



**THE FOUNDATION
FOR SECURE
MARKETS**

#48140

DATE: JANUARY 8, 2021

**SUBJECT: EXERCISE RESTRICTIONS FOR CHL AND CHU OPTIONS
RESULTING FROM EXECUTIVE ORDER 13959
EFFECTIVE DATE: January 11, 2021**

Recent regulatory guidance states that China Mobile Ltd. (CHL) and China Unicom (CHU) are subject to the prohibitions of Executive Order 13959 (“EO”) beginning on January 11, 2021. Consequently, CHL and CHU options will also be affected by the EO.

Regulatory guidance is that CHU and CHL options may not settle in either shares or cash pursuant to the prohibitions of the EO, and therefore exercises in option symbols CHL and CHU will not be permissible beginning January 11, 2021. Exercise restrictions will be in place for CHL and CHU option exercises commencing January 11, 2021 and will remain in effect while the EO prohibitions remain in place. THEREFORE, HOLDERS OF CHL AND CHU OPTIONS WILL NOT BE ABLE TO EXERCISE THEIR OPTIONS WHILE THE EO PROHIBITIONS REMAIN IN PLACE FOR CHL AND CHU OPTIONS AND EXISTING OPTION POSITIONS WOULD EXPIRE WORTHLESS ON THEIR EXPIRATION DATE. OCC will update this information immediately if other information becomes available.

CHL and CHU options may be exercised today, January 8, 2021. It is OCC’s understanding the NSCC will accept CHL and CHU transactions from exercise and assignment activity for settlement through January 8, 2021.

This Information Memo provides an unofficial summary of the EO that was issued on November 12, 2020 by President Trump. The summary is intended to alert clearing members and options market participants to complexities and difficulties regarding certain listed options that may result from the EO, and it is provided for convenience only. OCC strongly urges clearing members and interested market participants to review the EO themselves and to consider the implications that its prohibitions may have for their options trading activities and positions and/or the options trading activities and positions of their customers. The EO is available at: <https://www.whitehouse.gov/presidential-actions/executive-order-addressing-threat-securities-investments-finance-communist-chinese-military-companies/>

The EO will prohibit transactions by U.S. persons in publicly traded securities of companies that are considered by the United States to be “Communist Chinese military companies.” The prohibitions will first take effect at 9:30 Eastern Standard Time on Monday, January 11, 2021 for securities issued by or associated with companies identified in the EO and will also take effect sixty (60) calendar days after any company is added to the list of companies considered by the United States to be a Communist Chinese military company (EO Effective Time(s)). Importantly, the EO states that its prohibitions also extend to transactions in securities that are derivative of, or designed to provide exposure to, such publicly traded securities. OCC therefore understands that as of the relevant EO Effective Times the prohibition will extend to listed options on such securities.

Presently, OCC understands that as of the EO Effective Times identified below transactions by U.S. persons will be prohibited in listed options covering the following equity security symbols. **OCC cannot confirm, however, that this list is complete or that it will remain accurate.**

EQUITY NAMES AND SYMBOLS

- China Mobile Ltd. (CHL) – 1/11/2021 EO Effective Time
- China Unicom (CHU) – 1/11/2021 EO Effective Time

Certain ETFs that hold traded securities in “Communist Chinese military companies” may also be prohibited by the EO. Additional securities may be added to the list of “Communist Chinese military companies” in the future, and options on any such securities may be impacted as described in this Information Memo.

Regulatory guidance indicates the scope of the EO prohibition also prohibit U.S. persons as of the relevant EO Effective Time **from exercising options** on the securities of companies that are considered by the United States to be “Communist Chinese military companies.” Option investors are reminded of the risks of trading options as described in the Options Disclosure Document, Characteristics and Risks of Standardized Options (also known as the “ODD”). Chapter X of the ODD contains the following statement:

It is also possible that a court, the SEC or another regulatory agency having jurisdiction would impose a restriction which would have the effect of restricting the exercise of an option. In such a case the option would not be exercisable until the restriction was terminated. In the remote possibility that the restriction were to remain in effect until the expiration of the option — which has never yet occurred — the option would expire worthless, and the holder would lose the entire amount that he paid for the option.

As stated above, OCC believes that the EO may have significant implications for affected options classes. Market participants should review the EO and consider its prohibitions in light of their options transactions and positions and/or the options transactions and positions of customers.

ALL CLEARING MEMBERS ARE REQUESTED TO IMMEDIATELY ADVISE ALL BRANCH OFFICES AND CORRESPONDENTS ON THE ABOVE.

For questions regarding this memo, call Investor Services at 1-888-678-4667 or email investorservices@theocc.com. Clearing Members may contact Member Services at 1-800-544-6091 or, within Canada, at 1-800-424-7320, or email memberservices@theocc.com.