



THE OPTIONS CLEARING CORPORATION

#26201

TO: ALL FUTURES CLEARING MEMBERS AND SERVICE BUREAUS

FROM: DAN BUSBY – VICE PRESIDENT, MEMBER SERVICES

DATE: AUGUST 3, 2009

SUBJECT: OCC FUTURES DELIVERY SYSTEM - REVISED

Information Memo # 26176 has been reprinted below with a revised attachment. The September Delivery Cycle reflected an incorrect date for the 2 and 5 year Treasury Future. All other information remains the same.

ELX Treasury Futures require physical delivery of securities between owners of short and long positions. ELX rules specify that securities to be delivered must be of “deliverable grade” under the contract specifications, which vary by product. Please see the ELX Futures website www.elxfutures.com for the contract specifications.

Delivery against ELX contracts is a three-day process; Intention Day (T), Invoice Day (T+1), and Delivery Day (T+2). The first ELX Delivery Cycle will be September 2009 (see Exhibit 1 for important delivery dates).

HOLDINGS

Beginning with the second business day prior to the first Intention Day of the Delivery Month (First Holding Date), Clearing Members are required to provide OCC with a record of all open long positions, including the trade date the positions were established. These records are referred to as Holdings. All Clearing Member with long positions must ensure that their Holdings are fully reported each day during the delivery month. On a daily basis Clearing Members must reduce or remove Holdings for positions that are closed out and add Holdings for any new positions. OCC will accept Holdings until 8:00 PM CT each day.

All Holdings must be manually entered using the ENCORE screens during the September and December delivery cycle. The electronic submission of Holdings will be accepted beginning in March, 2010.

INTENTS/ISSUES

Accounts maintaining short positions drive the delivery process. The owner of a short position must notify OCC of their desire to deliver securities against the short position by entering an

Intent, beginning on the first Intention Date. Each evening OCC will match all properly submitted Intents against Holdings, beginning with the oldest long Holdings. It is important to note that on Last Delivery Date, Intents will be paired against the current long positions rather than the stated Holdings.

For each processed Intent, OCC will create an Issue transaction that will reduce the short position. Issues will be applied on Intention day reducing the short position and will be reflected in the Clearing Member's end of day position. If the Intent quantity exceeds the short position (after all trades, post trades, and PCS have been processed), OCC will create a long position and a Holding for the excess Issue quantity. Over-intents will be allowed up until the last trading date.

On the Last Intention Date, Intents must be submitted for each short future position. If an Intent is not submitted by the window close, OCC will automatically create an intent for the remaining short positions.

STOPS

Similar to Intents/Issues, OCC will create a Stop transaction that will reduce the Clearing Member's long position for each Holding that is selected to take delivery. Stops will be reflected in the Clearing Member's ending position on Intention Day reducing their long position. If the Holding(s) that were selected for delivery exceed the Clearing Member's long position (after all trades, post trades, and PCS have been processed), OCC will create a short position for the excess Stop quantity. In addition to reducing the long position, OCC will automatically reduce the Holdings that were selected for delivery.

REPORTS

In order to support Futures Deliveries, there are several new reports and one modified report available for Clearing Member viewing. Following the matching of Intents and Holdings and the adjustment of positions via Issues and Stops, OCC will produce reports for the Clearing Members to view their activity.

- Daily Issue Stop Report will show any Issues and/or Stops that were applied against positions. This report will be available in ENCORE under the Position Topic
- Futures Delivery Advice Core Report will show the delivery pairings including the quantity of contracts being settled, the settlement price, the delivering clearing account, and the receiving clearing account. This report will be available in ENCORE under the Exercise and Assignment Topic.
- Delivery Holdings Core Report will show all of the Holdings by account and contract for each Clearing Member. This report is available in ENCORE under the Positions topic.
- Futures Position Activity Report is a modified report displaying all trading activity including Issues and Stops. The long and short futures positions will be reduced by the Issue and Stop quantity.
- Daily Issues and Stops Summary Report will show the total number of Issues/Stops processed for all Clearing Members and the next available Holdings trade date that is next in line for delivery allocation. This report is located on the OptionsClearing.com website under the Market Data section.

DDS

In addition to these reports the DDS Positions Report messages show processed Issue and Stop quantities (please see Info Memo #26131 for more details).

INVOICES

The second day of the delivery cycle is Invoice Day. OCC will provide a preliminary invoice to the delivering Clearing Member using the default settlement instructions. The deliverer must declare which treasury securities they intend to deliver by 2:00 PM CT (3:00 PM CT on the last Delivery Date). Using this information OCC will calculate the invoice amount and allow the receiving Clearing Member an opportunity to approve the Invoice. This confirmation must be given by 4:00 PM CT. Each Clearing Member will have an opportunity to change their banking instructions prior to completing the Invoice. Once the Invoice is completed, OCC will issue a final invoice to both the Delivering and Receiving Clearing Members.

ENCORE FUNCTIONALITY

OCC is developing a Deliveries System to support the physical settlement process for ELX Treasury Futures. This project has been broken into two phases. The first phase will be available for the first September delivery cycle while the second phase will be available for the March 2010 delivery cycle.

PHASE I – Available in late August 2009 for the First Holding Date

The first phase of the Delivery System pairs the Delivery Matches, creates new reports and creates new screens allowing firms to enter Holdings and Intents. A summary of the screens is listed below:

- Delivery Summary Screen – a screen displaying a summary view of all positions in expiring treasury futures contracts, cumulative holdings, and intent totals.
- Holdings screen – a screen used to view, add, modify, and delete Holdings.
- Intents screen – a screen used to view, add, modify, and delete Intents.

PHASE II – Available in February 2010 (prior to the March Delivery Cycle)

The second phase of the Deliveries system will provide support for Invoicing and Delivery. The major components of the second phase will be:

- Invoicing – a screen for deliverers to select securities for delivery and receivers to confirm invoices.
- Banking Instructions – a screen for Clearing Members to maintain banking profiles for deliveries.
- Invoice Reporting
- Electronic Submission of Holdings

During the September and December 2009 delivery cycles, manual processes will be used to support the Invoicing process and the submission of Holdings.

TRAINING

OCC will be conducting training sessions on the Delivery System in both Chicago and New York on the following days. All Clearing Members are expected to attend one of the sessions.

Chicago - Monday, August 3, 2009 11:30-1:00 PM CT

New York - Tuesday, August 4, 2009 Noon to 1:30 PM ET

OCC Clearing Member representatives will be contacting each firm to schedule training.

TESTING

OCC will be running a simulated delivery cycle during the week of August 10, 2009. All Clearing Members trading ELX products are required to participate in the simulation regardless of whether delivery is expected. Specific details about the test will be provided at the OCC Training session.

If you have any questions, please contact your Clearing Member representative or the Member Services Help Desk at the following numbers: 800-621-6072 or 800-544-6091. Within Canada, please call 800-424-7230. Clearing Members may also e-mail us at memberservices@theocc.com.

EXHIBIT 1: SEPTEMBER DELIVERY CYCLE

