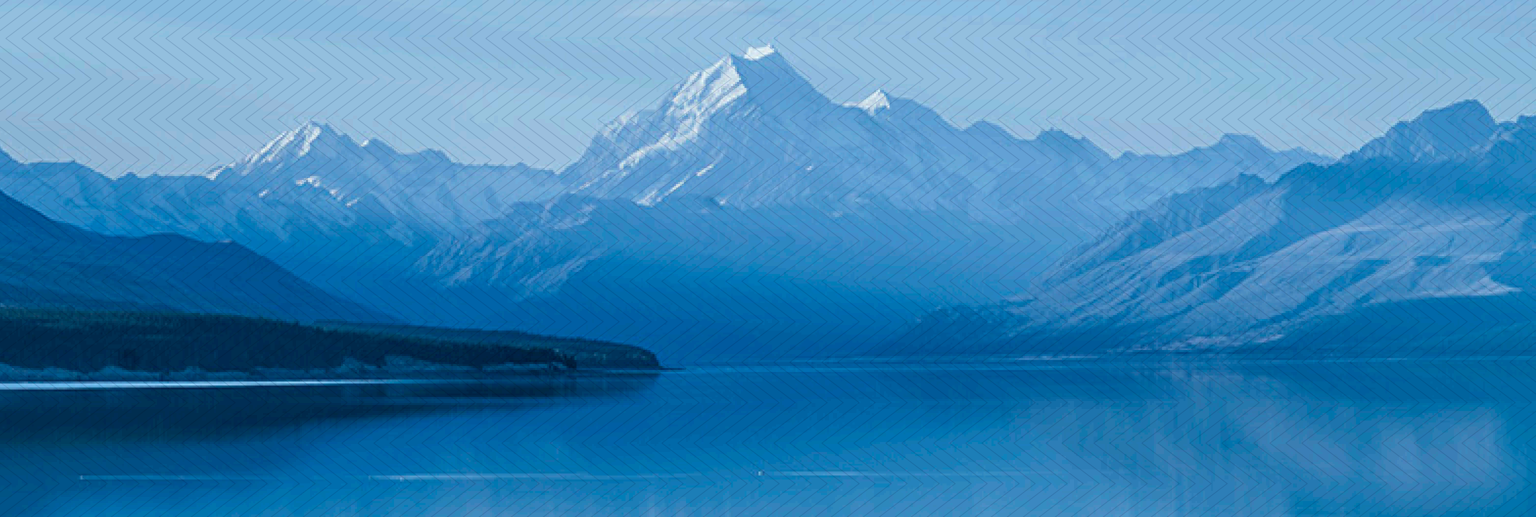
Change for the better

BETTER SAFER STRONGER

At the center of the options industry is OCC. Participants rely on us for the performance of every transaction we clear. We hold approximately $100 billion in collateral deposited by clearing members and move billions of dollars every day. In October alone, 491 million total options contracts traded. Clearing at these heights goes hand-in-hand with the need for superior risk management. OCC's central counterparty guarantee secures a safe, strong marketplace.

Better safer stronger

STRONGER
RESILIENT
SECURE



Greater transparency enhances investor confidence. We increased our transparency with market participants by publishing our Disclosure Framework for Financial Market Infrastructures. We also developed a Recovery and Wind Down Plan that recognizes OCC's critical importance to the proper functioning of the U.S. capital markets and the broader economy. We have taken further measures to bolster our resiliency by expanding our control functions, developing a risk appetite framework, enhancing the validation of our margin models and clearing fund sizing, and continuously improving our systems and procedures. Our mission as the foundation for secure markets has never been more clear.

OUR BACKGROUND

Founded in 1973, OCC is the largest clearing organization in the world for equity derivatives. Operating under the jurisdiction of the U.S. Securities and Exchange Commission (SEC) and the U.S. Commodity Futures Trading Commission (CFTC), OCC issues and clears U.S.-listed options and futures on a number of underlying financial assets including common stocks, currencies and stock indexes. OCC's clearing membership consists of approximately 120 of the largest U.S. broker-dealers, U.S. futures commission merchants and non-U.S. securities firms representing both professional traders and public customers. The stockholder exchanges share equal ownership of OCC. This ownership, along with a significant clearing member presence on the Board of Directors, ensures a continuing commitment to servicing the needs of OCC's participant exchanges, clearing members and their customers. OCC provides clearing services for options, financial and commodity futures, security futures, securities lending transactions and over-the-counter equity options.

OUR MISSION

As the world's largest equity derivatives clearinghouse, our mission is to provide market participants with innovative risk management solutions. We pride ourselves on offering industry leading efficiencies in the clearing and settlement of options, futures and other financial transactions. We also value the important role we play in educating investors and the public about the prudent use of options and futures markets. As a systemically important institution, we recognize our critical role in promoting financial stability and integrity in every market we serve. That is why we continually strive to achieve the highest standards possible in everything that we do.

PARTICIPANT EXCHANGES

BATS Exchange, Inc.
Lenexa, KS

BOX Options Exchange LLC
Boston, MA

C2 Options Exchange, Incorporated
Chicago, IL

Chicago Board Options Exchange, Incorporated
Chicago, IL

International Securities Exchange, LLC
New York, NY

ISE Gemini, LLC
New York, NY

Miami International Securities Exchange, LLC
Princeton, NJ

NASDAQ OMX BX, Inc.
Boston, MA

NASDAQ OMX PHLX, LLC
Philadelphia, PA

The NASDAQ Stock Market LLC
New York, NY

NYSE Arca, Inc.
Chicago, IL

NYSE MKT LLC
New York, NY

FUTURES MARKETS

CBOE Futures Exchange, LLC
Chicago, IL

ELX Futures, LP
New York, NY

NASDAQ Futures, Inc.
Philadelphia, PA

NYSE Liffe US LLC*
New York, NY

OneChicago, LLC
Chicago, IL

ALTERNATE TRADING SYSTEMS (SECURITIES LENDING)

Automated Equity Finance Markets, Inc.
New York, NY

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*In 2014, OCC provided counterparty and clearing services for certain NYSE Liffe US LLC futures contracts through June 27, 2014. The clearing of those futures contracts was transferred from OCC to another derivatives clearing organization by NYSE Liffe US LLC effective on June 30, 2014.

Year in Review

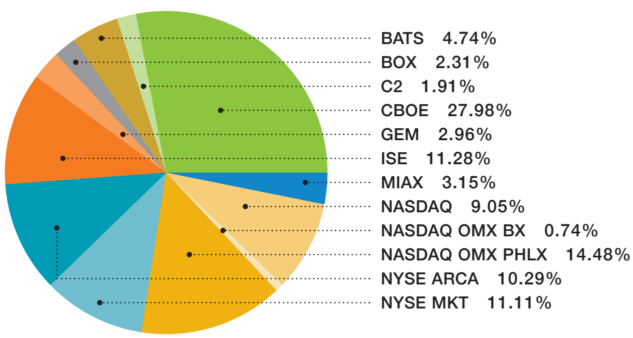
OPTIONS VOLUME

BATS TOTAL CONTRACTS	201,985,667	
Equity	201,985,667	100.00%
BOX TOTAL CONTRACTS	98,486,620	
Equity	98,486,270	100.00%
Index	350	0.00%
C2 TOTAL CONTRACTS	81,387,833	
Equity	80,837,742	99.32%
Index	550,091	0.68%
CBOE TOTAL CONTRACTS	1,193,388,385	
Equity	787,440,166	65.98%
Index	405,948,219	34.02%
GEM TOTAL CONTRACTS	126,154,309	
Equity	125,994,032	99.87%
Index	160,277	0.13%
ISE TOTAL CONTRACTS	481,279,337	
Equity	480,165,682	99.77%
Index	1,113,655	0.23%
MIAX TOTAL CONTRACTS	134,535,972	
Equity	134,535,972	100.00%
NASDAQ TOTAL CONTRACTS	386,177,089	
Equity	385,767,284	99.89%
Index	409,805	0.11%
NASDAQ OMX BX TOTAL CONTRACTS	31,590,712	
Equity	31,590,712	100.00%
NASDAQ OMX PHLX TOTAL CONTRACTS	617,770,938	
Equity	616,883,051	99.86%
Index	887,887	0.14%
NYSE ARCA TOTAL CONTRACTS	438,869,148	
Equity	433,578,453	98.79%
Index	5,290,695	1.21%
NYSE MKT TOTAL CONTRACTS	473,742,797	
Equity	467,808,136	98.75%
Index	5,934,661	1.25%
OCC TOTAL OPTIONS CONTRACTS	**4,265,368,807**	
Equity	**3,845,073,167**	**90.15%**
Index	**420,295,640**	**9.85%**

FUTURES VOLUME

CFE TOTAL CONTRACTS	50,615,305	
Index/Other Futures	50,615,305	100.00%
NYL TOTAL CONTRACTS	6,127,295	
Index/Other Futures	6,127,295	100.00%
ONE TOTAL CONTRACTS	10,907,977	
Single Stock Futures	10,907,977	100.00%
OCC TOTAL FUTURES CONTRACTS	**67,650,577**	
Index/Other Futures	**56,742,600**	**83.88%**
Single Stock Futures	**10,907,977**	**16.12%**

OPTIONS EXCHANGE MARKET SHARE



To our members, customers and employees

> "The driver behind the changes at OCC is a keen focus on bolstering our resiliency."

On behalf of the Board of Directors and employees of OCC, I am pleased to share our 2014 Annual Report as we continue on our mission to deliver world class risk management, clearance and settlement services to support our clearing member firms and to help grow this increasingly important marketplace.

Continued strong growth in the U.S. options industry, despite the changing landscape that we operate in, has been one constant that has benefitted us all. 2014 represented the second highest year in our 41-year history, with cleared contract volume of more than 4.3 billion. 2014 also was a year of tremendous change at OCC as we took aggressive steps to increase our resiliency, enhance our capital base, and further strengthen our governance and management structure. Additionally, working with our exchange partners in the U.S. Securities Markets Coalition, we advanced our leadership position in Washington on several important industry issues.

Enhanced Resiliency

In 2012, OCC was designated a Systemically Important Financial Market Utility (SIFMU) by the Financial Stability Oversight Council. This designation significantly expanded the regulatory requirements and regulators' expectations for how we conduct business at OCC. In addition to direct regulation by the U.S. Securities and Exchange Commission (SEC) and the U.S. Commodities Futures Trading Commission (CFTC), we are now subject to the prudential oversight of the Board of Governors of the Federal Reserve System. As a systemically important institution, we recognize the critical role we play in promoting financial stability and integrity in every market we serve. This has prompted a comprehensive review of every aspect of our business: policies and procedures, regulatory compliance, internal business controls, testing and validation processes, and core risk management methodologies.

The driver behind the changes taking place at OCC is a keen focus on bolstering our resiliency. Notable accomplishments toward this effort include expanding our control functions (compliance, enterprise risk management and internal audit), developing a comprehensive risk framework, enhancing the validation of our margin and clearing fund models, enhancing our liquidity risk management capabilities, and increasing support to our business functions so that they can focus on continuous improvement to our systems, business processes and internal controls. Like other systemically important financial institutions, we increased our transparency with market users by publishing our Disclosure Framework for Financial Market Infrastructures. We also developed a Recovery and Wind Down Plan that recognizes our critical importance to the proper functioning of the U.S. capital markets and the broader economy, which we will soon be sharing with our regulators and thereafter with our market users.

To support continued growth in our markets and ensure that we have adequate resources, we increased our committed liquidity facilities from $2 to $3 billion. In an effort to reduce pro-cyclicality and capacity concerns, we also were the first major clearinghouse to diversify our committed credit facilities by establishing credit facilities with highly-qualified nonbank financial institutions. Additionally, working closely with our exchange partners, we led the development and adoption of a principles-based set of exchange risk controls standards designed to reduce the risk of errors or unintended activity that could cause or contribute to a financial loss to market participants and OCC. Adoption of these new standards represents a major step forward in our collective goal of enhancing industry protections.

Strong Capital Plan

In March 2014, the SEC published its Covered Clearing Agency proposal, including new capital requirements that will necessitate a large increase in shareholders' equity at OCC. In March 2015, following months of work and dialogue with regulators, the SEC approved a new capital plan that enables OCC to be compliant with the proposed new standards. As required by the plan, OCC's stockholders, Chicago Board Options Exchange, Incorporated, International Securities Exchange, LLC, NASDAQ OMX PHLX, LLC, NYSE MKT LLC, and NYSE Arca, Inc. have contributed $150 million in equity capital, increasing OCC shareholders' equity to approximately $247 million. The stockholders also commit to provide specified replenishment capital if needed.

Under the plan, after retaining equity capital sufficient to ensure that OCC remains above its target capital requirement, OCC will pay a refund equal to 50 percent of distributable earnings before tax. The exchange stockholders will then receive dividends equal to the after-tax income in excess of the amount required to maintain OCC's target capital requirement. The plan also stipulates that OCC targets a 25 percent buffer margin on revenue, a reduction of 6 percent from the 31 percent average over the last decade. The reduction in target buffer margin reflects OCC's commitment to operating as an industry utility and ensuring that market participants benefit as much as possible from OCC's operational efficiencies in the future.

