



**THE FOUNDATION
FOR SECURE
MARKETS**

#47126

TO: ALL CLEARING MEMBERS
DATE: JUNE 12, 2020
SUBJECT: OPTIONS PROCESSING SEQUENCE – UPDATE

OCC has filed and received approval from the SEC to amend OCC Rules 801 and 804 which will change the processing sequence to process closing sell transactions prior to exercises for securities options and commodity futures options in all account types. OCC's current processing sequence for securities options and commodity futures options has exercises being processed prior to closing sell transactions.

OCC will implement this change on July 26, 2020. The current and proposed sequences are as follows:

Current Processing Sequence	New Processing Sequence
Opening Buys Opening Sells Closing Buys Net Longs and Shorts for Net Accounts *Exercises *Closing Sells Assignments	Opening Buys Opening Sells Closing Buys *Closing Sells Net Longs and Shorts for Net Accounts *Exercises Assignments

With this change, Clearing Members should use tools provided by OCC to confirm that submitted exercises have sufficient long positions. These include utilizing the On Demand Position file (ODP) to balance long positions vs. exercises and daily verification of the ENCORE Exercise Notices screen for "Insufficient Longs" to ensure sufficient long positions exist for every exercise.

OCC is providing Clearing Members the opportunity to test the updated Options Processing Sequence in the OCC Daily UAT environment. If Daily UAT connectivity has not been previously established, please submit a request using our online form (<http://optionsclearing.com/webapps/cert-test-services>) indicating the purpose of the request as **Options Processing Sequence Testing**. Please note new connectivity can take 7 – 10 days.

If you have any questions regarding this memorandum, please contact the Member Services Help Desk at the following numbers: 800-544-6091 or 800-621-6072. Within Canada, please call 800-424-7320. Clearing members may also e-mail OCC at memberservices@theocc.com.