



Global Exchanges and Markets Committee

Position Quantity Extensions

March 29, 2012

Revision 0.2

Proposal Status: ~~Public Comment~~Approved

For Global Technical Committee Governance Internal Use Only

Submission Date	Apr. 19, 2012	Control Number	<u>EP151</u>
Submission Status	Public Comment <u>Approved</u>	Ratified Date	<u>May 21, 2012</u>
Primary Contact Person	Mike Hemmerling, OCC Ryan Pierce, CME Group	Release Identifier	<u>5.0 SP3</u>

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Document History

Revision	Date	Author/Editor	Revision Comments
0.1	3/15/2012	Michael Hemmerling - OCC	Initial Draft for GExMC review
0.2	3/29/2012	Michael Hemmerling – OCC Ryan Pierce – CME Group	Revised for Unexercised and Requested Exercise quantity and comments from 3/19/2012 GExMC meeting
ASBUILT	May 24, 2012	L. Taikitsadaporn	Creation of ASBUILT with some minor addition to data dictionary to add enum elaboration based on Glossary entry.

1 Introduction

OCC requests two position quantity type enumerations added as part of this gap analysis to the PosTyp(703) field:

Request 1 – On expiration day, the position quantity after the application of trade and post trade activity, but prior to the application of exercises and assignments

Request 2 - The exercise quantity requested that was not allowed, e.g., the exercise quantity requested that exceeded the final long position

Additionally, CME requests one position quantity type enumeration added:

Request 3 – The requested exercise quantity, which may or may not differ from the exercise quantity.

OCC offers a real-time solicited version and an unsolicited batch version of the PositionReport(35=AP). In the unsolicited version, OCC's implementation provides two quantity blocks, one for the start of day long/short quantities and another for the end of day long/short quantities to subscribers. The end of day long/short quantities provided in the PositionReport(35=AE) reflects the result of Exercise & Assignment (E&A) processing. However, the position quantities entering E&A processing are not reported, thus not giving a clear snapshot of activity for that trading day to surveillance areas.

Regulatory agencies and exchange surveillance departments that monitor member activity have requested that OCC provide long/short position quantities prior to E&A processing for expiring positions only. Providing the expiring position quantities that go into E&A processing will greatly assist surveillance areas get a better idea of trading activity on the day of expiration.

OCC is requesting a new position type enumeration in the PositionQty component to reflect the long/short quantities at the end of trading/post trade activity and prior to E&A processing. Although PositionQty is a component used in several messages, OCC plans to only use the enumeration in the PositionReport(35=AP) message.

Here is an example of the issue to be resolved. A firm is Long 100/Short 100 contracts of a series expiring on Friday. During trading, the firm has a dozen trades for that expiring series and finishes the day Long 4,000/Short 3,000 contracts. 3,900 of the 4,000 are exercised and 2,800 of the 3,000 are assigned, resulting in an end of day position of 100/200. A surveillance area or regulator looking at the start of day position (Long 100/Short 100) and end of day position (Long 100/Short 200) from OCC's PositionReport(35=AP) message may not think the position is worth investigation. On the other hand, if an analyst were to know the position going in to E&A processing was Long 4,000/Short 3,000, further investigation may be warranted.

Quantity	Long	Short
Start of Day Position Quantities for an expiring position	100	100
Expiring Position Quantities, after trading and post trade activity	4,000	3,000
Exercises / Assignments	(3,900)	2,800
End of Day Position, after Exercises and Assignment have been applied	100	200

In the above example, OCC subscribers are given the Start of Day and End of Day position quantities in the PositionReport(35=AP), the Exercise quantity in the PositionMaintenanceReport(35=AM), the Assignment quantity in the AssignmentReport(35=AW) message, but not the position quantities prior to Exercise & Assignment processing.