Finally, the new capital plan enables OCC to refund $33.3 million from 2014 fees to its clearing members and return to a lower average fee schedule during the second quarter of 2015. Cumulative refunds and discounts since 1974 exceed $2 billion.

The new plan strengthens OCC's capital base and facilitates OCC's compliance with proposed SEC regulations applicable to SIFMUs well in advance of the expected implementation date. The alternative would have been to institute an immediate and prolonged large increase in fees that likely would have had severe negative consequences including widened bid/ask spreads, reduced liquidity and higher costs for investors.

Governance and Management Enhancements

Effecting change requires engaged governance and strong leadership. We continue to strengthen our governance processes, and as a systemically important institution we are mindful of our responsibility to the public to secure sound financial markets. We have increased the number of public directors on our Board to five to ensure that we have the broad perspectives that best support taking into account public interests when making decisions. In 2015, we appointed two new public directors. Thomas Cardello, owner of Venice Group, LLC, and Robert Litterman, Chairman of the Risk Committee at Kepos Capital, will enhance the diversity, skills and expertise of our Board, especially in the critical area of risk management.

We strengthened our leadership team with the promotions of Michael McClain to President and COO, John Fennell to Executive Vice President, Financial Risk Management, and Jim Kustusch to Senior Vice President, Operations. We also expanded our team, welcoming Kim McGarry as Chief Financial Officer, Tracy Raben as Chief Human Resources Officer, Laurie Flom as head of Enterprise Risk Management, John Grace as Chief Risk Officer, Scot Warren as Executive Vice President, Business Development and OIC, and Luke Moranda as Chief Information Officer. With this leadership team in place and with the continued commitment and dedication of our employees, we are well prepared to execute on our priorities as we continue to effectuate the changes necessary to meet the heightened expectations that regulators and market participants have for OCC.

Leadership in Washington

Working with our exchange partners in the U.S. Securities Markets Coalition, OCC strengthened its presence in Washington as a leading industry advocate on important regulatory, legislative and tax issues affecting our industry. The year started with an ongoing focus on a tax reform proposal by the Chairman of the House Ways and Means

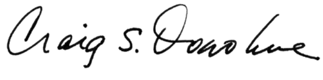
"We continue to enhance our resiliency, strengthen market protections and deliver efficiencies for our stakeholders."

Committee that would require options to be marked to market and treat any gains as ordinary income rather than capital gains. The proposal would also treat an appreciated stock position as being sold if an investor enters into a related risk-reducing options transaction that bears no economic resemblance to actually selling the stock. We worked diligently to ensure that members of Congress and the Administration understand the potentially devastating impact that this aspect of the proposal would have on options market participants.

OCC and the Coalition also worked with the Treasury Department and IRS to minimize the impact of a proposed rule that could potentially discourage foreign investors from using listed options by subjecting certain of their transactions to dividend withholding tax. We have been active with our Coalition partners in addressing the impact on the listed options market of certain provisions of the capital rules for banks adopted by regulators at the end of 2013. Such rules may be interpreted to require a U.S. bank, when calculating its trade exposures to customers, to disregard risk-reducing properties of certain "spread" positions in listed options and to impose capital requirements that are entirely unrelated to the economic risks entailed in such transactions. This could result in a dramatic increase in the capital required to support customer positions for many market making firms, despite the limited risk. Finally, we have been actively working with European and U.S. regulators to ensure that OCC is recognized as a Qualifying Central Counterparty under the European Market Infrastructure Regulation regime. The recognition would have a significant positive effect on the regulatory capital requirements for OCC's European bank-affiliated clearing members with respect to their exposures to OCC.

In Closing

While our business and regulatory environment continues to change, the OCC mission is the same. We remain committed to providing confidence in the markets we serve through a robust and transparent risk management framework, delivered in an efficient and cost-effective manner. As the foundation for secure markets, we will continue to enhance our resiliency, strengthen market protections and deliver efficiencies for all of our stakeholders, enabling them to better serve their customers.



Craig S. Donohue
Executive Chairman

To our members, customers and employees

"Ongoing enhancements to OCC's risk management systems increase the overall performance of our clearing capabilities."

Thanks to the commitment and hard work of our employees, in 2014 OCC strengthened its long-standing position as a reliable leader in clearing and settlement services, safely and efficiently processing steadily increasing contract volume and serving the needs of our clearing member firms and other market participants. October was the second highest monthly volume on record with 491 million options contracts cleared. Average daily volume totaled 16.9 million contracts. Open interest, or the total number of options contracts outstanding, peaked on November 20 with 367.5 million contracts. Beyond options, it was a record year for OCC cleared futures markets. Year-end futures volume totaled 67.7 million contracts, exceeding 2013 volume by 14 percent. Securities lending activity posted strong numbers with 1.2 million new transactions and an average daily loan value of more than $131 billion.

As a systemically important financial market utility, OCC's highest priority is accelerating the progress we are making in adapting to new regulatory standards and completing our regulatory remediation objectives. We made significant headway toward this objective in 2014 and we remain fully engaged in this effort. Meeting these new standards necessitated an increase in operating costs of 22 percent, which was done after a strategic review of expenses to generate savings that would not negatively impact our resiliency, including changes to employee benefits plans as well as the new capital plan. These efforts greatly minimized the impact of our increased expenses on fees, resulting in an average of 3.3 cents per cleared contract after refunds. Net income before taxes for fiscal year 2014 was $109.1 million. We will continue to take steps to ensure that we are disciplined in managing costs while improving our capabilities to strengthen market protections for our stakeholders and their customers.

OCC's guarantee function is supported by a comprehensive system of safeguards—a sophisticated risk management framework combined with a deep pool of financial resources that consist of prudent margin requirements and a clearing fund intended to provide coverage in extreme market conditions. In 2014 we implemented advanced stress testing designed to strengthen our risk framework and ensure resilience of our financial resources. We received SEC approval in December to limit a clearing member's ability to deposit collateral that does not hedge its exposure or that presents wrong-way risk. We improved monitoring capabilities to better forecast concentrations of liquidity demands and, where these concentrations are excessive, mitigate the risk through intra-day margin calls. The bulk of our expense increase has been dedicated to complementing our expertise in equity derivatives risk management with deeper centers of excellence around vertical financial risk areas. We have constructed specific functions dedicated to credit, liquidity, market and default risk. By focusing on specific areas while building a broad understanding of our total financial resources, we enable innovations in risk management.

Mitigating model risk is an important focus at OCC. We implemented a process that continuously assesses the adequacy and performance of existing models during periods of evolving market conditions. We also bolstered the infrastructure that supports our independent model validation program.

We continue to reduce systemic risk while providing capital efficiencies and increased liquidity for our members through our cross-margin program. By recognizing the offsetting value of hedged positions across clearinghouses such as the Chicago Mercantile Exchange (CME) and ICE Clear US, cross-margining increases the overall resiliency of the derivatives markets, especially during times of market disruption. OCC/CME cross-margin participants realized an average daily reduction in margin requirements of $700 million in 2014, or an average of 54 percent savings per participant.

“While building a broad understanding of our total financial resources, we enable innovations in risk management.”

Ongoing enhancements to OCC’s risk management systems increase the overall performance of our clearing capabilities. The final and most complex phase of ENCORE Prices culminated this past June. This technology upgrade spanned three years and has improved processing speed, resulting in earlier price feeds to members.

We also implemented changes to futures processing. We now calculate SPAN margins for segregated customer futures accounts and compare those results with OCC’s STANS margin, ensuring that clearing margin is enhanced by price risk coverage that reflects the greater protection on any day. This allows us to leverage the quantitative basis of value at risk and portfolio margining to determine prudent SPAN parameters while maintaining consistency and transparency.

OCC’s innovative services are designed to help grow and protect the markets. In April, OCC launched clearing services for dealer-to-dealer over-the-counter (OTC) S&P 500® equity index options transactions. The new clearing service preserves the bespoke and flexible nature of OTC transactions while providing centralized clearing and risk management efficiencies fully backed by OCC’s financial safeguards. We supported the development and launch of new exchange products including the Short-Term Volatility Index, the CBOE/CBOT 10-Year U.S. Treasury Note Volatility Index, and OCX.Weekly futures.

Our efforts to ensure that the listed options markets remain vibrant and liquid in the eyes of regulators underscore the importance of continued education. A strong education program contributes to stronger policy making and fosters more prudent investors. To that end, OCC continues to lead The Options Industry Council (OIC), an industry collective whose mission is to educate investors about the responsible use of exchange-listed options. In August, OIC released the results of its second benchmark study, which found the growing use of options among financial advisors has never been greater. OIC also supported a study on European demand for options that reflected steady use of options with an increase in more sophisticated strategies. Other initiatives included a mobile application for iOS devices, new live seminar curriculum and an interactive Options Glossary. Strategic alliances with Borsa Istanbul, Saxo Bank and Shanghai Stock Exchange as well as a Memorandum of Understanding with China Futures Association provide a cost-efficient way to expand OIC’s educational reach beyond our borders. We remain committed to creating greater awareness and understanding of the value and importance of these markets.

OCC continues to identify and implement efficiencies that benefit our market participants. Shifting standard expiration processing from Saturday to Friday has driven trade date reconciliation by clearing members and promoted a consistent expiration process across all options products. This past April the exchanges supported members' request to move up trade submission deadlines, providing firms with additional time to complete allocations, trade date reconciliation and verification of customer instructions. Efforts to streamline trade clearing and balancing have improved the overall process as we move toward an expiration window close of 8:30 p.m. CT. Enhancements to OCC's website increased communication and transparency with clearing members and customers. All OCC-issued information memos are now accessible to the public, and a redesigned Email Alerts Center allows subscription options to support the additional memo categories.

Resiliency within the financial services community is supported through rigorous business continuity efforts. A key focus for the year was cybersecurity. In collaboration with ChicagoFIRST, OCC implemented a national cybersecurity framework designed to strengthen a company's cybersecurity posture and better understand cyber risk. An October industry-wide connectivity test validated communications capabilities between OCC's backup site and key exchange and clearing member systems. We hold a leadership role in ChicagoFIRST and remain active in local and national organizations and industry initiatives focused on security and business continuity, including the Chicago Office of Emergency Management Communications, Financial Services Sector Coordinating Council for Critical Infrastructure Protection and Homeland Security, and Financial Services Information Sharing and Analysis Center.

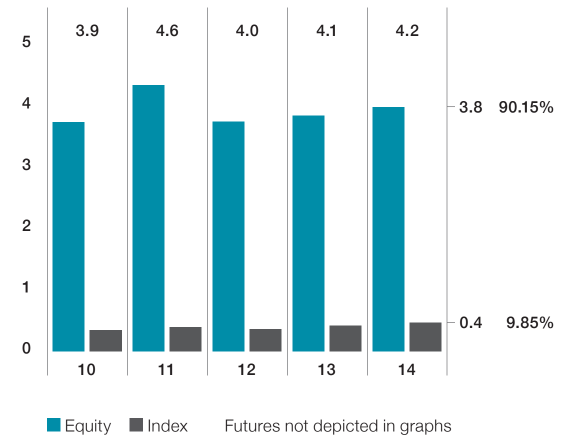
In an economic environment undergoing constant change, OCC continually strives to support the markets that we serve with a focus on innovation and creating greater efficiencies. Enhancements to systems and operations implemented in 2014 not only ensure reliable clearing, settlement and risk management services but also prepare us for what tomorrow brings. Throughout our history we have safely guided our customers through a dynamic marketplace, and the year ahead will be no exception.

