Russell 2000® Index Options

The Russell 2000 Index (ticker RUT) measures the performance of small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 2000 securities based on a combination of their market cap and current index membership. RUT options are valuable tools for increasing yields and managing risk.

Comparison of Russell 2000 Index Options Products

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<th>Description</th>
<th>Russell 2000 Index - Traditional</th>
<th>Russell 2000 Index Options - Weeklys and End of Months</th>
<th>iShares® Russell 2000 Index Fund (IWM) Options</th>
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<tbody>
<tr>
<td>Options Chain</td>
<td>RUT</td>
<td>RUT</td>
<td>IWM</td>
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<tr>
<td>Root Ticker Symbol</td>
<td>RUT</td>
<td>RUTW</td>
<td>IWM</td>
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<td>AM or PM Settlement</td>
<td>AM-Settled</td>
<td>PM-Settled</td>
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<tr>
<td>Notional Size (Approximate Value with Russell 2000 at 1900)</td>
<td>$190,000</td>
<td>$19,000</td>
<td></td>
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<td>Exercise</td>
<td>European</td>
<td>American</td>
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<tr>
<td>Settlement Type</td>
<td>Cash</td>
<td>Physical Shares of ETF</td>
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</table>

Large Contract Size

▶ RUT options have a large notional size with $100 multiplier; approximately ten times larger than iShares Russell 2000 Index Fund (IWM) options. This may permit commissions cost savings based upon the number of contracts needed to attain the same notional exposure.

Cash Settlement, European-Style Exercise

▶ With European-style exercise, there is no risk of early assignment such as for dividends; and cash settlement means there is no unwanted delivery or assignment of shares.
▶ Cboe Regulatory Circular RG15-183 notes that Cboe rules allow a short position in a cash-settled-index option established and carried in a margin account to receive covered margin treatment, if the short option position is offset in the same account by an equivalent position in an index-tracking ETF that is based on the same index that underlies the short option(s).
▶ In order to receive covered margin treatment, the market value of the offsetting ETF position must be equivalent or exceed the current aggregate index value of the option being covered. One should note that not all ETFs are managed so as to maintain a share price that is a constant fraction (e.g., 1/10 th, 1/100 th, 1/1,000 th, etc.) of the index being tracked.

Tax Treatment

▶ Under section 1256 of the Tax Code, profit and loss on transactions in certain exchange-traded options, including RUT options, are entitled to be taxed at a rate equal to 60% long-term and 40% short-term capital gain or loss, provided that the investor involved and the strategy employed satisfy the criteria of the Tax Code.*

Index Product Choices

▶ RUT Options Traditional: AM-settled on 3rd Fridays.
▶ RUTW Options: PM-settled on End-of-Week and Months.
▶ Russell 2000 Index Options-Flex: Offer flexibility in strikes, maturity, American/European style, and AM/PM settlement.

*Investors should consult with their tax advisors to determine how the profit and loss on any particular option strategy will be taxed. Tax laws and regulations change from time to time and may be subject to varying interpretations.
Cboe Russell 2000 Strategy Benchmark Indexes
BXR - Cboe Russell 2000 BuyWrite Index www.cboe.com/BXR
BXRC – Cboe Russell 2000 Conditional BuyWrite Index www.cboe.com/BXRC
BXRD – Cboe Russell 2000 30-Delta BuyWrite Index www.cboe.com/BXRD
PUTR – Cboe Russell 2000 PutWrite Index www.cboe.com/PUTR
WPTR – Cboe Russell 2000 One-Week PutWrite Index www.cboe.com/WPTR

Cboe Russell Volatility Index
RVX – Cboe Russell Volatility Index www.cboe.com/RVX

Please visit Cboe.com/RUT for more details.

Options involve risk and are not suitable for all investors. Prior to buying or selling an option, a person must receive a copy of Characteristics and Risks of Standardized Options. Copies are available from your broker or from The Options Clearing Corporation, One North Wacker Drive, Suite 500, Chicago, Illinois 60606. Futures trading is not suitable for all investors and involves risk of loss. The risk of loss in futures can be substantial. You should, therefore, carefully consider whether such trading is suitable for you in light of your circumstances and financial resources. For additional information regarding futures trading risks, see the Risk Disclosure Statement set forth in CFTC Regulation §1.55(b). The information in this document is provided solely for general education and information purposes. Past performance is not indicative of future results. No statement within this document should be construed as a recommendation to buy or sell a security or futures contract or to provide investment advice. Supporting documentation for any claims, comparisons, statistics, or other technical data, will be supplied upon request. Cboe®, Volatility Index®, CFE®, and VIX® are registered trademarks and Cboe Futures Exchange and Weeklys are service marks of Cboe Exchange, Inc. S&P® and S&P 500® are registered trademarks of Standard & Poor’s Financial Services, LLC and are licensed for use by Cboe and Cboe Futures Exchange, LLC (CFE).