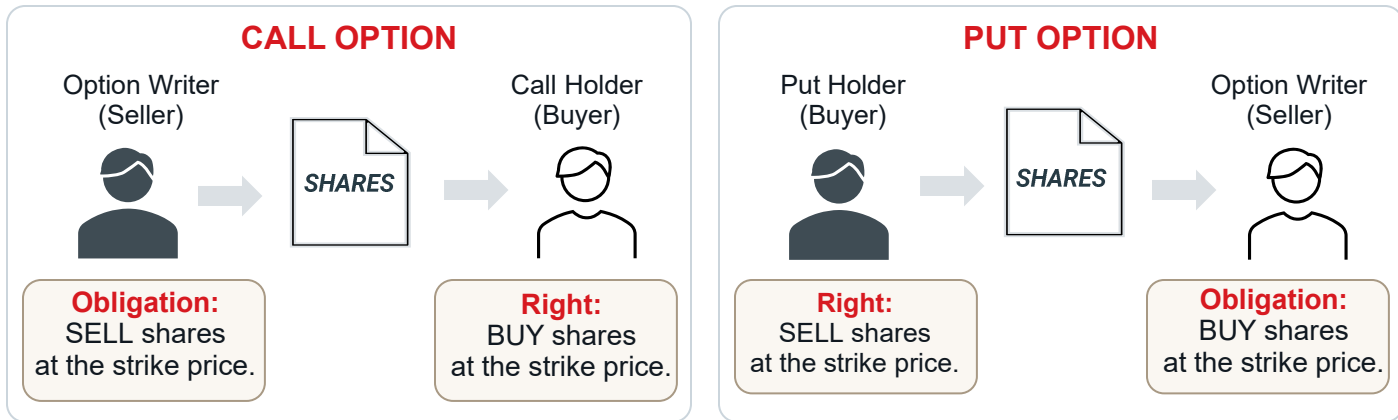


Understanding Exercise & Assignment

Learn what exercise and assignment mean, when they can happen, and how they may affect your account.