Michael W. McClain

Michael W. McClain
President and
Chief Operating Officer

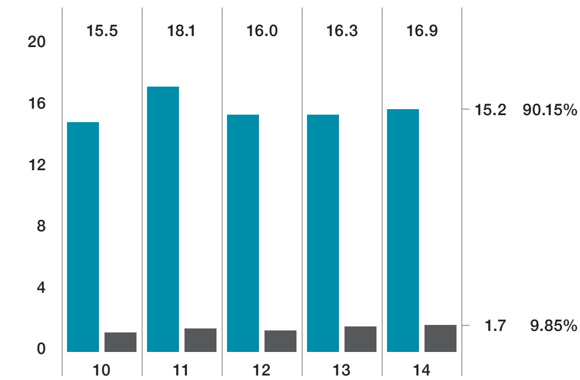
TOTAL CLEARED CONTRACT VOLUME

in billions

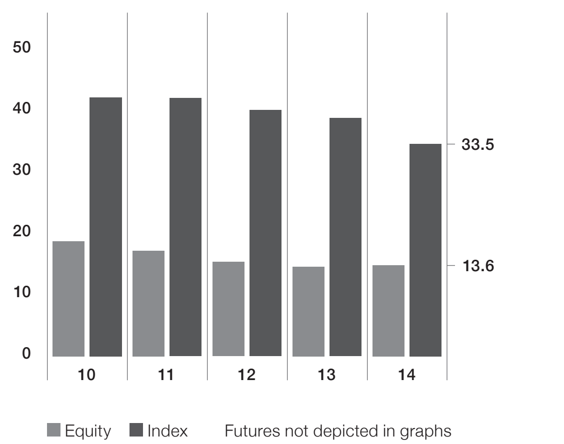


AVERAGE DAILY CONTRACT VOLUME

in millions

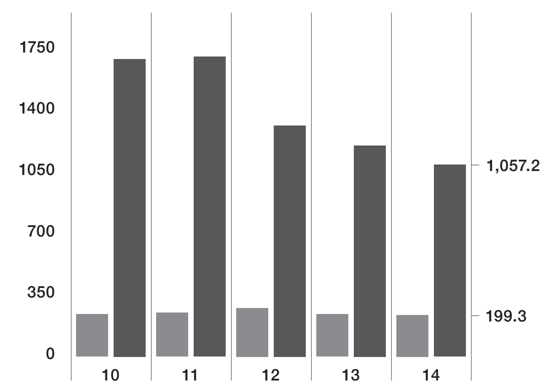


AVERAGE CONTRACTS PER CLEARED TRADE



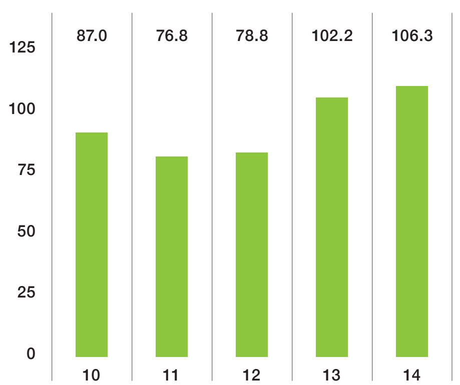
AVERAGE PREMIUM PER CONTRACT

in dollars



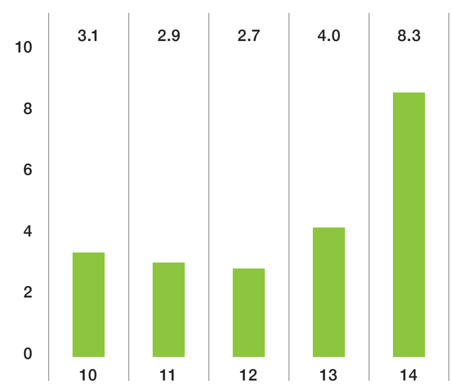
MARGIN HELD

(at year-end) in billions of dollars



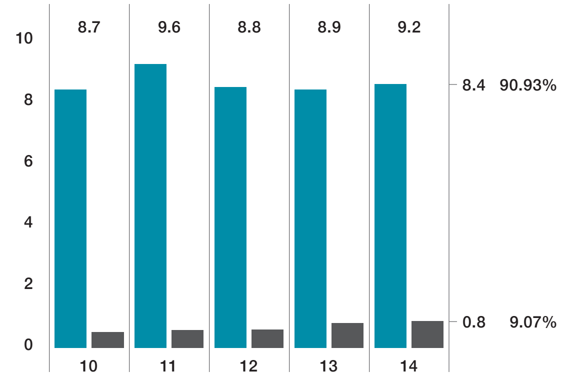
CLEARING FUND HELD

(at year-end) in billions of dollars



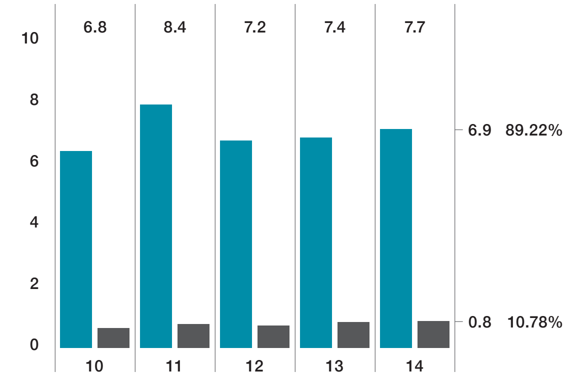
AVERAGE DAILY CALL VOLUME

in millions



AVERAGE DAILY PUT VOLUME

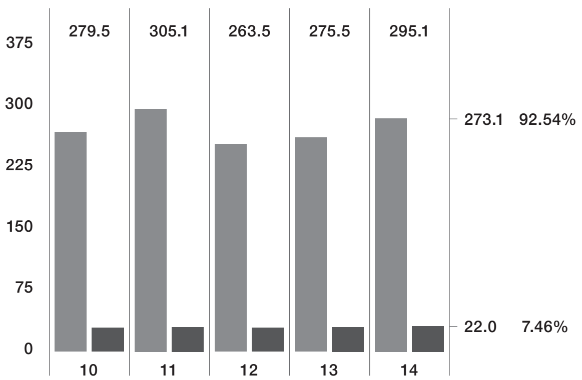
in millions



Equity Index Futures not depicted in graphs

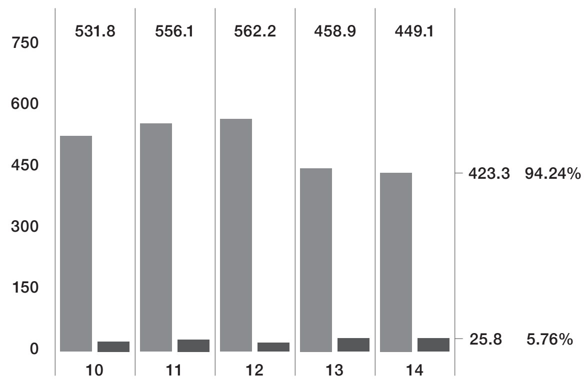
AVERAGE MONTH-END OPEN INTEREST

in millions



CONTRACTS EXERCISED

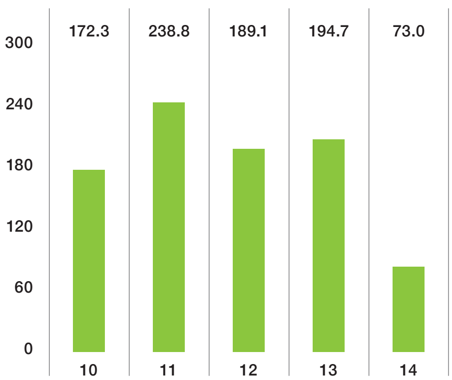
in millions



Equity Index Futures not depicted in graphs

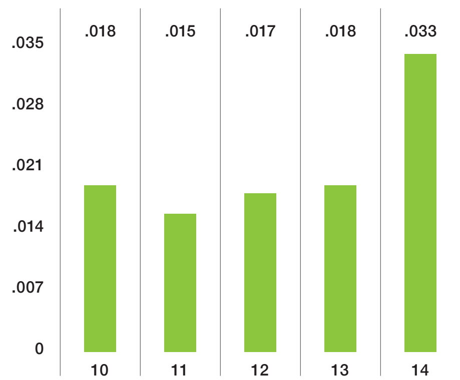
REFUND AND DISCOUNT AMOUNT

in millions of dollars



AVERAGE FEE PER CONTRACT SIDE

after refund and discounts in dollars



Board of Directors

as of December 31, 2014

Craig S. Donohue
Executive Chairman

Felix B. Davidson
Member Vice Chairman, OCC
President
TD Ameritrade Clearing, Inc.

Craig T. Abruzzo
Managing Director
Morgan Stanley & Co. LLC
Served until March 2014

Steven G. Crutchfield
Senior Vice President, Head of U.S. Options
NYSE Euronext
Served until February 2014

Matthew B. Gelber
President
Bitterroot Asset Management, LLC

David S. Goone
Senior Vice President, Chief Strategic Officer
IntercontinentalExchange, Inc.
New York Stock Exchange
Commenced service February 2014

Gary Katz
President and Chief Executive Officer
International Securities Exchange, LLC

Elizabeth K. King
Head of Regulatory Affairs
KCG Holdings, Inc.
Served until February 2014

Kevin G. Russell
Managing Director, Head of Equities Trading for the Americas
Citigroup Global Markets Inc.

John M. Ruth
Chief Executive Officer
ABN AMRO Clearing Chicago LLC
Commenced service April 2014

Christine L. Show
Managing Director and Global Head of Listed Derivative Operations
Newedge USA, LLC
Commenced service April 2014

Edward T. Tilly
Chief Executive Officer
Chicago Board Options Exchange, Incorporated

Mark F. Dehnert
Managing Director
Goldman Sachs Execution & Clearing, L.P.
Commenced service April 2014

Raymond J. Di Sanza
Senior Vice President, Operational Services
Charles Schwab & Co., Inc.

Thomas W. Farley
President
New York Stock Exchange
Commenced service February 2014

Meyer S. Frucher
Vice Chairman
The NASDAQ OMX Group, Inc.

Judith M. Kula
Chief Financial Officer
Wolverine Execution Services, LLC
Commenced service April 2014

Richard R. Lindsey
Chief Investment Strategist
Janus Liquid Alternatives

Gerard J. McGraw
President, Fidelity Institutional
Fidelity Investments
Served until April 2014

Craig C. Messinger
Executive Vice President
Global Head of Trading and Risk Management
The Bank of New York Mellon

Jonathan B. Werts
Managing Director, Global Execution Services
Bank of America Merrill Lynch

Alice Patricia White
Economist

John S. Willian
Managing Director, Global Prime Services
Goldman, Sachs & Co.
Served until April 2014

Board Committees and Senior Officers

BOARD COMMITTEES

Audit Committee

Alice Patricia White (Chair)
Raymond J. Di Sanza
Matthew B. Gelber
Judith M. Kula
Richard R. Lindsey
Edward T. Tilly

Governance & Nominating Committee

Matthew B. Gelber (Chair)
Gary Katz
Richard R. Lindsey
Christine L. Show
Alice Patricia White

Performance Committee

Felix B. Davidson (Chair)
Craig S. Donohue
Meyer S. Frucher
David S. Goone
Richard R. Lindsey
Craig C. Messinger
Jonathan B. Werts

Risk Committee

Richard R. Lindsey (Chair)
Felix B. Davidson
Mark F. Dehnert
Craig S. Donohue
Matthew B. Gelber
Kevin G. Russell
John M. Ruth
Alice Patricia White

TERM EXPIRATIONS (MEMBER DIRECTORS & PUBLIC DIRECTORS)

April 2015

Felix B. Davidson
Kevin G. Russell
Christine L. Show
Alice Patricia White

April 2016

Raymond J. Di Sanza
Matthew B. Gelber
Judith M. Kula
Jonathan B. Werts

April 2017

Mark F. Dehnert
Richard R. Lindsey
Craig C. Messinger
John M. Ruth

SENIOR OFFICERS

Craig S. Donohue
Executive Chairman

Michael W. McClain
President and Chief Operating Officer

James E. Brown
Executive Vice President, General Counsel and Secretary

John J. Fennell
Executive Vice President, Financial Risk Management

John J. Grace
Executive Vice President and Chief Risk Officer

Scot E. Warren
Executive Vice President, Business Development and OIC

Jean M. Cawley
Senior Vice President and Deputy General Counsel

James T. Knoeck
Senior Vice President and Chief Audit Executive

James M. Kustusch
Senior Vice President, Operations

Kimberly J. McGarry
Senior Vice President and Chief Financial Officer

Luke P. Moranda
Senior Vice President and Chief Information Officer

Tracy A. Raben
Senior Vice President and Chief Human Resources Officer

Raymond T. Tamayo
Senior Vice President, Information Technology

Richard G. Wallace
Senior Vice President and Chief Compliance Officer

FINANCIAL SECTION

Statements of Financial Condition

December 31	2014	2013
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 143,700,393	$ 90,586,322
Accounts receivable	38,369,395	23,244,993
Exchange billing receivable Note 12	109,952,555	96,326,934
Due from participant exchanges Note 12	451,347	328,262
Other current assets	7,592,485	7,692,630
Deferred income taxes Note 13	13,234,414	1,095,900
Total Current Assets	313,300,589	219,275,041
Property and Equipment:		
Building, land and building improvements	5,890,779	5,789,927
Leasehold improvements	7,051,945	6,998,856
Equipment, furniture and other	11,329,368	10,908,027
Software	135,040,897	131,715,518
Total property and equipment	159,312,989	155,412,328
Accumulated depreciation and amortization	(133,188,036)	(127,601,448)
Property and equipment – net	26,124,953	27,810,880
Clearing fund deposits Notes 6, 16	8,267,047,000	4,023,315,000
Other assets Notes 10, 16	35,704,357	34,956,968
Deferred income taxes Note 13	29,581,690	28,804,482
Total Assets	$ 8,671,758,589	$ 4,334,162,371
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and other	$ 22,286,456	$ 16,491,961
SEC transaction fees payable Note 12	29,363,507	21,151,046
Refundable clearing fees Note 9	33,319,349	46,997,637
Exchange billing payable Note 12	109,952,555	96,326,934
Other accrued liabilities	14,689,993	7,747,868
Total Current Liabilities	209,611,860	188,715,446
Clearing fund deposits Notes 6, 16	8,267,047,000	4,023,315,000
Other liabilities Notes 14, 15	97,970,774	96,690,190
Total Liabilities	8,574,629,634	4,308,720,636
Shareholders' Equity: Note 7		
Common stock	600,000	600,000
Paid-in capital	2,059,999	2,059,999
Retained earnings	124,636,279	60,360,104
Accumulated other comprehensive loss Notes 14, 15 (net of tax benefit of $19,305,009 in 2014 and $23,480,964 in 2013)	(29,833,990)	(37,245,035)
Total	97,462,288	25,775,068
Treasury stock	(333,333)	(333,333)
Total Shareholders' Equity	97,128,955	25,441,735
Total Liabilities and Shareholders' Equity	$ 8,671,758,589	$ 4,334,162,371

