

Title: Anatomy of an Options Trade: Part 4: What trades really look that.

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Part 4 Revisit Options Trade

+1 CNS = -1 FTD

TA;CR: This section breaks down the rules. The pictures start again in Part 4.

- * They are not contractually obligated to buy you a share when you exercise an option.
- * The CBOE deems the trade complete when they pass it off and it's accepted by the OCC.
- * The OCC deems the trade complete when they pass it off to the NSCC and it's accepted.
- * The NSCC nets longs together and then shorts together. They make the shorts disappear through CNS and use the longs to clear FTD's

Please check out all of the Anatomy

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[The Anatomy of an Options Trade: Parts 1 & 2 Beginning a trade and the CBOE : DDintoGME (reddit.com)](https://www.reddit.com/r/DDintoGME/comments/rdc2c/the_anatomy_of_an_options_trade_parts_1_2/)

[Anatomy of an Options Trade: Part 3: OCC Rule 901 : DDintoGME (reddit.com)](https://www.reddit.com/r/DDintoGME/comments/rdczwa/anatomy_of_an_options_trade_part_3_occ_rule_901/)

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[Anatomy of an Options Trade: Part 5: Extra parts : DDintoGME (reddit.com)](https://www.reddit.com/r/DDintoGME/comments/rddir/anatomy_of_an_options_trade_part_5_extra_parts/)

Part 4.1 Trade pictures revisited

When we were just examining the CBOE rulebook, our example trade looked like this...

[How The CBOE rulebook describes an options trade.](<https://preview.redd.it/t37iuk09yq481.jpg?width=1280&format=pjpg&auto=webp&s=2681b53acd3697115b9706f546452225934d1f04>)

YOU: You paid a premium, sent over money to exercise, and 1 contract, and got 100 shares

SHF: Paid the margin deposit, collected your premium, and got your money to exercise

The CBOE: Can exchange options contracts for money. They sent the contract to the OCC to clear

But now that we've read both the CBOE and OCC delivery rules for GME, we know the trade really looks

like this...

[What exercising a contract really looks like per the OCC and CBOE](<https://preview.redd.it/zx30i06byq481.jpg?width=1280&format=jpg&auto=webp&s=15a33a314b26e07e38d3b81115fc8a56c7f7cdd5>)

YOU: You paid a premium, sent over money to exercise, and 1 contract, and got 100 shares

SHF: Paid the margin deposit, collected your premium, and got your money to exercise, and bought 100 shares with the money you gave them to add to their CNS balance.

The CBOE: Can exchange options contracts for money. They sent the contract to the OCC to clear

The OCC: Sent your contract to the NSCC, and they accepted trade. The OCC sees that you got your shares and that the SHF/MM/BD got their money, so the OCC is satisfied, per Rule 901.

The NSCC: Lies, says they have the shares, when they don't. Says your shares are fulfilled, probably with synthetic shares that were shorted right before they were sold to you. Fuck 'em.

****Part 4.2 How fucked is the NSCC?****

Now, I know there's going to be some confusion about why the -100 contracts to the NSCC don't matter and the +100 do. The NSCC will tell the OCC that they accept the trade because a member would need to be in bad standing for the order to not be accepted. If you are interested in why the NSCC is a vacuum for share obligations, please review these three detailed DD's about the NSCC and net settlement

(<https://www.reddit.com/user/laflammaster/>)(<https://www.reddit.com/user/laflammaster/>)

<https://preview.redd.it/lxu80htkyq481.png?width=944&format=png&auto=webp&s=90b035655b63696db a1434d96c6243eb603f7574>

(<https://www.reddit.com/user/semerien/>)(<https://www.reddit.com/user/semerien/>)

<https://preview.redd.it/wzyobzbmyq481.png?width=945&format=png&auto=webp&s=f9bef7ab34f9ad140 24771d08f966471443c7679>

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<https://preview.redd.it/rke10x0oyq481.png?width=949&format=png&auto=webp&s=f8029edbb7c2c4af2a 62a86f332fd9d9e06ed311>

They don't care about negative

They don't care about negatives, and do care about positives. Positives are shares that the SHF/MM/BD has located that has someone else's liability attached to it. Sure 10 steps back, it may be traced to their liability, but no one looks at that. So the positive of someone else's liability negates one of the liabilities (FTD's) in CNS.

