



THE OPTIONS CLEARING CORPORATION

#19050

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DATE: JULY 17, 2003

SUBJECT: EQUITY OPTION POSITION LIMITS

Beginning August 8, 2003, the Options Clearing Corporation (OCC) will assume the responsibility of calculating and disseminating position limits for equity options. Note: position limits for index options will continue to be calculated by the listing options exchanges.

Equity option position limit maintenance is currently being performed exclusively by the exchanges. Each exchange follows the same set of rules for establishing the limits, but the actual review and update of the position limits varies amongst the exchanges. Some exchanges review their data once a week, while others perform a review twice a year – as mandated by the regulators. Data consistency issues arise due to the variation of practice. OCC will alleviate those problems by standardizing and centralizing the process. Thus, members and associated parties will benefit by receiving timely and consistent information across all series in an equity class.

Following the established rules set forth by the options exchanges; OCC will calculate and disseminate equity position limits daily. In addition to the existing vehicle of disseminating position limit changes through the series information file, OCC will begin populating two online position limit reports. These reports will be named the 'Current Position Limit Report' and the 'Position Limit Change Report'. Both will be available via the OCC public web site, www.theocc.com, under the Market Data menu. The Current Position Limit Report will list all the current position limits for both equities and indices. The report will contain the following fields: equity symbol, equity cusip, option symbol, and current position limit. The Position Limit Change Report will consist of all equity position limits that have or will change due to corporate actions or the daily calculation. The report will include the following items: equity symbol, equity cusip, option symbol, adjusted position limit, end date, readjusted position limit, and action. The two reports will initially be offered in a static Excel format, but will be enhanced some time in the near future with query functionality and a new HTML format.

Position limits are frequently affected by corporate actions. To maintain these limits, OCC will work closely with the exchanges to determine any impact due to corporate actions. Equity position limits are typically denoted in contracts, but due to corporate actions some equity position limits are represented in shares. In order to reduce the confusion of representing various position limits in either contracts or shares, OCC will calculate them in their lowest common denominator, which are shares. **THUS, ALL EQUITY POSITION LIMITS WILL BE REPORTED IN SHARES NOT CONTRACTS.** This will be unlike the normal practice. Never the less, concerned parties will be able to convert the position limits from shares to contracts by dividing the limit by the 'Unit of Trade' field on the series information file.

If you have any questions regarding this memo, please contact your Member Service representative at (800) 621-6072, within Canada call (800) 424-7320.