

Primer: Asset Classes

OCC has expanded from being known solely as a clearing organization for listed equity options to a globally recognized entity handling various financial products, listed below. Under SEC and CFTC oversight, OCC® helps reduce counterparty risk by acting as a central counterparty for the products it clears. To promote market stability and integrity, OCC emphasizes strong risk management, strict membership standards, and efficient clearing and settlement processes.

Options

Options are contracts that give the holder the right to buy or sell a specified amount or value of a particular underlying interest at a fixed exercise price before expiration. An option that gives the right to buy is a call option, and an option that gives a right to sell is a put option.

Options by Underlying Types

The following are types of securities or interests that may underlie a listed option and options on such underlying securities will require delivery of the securities or interests:

- Equities
- Exchange Traded Funds (ETF)
- Exchange Traded Notes (ETN)

The following are types of securities or interests that may underlie a listed option and options on such underlying securities are cash settled:

- Indexes, including volatility indexes
- U.S. Dollars Cash Settled Currency Options

Flex Options are customized options with flexible terms, such as strike prices and expiration dates which can be tailored to meet specific trading needs.

Options by Expiration Types

In addition to standard expirations that occur on the third Friday of each month, the following are additional expirations that may apply to certain options:

LEAPS® (Long-term Equity Anticipation SecuritiesSM): Options on equities, ETFs or indexes with expiration dates of up to three years, allowing investors to gain exposure to long-term price movements

Quarterly options: Options that expire on the last business day of a calendar quarter

Monthly options: Options that expire on the last trading day of a calendar month

Weekly Options: Short-term options that expire weekly on any day as permitted by the rules of an options exchange

Futures

OCC clears the following types of futures:

Index Futures: Contracts that represent the value of a specific market index

Commodity Futures: Contracts that represent the value of a commodity

Options on Futures: Options contracts with futures as the underlying asset, allowing investors to potentially gain leverage and manage risk with a limited loss potential tied to the performance of the futures contracts

Securities Lending

Securities lending refers to the temporary transfer of ownership of a security, such as a stock, from one party to another. It is generally used for short selling, hedging, and in the case of lenders, generating additional returns. When a lender agrees to loan a security to a borrower, the borrower in turn transfers cash or some other form of collateral to the lender. In addition, the borrower must pay the lender interest.

Equities vs. Cash Collateral: Equity collateral involves pledging stocks or other securities to secure a loan or trade, while cash collateral involves using cash reserves. Cash is typically more liquid and less volatile than equity, offering a stable collateral option.