

Notice to Members

MARCH 2005

SUGGESTED ROUTING

Senior Management
Legal & Compliance
Operations
Options
Systems
Trading

KEY TOPICS

Options

GUIDANCE

Large Options Positions Reports

New Electronic Reporting Requirements for Large Options Positions Reports for Filing of Reportable Conventional Options Positions

Executive Summary

As a result of enhancements to the Securities Industry Automation Corporation's (SIAC) Large Options Positions Reporting system, NASD is eliminating the manual reporting of Large Options Positions Reports (LOPRs). SIAC now has the capability to accept LOPRs for both conventional and standardized options¹ positions on an electronic basis. As a result, all members will be required to file LOPRs through SIAC on an electronic basis. **As of May 9, 2005, NASD will no longer accept manually filed LOPRs.**

All members must successfully test with SIAC to ensure that they have the ability to report large options positions in the required format. Testing is currently available and must be completed by **May 6, 2005.**

Questions/Further Information

Questions concerning these new reporting provisions can be directed to Mark G. Nolan, Team Leader, Market Regulation Department, at (240) 386-6174; or Susan Tibbs, Deputy Director, Market Regulation Department, at (240) 386-5082.

Background and Discussion

NASD Rule 2860(b)(5) requires member firms to file, or cause to be filed, reports for each account² that has an aggregate position of 200 or more options contracts (whether long or short) on the same side of the market covering the same underlying security or index. These reports are referred to as LOPRs. With respect to listed options (also known as standardized options), a member firm currently may comply with this requirement by filing, or ensuring that another firm files on its behalf, reports to SIAC, or by manually filing a LOPR form by faxing it to NASD. With respect to over-the-counter options (also known as conventional options), a member firm currently must manually file a LOPR form because SIAC has not up to this point accepted electronic reports with respect to conventional option positions.

To enable NASD to enhance the efficiency of options surveillance, SIAC has developed the capability to accept reporting of conventional options positions on an electronic basis. The electronic reporting to SIAC of such options positions is now available. Beginning **May 9, 2005**, NASD will require all members to report all large options positions (for both conventional and standardized options) required to be reported under NASD Rule 2860 through SIAC on an electronic basis. NASD will continue to accept manually filed LOPRs only **until May 6, 2005**.

Current Requirements

All NASD Members

NASD Rule 2860 currently requires NASD member firms to file LOPRs in a manner prescribed by NASD. All NASD members currently must transmit LOPRs in conventional options via facsimile to NASD.

NASD/Options Exchange Members

NASD members that are also members of an options exchange on which the option is listed and traded may currently comply with this obligation by transmitting LOPRs in electronic form to SIAC.

Electronic Filing of LOPRs

NASD is enhancing LOPR reporting by requiring the electronic reporting of conventional options positions, which, up to this point, have only been reported to NASD via facsimile. This requirement will become effective on **May 9, 2005**. As a result, commencing on this date, NASD will no longer support or otherwise permit the filing of any LOPRs (whether such reports cover standardized or conventional options) via facsimile. Under the new requirements, position reports in conventional and standardized options must be reported to SIAC on an electronic basis using designated record types. Member firms will be able to add conventional option reports to their existing LOPR transmissions for standardized options or send them to SIAC as a separate file. The record layout of the new options positions report is set forth in Attachment A.

LOPRs should be transmitted to SIAC no later than the close of business on the next business day following the day on which the transaction or transactions requiring the filing of such report occurred.³

NASD has also determined to enhance LOPR reporting to support member firm transmissions to SIAC of hedge instrument positions involving standardized and conventional options.⁴ The record layout of the new report for hedge instrument positions is also set forth in Attachment A.

Testing

Prior to being approved to submit production data to SIAC, each submitting organization must conduct a successful test with SIAC. The test will verify connectivity and check the format and content of a test file.

In order to establish connectivity to SIAC and/or conduct a test, please contact SIAC's Client Activation Group at (212) 383-5401 and identify your request by mentioning Sysid 28044.

All members must successfully test with SIAC in order to be in compliance with these new provisions by the effective date of **May 9, 2005**.

