



Index options and ETF options—especially those that track broad market indices like the S&P 500—are very similar. With one trade, market participants can gain broad market exposure, hedge their portfolios, or execute a variety of trading strategies. At 1/10th the size of SPX, XSPSM offers very similar notional size, weekly expirations, and PM-settlement to SPY, but with even more potential benefits.

| Mini-SPX [®] Index Options (XSP) | VS | SPDR [®] S&P 500 [®] ETF Options (SPY) |
|---|--------------------------------|---|
| Trading account credited or debited in cash | Settlement Type | Delivery of underlying shares |
| European style, exercised at expiration, no risk of early exercise or assignment | Exercise Style | American style, can be exercised or assigned prior to expiration |
| Capital gains may benefit from 60% / 40% tax treatment* | Tax Treatment | Standard short- and long-term tax rules |
| Global trading hours** | Extended Trading Hours | Standard market trading hours |
| Settlement and exercise style eliminate potential economic and tax risk for writers | Certainty of Settlement | Settlement and exercise style may result in OTM exercise after market close ("contra-exercise") |

Contra Assignment Implications of ETF Options

Example: Both XSP index and SPY ETF close at \$391.50 on March 17th. Market moves higher to \$393.50 after the market close.

XSP Index Options

- Customer short 1 XSP Mar17 392 Call
- The close is the close - position expires worthless, no debit or credit
- No residual position

SPY ETF Options

- Customer short 1 SPY Mar17 392 Call
- Long option holders have ability to "contra-exercise" options after market close
- Likelihood the position will be short 100 shares as the option holder may have exercised after hours

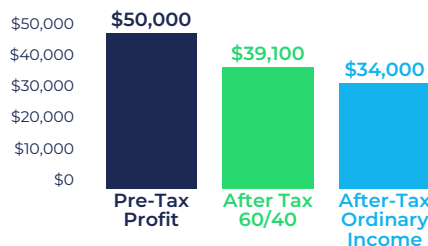
Potential Tax Savings with Index Options*

Investor #1
\$50,000 annual taxable trading profit

\$10,900 Tax
if in the 32% tax bracket and taxed 60% long-term/40% short-term rate

Investor #2
\$50,000 annual taxable trading profit

\$16,000 Tax
if in the 32% tax bracket and taxed at the 3% the ordinary income rate



Potential tax savings of \$5,100 if taxed at the 60/40 rate.

[Click here to view XSP Contract Specs](#)

* Under section 1256 of the Tax Code, profit and loss on transactions in certain exchange-traded options, including SPX 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. 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.

** Global Trading Hours (GTH) The trading hours for options on the SPX, SPXW (SPX Weeklys and SPX End-of-Month), and XSP (Mini-SPX) begin at 8:15 p.m. Eastern time and end at 9:15 a.m. Eastern time. Curb session begins at 4:15 p.m. Eastern time and ends at 5:00 p.m. Eastern time. Please visit the [Global Trading Hours](#) page for more details.

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Market participants should put at risk only funds that they can afford to lose without affecting their lifestyle.