See Notes to Financial Statements

Statements of Income and Comprehensive Income

December 31	2014	2013	2012
REVENUES			
Clearing fees Note 9	$ 293,102,612	$ 156,481,334	$ 143,415,799
Exercise fees	4,106,897	3,410,361	2,847,379
Data service fees	4,621,711	4,421,517	4,375,716
Investment income Note 10	3,217,184	4,223,257	4,765,795
Other	711,158	606,014	1,826,930
Total Revenues	305,759,562	169,142,483	157,231,619
EXPENSES			
Employee costs	95,744,464	82,281,615	78,925,567
Information technology	26,025,120	25,669,434	25,648,384
Professional fees and outside services	43,757,927	28,524,775	18,542,226
General and administrative	19,691,385	18,957,781	19,193,992
Rental, office and equipment	5,552,580	5,169,402	5,195,639
Depreciation and amortization	5,891,833	4,839,476	4,550,811
Total Expenses	196,663,309	165,442,483	152,056,619
Income Before Income Taxes	109,096,253	3,700,000	5,175,000
Provision (Benefit) for Income Taxes: Note 13			
Federal – current	58,779,397	2,936,187	(2,887,272)
State and local – current	3,132,358	242,373	287,215
Federal – deferred	(16,347,813)	(964,782)	4,028,178
State and local – deferred	(743,864)	(85,057)	184,079
Provision for Income Taxes	44,820,078	2,128,721	1,612,200
Net Income	64,276,175	1,571,279	3,562,800
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX Note 7			
Pension and postretirement benefit plan adjustments, net of tax of $4,175,955 in 2014, $6,779,561 in 2013 and ($2,416,714) in 2012	7,411,045	12,237,439	(4,362,285)
Comprehensive Income (Loss)	$ 71,687,220	$ 13,808,718	$ (799,485)

See Notes to Financial Statements

Statements of Shareholders' Equity

	Common Stock	Paid-in-Capital	Accumulated Other Comprehensive Loss	Treasury Stock	Retained Earnings	Total
Balance January 1, 2012	$600,000	$2,059,999	$(45,120,189)	$(333,333)	$55,226,025	$12,432,502
Net income					3,562,800	3,562,800
Amounts included in other comprehensive loss, net of tax:						
Changes in unamortized transition asset			14,157			14,157
Changes in unamortized (loss)			(2,278,633)			(2,278,633)
Changes in unamortized prior service (cost)			(2,097,809)			(2,097,809)
Subtotal			(4,362,285)			(4,362,285)
Balance December 31, 2012	600,000	2,059,999	(49,482,474)	(333,333)	58,788,825	11,633,017
Net income					1,571,279	1,571,279
Amounts included in other comprehensive loss, net of tax:						
Changes in unamortized gain			14,082,997			14,082,997
Changes in unamortized prior service (cost)			(1,845,558)			(1,845,558)
Subtotal			12,237,439			12,237,439
Balance December 31, 2013	600,000	2,059,999	(37,245,035)	(333,333)	60,360,104	25,441,735
Net income					64,276,175	64,276,175
Amounts included in other comprehensive loss, net of tax:						
Changes in unamortized (loss)			(13,528,819)			(13,528,819)
Changes in unamortized prior service credit			20,939,864			20,939,864
Subtotal			7,411,045			7,411,045
Balance December 31, 2014	$600,000	$2,059,999	$(29,833,990)	$(333,333)	$124,636,279	$97,128,955

See Notes to Financial Statements

Statements of Cash Flows

December 31	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 64,276,175	$ 1,571,279	$ 3,562,800
Adjustments to reconcile net income to net cash flows from operating activities:			
Unrealized losses (gains) on investments	2,882,337	(2,108,852)	(2,071,268)
Depreciation and amortization	5,891,833	4,839,476	4,550,811
Loss on disposal of assets	58,079	—	—
Deferred income taxes	(17,091,677)	(1,049,839)	4,212,257
Changes in assets and liabilities:			
Accounts receivable and other receivables	(28,873,108)	(8,102,634)	(14,381,682)
Other current assets	100,145	(1,814,550)	(261,873)
Other assets	87,801	(306,122)	(1,028,689)
Purchases of investments	(91,160,788)	(7,867,061)	(14,189,109)
Sales of investments	87,443,261	6,120,023	13,081,120
Accounts payable and other liabilities	47,442,286	8,716,574	23,909,769
Refundable clearing fees	(13,678,288)	17,947,324	(8,985,605)
Net Cash Flows From Operating Activities	57,378,056	17,945,618	8,398,531
CASH FLOWS USED FOR INVESTING ACTIVITIES			
Capital expenditures	(4,263,985)	(9,986,574)	(9,501,447)
Net Cash Flows Used For Investing Activities	(4,263,985)	(9,986,574)	(9,501,447)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of notes	—	1,000,000	2,000,000
Borrowings on revolving line of credit	29,850,000	29,243,600	10,000,000
Repayments on revolving line of credit	(29,850,000)	(29,243,600)	(10,000,000)
Net Cash Flows From Financing Activities	—	1,000,000	2,000,000
Net increase in cash and cash equivalents	53,114,071	8,959,044	897,084
Cash and cash equivalents, beginning of year	90,586,322	81,627,278	80,730,194
Cash and cash equivalents, end of year	$ 143,700,393	$ 90,586,322	$ 81,627,278
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	$ 51,545,200	$ 2,829,500	$ 2,290,248
Cash paid for interest	17,287	14,395	19,163

See Notes to Financial Statements

Notes to the Financial Statements

As of December 31, 2014 and 2013, and for the years ended December 31, 2014, 2013 and 2012

NOTE 1. NATURE OF OPERATIONS

The Options Clearing Corporation ("OCC" or "the Corporation") operates under the jurisdiction of the Securities and Exchange Commission ("SEC") as a Registered Clearing Agency, the Commodity Futures Trading Commission ("CFTC") as a Derivatives Clearing Organization, and under prudential regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve") as a systemically important financial market utility ("SIFMU"). OCC provides central counterparty ("CCP") clearing and settlement services to 16 exchanges and trading platforms for options, financial futures, security futures and securities lending transactions. OCC clears contracts based on several types of underlying interests, including equity interests; stock, commodity and other indexes; foreign currencies; interest rate composites; debt securities and precious metals.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND USE OF ESTIMATES The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

CASH AND CASH EQUIVALENTS OCC considers all highly liquid investments with an initial maturity of three months or less from the date of purchase to be cash equivalents. Cash equivalents are comprised of investments in reverse repurchase agreements with major banking institutions, which mature on the next business day. Under these agreements, OCC purchases United States of America ("U.S.") Treasury securities and the counterparties agree to repurchase the instruments the following business day at a set price, plus interest. During the term of the agreements, the underlying securities are transferred through the Federal Reserve to a custodial account maintained by the issuing bank for the benefit of OCC. The reverse repurchase agreements are secured; as of December 31, 2014 and 2013, collateral must have a market value greater than or equal to 102% and 100%, respectively, of the cash invested. At December 31, 2014 and 2013, the carrying value of OCC's cash equivalents approximates fair value due to the short maturities of these investments.

PROPERTY AND EQUIPMENT Property and equipment are stated at historical cost, net of accumulated depreciation and amortization. Depreciation is computed using straight-line and accelerated methods based on estimated useful lives of five to thirty-nine and one half years. Leasehold improvements are amortized over the shorter of the remaining term of the lease or the life of the leasehold improvement. Land is reported at cost.

OCC capitalizes direct and incremental costs, both internal and external, related to software developed or obtained for internal use in accordance with GAAP. Software, which includes capitalized labor, is amortized on a straight-line basis over a useful life of three to five years. OCC capitalized costs for computer software development in the amount of $2.6 million, $9.0 million and $8.2 million for the years ended December 31, 2014, 2013 and 2012, respectively. Amortization expense for computer software development was $3.7 million, $2.4 million and $1.4 million for 2014, 2013 and 2012, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS OCC reviews its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If this review indicates that the carrying amount of a long-lived asset is not recoverable, the carrying amount is reduced to the fair value. As of December 31, 2014 and 2013, OCC determined that no assets were impaired, and no impairment charges were recorded in the financial statements.

INCOME TAXES OCC accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recorded based on the differences between the financial accounting and tax bases of assets and liabilities. Deferred tax assets and liabilities are recorded based on the currently enacted tax rate expected to apply to taxable income in the year in which the deferred tax asset or liability is expected to be settled or realized. It is OCC's policy to provide for uncertain tax positions and the related interest and penalties based on management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by the tax authorities. Uncertain tax positions are classified as current only when OCC expects to pay cash in the next twelve months. Income taxes are discussed in more detail in Note 13.

INVESTMENTS OCC designates all of its investments as trading securities in accordance with applicable accounting guidance.

REVENUE RECOGNITION Revenue is recognized as services are rendered. OCC's revenues primarily consist of clearing fee revenues, which include per contract charges for clearing services, and are billed on a monthly basis. Investment income is recorded on an accrual basis. Data service fees are charged based on a tiered fee structure and services provided may include access to OCC's proprietary clearing system and proprietary website, as well as receipt of files or report bundles. Exercise fees are charged for each item exercised and are billed on a monthly basis.

NEW ACCOUNTING PRONOUNCEMENTS In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, Topic 606. The new revenue recognition standard is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers. This ASU is effective for annual periods beginning after December 15, 2017 for nonpublic companies. OCC is evaluating the effect of adopting this new accounting guidance, but does not expect adoption will have a material impact on the Corporation's financial statements.

NOTE 3. GUARANTEES

OCC performs a guarantee function that ensures the financial integrity of the markets in which it clears contracts. In its role as guarantor and central counterparty, OCC ensures that the obligations of the contracts it clears are fulfilled. Through a novation process, OCC becomes the buyer for every seller and the seller for every buyer, protecting Clearing Members from counterparty risk and allowing the settlement of trades in the event of a Clearing Member failing to meet its obligation.

OCC does not assume any guarantor role unless it has a precisely equal and offsetting claim against a Clearing Member. OCC's obligations under the guarantee would arise if a Clearing Member were unable to meet its obligations to OCC. Margin deposits and clearing fund deposits are required to collateralize Clearing Members' obligations and support OCC's guarantee.

As of December 31, 2014 and 2013, the amount of margin required by OCC to support its guarantee was \$46.2 billion and \$45.0 billion, respectively, which represents the aggregate market value of outstanding positions plus an additional amount to cover adverse price movements. Margin deposits and clearing fund deposits are discussed in Notes 5 and 6, respectively.

As OCC only assumes the guarantor role if it has an equal and offsetting claim, the fair value of the open interest of options and futures contracts and stock loan/borrow positions cleared and settled by OCC is not included in the Statements of Financial Condition. There were no events of default during the years ended 2014 or 2013 for which a liability should be recognized in accordance with applicable accounting guidance.

NOTE 4. OFF-BALANCE SHEET RISK AND CONCENTRATION OF CREDIT RISK

Credit risk represents the potential for loss due to the deterioration in credit quality or default of a counterparty or an issuer of securities or other instruments. OCC's exposure to credit risk comes from clearing and settlement operations, but also from financial assets, which consist primarily of cash and cash equivalents, accounts receivable, and margin and clearing fund deposits.

CASH AND CASH EQUIVALENTS OCC maintains cash and cash equivalents with various financial institutions. When Clearing Members provide margin and clearing fund deposits in the form of cash, OCC may invest the cash deposits in overnight reverse repurchase agreements. OCC bears credit risk related to overnight reverse repurchase agreements only to the extent that cash advanced to the counterparty exceeds the value of collateral received. Securities purchased under overnight reverse repurchase agreements are composed of U.S. Treasury securities and, therefore, have minimal credit risk due to the low probability of U.S. government default and the highly liquid and short-term nature of these securities.

