

# Information Notice

## December 2009 Supplement to the Options Disclosure Document

On December 10, 2009, the SEC approved a supplement to the Options Disclosure Document ([www.optionsclearing.com/components/docs/December\\_2009\\_ODD\\_Definitive\\_Supplement.pdf](http://www.optionsclearing.com/components/docs/December_2009_ODD_Definitive_Supplement.pdf)) (ODD). The ODD contains general disclosures on the characteristics and risks of trading standardized options. The recently approved supplement adds disclosure regarding the characteristics and special risks of dividend index options. The supplement also adds disclosure stating that the options markets may use methods other than those specified in the ODD to set exercise prices. 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/components/docs/riskstoc.pdf](http://www.optionsclearing.com/components/docs/riskstoc.pdf)). This supplement supersedes and replaces the September 2008 supplement to the ODD, which relates to selected index options, as described in *Information Notice 11/12/08*.

Rule 9b-1 under the Securities Exchange Act requires broker-dealers to deliver the ODD and supplements to customers.<sup>1</sup> FINRA has similar requirements in FINRA Rule 2360(b)(11)(A)(1), which requires firms to deliver the current ODD to each customer at or before the time the customer is approved to trade options. In addition, FINRA Rule 2360(b)(11)(A)(1) requires firms to distribute a copy of each ODD supplement to customers who previously received the ODD. Firms must deliver the ODD supplements no later than the time a customer receives a confirmation of a transaction in the category of options to which the amendment pertains. FINRA Rule 2360(b)(11)(A)(3) requires that FINRA advise firms when revisions to the ODD are made.

December 29, 2009

### Suggested Routing

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

### Key Topics

- Dividend Index Options
- Options
- Options Disclosure Document

### Referenced Rules & Notices

- FINRA Rule 2360
- Information Notice 11/12/08
- NTM 98-03
- SEA Rule 9b-1

To comply with the requirements of FINRA Rule 2360(b)(11)(A)(1), firms may distribute the ODD supplement in various ways, including, but not limited to, one of the following:

1. conducting a mass mailing of the supplement to all of its customers approved to trade options who have already received the ODD; or
2. distributing the supplement to a customer who has already received the ODD not later than the time a customer receives a confirmation of a transaction in the category of options to which the amendment pertains.

FINRA reminds firms that they may electronically transmit documents that they are required to furnish to customers under FINRA rules, including the ODD and supplements thereto, provided the firm adheres to the standards contained in the May 1996 and October 1995 Securities Exchange Commission Releases<sup>2</sup> and as discussed in *Notice to Members 98-03* (January 1998)([www.finra.org/notices/98-03](http://www.finra.org/notices/98-03)). As recently noted, firms may transmit the ODD and supplements to customers who have consented to electronic delivery through the use of a hyperlink.<sup>3</sup>

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 17 CFR 240.9b-1.
- 2 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).
- 3 See Securities Act Release No. 58738 (October 6, 2008) 73 FR 60371 (October 10, 2008).