Information Notice

January 2011 Supplement to the Options Disclosure Document

The SEC approved a supplement to the Options Disclosure Document (ODD) on January 12, 2011. The ODD contains general disclosures on the characteristics and risks of trading standardized options. The recently approved January 2011 supplement amends and restates the June 2007 supplement to provide disclosure to accommodate the listing of credit default options that contemplate only a single credit event, and to incorporate certain technical amendments. As with other supplements to the ODD, this should be read in conjunction with the current ODD, *Characteristics and Risks of Standardized Options*.

Rule 9b-1 under the Securities Exchange Act requires broker-dealers to deliver the ODD and supplements to customers.[1] 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. Rule 2360(b)(11)(A)(3) also requires FINRA to advise firms when revisions to the ODD are made.

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.

February 7, 2011

Suggested Routing

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

Key Topics

- Credit Default Options
- Options
- Options Disclosure Document

Referenced Rules & Notices

- FINRA Rule 2360
- NTM 98-3
- SEA Rule 9b-1

Financial Industry Regulatory Authority

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,[2] and as discussed in *Notice to Members 98-03*. Firms may also transmit the ODD and supplements to customers who have consented to electronic delivery through the use of a hyperlink.[3]

Questions regarding this Notice may be directed to Kathryn M. Moore, Assistant General Counsel, Office of General Counsel, 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).