



## **INSTRUCTION B16/2014**

**Exercise and Maturity of Options  
Contracts**

27.May.2014

## **Versions Index**

**27.May.2014**

Initial Version

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Pursuant to its Rulebook, OMIClear approves this Instruction, which defines the procedures required for the exercise and maturity of Options Contracts.

### General Provisions

1. This Instruction takes the following references established in the General Contractual Terms (GCT) of each Options Contract:
  - a) Maturity Date;
  - b) Exercise Date;
  - c) Exercise Period;
  - d) Reference Exercise Price;
2. Notwithstanding the previous paragraph, this Instruction assumes that:
  - a) The Options are of European style, with one single date to exercise;
  - b) That the date of Exercise tallies with the maturity date and the last trading and registration date (LTD);
3. Whenever any of the conditions expressed in the preceding paragraph are not in place, the provisions in this Instruction must be interpreted mutatis mutandis.
4. The GCT can define different procedures from those set forth in this Instruction, and those related to them must be interpreted mutatis mutandis.
5. For the purposes of this instruction the use of the term “positions” refers to the net balance of the transactions over a same contract at a certain registration account. The balance is made available in a specific report on the MiCclear system.

### Intervening parties

6. Although information must be provided to the Clearing Members involved, in relation to the Exercise of Options, OMIClear relates directly with its Registration Agents.
7. The Registration Agents are responsible for managing the entire exercise process of their clients.
8. For all purposes, the Registration Agents are hereinafter referred to in this Instruction as Agents.

### Exercise Mechanisms

9. OMIClear has two Exercise mechanisms: a pre-defined one (hereinafter called automatic) and a discretionary one.
10. The automatic mechanism is based on the following guidelines:
  - a) At the end of the Exercise Period, OMIClear automatically exercises all Options, not yet exercised, of the series that are In-the-money more than one pre-defined Exercise parameter;
  - b) The calculation of the In-the-money amount results from the comparison between the Reference Exercise Price and the Exercise Price of the Series;
  - c) Each Agent sets its Exercise parameter, starting from a zero value, set by default by OMIClear.
  - d) Each Agent can change the Exercise parameter when it desires, by simply sending to OMIClear the specific Model available on the website.

11. The Reference Exercise Price is established directly by OMIClear or by using another Entity, namely a Market Operator, especially when the Contracts are listed there, as defined in the GCT.
12. The Exercise parameter is set according to the following rules:
  - a) It applies uniformly to all Options;
  - b) The Agent may select two values: an absolute value and another as a percentage, with no decimals, of the Exercise Price;
  - c) Both values can be positive or negative;
  - d) The value determined from the percentage of the Exercise Price is rounded to the nearest tick and, in a situation of equidistance (0.5 tick), rounded to the higher tick;
  - e) For each Series, if the Agent has chosen the two values referred to in paragraph (b), OMIClear will use the one that promotes the Exercise.
  - f) For each Series, if the Agent has chosen only one of the values referred to in paragraph (b), OMIClear will use it to determine the Exercise.
13. If the implementation of paragraph (10)(b) results in a value equal or superior to the Exercise parameter, OMIClear activates the Exercise.
14. The discretionary mechanism is the possibility that the Agent has to define the Exercise conditions of each Series, overriding the automatic mechanism referred to in paragraph (10), and taking into account the following aspects:
  - a) The Exercise conditions concern both the exercise of a given number of positions as the non-exercise;
  - b) To exercise positions which in the calculations referred to in paragraph (10) would be considered as Out-of-the-money, or to determine not to exercise positions that would be considered In-the-money;
  - c) The Exercise covers positions of each Registration Account, and can provide indication relating only to a portion of buying net positions held in a given Series and Registration Account; Exercise instructions that exceed that buying net position will not be considered;
  - d) Gives the instructions for Exercise or no Exercise, by sending the specific Model available on the website to OMIClear within the Exercise Period established by OMIClear in the GCT;
  - e) Can cancel instructions provided, wholly or in part, by sending the same Model with the proper instructions, provided it is sent within the said Exercise Period;
15. At the end of the Exercise Period, OMIClear activates the automatic Exercise for all the positions not subject to the discretionary Exercise, in order to consolidate all the Exercise intentions by Option-buying Agents.