OCC is also exposed to credit risk related to the potential inability to access liquidity in financial institutions where it holds its cash and cash equivalents that are not invested. The financial institutions holding the cash are in different geographical locations. In addition, OCC monitors the financial condition of the financial institutions on an ongoing basis to identify any significant changes in their financial condition.

ACCOUNTS RECEIVABLE Credit risk related to accounts receivable includes the risk of nonpayment by the counterparty. Credit risk is diversified due to the large number of Clearing Members composing OCC's customer base. OCC also conducts ongoing evaluations of the institutions with which it does business.

CLEARING MEMBERS, MARGIN AND CLEARING FUND OCC bears counterparty credit risk in the event that Clearing Members fail to meet their obligations to OCC. Therefore, OCC is exposed to off-balance sheet risk with respect to the securities broker dealers and futures commission merchants that are its Clearing Members.

OCC reduces its exposure through a risk management program that strives to achieve a prudent balance between market integrity and liquidity. This program of safeguards, which provides support to OCC's guarantee, consists of rigorous initial and ongoing financial responsibility standards for membership, margin deposits and clearing fund deposits. OCC also maintains a syndicated line of credit with major domestic and foreign banks to support potential liquidity needs in the event of a Clearing Member default, as described in Note 11.

If a Clearing Member should fail on a settlement obligation to OCC or be declared in default for other reasons, OCC may utilize the respective clearing fund deposits of all Clearing Members on a pro-rata basis for that purpose.

The collateral posted by Clearing Members is also subject to credit risk as there is a risk of nonperformance by the counterparty, which could result in a material loss. To mitigate this risk, OCC only allows collateral deposits in approved OCC banks or securities depositories, which OCC monitors on an ongoing basis.

NOTE 5. MARGIN

OCC's rules require each Clearing Member representing the seller of an option to collateralize its contract obligations by either depositing the underlying interest options (i.e. "specific deposits") or by maintaining specified margin deposits. The rules also require that margin deposits be made for futures and futures options positions and stock loan/borrow positions. These margin deposits may include cash, bank letters of credit, U.S. and Canadian Government securities, U.S. Government sponsored enterprise debt securities ("GSE debt securities"), specified money market fund shares or other acceptable margin securities ("valued securities"), which may consist of common stocks and exchange-traded funds ("ETFs").

The margin deposits of each Clearing Member are available to meet the financial obligations of that specific Clearing Member to OCC. The market value of all obligations is determined on a daily basis and OCC has the ability to issue intra-day margin calls for additional margin deposits. Margin deposits must meet specified requirements, as provided for in OCC's rules, and all margin deposits are held at approved securities depositories or banks, except letters of credit.

The fair values of securities in lieu of margin and margin deposits at December 31, 2014 and 2013 were as follows (foreign securities are converted to U.S. dollars using the year-end exchange rate):

Years ended December 31,	2014	2013
Valued securities	$ 45,865,078,000	$ 41,074,915,000
Specific deposits	25,896,379,000	25,757,460,000
Government securities	5,983,437,000	10,753,707,000
GSE debt securities	144,826,000	—
Cash and cash equivalents	2,900,418,000	1,774,527,000
Bank letters of credit	882,400,000	833,425,000
Money market fund shares	7,200,000	7,200,000
Total	$ 81,679,738,000	$ 80,201,234,000

Since OCC does not take legal ownership of margin deposits or securities deposited in lieu of margin, the above assets are not reflected in the Statements of Financial Condition. However, OCC has rights to these assets in the event of a Clearing Member default. At December 31, 2014 and 2013, margin deposits exceeded OCC required margin.

VALUED SECURITIES Common stock and ETFs, held as valued securities, and U.S. Government securities (excluding Treasury Inflation Protected securities) are included in margin calculations and valued based on OCC's margin methodology, rather than being subjected to traditional haircuts. As a result, the margin calculations reflect the scope for price movements in these forms of collateral to exacerbate or mitigate losses on the cleared products in the account. Prior to May 30, 2014, preferred stock and corporate debt were allowed as a form of margin deposit. Valued securities are traded on U.S. securities exchanges or in the NASDAQ National Market System and are principally valued using the composite closing price.

SPECIFIC DEPOSITS OCC also accepts specific deposits, which are pledges of underlying stock to OCC that cover a specified short equity call option series. Specific deposits are collateral deposited in lieu of margin and reduce the calculated Clearing Member's daily margin requirement. Specific deposits are also traded on U.S. securities exchanges or in the NASDAQ National Market System and are generally valued using the composite closing price.

GOVERNMENT SECURITIES AND GSE DEBT SECURITIES
For margin requirements, Clearing Members may deposit U.S. and Canadian Government securities, as well as eligible GSE debt securities. GSE debt securities must be approved by OCC's Risk Committee and include debt

securities issued by congressionally-chartered corporations, such as the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (Fannie Mae). Coupon interest and maturity payments on delivered Government and GSE debt securities are initially paid to OCC and then remitted to the Clearing Members. For daily margin purposes, OCC discounts the market value of (i) U.S. and Canadian Government securities not included in margin calculations, (ii) GSE debt securities, and (iii) money market fund shares to provide a cushion against adverse price fluctuations. The discounts for these Government and GSE debt securities are based on a maturity schedule and a range of 99.5% to 93%. Government securities are valued on the basis of evaluated prices provided by independent pricing services.

CASH Cash held as margin deposits may be invested, and any interest or gain received or loss incurred is included as Investment income in the Statements of Income and Comprehensive Income.

BANK LETTERS OF CREDIT AND MONEY MARKET FUND
Under OCC's rules, bank letters of credit are required to be irrevocable and may only be issued by banks or trust companies approved by OCC. No more than 50% of a Clearing Member's margin on deposit may include letters of credit in the aggregate, and no more than 20% may include letters of credit issued by any one institution. Letters of credit are valued at their commitment amount. Clearing Members may also deposit certain, pre-approved money market funds as margin collateral. Money market fund shares are discounted to 98% of their fair value.

ESCROW DEPOSITS OCC has an Escrow Deposit Program, which allows a customer to pledge cash and/or fully-paid for securities held at OCC approved escrow banks. The escrow banks issue escrow instructions to OCC and concurrently make certain representations and agreements with OCC, including the banks' agreement to segregate acceptable forms of collateral, to deliver securities or pay certain amounts from the deposit in the event an exercise notice is assigned to the short position. OCC's agreements with the escrow banks require the maintenance of eligible collateral, subject to OCC's restrictions, to cover obligations related to short positions in equity and index puts and calls.

An escrow deposit is considered a deposit in lieu of margin against short equity or index call or put option positions; therefore the covered short position is not subject to margining by OCC. OCC has specified collateral restrictions for escrow deposits. Escrow deposits for a short position in an equity call option must consist of the underlying security for which the equity option was written. Escrow deposits for a short position in an equity or an index put option may consist of cash or short-term U.S. Government securities. Escrow deposits related to a short position in an index call option may consist of cash, short-term U.S. Government securities, common stocks that are listed on a national securities exchange or the NASDAQ Stock Market, or any combination of these assets.

As of December 31, 2014 and 2013, deposits were held for 462,000 and 245,000 short equity and index options contracts in the Escrow Deposit Program. The fair value of the underlying security (times the unit of trading or the multiplier, as appropriate) of the equity and index options contracts collateralized under the Escrow Deposit Program was approximately $24.6 billion and $22.0 billion as of December 31, 2014 and 2013, respectively. The in-the-money value of these short equity and index options contracts was $703.9 million and $956.9 million at December 31, 2014 and 2013, respectively.

CROSS-MARGIN ARRANGEMENTS OCC also maintains cross-margining arrangements with certain U.S. commodities clearing organizations. Under the terms of these arrangements, an OCC Clearing Member that is also a Clearing Member of a commodities clearing organization participating in the cross-margining arrangement, or that has an affiliate that is a Clearing Member of the commodities clearing organization, may maintain cross-margin accounts. Within these cross-margin accounts, the Clearing Member's positions in OCC-cleared options are combined with positions of the Clearing Member (or its affiliate) in futures contracts and/or options on futures contracts for purposes of calculating margin requirements. Margin deposits on the combined positions are held jointly by OCC and the participating commodities clearing organization and are available (together with any proceeds of the options and futures positions themselves) to meet financial obligations of the Clearing Members to OCC and the commodities clearing organization. In the event that either OCC or a participating commodities clearing organization suffers a loss in liquidating positions in a cross-margin account, the loss is to be shared between OCC and the participating commodities clearing organization. Margin deposits for these cross-margin accounts may be in the form of cash, valued securities, U.S. Government securities, U.S. GSE debt securities or bank letters of credit, and are reflected in the margin deposit table. OCC's share of margin deposits subject to cross-margin agreements were $476.5 million and $213.3 million at December 31, 2014 and 2013, respectively.

NOTE 6. CLEARING FUND DEPOSITS

OCC maintains a clearing fund to cover possible losses in the event of a default by a Clearing Member, bank or a securities or commodities clearing organization. The clearing fund size is established at an amount to be sufficient to protect OCC from loss under simulated default scenarios. On November 1, 2013, OCC revised the method of calculating a Clearing Member's contribution to the clearing fund. A Clearing Member's contribution is the sum of $150,000 and a separate amount equal to the weighted average of the Clearing Member's proportionate shares of total risk, open interest and volume, in all accounts of the Clearing Member. As of November 1, 2013, total risk had a weighting of 17.5%, open interest had a weighting of 75% and volume had a weighting of 7.5%. As of May 1, 2014, OCC revised the weightings in the calculation as follows: total risk 35%, open interest 50% and volume 15%.

The clearing fund mutualizes the risk of default among all Clearing Members. The entire clearing fund is available to cover potential losses in the event that the margin deposit and the clearing fund deposit of a defaulting Clearing Member are inadequate or not immediately available to fulfill that Clearing Member's outstanding financial obligations. In the event of a default, OCC is generally required to liquidate the defaulting Clearing Member's open positions. To the extent that the positions remain open, OCC is required to assume the defaulting Clearing Member's obligations related to the open positions. The clearing fund is available to cover the cost of liquidating a defaulting Clearing Member's open positions or performing OCC's obligations with respect to positions not yet liquidated.

Clearing fund deposits must be in the form of cash or U.S. and Canadian Government securities, as the clearing fund is intended to provide OCC with a highly liquid pool of assets. OCC discounts the fair value of U.S. and Canadian Government securities on a daily basis to provide a cushion against adverse price fluctuations. Cash deposits in nonsegregated accounts may be invested, and any interest or gain received or loss incurred on invested funds is recorded in the Statements of Income and Comprehensive Income. Segregated funds cannot be invested by OCC.

The U.S. Government securities included in the clearing fund are valued using inputs from pricing services that include interest accruing on the next coupon payment. Canadian Government securities are pledged, rather than delivered to OCC. Clearing Member's maintain control of the interest payment for Canadian Government Securities and therefore, the accrued interest is not included in the fair value for these securities.

The fair value of the clearing fund is included in the Statements of Financial Condition as Clearing fund deposits. The collateral types and their fair values at December 31, 2014 and 2013 are as follows (Canadian Government securities are converted to U.S. dollars using the year-end exchange rate):

Years ended December 31,	2014	2013
Government securities	$ 6,876,105,000	$ 3,668,195,000
Cash and cash equivalents	1,390,942,000	355,120,000
Total	$ 8,267,047,000	$ 4,023,315,000

NOTE 7. SHAREHOLDERS' EQUITY

OCC has Class A and Class B common stock, each with a $10 par value, 60,000 shares authorized, 30,000 shares issued and 25,000 shares outstanding at December 31, 2014, 2013 and 2012, respectively.

At December 31, 2014 and 2013, treasury stock consisted of 5,000 shares of Class A common stock and 5,000 shares of Class B common stock at an aggregate cost of $333,333.

The Class B common stock is issuable in twelve series of 5,000 shares each. The Class B common stock is entitled to receive dividends, unlike the Class A common stock. In the event of liquidation of OCC, holders of Class A common stock and Class B common stock would first be paid the par value of their shares. Next, each holder of Class B common stock would receive a distribution of $1,000,000. Next, an amount equal to OCC's shareholders' equity at December 31, 1998 of $22,902,094 minus the distributions described above, would be distributed to those holders who acquired their Class B common stock before December 31, 1998. Finally, any remaining shareholders' equity would be distributed equally to all holders of Class B common stock.

The by-laws of OCC provide that any national securities exchange or national securities association, which meets specific requirements, may qualify for participation in OCC. Until 2002, exchanges qualified for participation by purchasing 5,000 shares of Class A common stock and 5,000 shares of Class B common stock. The purchase price for these shares was the aggregate book value of a comparable number of shares at the end of the preceding calendar month, but not more than $1,000,000. In 2002, OCC amended its by-laws to provide that exchanges would qualify for participation in OCC by purchasing a $1,000,000 interest bearing promissory note. Five of OCC's participant exchanges at December 31, 2014 and 2013 were shareholders. At December 31, 2014 and 2013, seven participant exchanges were noteholders. These interest bearing notes are recorded in Accounts payable and other in the Statements of Financial Condition and were $7.0 million at December 31, 2014 and 2013.