Endnotes

- 1 NASD would like to remind its members that LOPR filings to NASD pursuant to NASD Rule 2860(b)(5) should be made with respect to reportable positions in options only and not in any other derivative security. Members, and those entities filing on behalf of NASD members, must not report positions in other financial instruments in a LOPR filing to NASD, aside from those instruments being reported as hedges against reportable options positions.
- 2 Accounts for which reports are required pursuant to NASD Rule 2860(b)(5)(A)(i)a include accounts in which the member has an interest, each account of a partner, officer, director, or employee of such member, and of each customer, non-member broker, or non-member dealer. As such, if a member enters into a transaction with a customer creating a reportable position for both the member and the customer, then NASD Rules require that a LOPR reporting each position be submitted for both the customer and the member.
- 3 See NASD Conduct Rule 2860(b)(5)(A)(ii).
- 4 NASD previously issued guidance regarding hedge instrument position reporting in *NTM 97-56*.

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ATTACHMENT A

Intermarket Surveillance Group Large Options Positions Reporting System Input File Layout

V1.1

February 16, 2005

File Description

The ISG Large Options Positions Reporting System (LOPR) utilizes the input file described in this document. The file consists of the following structure:

- ▶ Datatrak Header Record – Identifies the file as a LOPR input file. Must be the first record in the file.
- ▶ Account Description and Position Records – For each account/trade date, up to five records may be present that provide the name on the account (Record Types 1-5). Following the Account Name records will be any number of position records for the account. There are six types of Position Records. Any or all types may be reported for a given account.
 - Listed Option Positions (Record Type 6).
 - Hedge Instrument Positions on Listed Options (Record Type 7).
 - Currency and Stock Index Warrant Positions (Record Type 8).
 - OTC Option Positions (Record Types A and B).
 - Hedge Instrument Positions on OTC Options (Record Type C).
- ▶ Datatrak Trailer Record – Must be the last record in the file.

The first 34 characters in all records (except Datatrak Header and Trailer) consist of a key that must be the same in all records for an account for a given trade date. Positions for multiple trade dates may be reported in a single file.

All alphanumeric (X) fields must be left justified and space filled. All numeric (9) fields must be right justified and zero filled.

Establishing Connectivity To SIAC

Organizations that do not already have connectivity to SIAC's Shared Data Center and its Datatrak input subsystem, must contact SIAC's Client Activation Group at (212) 383-5401. Please identify your request by mentioning Datatrak Sysid 28044. Various connectivity options will be presented to you.

If you already maintain connectivity to SIAC, you may use the Datatrak Originator and Sub-Originator you use in other file transmissions.

Testing Requirements

Prior to being approved to submit production data to SIAC, each submitting organization must conduct a successful test with SIAC. The test will verify connectivity and check the format and content of a test file. Please contact SIAC's Client Activation Group at (212) 383-5401 and once again identify your request by mentioning Datatrak Sysid 28044. They will also assign Datatrak Originator and Sub-Originator codes that must be included as part of the Datatrak header and trailer records.

Datatrak Header Record

The Datatrak header record must be the first record in the file.

Position	Field Name	Description	Format	Value
1-16	System ID	Identifies an ISG Large Options Positions File.	X(16)	HDR.S28044.E00.C
17-20	Originator	Identifies organization sending the file.	X(4)	Assigned by SIAC; please call (212) 383-5401.
21-22	Filler		X(2)	.S
23-26	Sub-Originator	Identifies organization sending the file.	X(4)	Assigned by SIAC; please call (212) 383-5401.
27-27	Filler		X(1)	Space.
28-33	Date	Date of file submission.	X(6)	MMDDYY
34-34	Filler		X(1)	Space.
35-59	Description	Textual identification of the file.	X(25)	ISG OPT. LARGE POS.
60-80	Filler		X(21)	Space.

Account Name Records—Record Types 1-5

Up to five records (Record Types 1-5) are used to provide the name and address on the account.

