

JUNE 2008 SUPPLEMENT

This supplement supersedes and replaces the April 2008 Supplement to the booklet entitled *Characteristics and Risks of Standardized Options* (the "Booklet"). This supplement adds information regarding the following new options products: delayed start options, binary stock options, binary index options, and range options.

The third paragraph on page 1 of the Booklet is replaced with the following paragraph:

What is an option? An option is the right to buy or sell a specified amount or value of a particular underlying interest at a fixed exercise price by exercising the option before its specified expiration date. An option which gives the right to buy is a call option, and an option which gives a right to sell is a put option. Calls and puts are distinct types of options, and buying or selling of one type does not involve the other. Certain special kinds of options may give a right to receive a cash payment if certain criteria are met.

The last paragraph on page 1 of the Booklet, which continues on the top of page 2, is replaced with the following paragraph:

There are two different kinds of options — physical delivery options and cash settled options. A physical delivery option gives its owner the right to receive physical delivery (if it is a call), or to make physical delivery (if it is a put), of the underlying interest when the option is exercised. A cash-settled option other than a binary option or a range option gives its owner the right to receive a cash payment based on the difference between a determined value of the underlying interest at the time the option is exercised and the fixed exercise price of the option. A cash-settled call conveys the right to receive a cash payment if the determined value of the underlying interest at exercise — this value is known as the exercise settlement value — exceeds the exercise price of the option, and a cash-settled put conveys the right to receive a cash payment if the exercise settlement value is less than the exercise price of the option. Binary options and range options are special kinds of cash-settled options described in Chapter II. The examples in this booklet generally refer to options other than binary options or range options except as otherwise stated.