

Title: I believe many people are confused about ITM Calls and OTM Puts. I think we needn't be.

Author: planette_sauvage

Created 2021-09-07 17:26:16 UTC

Permalink: /r/Autisticats/comments/pjrnk2/i_believe_many_people_are_confused_about_itm/

Url: /r/DDintoGME/comments/pjrhju/i_believe_many_people_are_confused_about_itm/

Linked Post Content:

The deep ITM and deep OTM options make short interest disappear in the record keeping of the clearing house. Remember, the deep out of the money calls were immediately exercised (since open interest disappeared).

When the deep ITM calls were exercised, due to the nature of the clearing house, the buyer of the option has now covered their short position by purchasing a long position. On the other side of the transaction, the writer (or seller) of the call has now created an I.O.U. for the same number of shares. This resets all of the associated settlement and FTD dates by moving the liability to a new entity and removing the deficit from the buyer of the calls. The deep OTM puts are simply shifting those I.O.U.s over time to other accounts at the DTCC, thus avoiding failure to deliver. Short reporting is determined by settlement dates, if I understand Reg sho reporting. Therefore, if you don't settle, and keep the positions moving between accounts, all of the short positions magically disappear (for reporting purposes) because they are not settled but are not FTD. They are in fact all still there. This is not financial or legal advice and is only a guess.

Citadel may have shifted to bilateral clearing to hide new or additional FTD.