

Key Information

Document - Standardized Equity Option (Short Put)

Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products. This is an English only document, not authorized to be translated into another language.

Product

U.S. Standardized Equity Options. The Options Clearing Corporation (“OCC”) is providing this document under EU Regulation No. 1286/2014 for standardized equity options (a/k/a “listed options”). Standardized equity options are listed and traded on U.S. options exchanges registered with the U.S. Securities and Exchange Commission (“SEC”) and are issued, cleared and settled by OCC, an SEC registered clearing agency. For more information, including the contact details for the U.S. options exchanges, investors may visit OCC’s website at www.theocc.com or contact OCC’s Investor Services department at 1-888-678-4667. Updated December 13, 2019.

Alert. You are about to purchase a product that is not simple and may be difficult to understand. Investors should not trade standardized equity options until they have read and understood this document and the related risk disclosure document that is submitted to the SEC, [Characteristics and Risks of Standardized Options](#), also known as the options disclosure document (“ODD”). Disclosures herein should be interpreted in a manner consistent with the ODD, <https://www.theocc.com/components/docs/riskstoc.pdf>.

What is this product?

Type

A standardized equity option is the right to buy or sell a specified amount or value of a particular underlying equity security at a fixed price (*i.e.*, “exercise price”) by exercising the option before its specified expiration date. The exposure to the underlying equity security is therefore indirect because the value of the option is derived from the value of the underlying security. Expiration dates for equity options vary. OCC may not unilaterally terminate the option. In certain extraordinary circumstances in which the terms of an option are determined to be clearly erroneous, the exchange on which your transaction is executed may unilaterally terminate the option within a certain period after its execution. In certain instances, a corporate action regarding the underlying equity security may result in a change to the terms of the option pursuant to OCC’s rules, which may differ from the methodology in European options markets.

Objectives

The option holder (buyer) is the person who buys the right conveyed by the option and pays the writer (seller) a nonrefundable payment called the “premium.” The option writer is obligated – if and when assigned an exercise – to perform according to the terms to either buy or sell the underlying equity security at the exercise price. An option that gives a holder the right to buy is a call option, and an option that gives the holder a right to sell is a put option. An American-style option may be exercised by a holder any time prior to expiration while a European-style option may only be exercised during a specified period before expiration (*e.g.*, expiration date). Standardized equity options are generally physically-settled but may also be cash-settled. Physical settlement gives the holder the right to receive (call) or make (put) physical delivery of the underlying equity security upon exercise. In cash-settlement, a holder has the right to receive a cash payment if a determined value of the underlying security at the time of exercise exceeds (call) or is less than (put) the exercise price. Factors affecting an option’s value include the exercise price, time until expiration, and the value of the underlying security and its susceptibility to price fluctuations (volatility).

Intended Retail Investor

This product is not designed for a specific type of investor or to fulfill a specific investment objective or investment strategy. Standardized equity options are not suitable for all investors and are intended only for investors who have a thorough understanding of the product and can bear the potential losses associated with it and the related investment strategy. If you have questions regarding suitability, you may wish to contact your broker or investment adviser.

What are the risks and what could I get in return?

1	2	3	4	5	6	7
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← Lower risk Higher risk →

Risk Indicator

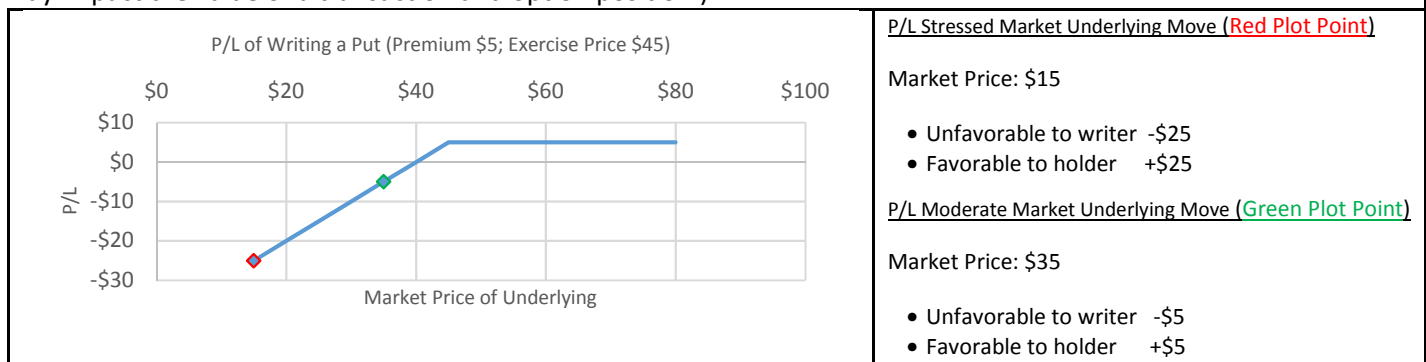
The risk indicator assumes that an option is held until its expiration. Although many options and options strategies have limited risk, some have substantial risk. Events, such as early exercise and corporate actions may significantly impact the value of an option. In certain circumstances, you may not be able to close an existing position or be able to obtain the underlying interest you may be required to deliver.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. We have classified this product as 7 out of 7, which is the highest risk class and rates the potential losses from future performance at a high level. This product does not include any protection from future market performance so you could lose some or all of your investment.

