Ovation to the test: One step closer to the next-generation clearing platform

OCC's Sheila Zak, executive director of member services, and Harsh Devpura, principal and product owner, speak with Daniel Tison about the progressive rollout of the firm's new clearing, risk, and data platform

Following the completion of the first phase of beta testing, the Options Clearing Corporation (OCC) is preparing its new solution Ovation for Beta 2 in late October. The testing, which commenced in July, is planned to be progressive, with functionality added in each beta release while supporting previously released functionalities.

Ovation, the new clearing, risk and data platform, is designed to offer real-time clearing capabilities, along with the resiliency of cloud-based architecture. It aims to support increased business agility, enhanced security capabilities, and more resilient technology for exchanges, clearing members, and market participants.

Since Ovation is a new platform, OCC requires all market participants who send or receive files from the clearing house to test even if there are no layout changes. In addition, all market participants who access the user interface must test all functions they utilise in their daily operations.

In May 2024, OCC provided market participants with customised test scripts to ensure each entity executes the necessary tests for the products they clear. Clearing members and exchanges also received customised test strategies outlining the specific requirements needed to fulfil in each beta phase.

According to Sheila Zak, executive director of member services at OCC, the first phase of the beta testing, running until 8 September, was completed successfully, with high participation from clearing members and exchanges.

"We rolled out limited functionality, but the most important thing we did was to make sure that our connectivity was successful with the members and the exchanges, and they were able to interact on a limited capability with our screens and user interface," she says. "During this phase, we received good feedback from our participants, and they're really excited about what the next phase will be because they want to test more functionality."

OCC has scheduled the Beta 2 testing phase to begin during the week commencing on 21 October. For this phase, OCC offers training

to prepare market participants for the functions they need to perform during external testing.

"We have a lot of functionality that we are rolling out to our members, and we are very excited about that," says Zak. "Beta 2 testing focuses on the core clearing functionality that we offer at OCC, including trade processing and post-trade. In addition, we're going to test the stock loan programme hedge in November, and this will involve both the market vendors alongside clearing members."

Following Beta 2, OCC plans the third phase of its external testing, focused on collateral management, to begin in January and continue throughout the first quarter of 2025. In addition, OCC's market loan programme for stock loans will also be available for testing.

"The changes to the market loan programme will be transitioning the middle office from the market loan to OCC, so members can see and maintain the lifecycle within OCC," says Zak.

After Beta 3, OCC will run Ovation in parallel with the previous system ENCORE. Prior to the official launch, OCC will need to obtain approvals of several rule fillings.

"We have been in communication with the regulators since the very beginning, and we continue to work with them," says Zak.

Looking ahead, Harsh Devpura, principal and product owner at OCC, says: "Once we go live with Ovation, we also plan to harmonise our workflow between the hedge and the market loan programme, expand our guarantees, and look into supporting new loan markets or new membership models as the opportunities and requirements arise for clearing to get involved."

He adds that stock loan programmes in Ovation will offer distributed ledger technology (DLT) features, subject to regulatory approval, so members will have the capability of adopting a node and getting real-time data from OCC in the future if they choose to do so.

"When you have real-time data available, you start developing new tools, new analytics around it, which will help improve both the front end trading and the back end reconciliation," he says.

The launch of Ovation, scheduled for mid-2025, will mark a significant step forward in the capabilities and infrastructure of OCC. As the platform moves through its beta phases, OCC expects its continued collaboration with regulators and market participants to bring a smooth transition toward an improved experience, driving innovation in clearing processes. ◼

Sheila Zak
Executive director of member services
OCC

Harsh Devpura
Principal and product owner
OCC