



**THE FOUNDATION  
FOR SECURE  
MARKETS**

#48393

Date: March 04, 2021

Subject: EXERCISE RESTRICTIONS FOR CEO OPTIONS RESULTING  
FROM EXECUTIVE ORDER 13959

**\*\*\* REMINDER – CEO EXERCISE RESTRICTIONS EFFECTIVE MARCH 9, 2021 \*\*\***

Regulatory guidance states that CNOOC Limited (CEO) is subject to the prohibitions of Executive Order 13959 as amended (EO) beginning on March 9, 2021. CEO options may not settle in either shares or cash pursuant to the prohibitions of the EO, and therefore exercises for option symbol CEO will not be permissible beginning March 9, 2021. Exercise restrictions will be in place for CEO options commencing March 9, 2021 and will remain in effect while the EO prohibitions remain in place. THEREFORE, HOLDERS OF CEO OPTIONS WILL NOT BE ABLE TO EXERCISE THEIR OPTIONS WHILE THE EO PROHIBITIONS ARE IN PLACE AND EXISTING CEO OPTION POSITIONS WOULD EXPIRE WORTHLESS ON THEIR EXPIRATION DATE. OCC will update this information immediately if other information becomes available.

CEO options may be exercised through Monday, March 8, 2021. It is OCC's understanding that NSCC will accept CEO transactions from exercise and assignment activity for settlement through March 8, 2021.

#### Margin Treatment

All open interest in CEO options will be included in margin and RBH/CPM processing through and including Monday, March 8, 2021. Remaining open interest in CEO will be removed from margin and RBH/CPM processing beginning March 9, 2021.

#### Executive Order 13959

The following is an unofficial summary of the EO that was issued on November 12, 2020, and amended on January 13, 2021. 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.federalregister.gov/documents/2020/11/17/2020-25459/addressing-the-threat-from-securities-investments-that-finance-communist-chinese-military-companies> and <https://www.federalregister.gov/documents/2021/01/19/2021-01228/amending-executive-order-13959addressing-the-threat-from-securities-investments-that-finance> /

The EO prohibits 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 first took effect at 9:30 a.m. Eastern Standard Time on Monday, January 11, 2021 for securities issued by or

associated with companies identified in the EO on November 12, 2020 and will 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)). The EO prohibits U.S. persons from possessing such securities on and after the date 365 days from the date on which the issuer was first considered by the United States to be a “Communist Chinese military company.” 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.

Regulatory guidance is that the EO prohibits 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](mailto: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](mailto:memberservices@theocc.com).