



**THE FOUNDATION
FOR SECURE
MARKETS**

#47327

TO: ALL CLEARING MEMBERS
DATE: JULY 21, 2020
SUBJECT: OPTIONS PROCESSING SEQUENCE – REMINDER

OCC 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 NEW sequences are as follows:

Current Processing Sequence	New Processing Sequence Effective July 26, 2020
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.

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.