

# Trader Update

**Date:** October 15, 2009  
**Audience:** NYSE Arca Options Participants  
**Subject:** Expiration Friday FLEX Trades

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## Summary:

The Options Clearing Corporation (“OCC”) has informed NYSE Arca that at this time it will not clear American-style FLEX option transactions with terms that may become fungible with a standard Non-FLEX option in the future.

OCC has determined that there is an undisclosed risk to the holder of a FLEX option that has an American Style exercise that expires on a regular Third-Friday-of-the-Month expiration.<sup>1</sup> If a Non-FLEX Series is added intra-day with the same terms as the FLEX option, the holder’s FLEX position cannot be aggregated with positions in the Non-FLEX option until the next day, and OCC cannot consolidate (net) the positions that night prior to assignment processing.

In such circumstances, the holder may be long in one option and short in the other, and thus have assignment risk despite having offsetting positions.

OCC will clear Third-Friday-of-the-Month expiration FLEX trades *if they have a European exercise*.

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## Contact Info:

If you have questions, please contact Silvia Ramirez, at (415) 393-4139; Dave Sullivan, at (415) 726-5663; or Peter Armstrong, at (415) 393-4232.

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<sup>1</sup> “Third Friday of the Month” expirations, both FLEX and Non-Flex, cease trading on the third Friday, but actually expire on the Saturday after the third Friday, as provided for in OCC’s Rules.