

activity tends to center on recently issued securities. Liquidity is generally greater and quotations are generally tighter on recent issues than on older issues.

There are numerous dealers in all of the Treasury securities from which the yield on the options now traded is determined, but at the date of this booklet there is no comprehensive consolidation of bids and offers or public reporting of transaction prices in those securities such as exists in the markets for stocks. While there is some dissemination of representative bids and offers, at the date of this booklet anyone interested in buying or selling a Treasury security usually must have his brokerage firm or bank contact one or more dealers individually to learn their current quotations.

The absence of last sale information and the limited availability of quotations for debt instruments can make it difficult for many investors to obtain timely, accurate data about the state of the market for the underlying debt securities. At the same time, dealers in the underlying securities have access to private quotation networks that give actual current bids and offers of other dealers. This information is not available to most investors. As a result, these dealers may have a significant advantage over other participants in the debt options markets.

2. Another important difference between the stock market and the market for Treasury securities is that stock quotations are generally keyed to a 100-share round lot while the basic unit of trading in the debt securities market typically involves much larger dollar amounts. A round lot for most dealers in Treasury securities is, at a minimum, \$1,000,000 of principal amount; and on Treasury bills it can be larger. Most dealers are oriented toward doing business with large institutional customers or other dealers. As a result, investors buying or selling debt securities in amounts smaller than round lots can expect to pay more and receive less than dealer quotations for round lot transactions.

The unit of trading for price-based debt options is likely to involve larger dollar amounts of the underlying debt security than is the case with stock options. In general, this means that: (a) premiums for such an option will tend to be higher than for a stock option, and (b) the increase or decrease in the price of an