

# Information Memo

Member Firm Regulation



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**ATTENTION:** CHIEF EXECUTIVE OFFICER, MANAGING PARTNER,  
OPERATIONS, TECHNOLOGY, COMPLIANCE AND LEGAL  
DEPARTMENTS

**TO:** ALL MEMBER ORGANIZATIONS

**SUBJECT:** UPDATED SUPPLEMENT TO THE OPTIONS DISCLOSURE  
DOCUMENT

Recently, the Securities and Exchange Commission approved a Supplement<sup>1</sup> (see Attachment) to the Options Disclosure Document (“ODD”).<sup>2</sup> The Supplement is related to U.S. dollar-denominated foreign currency options (“USD FCOs”). These options are traded on the Philadelphia Stock Exchange (“Phlx”). The Supplement provides additional disclosure with regard to U.S. dollar settled foreign currency options.<sup>3</sup> The Exchange is advising member organizations, pursuant to Rule 726.30 (“Delivery of Options Disclosure Documents and Prospectuses”), that the ODD Supplement has been amended.

Specifically, the Supplement updates certain disclosures such as the calculation of exercise prices and the premiums for USD FCOs.<sup>4</sup> Furthermore, the Supplement also relates to cash settlement disclosures such as the cash settlement calculations and exercise settlement values.<sup>5</sup> Lastly, the disclosure in the ODD related to the expiration of USD FCOs is updated.<sup>6</sup>

Subsequently, a non-material, technical change to an example in the recently approved Supplement has been made to now use the actual contract size of USD FCOs traded by

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<sup>1</sup> See Release No. 34-55035 (December 29, 2006) 72 FR 7 (January 11, 2007) (SR-ODD – 2006-01).

<sup>2</sup> The ODD contains general disclosures on the characteristics and risks of trading standardized options.

<sup>3</sup> See Footnote 1.

<sup>4</sup> See Footnote 1.

<sup>5</sup> See Footnote 1.

<sup>6</sup> See Footnote 1.

the Phlx. The Supplement should be read in conjunction with the current ODD, which is entitled, "Characteristics and Risks of Standardized Options."

NYSE Rule 726(a) provides, in part, that all new options customers must receive the current ODD. Additionally, according to the Rule, member organizations must provide each customer who has been previously furnished an ODD with a copy of an amended current ODD. Member organizations may comply with this requirement in various ways, including, but not limited to, the following:

- a. A member organization may choose to conduct a mass mailing of the Supplement to all of its approved customers who have already received the ODD; or
- b. A member organization may deliver the Supplement to a customer, who has already received the ODD, with the first confirmation of an option transaction involving a USD FCO.

Questions concerning this Information Memo may be directed to Stephen A. Kasprzak at (212) 656-5226 or Cory Figman at (212) 656-4893.

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Grace B. Vogel  
Executive Vice President  
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Attachments