Position	Field Name	Description	Format	Value
1	Firm Type	Identifies the type of firm submitting the report.	X(1)	O = Firm that is only NASD member. L = Member of an option exchange.
2-7	Trade Date	Position effective date.	9(6)	MMDDYY
8-11	Firm ID	Reporting firm ID.	X(4)	OCC clearing number if OCC clearing firm or listed options market assigned number. If only NASD member, alpha identifier.
12-15	Branch	Firm branch code.	X(4)	
16-24	Account Number	Account number.	X(9)	
25-33	Social Security Number or Tax ID	Social Security Number or Tax ID depending on the Indicator field.	X(9)	If Social Security/Tax ID Indicator is "F" or "N," this field could be zero.
34-34	Social Security Number or Tax ID Indicator	Indicates whether the above field is a Social Security Number or a Tax ID.	X(1)	S = Social Security Number. T = Tax ID. F = Foreign. N = Not available.
35-35	Record Type	Identifies account name records.	X(1)	Values = 1-5. Record Type 1 must be present. Record Types 2-5 are optional, but must appear in numerical order.
36-65	Account Name/Address	Name/Address on the account.	X(30)	The last line of the address should include the City, State, and ZIP or Country Code. ¹
66-80	Filler		X(15)	Spaces.

¹ Separate Account Name/Address records should be provided to represent each line of the full account name and address. For example, to report Account information for the following account: James Q Public, c/o Fairfax Investment Group, 1500 Broadway, New York, NY 10036, four Account Name/Address records must be submitted, with Account Name/Address fields populated as follows:
Record Type 1 Account Name/Address = 'James Q Public'
Record Type 2 Account Name/Address = 'c/o Fairfax Investment Group'
Record Type 3 Account Name/Address = '1500 Broadway'
Record Type 4 Account Name/Address = 'New York, NY 10036'

Information reported in all other fields must be the same for each of the four records.

Listed Options Positions Record—Record Type 6

These records must appear after the account name records (Record Types 1-5) for a given account/trade date.

Position	Field Name	Description	Format	Value
1	Firm Type	Identifies the type of firm submitting the report.	X(1)	O = Firm that is only NASD member. L = Member of an option exchange.
2-7	Trade Date	Position effective date.	9(6)	MMDDYY
8-11	Firm ID	Reporting firm ID.	X(4)	OCC clearing number if OCC clearing firm or listed options market assigned number. If only NASD member, alpha identifier.
12-15	Branch	Firm branch code.	X(4)	
16-24	Account Number	Account number.	X(9)	
25-33	Social Security Number or Tax ID	Social Security Number or Tax ID depending on the Indicator field.	X(9)	If Social Security/Tax ID Indicator is "F" or "N," this field could be zero.
34-34	Social Security Number or Tax ID Indicator	Indicates whether the above field is a Social Security Number or a Tax ID.	X(1)	S = Social Security Number. T = Tax ID. F = Foreign. N = Not available.
35-35	Record Type	Identifies a listed option position report.	X(1)	6
36-41	Symbol	Option symbol.	X(6)	Use the 3-6 character option symbol.
42-44	Month	Expiration month.	X(3)	JAN, FEB, MAR, APR, MAY, JUN, JUL, AUG, SEP, OCT, NOV, DEC.
45-46	Year	Expiration year.	9(2)	Last 2 digits of the year.
47-47	Put/Call	Put/Call indicator.	X(1)	P = Put. C = Call.
48-59	Strike Price	Strike price.	9(6) V9(6)	
60-66	Long Quantity	Long position.	9(7)	If no position, set to zero.
67-73	Short Covered	Short covered position.	9(7)	If no position, set to zero.
74-80	Short Uncovered	Short uncovered position.	9(7)	If no position, set to zero.

Hedge Instrument Positions on Listed Options—Record Type 7

These records must appear after account name records (Record Types 1-5) and any listed option position records (Record Type 6) for a given account/trade date.

Position	Field Name	Description	Format	Value
1	Firm Type	Identifies the type of firm submitting the report.	X(1)	O = Firm that is only NASD member. L = Member of an option exchange.
2-7	Trade Date	Closing position effective date.	9(6)	MMDDYY
8-11	Firm ID	Reporting firm ID.	X(4)	OCC clearing number if OCC clearing firm or listed options market assigned number. If only NASD member, alpha identifier.
12-15	Branch	Firm branch code.	X(4)	
16-24	Account Number	Account number.	X(9)	
25-33	Social Security Number or Tax ID	Social Security Number or Tax ID depending on the Indicator field.	X(9)	If Social Security/Tax ID Indicator is "F" or "N," this field could be zero.
34-34	Social Security Number or Tax ID Indicator	Indicates whether the above field is a Social Security Number or a Tax ID.	X(1)	S = Social Security Number. T = Tax ID. F = Foreign. N = Not available.
35-35	Record Type	Identifies a hedge instrument position report on listed options.	X(1)	7
36-45	Option Symbol	Option symbol.	X(10)	Use the 3-6 character symbol of the option that is being hedged.
46-55	Hedge Instrument Symbol	Hedge instrument symbol.	X(10)	
56-59	Filler		X(4)	Spaces.
60-68	Long	Long position.	9(9)	
69-77	Short	Short position.	9(9)	
78-80	Filler		X(3)	Spaces.

