An option with underlying index undergoing a restructuring event delivers a combination of Single Name and cash payment, contingent on triggering outcomes of the associated Single Name.

The restructured index-derived Single Name (SN) notional amount, \( N_{RS} \), can be expressed

\[
N_{RS} = \bar{\omega}_{SN} \times \bar{N}_{OP} \times I_{P/R},
\]

where \( \bar{\omega}_{SN} \) is the index weight of the restructured constituent, \( \bar{N}_{OP} \) is the signed option notional amount exercised or assigned, and \( I_{P/R} \) is +1 for a payer and -1 for a receiver.

Generally, an exercised/assigned option may deliver 2 components associated with a restructured name:

(a) SN physical position with notional amount

\[
N_{RS} \times \omega_{UT}
\]

(b) Auction cash payment

\[
[N_{RS} \times \omega_{BT} \times (1 - P_{BT})] + [N_{RS} \times \omega_{ST} \times (1 - P_{ST})]
\]

where \( \omega_{UT}, \omega_{BT} \) and \( \omega_{ST} \) are weights for SN, buyer-triggered cash and seller-triggered cash components, respectively, and \( \omega_{UT} + \omega_{BT} + \omega_{ST} = 1 \).

Weights are determined based on observed triggered/untriggered notional amounts associated with the SN restructuring event, in general\(^1\), according to

\[
\omega_j = \frac{N_j}{N_{UT} + N_{BT} + N_{ST}},
\]

where \( j = UT, BT, ST \), \( N_{BT} \) is the buyer-triggered notional amount\(^2\), \( N_{ST} \) is the seller-triggered notional amount\(^2\), and \( N_{UT} \) is the untriggered notional amount.

In the interests of simplicity, when \( N_{UT} \) is below a predefined threshold of 20% of \( N_{UT} + N_{BT} + N_{ST} \), then \( N_{UT} \) is considered zero for determining the weights and the option delivers only the auction cash payment component (b) above.

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\(^1\) If expiry date falls within the triggering or movement periods then \( \omega_{UT} = \frac{N_{UT}^E}{N_{UT}^E + N_{BT}^E + N_{ST}^E} \), where superscript \( E \) denotes the last available triggering outcomes at expiry, and \( \omega_j = (1 - \omega_{UT}) \frac{N_j}{N_{UT}^E + N_{BT}^E + N_{ST}^E} \), where \( j = BT, ST \), and notional amounts without superscripts denote triggering outcomes after triggering and movement periods are complete.

\(^2\) Triggered notional amount that is adhered to an auction bucket for which an auction was held, i.e., excluding triggered notional that, because a movement option was not invoked, remains adhered to a maturity bucket for which an auction was not held.
The 2016 Norske event can be used to illustrate the behavior of ICC cleared options related to restructuring

- Standard option deliverable (underlying Index)
- Option delivers re-versioned underlying Index and a SN
- SN is included in the triggering process

- Determine and publish $\omega_{UT}$, $\omega_{BT}$, $\omega_{ST}$ each day of trigger/movement periods
- On Expiry Date option delivers:
  - Re-versioned underlying Index
  - SN with notional amount computed using the last available $\omega_{UT}$
- On Auction Settlement Date option delivers:
  - Cash payment based on (a) $\omega_{UT}$ established on Expiry Date, (b) $\omega_{BT}$ and $\omega_{ST}$ determined such that $\omega_{BT} + \omega_{ST} = (1 - \omega_{UT})$ and considering the final ratio of buyer / seller triggered outcomes, and (c) $P_{BT}$ and $P_{ST}$ established via auction
- Option delivers re-versioned underlying Index and a blend of cash and SN
- Blend weights based on observed final triggering / movement outcomes

* In 2016, Auction Settlement Dates were Auction Date + 5 business days. The industry has since moved to Auction Date + 3 business days.