OCC is a party to a Stockholders Agreement with its shareholders. The Stockholders Agreement provides that each shareholder appoints the members of the Governance and Nominating Committee of the Board of Directors as its proxy for purposes of voting its shares for the election of member directors, management director(s), and public director(s). The Governance and Nominating Committee nominates individuals for election as member directors and public directors. Under certain circumstances, it also provides for OCC to purchase all of the stock owned by any shareholder; however the obligation to pay the purchase price will be subordinated to OCC's obligations to creditors, and the purchase price cannot be paid if the payment would reduce capital and surplus below $1,000,000. If OCC is required to purchase its stock from any shareholder, the purchase price for the two years following the date the shareholder acquired its stock is the shareholder's purchase price paid reduced by $300,000. Thereafter, the purchase price is the lesser of the aggregate book value of the shares or the original purchase price paid, less $240,000, $180,000, $120,000, $60,000 or zero after the second, third, fourth, fifth or sixth year, respectively, from the date of sale of the stock.

The Noteholders Agreement provides OCC with the right to purchase all notes owned by any noteholder under certain circumstances; however the obligation to pay the purchase price will be subordinated to OCC's obligations to creditors except that such obligation will not be subordinate to OCC's obligation to pay the purchase price to any other noteholder or any shareholder under the Stockholders Agreement. If OCC exercises these purchase rights, the purchase price for the two years following the date of OCC's execution is the original aggregate principal amount of the notes plus any accrued and unpaid interest reduced by $300,000. Thereafter, the purchase price is the original aggregate principal amount of the notes plus any accrued and unpaid interest, less $240,000, $180,000, $120,000, $60,000 or zero after the second, third, fourth, fifth or sixth year, respectively, from the date the notes were executed.

NOTE 8. REVERSE REPURCHASE AGREEMENTS

Reverse repurchase agreements outstanding, including amounts in cash and cash equivalents and margin and clearing fund deposits, averaged $1.6 billion and $1.3 billion during 2014 and 2013, respectively. The maximum amount outstanding during 2014 and 2013 was $3.7 billion and $3.2 billion, respectively. The amounts outstanding approximate the fair value of the underlying securities due to the short maturities of the investments. Amounts outstanding and included in cash and cash equivalents in the Statements of Financial Condition at December 31, 2014 and 2013 were $100.0 million and $50.0 million, respectively. Clearing fund deposit amounts invested at December 31, 2014 and 2013 were $1.0 billion and $150.0 million, respectively, and are included within Clearing fund deposits in the Statements of Financial Condition. Margin deposits had amounts outstanding at December 31, 2014 and 2013 of $900.0 million and $1.3 billion, respectively.

NOTE 9. CLEARING FEES

OCC's Board of Directors sets clearing fees and determines the amounts of refunds, fee reductions and discounts, if any, based on the current funding needs of OCC. Refunds, which are recorded net of clearing fees in the Statements of Income and Comprehensive Income, were $33.3 million, $47.0 million and $50.1 million for the years ended December 31, 2014, 2013 and 2012, respectively.

NOTE 10. OTHER ASSETS

Other assets, which include investments for the supplemental executive retirement plan ("SERP") as discussed in Note 14, and the deferred compensation plans discussed in Note 11, consisted of the following:

Years ended December 31,	2014	2013
SERP Note 14	$ 23,669,868	$ 22,173,490
Executive deferred compensation plan Note 11	10,926,890	11,588,078
Other assets	1,107,599	1,195,400
Total other assets	$ 35,704,357	$ 34,956,968

SERP investments are recorded at fair value and changes in fair value are recorded as Investment income in the Statements of Income and Comprehensive Income. The amount recorded as Investment income for SERP investments for the years ended December 31, 2014, 2013 and 2012 was $1.7 million, $2.3 million and $2.8 million, respectively. The change in net unrealized gains/(losses) on these trading securities still held at the reporting date was ($178,000), $1.4 million and $2.2 million, respectively.

Investments held in the executive deferred compensation plan are recorded at fair value and changes in fair value are recorded as Investment income in the Statements of Income and Comprehensive Income. In addition, changes in the investments' fair value result in charges recorded as Employee costs in the Statements of Income and Comprehensive Income.

The amount recorded in Investment income and Employee costs for the executive deferred compensation plan investments for the years ended December 31, 2014, 2013 and 2012 was $949,000, $1.5 million and $892,000, respectively. The change in net unrealized gains/(losses) on these trading securities still held at the reporting date was ($1.8 million) $1.4 million and $595,000, respectively.

NOTE 11. COMMITMENTS

LEASES OCC leases office space, as well as data processing and other equipment. Rental expense under these leases for the years ended December 31, 2014, 2013 and 2012 was $22.0 million, $21.2 million and $21.5 million, respectively. OCC had no capital leases as of December 31, 2014, 2013 and 2012. Future minimum aggregate rental payments under operating leases having initial or remaining noncancelable lease terms in excess of one year as of December 31, 2014 are as follows:

2015	$ 10,258,000
2016	9,021,000
2017	6,243,000
2018	3,705,000
2019	3,650,000
Thereafter	10,731,000
Total	$ 43,608,000

EMPLOYEE COSTS OCC entered into employment agreements with certain senior officers. The aggregate commitment for future salaries and deferred compensation payments at December 31, 2014 and 2013, excluding bonuses, was approximately $1.4 million and $4.5 million, respectively. OCC also entered into termination agreements with certain officers during 2014. The aggregate severance accrued at December 31, 2014 was $5.0 million.

Effective January 1, 2006, OCC implemented the Executive Deferred Compensation Plan ("Plan") for senior officers. The Plan replaced the Third Restated Capital Accumulation Plan ("CAP") except for certain senior officers. The Plan was funded in the amounts of $1.6 million and $1.1 million at December 31, 2014 and 2013, respectively. Those amounts contributed to the Plan prior to 2014 become vested and payable on the fifth anniversary of the date it is credited to the participants' account provided the participant remains continuously employed by OCC at the vesting date. During 2014, the vesting period changed from five years to three years and all contributions made during 2014 and thereafter will vest and become payable on the third anniversary. The Plan investments, consisting primarily of mutual funds, are designated as trading under applicable accounting guidance.

Additionally, a retention plan was approved for certain employees. The balance of $632,000 vested in December 2013 and was paid in January 2014. During 2014, the CAP was fully paid out to participants. In 2013, the CAP balance was $348,000, including income from investments.

LINES OF CREDIT OCC also maintains a syndicated line of credit with major domestic and foreign banks in the amount of $2.0 billion at December 31, 2014, for which commitment fees are paid to the participating banks. This line of credit is available to enable OCC to meet Clearing Member default or suspension obligations or to cover certain other bankruptcy losses. OCC maintained a similar line of credit in the amount of $2.0 billion at December 31, 2013. No amounts were outstanding as of December 31, 2014 or 2013 under these lines. On February 22, 2013, OCC entered into a $25.0 million, 365-day, committed line of credit with one financial institution, for which commitment fees are also paid. This line of credit was renewed in 2014 for $35.0 million and is maintained to support potential short-term operating cash requirements and for other general corporate purposes. There were no borrowings under the line in 2014 or 2013.

NOTE 12. RELATED PARTY TRANSACTIONS AND OTHER MARKET AGREEMENTS

OCC bills and collects transaction fees on behalf of certain exchanges for which it provides clearing and settlement services. Fees billed and uncollected by OCC, and not remitted to the exchanges, at December 31, 2014 and 2013 were $110.0 million and $96.3 million, respectively, and are included in the Statements of Financial Condition as Exchange billing receivable and Exchange billing payable. In addition, OCC bills and collects Section 31 transaction fees on behalf of certain exchanges that are remitted to the SEC. The Section 31 fees yet to be collected from Clearing Members are included in the Statements of Financial Condition under Accounts receivable, and the Section 31 fees already received, but not yet remitted to the SEC, are included in SEC transaction fees payable.

OCC is also a party to a Restated Participant Exchange Agreement dealing with the business relationship between and among OCC and each participant options exchange.

In 1992, OCC and its participant options exchanges formed an industry organization named The Options Industry Council ("OIC"). The total amounts expended by OCC on behalf of OIC, before reimbursement from the participant options exchanges, for the years ended December 31, 2014, 2013 and 2012 were $6.6 million, $7.3 million and $7.3 million, respectively. The exchanges' share of OIC expenditures was $2.0 million for December 31, 2014, 2013 and 2012. At December 31, 2014 and 2013, the amounts due from participant exchanges for OIC and other related expenditures were $451,347 and $328,262, respectively.

OCC is also a party to clearing and settlement services agreements for certain commodity contracts with CBOE Futures Exchange, LLC, NASDAQ Futures, Inc., ELX Futures LP, and OneChicago LLC, each of which is a designated contract market and an affiliated futures market as defined in OCC's by-laws. A clearing and settlement services agreement with NYSE Liffe US LLC, was terminated on November 17, 2014.

NOTE 13. INCOME TAXES

The provision for income taxes is reconciled to the amount determined by applying the statutory federal income tax rate to income before taxes as follows:

Years ended December 31,	2014	2013	2012
Federal income tax at the statutory rate	$38,183,688	$1,258,000	$1,759,500
Permanent tax differences	383,966	341,661	324,799
State income tax effect	1,898,028	382,156	368,216
Rate changes	(549,870)	—	—
Uncertain tax position	5,458,514	217,235	(1,966,052)
Other	(554,248)	(70,331)	1,125,737
Provision for income taxes	$44,820,078	$2,128,721	$1,612,200

Uncertain income tax positions are recognized based on a "more likely than not" threshold and are recorded in current and noncurrent other accrued liabilities in the Statements of Financial Condition. These accruals include the recognition of interest and penalties related to unrecognized tax benefits. The interest recorded on these accruals is $203,920 and $171,810 as of December 31, 2014 and 2013, respectively. During 2014, 2013 and 2012, OCC recorded $32,110, $75,335 and ($862,496) in interest, respectively. The penalties recorded on these accruals are $202,332 and $102,744 as of December 31, 2014 and 2013, respectively. During 2014, 2013 and 2012 OCC recorded $99,588, $16,198 and ($378,436) in penalties, respectively.

OCC is subject to U.S. federal income tax, as well as income tax in various state and local jurisdictions. Currently, federal tax returns for the years 2005, 2006 and 2011-2014 and various state tax returns for the years 2010-2014 remain open.

The deferred tax asset consists of the following:

Years ended December 31,	2014	2013
Compensation and employee benefits	$ 1,161,149	$ 1,095,900
Refundable clearing fees	12,073,265	—
Current asset	13,234,414	1,095,900
Accelerated depreciation and amortization	(5,521,477)	(6,092,440)
Pension, postretirement and deferred compensation	34,701,376	34,640,350
Other items	401,791	256,572
Non-current asset	29,581,690	28,804,482
Total	$ 42,816,104	$ 29,900,382

NOTE 14. RETIREMENT PLANS

OCC has a trusteed, noncontributory, qualified retirement plan ("Retirement Plan") covering employees who meet specified age and service requirements. Retirement benefits are primarily a function of both years of service and levels of compensation. OCC also has a SERP that includes a benefit replacement plan. Retirement benefits under the SERP are also a function of both years of service and levels of compensation.

On January 1, 2002, OCC amended and restated its Retirement Plan and established a defined contribution plan for new employees effective March 7, 2002. Certain employees were frozen in the Retirement Plan and were no longer eligible to earn future benefit service after December 31, 2002.

In September 2014, the Board of Directors approved an amendment to freeze benefit accruals under the Retirement Plan and SERP effective December 31, 2014. The amendment decreased the Retirement Plan obligation by $10.9 million; however due to actuarial losses incurred during 2014, the benefit obligation increased by $17.6 million. The decrease in the projected benefit obligation due to the curtailment of the Retirement Plan was fully offset by recognition of a portion of existing unrecognized loss. No curtailment gains were recorded in the Statements of Income and Comprehensive Income. The amendment to the SERP decreased the obligation by $109,000; however due to termination benefits, the benefit obligation increased in total by $7.0 million. OCC recorded this termination benefit as a curtailment loss.

OCC's funding policies are to contribute amounts determined on an actuarial basis and to provide the Retirement Plan and the SERP ("the plans") with assets sufficient to meet the benefit obligation of the plans, subject to the minimum funding requirements of U.S. employee benefit and tax laws.

