

intrinsic value if the price is equal to or below DM2.50 at that time. Changes in the exchange rate between German marks and British pounds may result from changes in the value of German marks relative to other currencies generally, from changes in the value of the British pound, or from a combination of the two. In any case, the intrinsic value of the option will be determined by the value of the British pound relative to the German mark, and not to the U.S. dollar or any other currency. However, as is noted in the following section, fluctuations in the value of the trading currency relative to other currencies may significantly affect investors who intend to convert their gains or losses into one of those other currencies.

Readers should note that the various expiration dates for foreign currency options are different from the expiration dates for options on other underlying interests. Readers should determine the expiration date of each foreign currency option they wish to buy or write.

### **SPECIAL FEATURES OF DOLLAR-DENOMINATED FOREIGN CURRENCY OPTIONS**

The amount of the foreign currency underlying each foreign currency option (*i.e.*, the unit of trading) is specified by the options market on which the option is traded.

Exercise prices for currently available dollar-denominated options on foreign currencies other than the Japanese yen are stated in U.S. cents per unit of foreign currency. Exercise prices for dollar-denominated Japanese yen options are expressed in hundredths of U.S. cents per unit. In order to determine the total exercise price per contract, it is necessary to multiply the stated exercise price by the unit of trading of the particular option.

**EXAMPLE:** A dollar-denominated put covering 31,250 British pounds with an exercise price of 130 would entitle the holder to sell the underlying pounds for an aggregate exercise price of \$40,625 (\$1.30 multiplied by 31,250).

**EXAMPLE:** A dollar-denominated call covering 6,250,000 Japanese yen with an exercise price of 94 would entitle the holder to buy the underlying yen for an aggregate exercise price of \$58,750 (\$.0094 multiplied by 6,250,000).