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Options Symbology Initiative (OSI) An Update to the Asset Managers Forum

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Options Symbology Change

- The Options Symbology Initiative (OSI) has three major components:
 - ◆ Shift from the OPRA code as a symbol to explicitly defining options based on multiple fields - the options symbol, expiration date, call/put indicator and strike price
 - ◆ Replacing fractional strike prices with decimals
 - ◆ Consolidation of standard options symbols to match the underlying root symbol
- As a result of OSI:
 - ◆ OPRA, OCC, Exchanges, and DTCC will all process without OPRA codes
 - ◆ OPRA will discontinue the dissemination of the Strike Price Code in output message formats
 - ◆ All equity strikes will be converted to decimal format
 - ◆ New Blue Sheet & LOPR OSI-compliant record layouts will be in place
- OSI will require remediation where systems:
 - ◆ Utilize options trade and quote information
 - ◆ Route orders to an options exchange or other execution venue
 - ◆ Interact with the clearing house (OCC)
- Firms that depend on vendor services for certain aspects of the trade process must integrate vendor modifications with upstream and downstream applications.

Products Impacted by OSI Change

- US Listed Options (traded on one or more of BOX, CBOE, ISE, NYSE Arca, NYSE AMEX, NASDAQ OMX, NASDAQ OMX PHLX and cleared via OCC)
 - ◆ Regular Equity and ETF Options
 - ◆ Index Options
 - ◆ Sector (Index) Options
 - ◆ Interest Rate Options
 - ◆ Currency Options
 - ◆ Flex Options
 - ◆ Binary Options
 - ◆ Weekly Expiration Options
 - ◆ Quarterly Expiration Options
- Listed Options on Futures (traded on NY LIFFE and cleared via OCC)
 - ◆ Options on Gold Futures
 - ◆ Options on Silver Futures
- Canadian Listed Options (traded on Montreal and cleared via CDCC – impact primarily GMI)
 - ◆ Regular Equity and ETF Options
 - ◆ Currency Options
 - ◆ Interest Rate Options
 - ◆ Index Options

OSI – What exactly changes?

> From: APVAF

- ◆ This 5 character OPRA code currently describes call options on Apple Inc. with a strike price of \$130 and expiration date of January 15, 2009.

> To: AAPL 100115C00130000

- ◆ Effective February 12, 2010, OCC will only use a series of four data fields to describe call options on Apple Inc. with a strike price of \$130 and expiration date of January 15, 2009 – “APV 100115C00130000”
- ◆ Feb 26 – May 12, 2010, OCC and exchanges will consolidate the options root symbols to more clearly reflect the symbol of the underlying instrument – “AAPL 100115C00130000”

> Vendors will develop their own representations

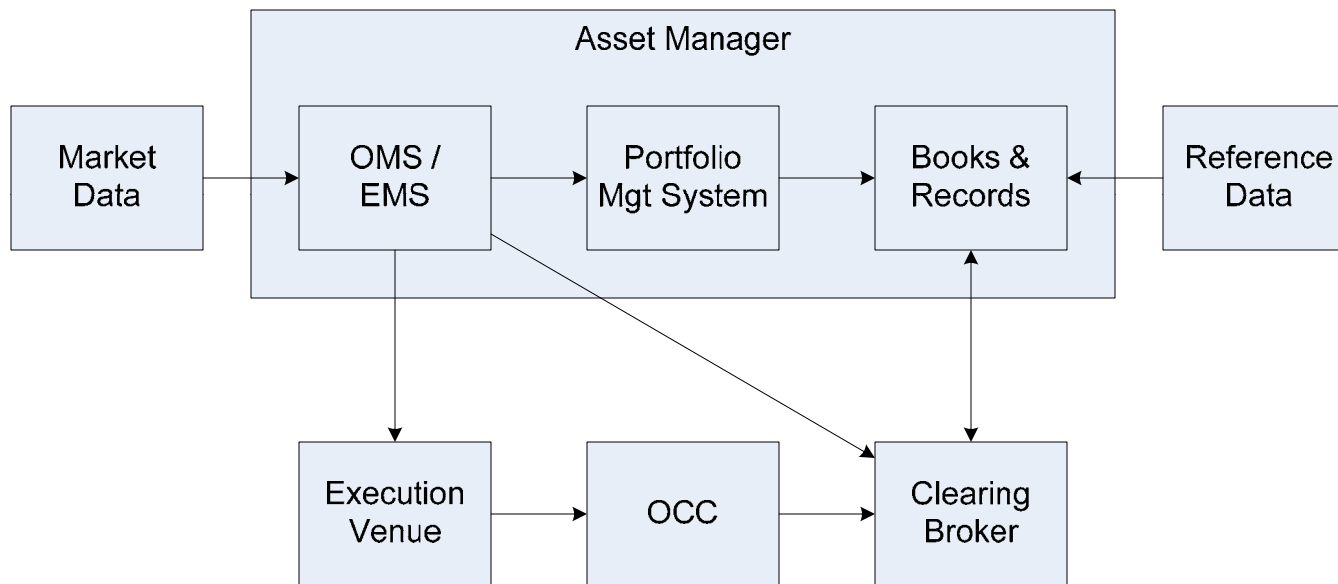
- ◆ OPRA: AAPL E1609A001300
- ◆ Reuters Identification Code (RIC)
- ◆ Etc.

- ◆ No single standard will be available

OSI Impacted Functions

- Display components (consider retail, institutional and market making)
 - ◆ Trading (options chains, order entry, OMS, EMS, time and sales)
 - ◆ Market Data (options chains, handhelds, time and sales, Excel APIs)
 - ◆ Multi-asset class systems (risk management , P&L, books & records)
- Internal database representations and primary options keys (securities master , OMS, EMS, margin, etc.)
- Back Office Processing (account statements, confirms, margin, exercise assignments, collateral management , corporate actions)
- Regulatory Reporting (Electronic Blue Sheets , LOPR -Large Option Positions Reports)
- Computer to computer interfaces
 - ◆ Order Routing (Client/BD/Service Bureau/Exchanges)
 - ◆ Market Data (Market maker/Exchange/OPRA/Direct Feed Recipient/End Users)
 - ◆ Clearing (Trade executions, Exchanges to OCC, Outtrade notifications, Exercise notifications, DTCC Interfaces)
- Special Issues:
 - ◆ Mapping non-standard options symbols with underlying symbols
 - ◆ Integration with current and historical data systems

Impacted Systems and Interfaces



Considerations

- Proprietary versus vendor system
- FIX versus file exchange technology

OSI Implementation

Conversion February 12, 2010

- OPRA will no longer supply the Strike Price Code in the data feed
- Exchanges will require Options Expiration Date (TAG 205/66 for FIX 4.1 and 4.2) to be included in FIX messages and will reject non-compliant orders
- OCC will:
 - ◆ discontinue supplying OPRA short codes (strike price and expiration month + put call indicator) in outbound DDS files and real-time interfaces
 - ◆ require Options Expiration Date to be included in all inbound file transmissions

Consolidation March 5 – May 14

- FLEX Options with Open Interest
- Convert ½ point Index Strike Prices
- There are 5 Planned Consolidation Groups that do not occur on a normal expiration weekend. Specific lists have yet to be developed
 - Friday, March 5 Friday, May 7
 - Friday, April 9 Friday, May 14
 - Friday, April 23
- OCC will provide a DDS file for product and series with corporate action symbol change
- Consolidation will occur for whole product / series (e.g. MQF, MSQ, WMF, VMF -> MSFT)
- Affected Open Orders (e.g. GTC) will need to be cancelled on Friday and replaced on Monday

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OSI General Timeline

