



#30049

**Back to Infomemo Search**

**DATE:           JANUARY 3, 2012**

**SUBJECT:    REVIEW OF TRADING HALT PROCESSING  
              \*\*\*REPOST OF MEMO #27391\*\*\***

Rule 805 provides that if an underlying security is not traded on the last trading day before expiration, OCC may either (i) fix a closing price on such basis as it deems appropriate (including using the last sales price from the most recent trading day for which a last sales price is available); or (ii) determine not to fix a closing price for that security, in which case clearing members may exercise by only giving OCC affirmative instructions.

In conjunction with its assessment of the methodology used to select closing prices for expiration processing (see Information Memo #18930), OCC also assessed its policy on fixing closing prices for underlying securities in which trading has been halted. After consulting with its clearing members, OCC has determined to establish the following policy:

- If OCC becomes aware at any time on or before expiration Monday that trading in an underlying security has been halted, and if trading does not resume before expiration, OCC will **not** apply exercise by exception (ex by ex) procedures with respect to options on that security.
- If OCC does not become aware until expiration Tuesday or thereafter that trading in an underlying security has been halted, and if trading does not resume before expiration, ex by ex procedures will apply and OCC will fix a closing prices on such basis as it deems appropriate in the circumstances (including, without limitation, using the last sales price from the most recent trading day for which a last sales price is available).
- If OCC becomes aware before the close of trading on expiration Friday that trading in a previously halted underlying security has resumed, ex by ex procedures will apply and OCC will fix a closing price for that security in the normal manner. If ex by ex processing procedures are suspended for an underlying security, any expiring long positions that a Clearing Member wishes to exercise on expiration Saturday must be entered manually via the Ex by Ex Instruction entry screen in ENCORE.

OCC will notify Clearing Members of any issues removed from ex by ex through information memos and Member Radar.

**DISCLAIMER**

This Information Memo provides an unofficial summary of the terms of corporate events affecting listed options or futures prepared for the convenience of market participants. OCC accepts no responsibility for the accuracy or completeness of the summary, particularly for information which may be relevant to investment decisions. Option or futures investors should independently ascertain and evaluate all information concerning this corporate event(s).

The determination to adjust options and the nature of any adjustment is made by a panel of The OCC Securities Committee pursuant to OCC By-Laws, Article VI, Sections 11 and 11A. The adjustment panel is comprised of representatives from OCC and each exchange which trades the affected option. The determination to adjust futures and the nature of any adjustment is made by OCC pursuant to OCC By-Laws, Article XII, Sections 3, 4, or 4A, as applicable. For both options and futures, each adjustment decision is made on a case by case basis. Adjustment decisions are based on information available at the time and are subject to change as additional information becomes available or if there are material changes to the terms of the corporate event(s) occasioning the adjustment.

**For questions regarding this memo, call 1-888-OPTIONS or email [options@theocc.com](mailto:options@theocc.com).**