

sources which report the occurrence of a credit event do not make this information publicly available until *after* the expiration date. In this case, the cash settlement value of a credit default option would be zero. There is also a risk that the listing options market may determine that a credit event has occurred based on information available to it when in fact no credit event has occurred. This could happen, for example, if the sources used to confirm the credit event are erroneous. The rules of OCC and/or the listing options market may provide that a confirmation of a credit event or other contract adjustment may be revoked up to a specified time prior to exercise settlement. Settlements based on a listing options market's confirmation of a credit event are irrevocable even if no credit event has occurred.

7. Every determination by the listing options market of a redemption event, succession event or credit event will be within the listing options market's sole discretion and will be conclusive and binding on all holders and sellers and not subject to review. OCC shall have no authority to make such determinations and shall have no responsibility therefor.

8. Prior to the period when a credit default option has been automatically exercised, the only means through which the holder can realize value from the option is to sell it at its then market price in an available secondary market. If a secondary market for such an option is not available, it will not be possible for its holder to realize any value from the option at that time.

9. There is no underlying interest for credit default options that is quoted in the marketplace. Because of this, there are no underlying interest prices to provide a reference to investors for pricing credit default options.

10. As discussed above under the caption "Other Risks," options markets have discretion to halt trading in an option in certain circumstances — such as when the market determines that the halt would be advisable in maintaining a fair and orderly market in the option. In the case of credit default options, options markets may take into consideration, among other factors, that current quotes for debt securities or other securities of the reference entity are unavailable or have become unreliable.

11. The risk that a trading market for particular options may become unavailable and the potential consequences are also discussed above under the caption "Other Risks." The SEC has approved certain credit default options for listing and trading on a national securities exchange as securities. OCC filed its rules for clearing credit default options with the CFTC, and the CFTC issued an exemption permitting OCC to clear such options when traded on a national securities exchange whether or not they are within the CFTC's jurisdiction. By its terms, the exemption is revocable, and its revocation would be one of the events that could lead to the unavailability of a trading market for credit default options.

