

## **JANUARY 2004 SUPPLEMENT**

*This supplement supersedes and replaces the November 1995 Supplement to, and amends specified portions of, Characteristics and Risks of Standardized Options (the "Booklet").*

*To permit greater flexibility in the methods used for assigning options exercises, the Booklet is amended by replacing the first two paragraphs following the caption "Assignment" in Chapter VIII of the Booklet with the following:*

OCC follows established procedures for assigning exercises to Clearing Member accounts that contain short option positions identical to the exercised options. These procedures may be different for different classes of options. A description of OCC's assignment procedures and the options classes to which they apply is available on request from OCC at One North Wacker Drive, Suite 500, Chicago, Illinois 60606.

Assignments are ordinarily made prior to the commencement of trading on the business day following receipt by OCC of the exercise instruction. In the case of options traded in evening sessions, exercise instructions received by OCC on a business day are ordinarily assigned prior to the opening of trading in that day's evening session.

Exercises may be assigned by OCC to a Clearing Member's customers' account. In that event, the Clearing Member must in turn assign those exercises to its customers maintaining positions as writers of the exercised options series. The rules of the options markets require their member firms to establish fixed procedures for allocating assignments to customers (e.g., random selection or "first-in, first-out") and to inform their customers of the method used and how it works.

Regardless of the method used, an option writer is subject to the risk each day the option is exercisable