The risk and reward profile for holders and writers depends on the option terms but may involve the following:

- An option writer may be required to fulfill the obligation to buy or sell the underlying interest any time in which the option is exercisable due to its style. A call option writer who does not own the underlying equity security (uncovered call) bears the risk of potentially unlimited loss as the price of the underlying interest increases. A put option writer bears the risk of a loss equal to the difference between the put exercise price and zero if the price of the underlying equity security declines to zero. Writers of such uncovered calls and puts are obligated to post margin (described below) with their broker, which creates additional risk.
- If a U.S. options exchange where options are solely traded becomes unavailable, investors in those options could no longer engage in closing transactions. Moreover, there may be times when options prices will not maintain customary or anticipated relationships to the prices of underlying or related interests.
- If the underlying equity security for an exercised option that is physically-settled is unavailable, OCC's rules may require an alternative form of settlement, such as cash settlement.
- Tax law in the investor's home Member State may have an impact on the investor's return.
- **Be aware of currency risk. Any cash payment associated with the trading or exercise of options will settle in U.S. Dollars, and consequently, investment results may change depending on currency fluctuations. This risk is not considered in the indicator above.**

Performance Scenarios (Examples do not include the costs of commissions, taxes and other transaction costs that may impact the value of a transaction and option position.)



The graph illustrates how your investment could perform. You can compare it to the pay-off graphs for other derivatives. The graph presents a range of possible outcomes and is not an exact indication of what you might receive. What you will receive will vary based on how the value of underlying changes over time. For two values of the underlying, the graph shows what the profit or loss of the product would be. The horizontal axis shows possible values of the underlying and the vertical axis shows the profit or loss of the option. The figures shown include all the costs of the product itself but may not include all the costs you pay to your advisor or distributor and do not take into account your personal tax situation, which may also affect how much you receive.

What happens if OCC is unable to pay out?

OCC's rules are designed so that the performance on all options is between OCC and a group of brokerage firms called clearing members that carry the positions of all option holders and writers in their OCC accounts. The clearing members must meet OCC's financial requirements for participation and provide collateral for the positions of option writers that they carry. The writer's brokerage firm may require the investor to provide related collateral in connection with the positions, as described below. Through a legal novation process, OCC becomes the buyer to every seller clearing member and the seller to every buyer clearing member. This system is designed to back the performance of options and manage counterparty risk to facilitate the settlement of options trades in the event a clearing member fails to meet its obligations. However, there is still risk OCC may not have sufficient financial resources to settle the obligations and you may suffer loss up to any amount owed to you.

What are the Costs?

Aggregate costs for standardized equity options depend on multiple factors. An options premium is the cost paid by the holder to the writer. Factors having a significant effect on the premium include, but are not limited to, the underlying equity value, time until expiration of the option, and exercise price. Options investing involves additional costs that include tax considerations, transaction costs and margin requirements that can significantly affect profit or loss. Transaction costs consist primarily of commissions (which are imposed in opening, closing, exercise and assignment transactions), but may also include margin and interest costs. Margin means the assets required to be deposited by a writer with his brokerage firm as collateral for the obligation, as applicable, to buy or sell the underlying interest or pay the cash settlement amount. If an option is exercised and assigned, a writer may incur additional costs. Advisors, distributors or any other persons advising on or selling standardized equity options will provide information detailing any cost of distribution not already included in this section to enable the investor to understand the cumulative effect of the aggregate costs on the return.

Costs over Time and Composition of Costs

Costs	Premium	Commission	Margin	Taxes
Amount	Varies - determined by buyer and seller when executing a trade	Varies - determined by individual brokerage firm	Varies - margin requirements are subject to change and may vary from brokerage firm to brokerage firm.	Dependent on individual investor's tax situation
Frequency	Initial (per transaction - opening (entry) or closing (exit))	Initial (per transaction)	Recurring while option position is held	Recurring

How long should I hold it and can I exit a transaction early (can I take money out early)?

Recommended holding period: None. The decision to exercise an option is a key investment decision for a holder, as is the decision for both option holders and writers to close out an existing option position before the option expires or is exercised and assigned by executing a closing transaction. Consequently, investors have the sole responsibility for determining if and when they should exercise their options contract(s) or whether to close out an existing option position. Investors who close out an existing option position forego any subsequent profit or loss associated with the option. All options have an expiration date after which the option will have no value and will no longer exist. Holders of American-style options who wish to exercise in advance of the expiration date may do so by providing exercise instructions to their broker, pursuant to the broker's process.

How can I complain?

Investors may contact OCC at investorservices@theocc.com. Investors may also file a complaint with the Financial Industry Regulatory Authority ("FINRA") (<http://www.finra.org/investors/investor-complaint-center>) or the SEC (<https://www.sec.gov/oiea/Complaint.html>).

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 Rockville, MD 20850-3329
 Phone: (240) 386-HELP (4357)
 Fax: (866) 397-3290

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 Fax: (202) 772-9295