



Regulatory Circular RG07-51

To: Member Firms

From: Division of Regulatory Services

Date: May 9, 2007

Re: Supplement to the Options Disclosure Document

On May 3, 2007, the Securities and Exchange Commission (“SEC”) approved a supplement to the Options Disclosure Document (“ODD”) regarding several issues. Specifically, the ODD amendments address:

- Elimination of the need to round adjusted exercise prices and/or units of trading in the event of dividends, stock distributions, or stock splits.
- Modification of the definition of “ordinary cash dividend or distribution” such that cash dividends or cash distributions announced on or after February 1, 2009, would be considered ordinary if declared on regular basis pursuant to a policy or practice.
- Disclosure that no adjustments would be made for cash dividends or cash distributions of less than \$12.50 per contract.
- Disclosure of OCC’s authority to adjust yield-based Treasury options if an options exchange increases the multiplier for such options and their ability to accelerate the expiration date of American-style equity options that have been adjusted to call for cash delivery.
- Amendment of the term “fund shares” to include the listing and trading of options on fund shares that hold baskets of currencies or hold or trade in commodity futures products.
- Deletion of certain disclosures made in the February 2003 supplement as follows:
 - o Deletes disclosure pertaining to options series opened before September 16, 2000, as those options have all expired;
 - o Deletes disclosure that a person who buys or sells an index option based on an erroneously reported index level is bound by the trade.

Member Firms should be aware that Exchange Rule 9.15 requires that each customer who was previously furnished an ODD be furnished with a copy of an amendment to the current ODD. Member firms may comply with this requirement in various ways including, but not limited to, one of the following:

- (1) The firm may choose to deliver the Supplement to all of their approved customers who have already received the ODD. ***A firm may deliver the Supplement electronically to its customers, provided that such delivery comports with SEC Rules respecting electronic delivery.***
- (2) The firm may deliver the Supplement to a customer, who has already received the ODD, with the first confirmation of a transaction involving an options contract.

Further, a copy of the ODD as amended to include the supplement must be delivered to all new options customers.

Copies of the ODD or the supplement, including information on how to obtain a PDF of the supplement, may be obtained by contacting Dianne Svoboda of the Options Clearing Corporation at (312) 322-6212 or at dsvoboda@theocc.com. Questions about this memorandum may be directed to Lawrence J. Bresnahan at (312) 786-7713.