\+1 CNS = -1 FTD

****Part 4.3 Exercising a portion of a contract****

Buckle up everyone. This gets hairy. The concept of who gets what is shown below

[Step 4b: The concept of a partial exercise](https://preview.redd.it/pch7oyquyq481.jpg?width=1280&format;=pjpg&auto;=webp&s;=f66076a1710d975639a5e865ef1083bf79922dc0)

YOU: You paid a premium, sent over money to exercise 50 shares, and 1 contract, and got 50 shares

SHF: Paid the margin deposit, collected your premium, and got your money to exercise 50 shares.

The CBOE: Can exchange options contracts for money. They sent the contract to the OCC to clear

But now that we've read [Anatomy of an Options Trade: Part 3: OCC Rule 901 : DDintoGME (reddit.com)](https://www.reddit.com/r/DDintoGME/comments/rdczwa/anatomy_of_an_options_trade_part_3_occ_rule_901/) , we know that's all bullshit. Here's what the trade really looks like...

[Step 4b: How a partial exercise actually works according to the CBOE and OCC rulebooks](https://preview.redd.it/1c2mevvvyq481.jpg?width=1280&format;=pjpg&auto;=webp&s;=5f6e7ddcb89e2872061d226de6fb00d252710f32)

YOU: You paid a premium, sent over money to exercise 50 shares, and 1 contract, and got 50 shares

SHF: Paid the margin deposit, collected your premium, and got your money to exercise, and bought 100 shares with the money they were given them by your broker to add to their CNS balance. Oh and they picked up your cost to exercise also by buying your 50 extra shares from the broker for shits, giggles, and CNS.

The CBOE: Can exchange options contracts for money. They sent the contract to the OCC to clear

The OCC: Sent your contract to the NSCC, and they accepted trade. The OCC sees that you got your broker got shares and that the SHF/MM/BD got their money, so the OCC is satisfied, per Rule 901.

The NSCC: Lies, says they have the shares, when they don't. Says your shares are fulfilled, probably with synthetic shares that were shorted right before they were sold to you. Fuck 'em.

****Part 4.4 Selling a Contract****

Below is what the CBOE rules say happen for selling a contract. But now that we've read [Anatomy of an Options Trade Part 3: Rule 901 : No-Fox-1400 (reddit.com)](https://www.reddit.com/user/No-Fox-1400/comments/rc0dyr/anatomy_of_an_options_trade_part_3_rule_901/), we know that's bullshit.

[Step 4c: How the CBOE rules describe selling a contract. But we know that's bullshit.](https://preview.redd.it/jje1ouh0zq481.jpg?width=1280&format;=pjpg&auto;=webp&s;=7964211de7e45a199a65ef5705b3cb6765018e4d)

YOU: You paid a premium, sent over a contract, and collected the new premium for the contract.

SHF: Paid the margin deposit, collected your premium, paid the new premium, and bought your contract.

The CBOE: Can exchange options contracts for money. They sent the contract to the OCC to clear.

Here's how the trade actually goes down as described by Rule 901.

[Step 4c: How selling a contract goes down described by the CBOE and OCC rulebooks](<https://preview.redd.it/bbrv1av1zq481.jpg?width=1280&format=jpg&auto=webp&s=bda3d6203e83623328948ae054af7a80b37af02e>)

YOU: You paid a premium, sent over a contract, and collected the new premium for the contract.

SHF: Paid the margin deposit, collected your premium, paid the new premium, and bought your contract, exercised the contract, got cleared by the -100 CNS shares through lies, and got sent 100 shares that they then added to their CNS balance.

The CBOE: Can exchange options contracts for money. They sent the contract to the OCC to clear.

The OCC: They accepted trade. The OCC sees that you got you got the new premium and that the SHF/MM/BD got their contract, so the OCC is satisfied, per Rule 901. Once exercised, they send the contract to the NSCC, and the NSCC accepts it and sends shares to the SHF/MM/BD,

The NSCC: Lies, says they have the shares, when they don't. Says your shares are fulfilled, probably with synthetic shares that were shorted right before they were sold to you. Fuck 'em.

Part 4.5 Outcomes of closing an options contract

This is what the outcomes of the 3 types of closing the options contract look like.

<https://preview.redd.it/k12oiff3zq481.jpg?width=1280&format=jpg&auto=webp&s=f1d1f3fb88528af76eea9e44ea238943851f1a7c>

This clearly shows that trading options helps the SHF/MM/BD clear FTD's they would otherwise have to go buy on the open market. Options help the bad guys.

+1CNS=-1FTD

****Please check out all of the Anatomy****

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