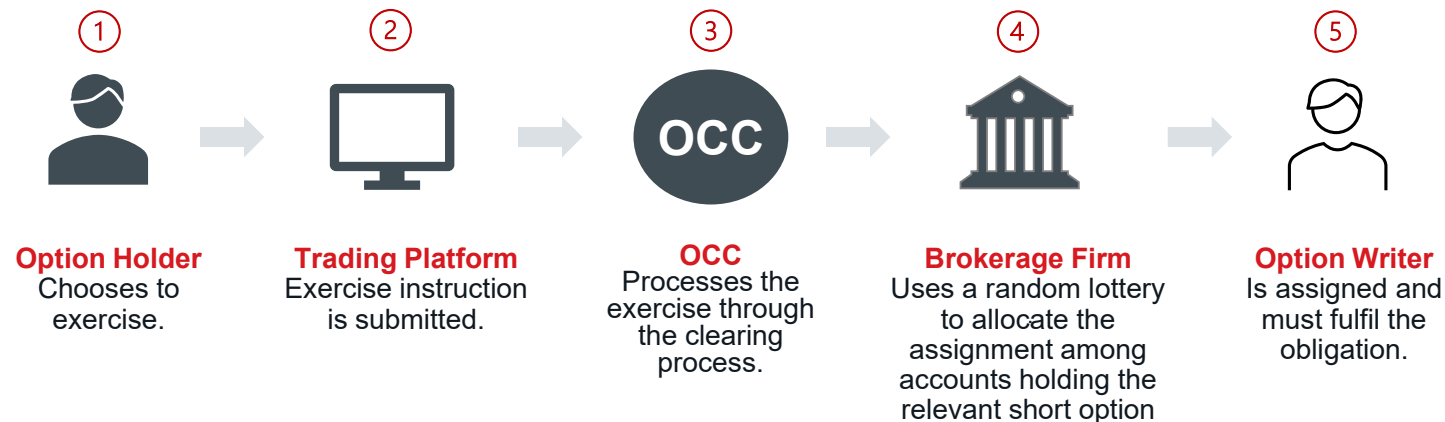


1 What Does Exercise or Assignment Mean?

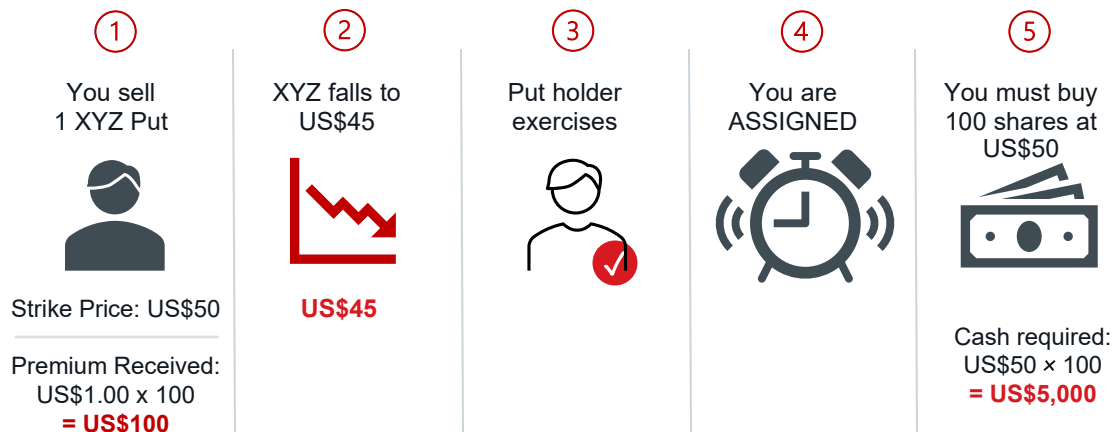


💡 Think of it this way: **Call = Right to BUY | Put = Right to SELL** The seller takes the opposite obligation.

2 How Assignment Happens



3 Example: Short Put Assignment



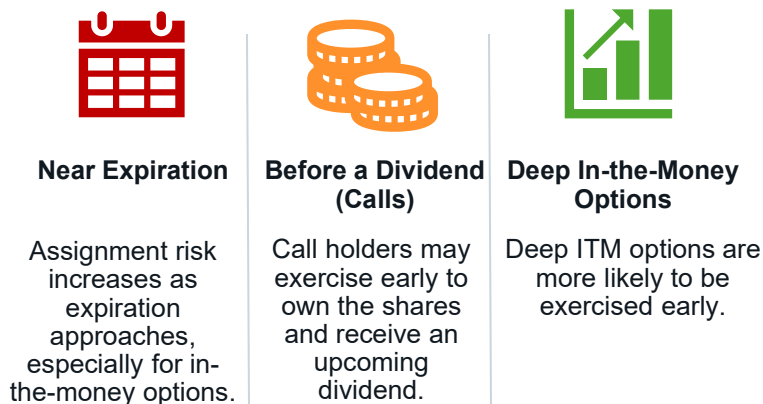
What is your effective purchase price?



Strike Price — Premium Received = Effective Purchase Price
US\$50 — US\$1.00 = **US\$49.00 per share**

Even though the market price is US\$45, your effective cost is US\$49.

4 When Can Early Assignment Happen?



Important: American-style options can be exercised before expiration.
Do not assume assignment can only happen on expiration day.

5 Expiration: What Usually Happens?



In-the-Money (ITM)

At expiration, options US\$0.01 or more ITM are generally exercised by OCC, unless contrary instructions are submitted.



Out-of-the-Money (OTM)

Most OTM options expire worthless.

6 Key Takeaways

- Option buyers have rights. Option writers have obligations.
- You may be assigned at any time before expiration.
- A short call may require you to SELL shares.
- A short put may require you to BUY shares.
- One standard equity option contract generally represents 100 shares.
- Assignment can affect your shares, cash and margin requirements.
- Multi-leg strategies can still face assignment on individual short legs.