

Information Notice

April 2008 Supplement to the Options Disclosure Document

On April 30, 2008, the SEC approved a supplement to the Options Disclosure Document (www.optionsclearing.com/publications/risks/riskstoc_apr08_sup.pdf) (ODD). The ODD contains general disclosures on the characteristics and risks of trading standardized options. The recently approved supplement provides additional disclosures regarding certain binary options, also known as fixed-return options, and delayed start options. The supplement also amends the front cover page of the ODD to update the list of U.S. exchanges that trade options issued by The Options Clearing Corporation. As with other supplements to the ODD, this should be read in conjunction with the current ODD entitled *Characteristics and Risks of Standardized Options* (www.optionsclearing.com/publications/risks/riskstoc.pdf).

NASD Rule 2860(b)(11) requires that member firms deliver the current ODD, as amended to include this supplement, to each customer at or prior to the time the customer is approved to trade options. In addition, the rule provides that a member firm must distribute a copy of each amendment to the ODD to each customer to whom the member firm previously delivered the ODD. Firms may distribute the amendment in various ways, including, but not limited to, one of the following:

1. A firm may choose to conduct a mass mailing of the supplement to all of its customers approved to trade options who have already received the ODD; or
2. A firm may distribute the supplement to a customer, who has already received the ODD, not later than the time a confirmation of a transaction in the category of options to which the amendment pertains is delivered to such customer.

May 15, 2008

Suggested Routing

- Compliance
- Institutional
- Legal
- Options
- Senior Management
- Trading

Key Topics

- Binary Options
- Delayed Start Options
- Fixed-Return Options
- Options
- Options Disclosure Document

Referenced Rules & Notices

- NASD Rule 2860
- NTM 98-3

Firms are reminded that they may electronically transmit documents that they are required to furnish to customers under NASD rules, including the ODD and amendments thereto, provided the member adheres to the standards contained in the May 1996 and October 1995 Securities Exchange Commission Releases¹ and as discussed in *Notice to Members 98-3* (January 1998)(www.finra.org/ntm/98-3).

Questions regarding this *Notice* may be directed to Gary L. Goldsholle, Vice President and Associate General Counsel, Office of General Counsel (OGC), at (202) 728-8104; or Kathryn M. Moore, Assistant General Counsel, OGC, at (202) 974-2974.

Endnotes

- 1 See Securities Act Release No. 7288 (May 9, 1996) 61 FR 24644 (May 15, 1996) and Securities Act Release No. 7233 (October 6, 1995) 60 FR 53458 (October 13, 1995).