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Readers should be aware that this booklet has been written to meet the requirements of an SEC rule that requires the U.S. options markets to prepare, and brokerage firms to distribute, a booklet that briefly and generally describes the characteristics of options and the risks to investors of maintaining positions in options. Options are versatile instruments that can be used in a wide variety of investment strategies. They give the investor the ability to create positions that reflect the investor's opinion of an underlying interest and to select investment strategies that reflect the investor's tolerance for risk. This booklet is not designed to describe the various potential benefits of options or how investors may use options to enhance their investment strategies or to reduce risk. Numerous other publications, including some prepared by the U.S. options markets that are available upon request, contain discussions of the uses and potential benefits of options and of the various trading and investment strategies that can be employed with options. Readers who wish to balance the general discussion of risks that is contained in this booklet with a discussion of options uses, benefits and strategies should consult one or more of these other publications.

Readers should read and understand this booklet in its entirety, since a number of the separate chapters will be relevant to every reader interested in buying or writing options. For example, a reader who is interested in options on equity securities should fully read not only Chapter III, but also should read Chapters II, VIII and IX, as well as the discussion of risks in Chapter X. Readers should also be aware that, although this booklet seeks to describe the various characteristics of options and the risks that are unique to being an investor in options, there are many matters which are beyond the scope of this booklet that are not discussed. Chapter XI contains a discussion of the scope and limitations of this booklet.