Positions on Currency and Stock Index Warrants—Record Type 8

These records must appear after account name records (Record Types 1-5) and any listed option position records (Record Type 6) or hedge instrument position records (Record Type 7) for a given account/trade date.

Position	Field Name	Description	Format	Value
1	Firm Type	Identifies the type of firm submitting the report.	X(1)	O = Firm that is only NASD member. L = Member of an option exchange.
2-7	Trade Date	Closing position effective date.	9(6)	MMDDYY
8-11	Firm ID	Reporting firm ID.	X(4)	OCC clearing number if OCC clearing firm or listed options market assigned number. If only NASD member, alpha identifier.
12-15	Branch	Firm branch code.	X(4)	
16-24	Account Number	Account number.	X(9)	
25-33	Social Security Number or Tax ID	Social Security Number or Tax ID depending on the Indicator field.	X(9)	If Social Security/Tax ID Indicator is "F" or "N," this field could be zero.
34-34	Social Security Number or Tax ID Indicator	Indicates whether the above field is a Social Security Number or a Tax ID.	X(1)	S = Social Security Number. T = Tax ID. F = Foreign. N = Not available.
35-35	Record Type	Identifies a currency and stock index warrant position report.	X(1)	8
36-45	Warrant Symbol	Warrant symbol.	X(10)	
46-59	Filler		X(14)	Spaces.
60-68	Long	Long position.	9(9)	
69-77	Short	Short position.	9(9)	
78-80	Filler		X(3)	Spaces.

OTC Options Positions—Record Type A

OTC options positions reports consist of a set of two records (Record Types A and B). They must appear consecutively after the account identification records (Record Types 1-5) and any other position reports (Record Types 6-8) for a given account/trade date.

Position	Field Name	Description	Format	Value
1	Firm Type	Identifies the type of firm submitting the report.	X(1)	O = Firm that is only NASD member. L = Member of an option exchange.
2-7	Trade Date	Closing position effective date.	9(6)	MMDDYY
8-11	Firm ID	Reporting firm ID.	X(4)	OCC clearing number if OCC clearing firm or listed options market assigned number. If only NASD member, alpha identifier.
12-15	Branch	Firm branch code.	X(4)	
16-24	Account Number	Account number.	X(9)	
25-33	Social Security Number or Tax ID	Social Security Number or Tax ID depending on the Indicator field.	X(9)	If Social Security/Tax ID Indicator is "F" or "N," this field could be zero.
34-34	Social Security Number or Tax ID Indicator	Indicates whether the above field is a Social Security Number or a Tax ID.	X(1)	S = Social Security Number. T = Tax ID. F = Foreign. N = Not available.
35-35	Record Type	Identifies the first of two records of an OTC Options Positions report.	X(1)	A
36-36	Exercise Style	Indicates the exercise style.	X(1)	1 = American; 2 = European.
37-42	Symbol	Option symbol.	X(6)	Same symbol as the underlying equity.
43-45	Filler		X(3)	Spaces.
46-51	Expiration Date	Option expiration date.	9(6)	MMDDYY
52-52	Put/Call	Put/Call indicator.	X(1)	P = Put C = Call
53-64	Strike Price	Strike price.	9(6) V9(6)	
65-71	Multiplier	Shares per contract.	9(7)	
72-80	Filler		X(9)	Spaces.