Net periodic benefit cost of the plans consisted of the following:

Years ended December 31,	2014	2013	2012
Service cost	$ 1,223,000	$ 1,658,000	$ 1,880,000
Interest cost	7,775,000	6,437,000	6,712,000
Expected return on assets	(7,017,000)	(6,393,000)	(5,495,000)
Amortization:			
Prior service cost	—	—	5,000
Actuarial loss	4,494,000	6,295,000	5,628,000
Net periodic benefit cost	6,475,000	7,997,000	8,730,000
Cost of contractual termination benefit	$ 1,138,000	—	—

Other changes in plan assets and benefit obligations recognized in other comprehensive income include:

Years ended December 31,	2014	2013	2012
Net (loss) for the period	$(4,494,000)	$(6,295,000)	$(5,628,000)
Net prior service (cost) for the period	—	—	(5,000)
Amortization of net loss (gain)	20,180,000	(11,310,000)	10,560,000
Total recognized in other comprehensive income	15,686,000	(17,605,000)	4,927,000
Total recognized in net benefit cost and other comprehensive income	$23,299,000	$(9,608,000)	$13,657,000

A net actuarial loss of $1.6 million recorded in Accumulated other comprehensive loss is expected to be amortized as a component of net periodic benefit cost during 2015.

The Retirement Plan assets and the plans' benefit obligation and funded status are as follows:

Years ended December 31,	2014	2013
Change in benefit obligation:		
Net benefit obligation at beginning of year	$ 158,245,000	$ 162,890,000
Service cost	1,223,000	1,658,000
Interest cost	7,775,000	6,437,000
Actuarial loss/(gain)	31,248,000	(7,982,000)
Gross benefits paid	(5,633,000)	(4,758,000)
Curtailments	(11,044,000)	—
Contractual termination of benefits	1,138,000	—
Net benefit obligation at end of year	$ 182,952,000	$ 158,245,000
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 94,233,000	$ 85,411,000
Actual return on plan assets	7,041,000	9,721,000
Employer contributions	3,953,000	3,859,000
Gross benefits paid	(5,633,000)	(4,758,000)
Fair value of plan assets at end of year	$ 99,594,000	$ 94,233,000
Funded status end of year:		
Fair value of plan assets	$ 99,594,000	$ 94,233,000
Benefit obligation	182,952,000	158,245,000
Funded status	$ (83,358,000)	$ (64,012,000)
Amounts recognized in the statements of financial condition:		
Current liability	$ (1,966,000)	$ (1,422,000)
Noncurrent liability	(81,392,000)	(62,590,000)
Total	$ (83,358,000)	$ (64,012,000)
Amounts recognized in accumulated other comprehensive loss consist of:		
Net actuarial loss	$ 65,910,000	$ 50,224,000
Net amount recognized	$ 65,910,000	$ 50,224,000

The accumulated benefit obligation for the plans was $148.4 million and $145.9 million at December 31, 2014 and 2013, respectively.

The primary assumptions used to determine the accumulated benefit obligation and benefit costs are summarized below:

	Retirement Plan		SERP	
December 31,	2014	2013	2014	2013
Accumulated benefit obligation:				
Discount rate	4.00%	4.90%	3.90%	4.70%
Salary growth rate	N/A	4.00%	N/A	4.00%
Benefit costs:				
Discount rate	4.90%	4.00%	4.70%	3.80%
Salary growth rate	4.00%	4.00%	4.00%	4.00%
Expected return on assets	7.50%	7.50%	N/A	N/A

The expected return on assets is derived using the plans' asset mix, historical returns by asset category and expectations for future capital market performance. Both the plans' investment policy and the expected long-term rate of return assumption are reviewed periodically.

In October 2014, the Society of Actuaries released new mortality tables, which generally result in increases in life expectancy for plan participants. OCC used the new mortality tables to value the Retirement Plan and SERP liabilities at December 31, 2014. The adoption of these new tables resulted in an increase in the projected benefit obligation for the Retirement Plan and SERP of approximately $8.4 million and $2.1 million, respectively.

OCC's expected cash outlay for employer contributions in 2015 is $10.7 million, and future expected cash outlays for benefit payments are as follows:

2015	$ 6,907,000
2016	7,413,000
2017	7,899,000
2018	8,401,000
2019	8,989,000
2020-2024	51,615,000
Total	$ 91,224,000

Prior to September 2014, OCC's primary investment objective for the Retirement Plan was to earn the maximum rate of return consistent with a chosen risk exposure. The plan's target investment mix was 35% domestic equities, 40% fixed income and 25% international equities. The actual mix of investments on December 31, 2013 was 33% domestic equities, 45% fixed income and 22% international equities. In September 2014, the Board of Directors approved a change in asset strategy to ensure OCC maintains sufficient assets to meet all current and future liabilities. OCC developed a liability-driven investment strategy, in which the return on investments held in the Retirement Plan corresponds to the yield of the corporate bonds utilized in the calculation of the discount rate. Therefore, the mix of investments on December 31, 2014 was 100% fixed income.

OCC maintains a defined contribution plan ("401(k) plan") qualified under Internal Revenue Code Section 401(k) for eligible employees who elect to participate in the plan. Eligible employees may elect to have their salaries reduced by an amount that is subject to applicable IRS limitations. This amount is then paid into the plan by OCC on behalf of the employee.

OCC will make matching contributions to the participant's account equal to 50% of deferrals (excluding "catch-up" deposits) up to the first 6% of salary that is deferred. OCC's expenses for the matching contributions to the 401(k) plan for the years ended December 31, 2014, 2013 and 2012 were $1.6 million, $1.4 million and $1.3 million, respectively.

The 401(k) plan also contains a profit-sharing component for individuals not eligible to earn future benefit service in the Retirement Plan, as discussed above. Profit sharing contributions accrued for the 401(k) plan were $3.1 million, $2.3 million and $2.2 million in 2014, 2013 and 2012, respectively.

NOTE 15. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

OCC has a postretirement welfare plan covering employees who meet specified age and service requirements. Retiree contributions to medical payments vary by age and service at retirement. The plan is a defined dollar benefit plan in which OCC's obligation is limited to a maximum amount per participant per year set by OCC at the time a participant retires.

During November 2014, the Board of Directors approved amendments to the postretirement welfare plan, including (1) eliminating the Medical Executive Retirement Plan, (2) eliminating the retiree life insurance coverage, (3) reducing the post-65 cap level amount, and (4) eliminating benefits for all participants retiring after December 31, 2014. These amendments decreased the postretirement welfare plan's obligation by $35.6 million. The immediate recognition of unrecognized service costs of $2.5 million was offset by a $715,000 curtailment loss due to accelerated retirements.

Net periodic benefit cost consisted of the following:

Years ended December 31,	2014	2013	2012
Service cost	$ 1,700,000	$ 1,806,000	$ 1,499,000
Interest cost	1,823,000	1,464,000	1,478,000
Expected return on assets	(730,000)	(607,000)	(466,000)
Amortization:			
Transition obligation	(397,000)	(397,000)	22,000
Actuarial loss	774,000	1,031,000	650,000
Total net periodic benefit cost	3,170,000	3,297,000	3,183,000
Curtailment gain	(1,756,000)	—	—
Net benefit cost	$ 1,414,000	$ 3,297,000	$ 3,183,000

Other changes in plan assets and benefit obligations recognized in other comprehensive income include:

Years ended December 31,	2014	2013	2012
Net (loss) for the period	$ (774,000)	$(1,031,000)	$ (650,000)
Net prior service credit for the period	2,868,000	397,000	—
Net transition (obligation) for the period	—	—	(22,000)
Amortization of net loss (gain)	6,240,000	(778,000)	5,789,000
Amortization of net prior service (credit)	(35,607,000)	—	(3,265,000)
Total recognized in other comprehensive income	(27,273,000)	(1,412,000)	1,852,000
Total recognized in net benefit cost and other comprehensive income	$(25,859,000)	$ 1,885,000	$ 5,035,000

Net actuarial loss of $878,000 and ($397,000) of prior service cost recorded in accumulated other comprehensive loss are expected to be amortized as components of net periodic benefit cost during 2015.

The primary investment objective for the plan is to earn the maximum rate of return consistent with a chosen risk exposure. Over a three-to five-year period, the actively managed portion of the plan is expected to outperform a blended benchmark of the actively managed asset classes. The plan's current target investment mix is 35% domestic equities, 40% fixed income and 25% international equities. In 2014, the Board of Directors approved a change in asset strategy to ensure OCC maintains sufficient assets to meet its liabilities, both current and future. OCC developed a liability-driven investment strategy, in which the return on investments held in the postretirement welfare plan corresponds to the yield of corporate bonds utilized in the calculation of the discount rate. This change in strategy will occur in 2015 and the target mix of assets will change to 100% fixed income. The actual asset allocation is as follows:

Years ended December 31,	2014	2013
Fixed income	46%	45%
Domestic equity funds	33%	33%
International equity funds	21%	22%

The plan's benefit obligation, plan assets and funded status are as follows:

Years ended December 31,	2014	2013
Change in benefit obligation:		
Net benefit obligation at beginning of year	$ 36,162,000	$ 33,692,000
Service cost	1,700,000	1,806,000
Interest cost	1,823,000	1,464,000
Actuarial loss (gain)	5,928,000	(383,000)
Gross benefits paid	(557,000)	(435,000)
Federal subsidy	21,000	18,000
Plan changes	(35,607,000)	—
Curtailment	715,000	—
Net benefit obligation at end of year	$ 10,185,000	$ 36,162,000
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 9,732,000	$ 8,100,000
Actual return on plan assets	418,000	1,002,000
Employer contributions	536,000	1,047,000
Gross benefits paid	(536,000)	(417,000)
Fair value of plan assets at end of year	$ 10,150,000	$ 9,732,000
Funded status end of year:		
Fair value of plan assets	$ 10,150,000	$ 9,732,000
Benefit obligation	10,185,000	36,162,000
Funded status	$ (35,000)	$ (26,430,000)
Amounts recognized in the statements of financial condition:		
Noncurrent liability	$ (35,000)	$ (26,430,000)
Net amount recognized	$ (35,000)	$ (26,430,000)
Amounts recognized in accumulated other comprehensive loss consist of:		
Net actuarial loss	$ 18,836,000	$ 13,370,000
Transition obligation	—	—
Net prior service (credit)	(35,607,000)	(2,868,000)
Net amount recognized	$ (16,771,000)	$ 10,502,000

During 2012, OCC amended its prescription drug program for certain Medicare-eligible retirees. Prior to the amendment, Medicare-eligible retirees participated in an OCC-sponsored prescription drug plan, with the eligible cap amount reduced by a deemed price tag for that coverage. The retiree could then purchase a Medicare supplement policy in the individual marketplace and seek reimbursement for the remainder of the cap amount. Beginning in 2013, Medicare-eligible retirees must purchase both Medicare supplement and prescription drug coverage in the individual marketplace, and OCC will reimburse both up to the Medicare-eligible retirees' cap amount.

The primary assumptions used to determine the accumulated benefit obligation and benefit costs are summarized below:

Years ended December 31,	2014	2013
Accumulated benefit obligation:		
Discount rate	3.70%	5.05%
Health care cost trend rate	6.25%	6.50%
Ultimate rate	5.00%	5.00%
Years to ultimate rate	5	6
Benefit costs:		
Discount rate	5.05%	4.10%
Expected long-term rate of return	7.50%	7.50%
Health care cost trend rate	6.50%	6.75%
Ultimate rate	5.00%	5.00%
Years to ultimate rate	6	7

A one percentage point increase in the assumed health care cost trend rate for each year would not have a material effect on the accumulated postretirement benefit obligation or net periodic benefit cost.

In October 2014, the Society of Actuaries released new mortality tables, which generally result in increases in life expectancy for plan participants. OCC used the new mortality tables to value the postretirement welfare plan liability at December 31, 2014. The adoption of these new tables resulted in an increase in the projected benefit obligation for the postretirement welfare plan by approximately $493,000.

OCC's expected cash outlays for future benefit payments are as follows:

2015	$ 990,000
2016	946,000
2017	905,000
2018	809,000
2019	751,000
2020-2024	2,963,000
Total	$ 7,364,000

NOTE 16. FAIR VALUE MEASUREMENTS

OCC follows applicable accounting guidance for measuring all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis.

Level 1 measurements consist of quoted prices in active markets for identical assets or liabilities. Level 2 measurements include significant other observable inputs, such as quoted prices for similar assets or liabilities in active markets; identical assets or liabilities in inactive markets; observable inputs, such as interest rates and yield curves; and other market-corroborated inputs. Level 3 measurements include significant unobservable inputs, supported by little or no market activity.

OCC uses Level 1 and 2 measurements to determine fair value. The Level 1 measurements consist of registered mutual funds that publish a daily Net Asset Value. The Level 2 measurements include U.S. and Canadian Government securities. U.S. and Canadian Government securities are generally valued using inputs from pricing services and are not quoted on active markets. There were no transfers between Level 1 and Level 2 during 2014 or 2013.

The Retirement Plan, SERP, postretirement welfare plan and executive deferred compensation plan assets make up the full amount within the money market fund and registered mutual funds disclosed in the following table.

Assets measured at fair value on a recurring basis are summarized below.

