

risk of writers of binary puts is limited to the cash settlement amount of the option, and a binary put writer may be required under exchange rules to deposit the full cash settlement amount at the time the option is written.

*The paragraph numbered 5 on page 65 of the Booklet is replaced with the following paragraph:*

5. The risk of being an option writer may be reduced by the purchase of other options on the same underlying interest — and thereby assuming a spread position — or by acquiring other types of hedging positions in the options markets or other markets. However, even where the writer has assumed a spread or other hedging position, the risks may still be significant. See paragraph 1 under “Other Risks” below. The risk profile of a spread where the long and short legs are options of different types is not the same as where both legs are options of the same type. For example, where the short leg is a conventional option, the risk-reducing characteristics of a long leg consisting of binary or range options are different than where the long leg is a conventional option because of the fixed cash settlement amount of binary options and the unique payout structure of range options.

*The second full paragraph on page 68 of the Booklet is replaced with the following paragraph:*

In the case of straddle writing, where the investor writes both a put and a call on the same underlying interest at the same exercise price in exchange for a combined premium on the two writing transactions, the potential risk is unlimited (except in the case of capped options or binary options). Except where a straddle consists of binary options, to the extent that the price of the underlying interest is either below the exercise price by more than the combined premium, or above the exercise price by more than the combined premium, the writer of a straddle will incur a loss when one of the options is exercised. Indeed, if the writer is assigned an exercise on one option position in the straddle and fails to close out the other position, subsequent fluctuations in the price of the underlying interest could cause the other option to be exercised as well, causing a loss on both writing positions. An investor who writes a straddle using binary options will incur a loss when the combined premium is less than the fixed cash settlement amount of the option that is exercised.

*The second full paragraph on page 71 of the Booklet is replaced with the following paragraph:*

Even if options trading is halted, holders of American-style options, other than delayed start options for which an exercise price has not yet been set, would still