
Fixed Return Optionss

FROs

Specifications



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Description

Fixed Return Options (FROs) are exchange traded binary or “cash or nothing” options based on an underlying security such as a stock or ETF. There are two type of FROs: Finish High FROs and Finish Low FROs. At expiration, an in-the-money FRO pays the holder of the option \$100.00 per contract. For example, the holder of the XYZ June 20 Finish High FRO would receive \$100.00 at expiration if the Amex FRO Settlement Index^(SM) on the last trading day prior to expiration for XYZ was \$20.01 or higher. If the Amex FRO Settlement Index^(SM) closed at \$20.00 or lower, the holder of the XYZ June 20 Finish High FRO would receive \$0.00.

Trading Unit/Minimum Size

The minimum trade size is one FRO contract.

Expiration Months

FROs will have expiration months available for trading that are the same as the standard listed option for the same underlying security.

Strike Prices

FROs will have strike prices available for trading that are the same as the standard listed option for the same underlying security.

Symbology

FROs will utilize a unique 1, 2, or 3 character wrap symbol to differentiate the FRO options from the standard listed option contracts on the same underlying security. Standard OPRA codes will be utilized to denote the type of option, expiration month and strike price. For example, for XYZ stock, the January 30 Calls are represented by the symbol XYZ+AF. Assuming “ABC” is the unique wrap symbol used to denote FROs on the underlying stock XYZ, the January 30 Finish High would be represented by the symbol ABC+AF. The wrap symbol used to denote FRO’s will also be to disseminate the settlement value at expiration.

Premium Bids and Offers

FROs will be quoted and traded with the same minimum price variations as the standard listed options for the same underlying security. For example, a premium bid of \$0.10 would mean an investor selling would receive \$10.00 per contract sold.

Expiration

FROs will expire on the Saturday following the third Friday of the month, the same as the standard listed options.



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| <i>Last Trading Day</i> | One business day prior to expiration (normally a Friday), the same as the standard listed options. |
| <i>Exercising Options</i> | European style, subject to automatic exercise. FROs may only be exercised on the last business day prior to expiration (normally a Friday). Writers or persons who have sold short FROs are subject to assignment only at expiration. |
| <i>FRO Settlement Value</i> | FROs will settle based on the Amex FRO Settlement Index ^(SM) for all trades in the underlying security executed during the last trading days regular trading session. The full day Amex FRO Settlement Index ^(SM) will be calculated continuously throughout the last trading day prior to expiration (normally a Friday). The running Amex FRO Settlement Index ^(SM) will be disseminated at least every 15 seconds using the unique wrap symbol used to distinguish the FROs from regular options on the same underlying security. A FRO that finish in-the-money will be subject to automatic exercise. The automatic exercise will result in the holder of the in-the-money FRO receiving \$100.00 per contract and the writer of the in-the-money FRO being debited \$100.00 per contract. |
| <i>Position Limits</i> | 25,000 contracts, existing hedge exemptions will not apply, facilitation exemptions will apply and position will not be aggregated with standard listed option positions. |
| <i>Minimum Customer Margin</i> | Long positions must be paid in full. Short positions will require the seller to post the difference between the premium received and \$100 per contract sold short. The premium must remain in the account. |
| <i>Trading Hours</i> | Same as the standard listed option on the same underlying security. |



For the sake of simplicity, the examples shown do not take into consideration commissions and other transaction fees, tax considerations, or margin requirements, which are factors that may significantly affect the economic consequences of a given strategy. An investor should review transaction costs, margin requirements and tax considerations with a broker and tax advisor before entering into any options strategy.

Fixed Return Options (FROs) involve risk and are not suitable for everyone. Prior to buying or selling a FRO, a person must receive a copy of *Characteristics and Risks of Standardized Options*. Copies may be obtained from your broker, one of the options exchanges or The Options Clearing Corporation, One North Wacker Drive, Suite 500, Chicago, IL 60606 or call 1-888-OPTIONS or visit www.888options.com.

FROs exercise and assignment is based on an all day expiration day Amex FRO Settlement Index^(SM) so it is possible for the standard listed options to be in-the-money at expiration and the FROs to be out-of-the-money or for the FROs to be in-the-money and the standard listed options to be out-of-the-money. An investor must understand FROs settlement before entering into any FROs transaction.

Any strategies discussed, including examples using actual securities and price data, are strictly for illustrative and education purposes and are not to be construed as an endorsement, recommendation or solicitation to buy or sell securities. Supporting documentation will be supplied upon written request.

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