ASSIGNMENT, IF IT HAPPENS: THE MORNING AFTER

Vajgrt Labs - Education - Lesson 56 of 72 - 8 min read - Updated Oct 21, 2026

TL;DR

- Assignment is the other side of exercise, run by the OCC's machinery: a holder exercises (at expiry, automatically at $0.01 or more in-the-money under Rule 805 - or any earlier day, because SPY options are American-style), the OCC assigns the exercise to a clearing firm carrying short contracts in that series, and your broker allocates it among its own short customers by the method it disclosed to you in writing - automated random selection or first-in-first-out. It is not personal, it is rarely negotiable, and it is never a surprise the market owes you a warning about.

- What lands is stock, at the strike, in full: an assigned 765 put means you PAY $76,500 and RECEIVE 100 SPY shares - options on SPY settle in the shares themselves. An assigned call means you DELIVER 100 shares and receive the strike price; if you didn't hold the shares, you are now short 100, and you owe SPY's quarterly distribution for as long as the ex-date finds you short ($188.88 per contract at the most recent declaration, Stage 7).

- The morning after is a procedure, not a drama: identify exactly what was assigned; check the surviving long leg first (in a spread it is your floor, and it usually still stands); restore the fence or flatten the same session; mind the cash clock (a put assignment's $76,500 settles T+1 - Stage 2 - and an unfunded account borrows it at margin rates until you act); and journal the event with the rule that would have prevented it. Assignment handled this way is an operational cost. Assignment discovered late is a loss looking for someone to blame.

THE TAKEAWAYS

- Who picks you, precisely - the part folklore always garbles: your counterparty is NOT the person who bought your put. The OCC stands between all parties. When any holder of the series exercises, the OCC assigns that exercise to a clearing member carrying open short positions in the series, and the member firm - your broker - allocates it to one of its customers by its own method: automated random selection or first-in-first-out. Exchange rules require that method to be fixed, approved, and disclosed to customers in writing. Two consequences follow: you cannot predict your turn from how 'old' your position is (unless your broker is a first-in-first-out shop - which your account documents tell you), and you cannot charm, call or complain your way out of an allocation already made.

- Early assignment's two real triggers (Stage 7 met both; here they get their mechanics): (a) the short call into the ex-date - its holder exercises to own the shares and collect the distribution when the call's remaining time value is worth less than the distribution itself (most recently $1.8888 a share, ex-date Sep 18, 2026, per State Street); (b) the deep in-the-money short put whose remaining time value has nearly vanished - its holder prefers the strike cash now, where it can be put to work, to a wasting contract. Both are rational exercises of a right you sold. Neither requires your strike to look 'in trouble' on a chart: they are calendar and arithmetic events, which is why the course's defences are calendar and arithmetic rules - mind the ex-date; close before expiry day.

- The cash clock: a put assignment settles like a stock purchase - T+1 (Stage 2's SEC rule) - so $76,500 per contract must be paid for on settlement day. In a margin account without the cash,

the broker lends it automatically at the margin rate: on the published schedule Stage 2 checked (Fidelity's, Oct 15, 2026), rates ran 7.50%-11.825% a year by balance, and at the top of that schedule $76,500 costs ~ $25 a day while you 'decide'. In an account that can't fund the delivery at all, the broker may liquidate the position - FINRA's margin-disclosure rules (Rule 2264, Stage 2) are explicit that firms may sell without prior notice and explain later. Speed here is not panic; it is interest arithmetic.

- The spread's saving grace - the surviving leg: assignment takes ONE leg. Your long leg (the 760 put in the course's spread) is untouched by the short leg's assignment and still holds its value and its rights: exercised against the shares, it sells them at 760 and caps the episode at the printed width; sold into the market alongside the shares, it closes the episode at the day's marks. The fence can be rebuilt or dismantled deliberately - what it cannot survive is neglect. A long leg left to expire while its shares sit unexamined converts a defined-risk spread into an accidental stock portfolio (Stage 7's pin autopsy). The checklist checks the leg second for a reason: the floor is perishable.

RULE: Assignment is a delivery, not a verdict: read the note, check the surviving leg, flatten or re-fence the same session, and journal the rule that would have prevented it.

COMMON MISTAKES

- Assuming assignment picks you maliciously, or strictly by position age. Allocation follows your broker's disclosed method - random selection or first-in-first-out - under OCC assignment to its clearing firm. Plan on the possibility, not on predicting it.

- Attending to the shares and forgetting the surviving long leg. The leg is the floor, it is perishable, and it is step 2 for a reason.

- 'Dealing with it this weekend.' Interest accrues daily, floors expire, and the position you didn't choose is unmanaged by definition. Same session is the rule.

- Believing your own longs can't do this to you. A forgotten in-the-money long auto-exercises at $0.01 too (Rule 805) - the expiry wall protects the buyer as much as the seller.

DO IT - WRITE YOUR MORNING-AFTER PAGE BEFORE YOU NEED IT

Write the assignment page for the spread on your Lesson 1 lifecycle sheet: the exact resulting position for a put assignment and for a call assignment (shares, direction, dollars at the strikes); the state of the surviving leg in each case and the two ways to close the episode (exercise-the-leg vs sell-both) with the arithmetic shown; your broker's allocation method and exercise cutoff - look both up in your broker's options agreement and disclosures today, and write down where you found them; and the funding line: what a one-contract assignment costs per day at your broker's margin rate while you act. Paper only. When the real notice ever arrives, this page is the difference between a procedure and a tuition bill.

Education only - not financial advice. Management figures are recomputations on Stage 7's own structures - the 765/760 put credit spread (credit 1.04), the 773/775 debit vertical at its 1.42 fill, and the 780/785 debit vertical (debit 2.96) - with scenario marks labeled as the lessons' example numbers. Assignment and exercise mechanics: the OCC's (Rule 805 exercise-by-exception at $0.01 in-the-money; contrary instructions under Rule 805(b); allocation of exercise notices by the broker's disclosed method) - checked Oct 15, 2026. SPY distribution: State Street's declared September 2026 distribution, $1.8888 per share. Margin-rate range: Fidelity's published schedule, checked Oct 15, 2026. Vajgrt Labs - Education.