



# THE OPTIONS CLEARING CORPORATION

#18613

**TO: ALL CLEARING MEMBERS**

**FROM: PRODUCT AND BUSINESS DEVELOPMENT**

**DATE: DECEMBER 16, 2002**

**SUBJECT: SECURITY FUTURES UPDATES - EXPIRATION**

The first security future expiration will take place on December 20, 2002. Security future products expire on the third Friday of every month and closely follows the options delivery process. The settlement date for delivery will be T+3 as options. This is an overview on what to expect on expiration Friday.

## **Post Trade Input**

Expiring futures contracts will be allocated and sent to delivery on Friday night. There will be no Saturday acceptance of post trade adjustments. Any adjustments will need to be received via machine readable transmission or manually entered into Encore on that Friday, the last trading day.

Customer and firm account positions are held gross at OCC, market makers are held net. Expiring positions will not be netted prior to the allocation/delivery process or prior to being sent to NSCC for settlement. Member firms will need to submit adjustments by Friday to correct gross positions balances prior to the allocation/delivery process.

## **Data Service**

Friday's data service will contain allocation and delivery information on the expiring positions.

Allocation Activity record '371' – The allocation record is used to close the open positions of the expiring contract. If you are both long and short in an expiring contract month, two allocation records will be produced; one to close out the long (closing sell) and another to close out the short (closing buy).

Open Position record '951' - The open position record will now report zero long and short open positions due to the allocation process. The final settlement price will be populated along with the last marked to market amount.

Delivery Position record '922' - The delivery position records contain the information needed for settlement of the expiring contract. If you are both long and short in an expiring contract month, two delivery positions records will be produced. If the product delivers multiple components due to a corporate event, you will receive a '922' record for each component which can be physical stock and/or money.

## **Reports**

**Futures Position Register** - The futures position register will report all trade and post trade activity for that day followed by allocations on the expiring contracts and then the ending position balance. The ending position balance in the expiring contract months will be zero long and zero short. The settlement price and final mark to market amount for the expiring contract will also be reported.

**Futures Delivery Advice Report** - The futures delivery advice report has two sections. The first section lists all the products that have special settlement procedures due to unusual circumstances. The second report will list the physical delivery information that will be sent to the NSCC.

A “\*DIST” will be placed under a contract line when a product deliveries physical stock as well cash due to a Corporate Event. The futures cash settlement report should be referenced for the cash pay/collect amounts associated with settlement.

When the terms of settlement are not yet finalized, the report indicates the settlement date of “pending”. A delivery could be pending while waiting for the determination of a cash payment related to a corporate event. This contract information will remain on the delivery advice until the delivery information is finalized and a settlement date is assigned.

**Futures Cash Settlement Report** - The futures cash settlement report is used when part or all of the delivery includes money settlement due to a Corporate Event. This report is used along with the delivery advice report. Any pay/collect created as a result of the delivery process will be listed as a separate line item “SECURITY FUTURES DELIV” on the Settlement Summary report.

## **NSCC**

For information regarding the NSCC regional interface operation process, refer to the NSCC’s website [www.nsc.com](http://www.nsc.com). An expiration notice that was published can be found under “Important Notices” dated August 17, 2001, notice number A5309 P&S 4879.

## **Clearing Margin**

The last marked to market will be debted/credited through Monday morning settlement. Clearing margin will be released on the expiring contracts on T+1 at midnight. NSCC will then take over the guarantee of delivery. OCC will continue to collect clearing margin on any pending contracts until a settlement date is known and the deliveries are sent to NSCC.

Any questions regarding this memo should be directed to Member Services at (800) 621-6072, within Canada call (800) 424-7320 or by contacting your Member Services representative.