

## **What happens when a short option is assigned in your Tradier Brokerage account: FAQs about random option assignments.**

**What is a Random Assignment?** Anytime you sell an equity option short in your brokerage account, this option can be randomly assigned prior to the expiration of that option. This occurs when a holder of that option decides to exercise their long option early. In that case, a random lottery will take place to determine which short option writer will be assigned.

**What will occur in my account if I am randomly assigned?** If you are short a put option and are randomly assigned, you will typically be purchasing 100 shares of stock for each contract you are assigned on. If you are short a call option, you will typically be selling 100 shares of stock for each contract you are assigned on.

**When you say typically, when would this be different?** Each option contract has a deliverable. In most cases this is 100 shares of the underlying stock. However, due to corporate actions, stock splits etc. some options have a deliverable different than 100 shares.

**What notification will I receive if I am randomly assigned?** If you are randomly assigned on a short option, you will receive an email from Tradier Brokerage. This email will state whether action is required in your account and by what time you need to take action by.

**Will Tradier Brokerage take action in my account?** In a high risk situation, Tradier Brokerage will take action in your account prior to the market open or immediately after. Tradier will communicate if this is the case in the email you receive.

### **Additional FAQs**

**Is there any way to know if I will be assigned ahead of time?** No, the lottery process takes place overnight and all assignees are notified in the morning. Typically, the deeper in the money and the closer to expiration an options gets, the more likely it is to be assigned. However, random assignments can occur at any time.

**Are there any fees for option assignments/exercises?** Yes, Tradier Brokerage charges \$9 per option strike that is assigned/exercised, regardless of the number of contracts. For example, if you are assigned on 10 contracts of the ABC 9/15 \$25 calls and 8 contracts of the ABC 10/16 \$26 calls, you will pay 2 assignment fees of \$9 each.

**Can I proactively exercise my long options when I believe that I will be assigned?** Only if you have enough buying power for the exercise. Since we cannot know for sure that something will be assigned, you must have the buying power to hold the shares that will result from the exercise.

**Can I exercise options on the day they expire?** Long options that finish \$0.01 or more in the money at the end of trading on expiration day will be automatically exercised. Tradier Brokerage cannot take

exercise instructions prior to the market close. If your long option finishes at the money or out of the money and you would like to exercise it, please contact Tradier Brokerage after 4:00, but prior to 5:00 PM EST that day.

**Do I pay interest when an assignment uses more than the cash I have available in my account?** If an assignment results in a negative cash balance, you will pay interest on the funds that are borrowed for as many days as the debit remains. Since all assignments are booked on the day the long option holder exercises, there will always be at least one day delay between when the stock is purchased and when it is sold. If the stock purchase results in a debit being created in the account, at least one day of interest will be due.

**Could Hard to Borrow (HTB) Fees apply to stock that I sell short as the result of an assignment?** Yes, you are short a call and are assigned, you will sell stock short unless you hold the shares long in your account prior to assignment. If the stock you are selling short is Hard to Borrow, HTB fees could apply.

**Could I end up owing the stock dividend if I am assigned on short stock?** Yes, if you are assigned on a short call and therefore sell shares of the underlying stock short, you could owe the dividend if the assignment takes place on the night before the ex-date. The ex-date is the first day the stock trades without the dividend and the stock is adjusted down prior to the market open to reflect the dividend amount.

**What will Tradier Brokerage do if I owe a dividend?** We will set the funds aside in your account in order to pay the dividend when it is due. These funds will not be available to trade with or withdrawn. When the payable date arrives, these funds will be used to pay the dividend.