Although it's true that regulatory agencies and exchanges have access to trade, post trade and exercise/assignment activity, provision of this position information would give them a much quicker picture of activity and potential risk. This issue only applies to series that expire on a weekday; it is currently not an issue for standard series that expire on the Saturday following the third Friday of the month, where the majority of open interest resides. However, there is a plan to move the expiration for standard US listed options to the third Friday of the month sometime in the 2014

or 2015. When standard option expiration processing moves to the third Friday of the month, the absence of this information will be much larger issue for regulators.

The second request is driven by OCC Clearing Members. Clearing Members are allowed to enter an exercise quantity greater than the current long due to the possibility that trades and/or post trades may still affect the long position. If the exercise quantity requested is greater than the final long position, the difference is considered the “Unexercised” quantity. Clearing Members are not able to determine their unexercised quantity until the next day, which potentially results in costly clearing and trading errors. As a result, Clearing Members have requested notification of their “Unexercised” quantities. OCC’s solution is to provide an additional PositionQty component block to the PositionMaintenanceReport(35=AM) that confirms the original exercise.

The third request is driven by CME Clearing Members, which addresses the same scenario as OCC's second request. CME likewise allows Clearing Members to enter an exercise quantity which might be greater than the final long position, resulting in less than the requested quantity being exercised. CME uses a slightly different method: notifying Clearing Members of both the exercise quantity and the requested exercise quantity. The OCC and CME methods are parallel to each other, and their relationship can be described mathematically:

Exercised Quantity = Requested Exercise Quantity – Unexercised Quantity

2 Business Workflow

OCC sends unsolicited PositionReport(35=AP) messages to subscribing firms, exchanges and regulatory agencies. At the request of the regulatory agencies and exchange surveillance departments, OCC intends to provide an additional quantity block that reports the long/short position quantities at the end of trading/post trade activity, but prior to Exercise and Assignment processing. To distinguish the expiring position quantity from Start of Day and End of Day position quantities, OCC requires a new position quantity type in the PosType(703) field.

OCC generates a PositionMaintenanceReport(35=AM) message confirming the exercise quantity applied. However, the original exercise request may be greater than the amount applied. At the request of its membership, OCC intends to provide an additional quantity block and report the quantity that was not applied. To describe this “unexercised” quantity, OCC requires a new position quantity type.

Likewise, CME intends to provide an additional quantity block and report the requested exercise quantity, requiring a new position quantity type.

3 Issues and Discussion Points

4 Proposed Message Flow

Introduction of the new enumerations does not impact the message flow. OCC currently, and will continue to, send unsolicited position reports and position maintenance reports to subscribing entities.

Appendix A - Data Dictionary

Tag	FieldName	Action	Datatype	Description	FIXML Abbreviation	Add to / Deprecate from Message type or Component block
703	PosType	Update	String	Used to identify the type of quantity that is being returned. SOD=Start-of-day quantity FIN=End-of-day quantity EXP=Expiring quantity (<i>elaboration text: The position quantity on expiration day after the application of trade and post trade activity, but prior to the application of exercises and assignments.</i>) UNEX=Quantity not exercised (<i>elaboration text: The exercise quantity requested that was not allowed, e.g., the exercise quantity requested that exceeded the final long position.</i>) REQ = Requested exercise quantity (<i>elaboration text: The exercise quantity requested. It may differ from the exercise quantity if it exceeds the final long position.</i>)	Typ	

Appendix B - Glossary Entries

Term	Definition	Field where used
EXP-Expiring Quantity	On expiration day, the position quantity after the application of trade and post trade activity, but prior to the application of exercises and assignments	PosType
UNEX-Unexercised Quantity	The exercise quantity requested that was not allowed, e.g., the exercise quantity requested that exceeded the final long position	PosType
REQ-Requested Exercise Quantity	The exercise quantity requested. It may differ from the exercise quantity if it exceeds the final long position.	PosType

Appendix C - Abbreviations

Term	Proposed Abbreviation	Proposed Messages, Components, Fields where used

Appendix D - Usage Examples