December 31, 2014 (in thousands)

	Total	Level 1	Level 2
Government treasury securities	$6,876,105	$ —	$6,876,105
Money Market fund	13	13	—
Registered mutual funds:			
Growth fund	600	600	—
Blended fund	2,079	2,079	—
Value fund	523	523	—
Commodity fund	235	235	—
Market neutral fund	502	502	—
International fund	2,201	2,201	—
Fixed income	127,448	127,448	—
Target date fund	10,271	10,271	—
Total	$7,019,977	$ 143,872	$6,876,105

December 31, 2013 (in thousands)

	Total	Level 1	Level 2
Government treasury securities	$3,668,195	$ —	$3,668,195
Money Market fund	2,384	2,384	—
Registered mutual funds:			
Growth fund	7,551	7,551	—
Blended fund	24,388	24,388	—
Value fund	7,424	7,424	—
Commodity fund	3,658	3,658	—
Market neutral fund	6,352	6,352	—
International fund	27,679	27,679	—
Fixed Income	57,850	57,850	—
Total	$3,805,481	$ 137,286	$3,668,195

Reverse repurchase agreements are recorded at carrying value and as such, not included in the table above. Reverse repurchase agreements are generally valued based on inputs with reasonable levels of price transparency and the carrying value approximates fair value due to the short maturities of the investments. Reverse repurchase agreements are classified in Level 2. The amounts recorded at December 31, 2014 and 2013 were $1.1 billion and $200.0 million, respectively.

NOTE 17. CONTINGENCIES

In the normal course of business, OCC may be subject to various lawsuits and claims. At December 31, 2014, there is no outstanding litigation that would have a material adverse effect on the financial statements.

NOTE 18. SUBSEQUENT EVENTS

OCC has evaluated events subsequent to December 31, 2014 to assess the need for potential recognition or disclosure. These events have been evaluated through February 27, 2015, the date of report issuance.

CAPITAL PLAN In December 2014, OCC's Board of Directors approved a capital plan in response to the SEC's proposed standards for covered clearing agencies ("CCA Standards"). These proposed standards, for which the effective date is unknown, will require OCC to hold sufficient liquid net assets funded by equity to cover potential general business losses so that OCC can continue operations and services as a going concern if those losses materialize, which amount cannot be less than the greater of either six months of operating expenses or the cost to ensure a recovery or conduct an orderly wind-down of OCC's critical operations and services. If the CCA Standards were effective at December 31, 2014, OCC would have been required to maintain $247.0 million in shareholders' equity to satisfy the requirements plus an additional $117.0 million in replenishment capital.

To prepare for compliance with the CCA standards, OCC's Board of Directors approved a proposal from OCC's shareholders (Chicago Board Options Exchange, Incorporated; International Securities Exchange, LLC; NASDAQ OMX PHLX, LLC; NYSE MKT LLC; and NYSE Arca, Inc.). Under this approved plan (the "Capital Plan"), the shareholders will contribute $150.0 million in equity capital and will also commit to provide additional equity capital up to $200.0 million in the event replenishment capital is needed. In consideration for these capital contributions and replenishment capital commitments, the shareholders will receive dividends for as long as they remain shareholders and maintain their contributed capital and commitment to replenishment capital.

The shareholders are expected to provide the required funding by the end of March 2015 following regulatory action allowing for the implementation of the Capital Plan.

LIQUIDITY FACILITY On January 7, 2015, OCC established a pre-funded, $1 billion committed repurchase facility with a pension fund. The term of this facility is 365-days and commitment fees and interest are paid on a quarterly basis.

Report of Independent Registered Public Accounting Firm

TO THE BOARD OF DIRECTORS OF THE OPTIONS CLEARING CORPORATION:

We have audited the accompanying statements of financial condition of The Options Clearing Corporation (the "Corporation") as of December 31, 2014 and 2013, and the related statements of income and comprehensive income, shareholders' equity and cash flows for each of three years in the period ended December 31, 2014. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The Corporation is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of The Options Clearing Corporation as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chicago, Illinois
February 27, 2015

Independent Accountants' Report

TO THE BOARD OF DIRECTORS OF THE OPTIONS CLEARING CORPORATION:

We have examined management's assertion, included in the accompanying "Management's Statement Regarding Internal Control over Clearing and Settlement of Options and Futures Transactions Cleared by OCC," that The Options Clearing Corporation (the "Corporation") maintained effective internal control over clearing and settlement of options and futures transactions cleared by the Corporation in compliance with the criteria established in Section IV-G of Release 34-16900, under the Securities Exchange Act of 1934, during the year ended December 31, 2014. Management is responsible for compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Corporation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Corporation's compliance with "Management's Statement Regarding Internal Control over Clearing and Settlement of Options and Futures Transactions Cleared by OCC" and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Corporation's compliance with the specified requirements.

Because of inherent limitations in any internal control, misstatements due to errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control over clearing and settlement of options and futures transactions cleared by the Corporation to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

In our opinion, management's assertion that the Corporation complied with the aforementioned requirements during the year ended December 31, 2014, is fairly stated, in all material respects.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chicago, Illinois
February 27, 2015

Management's Statement Regarding Internal Control Over Clearing and Settlement of Options and Futures Transactions Cleared by OCC

TO THE BOARD OF DIRECTORS OF THE OPTIONS CLEARING CORPORATION:

The Options Clearing Corporation (the "Corporation") maintains internal control over clearing and settlement of options and futures transactions cleared by the Corporation. Such internal control contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

Management of the Corporation is responsible for establishing and maintaining internal control over clearing and settlement of options and futures transactions cleared by the Corporation. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal controls that are the subject of management's assertion are to provide management with reasonable, but not absolute, assurance that (i) accepted matched trades submitted by exchanges and post-trade instructions submitted by Clearing Members are properly recorded and processed, (ii) deposits are maintained by Clearing Members to cover margin and clearing fund requirements as determined by the Corporation, and (iii) processed transactions are properly reflected in reports to Clearing Members. Clearing Members are responsible for promptly reviewing the reports provided to them by the Corporation, and for promptly notifying the Corporation of errors or omissions.

There are inherent limitations in the effectiveness of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even the most effective internal control can provide only reasonable assurance with respect to clearing and settlement of options and futures transactions cleared by the Corporation. Furthermore, because of changes in conditions, the effectiveness of internal control may vary over time.

Management assessed the effectiveness of internal control over clearing and settlement of options and futures transactions cleared by the Corporation in relation to criteria established in Section IV-G of Release 34-16900, under the Securities Exchange Act of 1934. Based on this assessment, management believes that, for the year ended December 31, 2014, internal control over clearing and settlement of options and futures transactions cleared by the Corporation was effective based on those criteria.

The Corporation's independent accountants have issued an examination report, also dated February 27, 2015, on management's assessment of internal control over clearing and settlement of options and futures transactions cleared by the Corporation. The independent accountants' report is included on page 42.

Craig S. Donohue
Executive Chairman

Michael W. McClain
President and Chief Operating Officer

February 27, 2015

Clearing Members

as of December 31, 2014

A

ABN AMRO Clearing Chicago LLC
ABN AMRO Securities (USA) LLC
ADM Investor Services, Inc.
Advantage Futures LLC
Albert Fried & Company, LLC
American Enterprise Investment Services, Inc.
Apex Clearing Corporation
Archipelago Securities, L.L.C.
Automated Trading Desk Financial Services, LLC

B

Banca IMI Securities Corp.
Barclays Capital Inc.
BB&T Securities, LLC
Bloomberg Tradebook LLC
BMO Capital Markets Corp.
BMO Nesbitt Burns, Inc.*
BNP Paribas Prime Brokerage, Inc.
BNP Paribas Securities Corp.
Broadridge Business Process Outsourcing, LLC

C

C.L. King & Associates, Inc.
Canaccord Genuity Corp.*
Cantor Fitzgerald & Co.
Charles Schwab & Co., Inc.
CIBC World Markets Corp.
CIBC World Markets Inc.*
Citadel Securities LLC
Citigroup Global Markets Inc.
Commerz Markets LLC
Compass Professional Services, LLC
ConvergEx Execution Solutions LLC
COR Clearing LLC
Cowen Equity Finance LP
Credit Suisse Securities (USA) LLC
CSS, LLC

D

Daiwa Capital Markets America Inc.
Dash Financial LLC
Deutsche Bank Securities Inc.
DST Market Services, LLC

E

E D & F Man Capital Markets Inc.
E*TRADE Clearing LLC

F

FCStone, LLC
First Clearing, LLC
First Southwest Company

G

Goldman, Sachs & Co.
Goldman Sachs Execution & Clearing, L.P.

H

HSBC Securities (USA) Inc.

I

ICAP Corporates LLC
Industrial and Commercial Bank of China Financial Services LLC
ING Financial Markets LLC
Ingalls & Snyder LLC
Instinet, LLC
Interactive Brokers LLC
Itau BBA USA Securities, Inc.
ITG Inc.

J

J.J.B. Hilliard, W.L. Lyons, LLC
J.P. Morgan Clearing Corp.
J.P. Morgan Securities LLC
Janney Montgomery Scott LLC
Jefferies LLC
Jump Trading, LLC

K

KCG Americas LLC

L

Lakeshore Securities, L.P.
Lek Securities Corporation
LPL Financial LLC

M

Maple Securities U.S.A. Inc.
Merrill Lynch, Pierce, Fenner & Smith Inc.
Merrill Lynch Professional Clearing Corp.
Mitsubishi UFJ Securities (USA), Inc.
Mizuho Securities USA Inc.
Morgan Stanley & Co. LLC
Morgan Stanley Smith Barney LLC

N

NASDAQ Execution Services, LLC
National Financial Services LLC
Natixis Securities Americas LLC
NBCN Inc.*
Newedge USA, LLC
Nomura Securities International, Inc.

O

Oppenheimer & Co. Inc.
optionsXpress, Inc.

P

Pershing LLC
Phillip Capital Inc.
Piper Jaffray & Co.

R

R.J. O'Brien & Associates, LLC
Raymond James & Associates, Inc.
RBC Capital Markets, LLC
RBC Dominion Securities Inc.*
RBS Securities Inc.
Robert W. Baird & Co. Incorporated
Rosenthal Collins Group, LLC

S

Sanford C. Bernstein & Co., LLC
Scotia Capital Inc.*
Scotia Capital (USA) Inc.
Scottrade, Inc.
SG Americas Securities, LLC
Southwest Securities, Inc.
Stephens Inc.
Stifel, Nicolaus & Company, Incorporated
StockCross Financial Services, Inc.

T

TD Ameritrade Clearing, Inc.
TD Securities (USA) LLC
TD Waterhouse Canada Inc.*
Timber Hill LLC
TradeStation Securities, Inc.

U

UBS Financial Services Inc.
UBS Securities LLC

V

Vanguard Marketing Corporation
Virtu Financial BD LLC
Virtu Financial Capital Markets LLC
Vision Financial Markets LLC

W

Wedbush Securities Inc.
Wells Fargo Advisors, LLC
Wells Fargo Securities, LLC
William Blair & Company, L.L.C.
Wolverine Execution Services, LLC

X

X-Change Financial Access, LLC

Z

Ziv Investment Company

*Non-U.S. Clearing Member

Banks and Depository

as of December 31, 2014

CLEARING BANKS

Bank of America, National Association
Bank of Montreal
Bank of New York Mellon
BMO Harris Bank, National Association
Brown Brothers Harriman and Co.
Citibank, N.A.
JPMorgan Chase Bank, National Association
PNC Bank, National Association
U.S. Bank National Association

APPROVED DEPOSITORY

The Depository Trust Company

LETTER OF CREDIT BANKS

(U.S. Institutions)

Bank of America, National Association
Bank of New York Mellon
BMO Harris Bank, National Association
Citibank, N.A.
JPMorgan Chase Bank, National Association
PNC Bank, National Association
U.S. Bank National Association
Wells Fargo Bank, National Association

LETTER OF CREDIT BANKS

(Non-U.S. Institutions)

Australia and New Zealand Banking Group Limited
Deutsche Bank AG
Landesbank Hessen-Thüringen Girozentrale
National Australia Bank Limited
Royal Bank of Canada
Unicredit Bank AG

ESCROW DEPOSIT BANKS

Bank of America, National Association
Bank of New York Mellon
BMO Harris Bank, National Association
Citibank, N.A.
Comerica Bank
Fifth Third Bank
JPMorgan Chase Bank, National Association
Northern Trust Company
PNC Bank, National Association
State Street Bank and Trust Company
SunTrust Bank
U.S. Bank National Association
Union Bank, National Association
Wells Fargo Bank, National Association

GOVERNMENT DELIVERY BANKS

Bank of New York Mellon
BMO Harris Bank, National Association
JPMorgan Chase Bank, National Association

CANADIAN GOVERNMENT DEPOSITORY BANK

Bank of Montreal

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as of December 31, 2014

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as of December 31, 2014

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NASDAQ

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Vice President,
NASDAQ Transaction Services
NASDAQ OMX PHLX, LLC

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NYSE Options Managing Director
New York Stock Exchange
An Intercontinental Exchange Company

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as of December 31, 2014

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