### Assignment Process

16. The assignment process is based on the buying or selling net positions in each Registration Account for each Series, no other positions in Options being netted.
17. For each Series:
  - a) OMIClear determines the Exercise ratio defined as the quotient between the number of positions exercised and the total number of selling net positions, so as to support a pro-rata Exercise logic.

- b) To determine the selling positions exercised, OMIClear applies the Exercise ratio to all selling net positions, rounding to a whole number of positions which covers globally the entire number of positions exercised.
18. At the end of the process referred to in paragraph (17) with respect to all Series, OMIClear:
- a) Reports to the agents the final results of the Exercise;
  - b) Promotes the extinction of the positions not exercised;
  - c) Promotes the extinction of the positions exercised by means of the delivery procedures referred to in the next paragraphs.
19. The assignment process is completed until the closing of the Clearing Session of the date of Exercise.

### Delivery Procedures

20. At the end of the assignment process, the delivery procedure begins, which depends on the model provided in the GCT of each Series.
21. The positions that have not been exercised by the end of all Exercise procedures will mature without any value, and are simply cancelled by OMIClear; there will be no further procedures other than those arising out of the same act.
22. In the case of Options Contracts with financial settlement, OMIClear calculates the corresponding gains and losses for each position exercised, according to the formula below:

$$GLO = (RPE - Strike) \times Type \times Nominal$$

Where:

- GLO – gains and losses in a position in Options per Exercise
- RPE – Reference Exercise Price
- Strike – Exercise Price of Series
- Type – assumes a value of 1 for the Calls and -1 for the Puts
- Nominal – nominal of Contract

23. The value of gains and losses of all positions exercised is included, for all buyers and sellers, in the daily financial settlement of the Clearing Session in which the Exercise takes place, and due to the discretionary conditions of the Exercise there may be cases in which the financial result for a buyer of Options can be a debit.
24. In the case of Options Contracts with physical delivery, in which the underlying asset are Futures Contracts cleared and settled in OMIClear, the latter will register the following Transactions:
- a) For Calls, a buying Transaction is registered to buyers, equivalent to the number of Futures Contracts underlying each Options position, and a selling transaction in Futures Contracts to the sellers of Options;
  - b) For Puts, a selling Transaction is registered to buyers, equivalent to the number of Futures Contracts underlying each Options position, and a buying Transaction in Futures Contracts to the sellers of Options.
25. In accordance with the preceding paragraph, the transactions in Futures:
- a) Are registered in the same Registration Accounts where the Transaction in Options were registered;
  - b) Are registered with the Exercise Price of the Series that originated them;

- c) Are fully fungible with the remaining positions in Futures, and are subject to the same rules from the moment they are registered;
  - d) In accordance with the preceding subparagraph, they are subject to the first Daily Mark-to-Market in the Clearing Session in which the Exercise takes place.
26. In the case of Options Contracts with physical delivery, in which the underlying asset are Swap Contracts or Forward Contracts cleared and settled in OMIClear, all the provisions of the previous paragraph will apply, save the replacement of the Daily Mark-to-Market, referred to in paragraph (25)(d), which will be replaced by the Variation Margin.
27. In the case of Options Contracts with physical delivery, in which the underlying asset are not Contracts cleared and settled in OMIClear, OMIClear will, directly or indirectly, ensure the delivery of the underlying asset against the payment of the Exercise Price in the manner set in the GCT, ensuring:
- a) In the case of Calls, that the buyer receives the underlying asset and pays the Exercise Price;
  - b) In the case of Puts, that the buyer delivers the underlying asset and receives the Exercise Price.

#### Entry into Effect

28. This Instruction has been registered with CMVM on 24 April 2014 and enters into effect on 27 May 2014.

*The Board of Directors*