OTC Options Positions—Record Type B

Position	Field Name	Description	Format	Value
1	Firm Type	Identifies the type of firm submitting the report.	X(1)	O = Firm that is only NASD member. L = Member of an option exchange.
2-7	Trade Date	Closing position effective date.	9(6)	MMDDYY
8-11	Firm ID	Reporting firm ID.	X(4)	OCC clearing # if OCC clearing firm or listed options market assigned number. If only NASD member, alpha identifier.
12-15	Branch	Firm branch code.	X(4)	
16-24	Account Number	Account number.	X(9)	
25-33	Social Security Number or Tax ID	Social Security Number or Tax ID depending on the Indicator field.	X(9)	If Social Security/Tax ID Indicator is "F" or "N," this field could be zero.
34-34	SSN/Tax ID Indicator	Indicates whether the above field is a Social Security Number or a Tax ID.	X(1)	S = Social Security Number; T = Tax ID; F = Foreign; N = Not available.
35-35	Record Type	Identifies the second of two records of an OTC Options Positions report.	X(1)	B
36-36	Foreign/Regional Indicator	Indicates if option is on a foreign security or a domestic security that only trades on a regional.	X(1)	F = Option on a foreign stock. R = Option on a regional stock. Space = Option on a stock listed on the Amex, NASDAQ, or NYSE.
37-37	OTC Index Option	Reserved for future use.	X(1)	Space.
38-44	Final Long Quantity	Final long position.	9(7)	If no position, set to zero.
45-51	Final Short Covered	Final short covered position.	9(7)	If no position, set to zero.
52-58	Final Short Uncovered	Final short uncovered position.	9(7)	If no position, set to zero.
59-65	Intra-day Long	Intra-day long position.	9(7)	If no position, set to zero.
66-72	Intra-day Short Covered	Intra-day short covered position.	9(7)	If no position, set to zero.
73-79	Intra-day Short Uncovered	Intra-day short uncovered position.	9(7)	If no position, set to zero.
80-80	Hedge Indicator	OTC position is hedging a listed option position or vice versa.	X(1)	L = Position is a hedge. Space = Position is not a hedge.

Hedge Instrument Position Report on OTC Options—Record Type C

These records must appear after the account identification records (Record Types 1-5) and any other position reports (Record Types 6-8, A, B) for a given account/trade date.

Position	Field Name	Description	Format	Value
1	Firm Type	Identifies the type of firm submitting the report.	X(1)	O = Firm that is only NASD member. L = Member of an option exchange.
2-7	Trade Date	Closing position effective date.	9(6)	MMDDYY
8-11	Firm ID	Reporting firm ID.	X(4)	OCC clearing number if OCC clearing firm or listed options market assigned number. If only NASD member, alpha identifier.
12-15	Branch	Firm branch code.	X(4)	
16-24	Account Number	Account number.	X(9)	
25-33	Social Security Number or Tax ID	Social Security Number or Tax ID depending on the Indicator field.	X(9)	If Social Security/Tax ID Indicator is "F" or "N," this field could be zero.
34-34	Social Security Number or Tax ID Indicator	Indicates whether the above field is a Social Security Number or a Tax ID.	X(1)	S = Social Security Number. T = Tax ID. F = Foreign. N = Not available.
35-35	Record Type	Identifies a hedge instrument position report on OTC options.	X(1)	C
36-36	Exercise Style	Indicates the exercise style.	X(1)	1 = American style. 2 = European style.
37-42	Symbol	Option symbol.	X(6)	Symbol of the option that is being hedged, should use the same symbol as the underlying entity.
43-45	Filler		X(3)	Spaces.
46-55	Hedge Instrument Symbol	Hedge instrument symbol.	X(10)	
56-59	Filler		X(4)	Spaces.
60-68	Long	Long position.	9(9)	Right justified, zero filled.
69-77	Short	Short position.	9(9)	Right justified, zero filled.

Hedge Instrument Position Report on OTC Options—Record Type C

Continued

Position	Field Name	Description	Format	Value
78-78	Foreign/Regional Indicator	Indicates if option is on a foreign security or a domestic security that only trades on a regional.	X(1)	F = Option on a foreign stock. R = Option on a regional stock. Space = Option on a stock listed on the Amex, NASDAQ, or NYSE.
79-80	Filler		X(2)	Spaces.

Datatrak Trailer Record

This record must be the last one in the file.

Position	Field Name	Description	Format	Value
1-16	Trailer ID	Identifies the Trailer Record.	X(16)	END.S28044.E00.C
17-20	Originator	Identifies organization sending the file.	X(4)	Same as Header Record.
21-22	Filler		X(2)	.S
23-26	Sub-Originator	Identifies organization sending the file.	X(4)	Same as Header Record.
27-80	Filler		X(54)	Spaces.