

Options Symbology Committee Memorandum

To: Brian McNelis - Reuters

From: Symbology Committee Representatives

Date: November 27, 2006

Re: Comments received regarding the Options Symbology Implementation Plan.

Dear Mr. McNelis

Representatives of the Options Symbology Committee (the Committee) commend the members of your organization for their thoughtful comments on the options symbology implementation plan published in May 2006. Many of the comments submitted were commensurate with the most difficult issues discussed in generating the implementation plan.

The matter of message length was the primary topic of discussion during the committee meetings and the source of the majority of the comments. The data elements identified in the implementation plan, and their recommended sizes were the result of a desire to support the current listed products and some obvious potential new products such as fixed income, OTC and long-term contracts.

To address your recommended series key, committee members developed the following response: The Committee recognizes the inability to dictate specific data and technical requirements for the internal workings of independent organizations supporting various business models. Therefore, the recommendations set forth in the implementation plan will be used to determine the appropriate symbology for new and existing products by listing exchanges and the clearinghouse. Market constituents will be required to accept and deliver data subject to these recommendations in the exchange and clearing interfaces but are not subject to these requirements for internal processes. The Committee recognized that many organizations may devise encoding mechanisms to reduce the size of the messages for internal systems used to support the trading and settlement of listed options.

The Committee did recognize the sensitivity associated with market data and agreed that the OPRA messages generated by the exchanges should deviate from the recommendations set forth in the plan. **The OPRA feed is the only instance in which the recommended data structure will deviate in the exchange interface and will not be supported in the clearing interface.**

The Financial Information Forum (FIF) recommended that the message length be limited to 16 characters for all interfaces. The Committee concluded that a sixteen character string cannot provide the desired benefits identified in the implementation plan and asked FIF representatives to support a 17 character data string for outbound exchange OPRA data feeds and a 21 character string for all other exchange and clearing interfaces. The Symbology Committee was informed on September 28, 2006 that FIF representatives had agreed to support a 17 character OPRA feed and a 21 character trading and settlement feed (see charts below and on next page). Symbology Committee representatives believe that this 17 character compromise satisfies concerns raised in your comment letter.

OPRA EQUITY/INDEX OPTION SYMBOL CHANGE

	CURRENT SYMBOL	NEW SYMBOL
Security Symbol	Use 3 In 5 Position Alpha Field	5 Position Alpha Numeric ¹
Expiration Month	A = Jan Call, etc.	No Change
Expiration Date	Does Not Exist	2 Numeric
Year	1 Numeric	2 Numeric
Explicit Strike Price	8 Positions ²	7 Positions ³
Strike Price Code	A = 5, etc.	Goes Away

TOTAL POSITIONS

16

17

¹ Corporate action code follows the underlying symbol. For example, the first corporate action on IBM, 5 character symbol is “IBM1 space”. If 5th position not available to indicate a corporate action due to 5 character underlying, there will be a bastardized symbol.

² 1 Position strike price denominator code and 7 position explicit strike price value.

³ 1 position strike price denominator code and 6 position explicit strike price value.

OPTIONS TRADING AND CLEARANCE DATA RECOMMENDATIONS

	OPTION SYMBOL
Security Symbol	6 Position Alpha Numeric
Expiration Month	2 Numeric
Expiration Day	2 Numeric
Year	2 Numeric
Call/Put Indicator	1 Alpha
Explicit Strike Price⁴	8 Positions

TOTAL POSITIONS

21

The majority of the Symbology Committee representatives have agreed to the following supporting comments regarding each recommended field size:

Symbol - The recommended symbol size of six characters was supported by the FIF during the security futures initiative in 1999. The Symbology Committee will support a 5 character recommendation in the OPRA data feed and a 6 character recommendation in all other aspects of the trading and settlement cycle.

Year - The one byte year limits the duration that listed options may be traded to 10 years. Flexible contracts may currently be listed out 10 years by several exchanges. The committee supports a minimum of a two byte year.

Month/call & put - The practice of using a single identifier to represent the value of multiple data points has contributed to the costly and error prone technical infrastructure necessary to maintain the current listed option product. There is nothing stopping organizations from using a single alpha character to represent the call/put indicator and the month of expiration. The Committee views the risk of doing this as low given current market conditions. OPRA has adopted this encoding mechanism for the delivery of market data over their proprietary feed and the Symbology Committee has supported their decision. **The exchange and clearing interfaces for all other aspects of the trading cycle will adhere to the recommended explicit data elements for call/put and month data values.**

Strike dollar – The need to support three digits to the right of the decimal was viewed as a critical requirement for the conversion period and the advent of sub-penny trading. The

⁴ The Symbology Committee has recommended organizations support a minimum of 5 places to the left and three places to the right of the decimal place for trading and clearing interfaces.

conversion of strike prices from eighths to decimals should not result in gains or losses to options investors. LEAPS contracts generally carry large open interest and therefore the dollar amounts would be significant. The topic of granularity was heavily discussed and the unanimous result was that option strike prices should be carried to the same level of granularity as the underlying security and therefore sub-pennies are appropriate. Given the three decimal requirement that leaves three integers for the strike according to the Reuters proposal. The committee accepts the Reuters recommendation for 6 character strike representation for OPRA data feeds. The Symbology Committee stands by its recommendation for minimums of a five character integer and a three character decimal for the trading and clearing interfaces to ensure ETF and index options may be represented in true economic terms and support the listing of fixed income and OTC products.

The Symbology Committee representatives recognize that the reduced minimum data requirements for symbol and strike in the OPRA feed could result in the proliferation of non-standard options symbol notation in the short term. However, the majority of the Symbology Committee members did agree that the trading and settlement processes should provide greater flexibility for future growth within the listed options market and therefore support the 21 character data string in those instances.

Best regards,

Mark Baumgardner
Spokesperson for the Options Symbology Committee.