# How to create options life cycle

Follow the below steps to create a options life cycle

- 1. Open the Derivative screen and click on the tab Options life cycle .
- Click on New button

   Perivative Screen

   Open Cose

   Settlement Price Basis Entry Derivative Entry Match Derivatives Futures 360 Option Lifecycle M2M Inquiry

   Coreate an option transaction in the Derivative screen.

   Derivative Entry

   Not Some Derivativ

Transaction Date 11/09/2017 🗐 Instrument Type Exchange Traded 🗸													
× Remove	uplicate Liquidate	Report 88 View	v Filter (F3)										5.7 K1
Internal Trade	No. Instrument Type	Market	Currency	Commodity	Broker	Broker Account	Trader	Location	Buy/Sell	Contracts	To Be Assigned Option Month	Option Type	Futu
	Options	CBOT Corn	USD	Corn	Freedom Ouotes	147009	Alvssa Gowing	0001 - Fort Wa	Buy	4.00	Apr 16	Put	May

- 4. Create an options with buy Call or buy put
  - We can see the above trades in the Long side of the grids.
    - a. Create an options with sell- Call or sell put, we can see those in the short side of the grid

etails	Matched P8	S Exercised/	Assigned Ex	pired												
Aarket					~	Broker					<ul> <li>Strike Price</li> </ul>					
ommo	lity				~	Month					~ Туре					
Long Tr	ansactions							Short 1	ransaction	;						
Select A	All 🗌 Repo	ort 🔠 View	Filter (F3)				K 7 K 9	Select	Ali 🗌 Repi	ort 88 View	Filter (F3)					K ⊮
Select	Trade No.	Tran. Date	Filled Date	Market	Month/	'ear Broker	Account	Select	Trade No.	Tran. Date	Filled Date	Market	Month/Year	Broker	Account	
	393	03/07/2017	03/07/2017	CBOT Corn	Jun 16	Freedom Quotes	147009		358	22/02/2017	22/02/2017	CBOT Corn	Jan 17	Freedom Quotes	147009	
									360	27/02/2017	27/02/2017	CME Wheat	Mar 17	Freedom Quotes	147009	
									<u>361</u>	27/02/2017	27/02/2017	CME Wheat	Mar 17	Freedom Quotes	147009	
									364	27/02/2017	27/02/2017	CME Wheat	Mar 17	Freedom Quotes	147009	
									<u>370</u>	27/02/2017	27/02/2017	CME Wheat	Mar 17	Freedom Quotes	147009	
									394	03/07/2017	03/07/2017	CBOT Corn	Jun 16	Freedom Quotes	147009	

### How to Match the options

Select the Long transaction and short transaction

system will have to validate that upon clicking Match P&S button that user selected transactions of the same market, month, location, commodity, broker, account, type, and strike price.

After success full match pns, the transactions selected will be removed\* from this screen and placed on the Match P&S tab If user has selected less than all of the Open Lots on a specific transaction, then the transaction will remain on this screen but open lots will be reduced by the quantity that has been matched. The transaction will also appear on the P&S screen for the amount of P&S'd lots.

0 🗘	ptions Lifecycle												* 🗆 ×
Sav			sign Expire Post	Close									
Op	en Positions M	atched P&S Exercise	d/Assigned Expired										
0	Remove Filter:		× 📇 Layout • 💡	Filter Rec	ords (F3)								
	Trans No.	Match Date	Match Qty	Impact	Broker	Account	Market	Month	Strike	Туре	Commodity	Location	Trade
	3	2015-06-30	10.00	-2,500.00	FC Stone	2000	CME - Corn	Jul 15	1.5	Put	С	1000-Location A	2015-(
	2	2015-06-22	3.00	-150.00	JPM	A	CME - Corn	Nov 15	3.9	Call	с	1000-Location A	2015-0
	1	2015-06-22	3.00	0.00	JPM	A	CME - Corn	Aug 15	3.9	Call	С	1000-Location A	2015-0
			6										

#### How to Exercise / Assign an option .

From a system standpoint, exercise and assign processes are fundamentally the same - removing an options transaction from the position and replacing it with a futures transaction. If that option is a long option, it is called "Exercise;" if the option is a short option, it is called "Assign."

## Rules for Creating Futures when options are Exercised or Assigned

- i. Transaction number for futures = next number in the sequence with a prefix O (o for option)
- ii. Price of futures equals strike price of the option
- iii. Date of futures transaction equals date of exercise or assign
- iv. Number of futures lots or contracts = number of options lots of exercised/assigned transaction
- v. Commodity, Location, Broker, Account, Book, Ssub-Book of futures all equal same as original option
- vi. The futures market is the one that the options market is linked to
- vii. The futures month/year is
  - 1. Same as the option month/year if it exists for the futures market
  - 2. If it doesn't exist, it is the next month (into the future) that does exist
- viii. Reference field (a text or notes comments field) of the created futures transaction should contain information pertaining to the options exercise/assign: "This futures transaction was the result of Option No. (Options Transaction number) being exercised on (date)." Substitute the word "assigned" for "exercised" if the option was assigned (that is, a short option). ix. The futures direction, long (buy) or short (sell) depends upon the option particulars....see table below

The Long and Short of it:

Option Direction	Option Type	Transaction Name	Futures Direction
Long	Call	Exercise	Long
Short	Call	Assign	Short
Long	Put	Exercise	Short
Short	Put	Assign	Long

#### How to Expire an options

When an option expires, it basically goes away - no futures are created. Select the option trades and click on expire button. This record will move to the expired tab.