

DECEMBER 2009 SUPPLEMENT

The February 1994 version of the booklet entitled *Characteristics and Risks of Standardized Options* (the "Booklet") is amended as provided below. Part I of this Supplement contains information regarding options on indexes measuring (i) the historical ("realized") variance or the predicted ("implied") or realized volatility of the daily returns of a stock index; (ii) the return from a trading strategy involving purchases and sales of equity securities and options on those securities; or (iii) the dividends on the component stocks of a dividend index. Part II of this Supplement contains information relating to the adjustment of stock option contracts to reflect cash dividends or distributions on the underlying securities. This Supplement supersedes and replaces the September 2008 Supplement to the Booklet.

Part I. Variability Options.

1. *The first full paragraph on page 2, as amended in Part III of the May 2007 Supplement, is further amended to read as follows:*

Each options market selects the underlying interests on which options are traded on that market. Options are currently available covering four types of underlying interests: equity securities (which term includes "fund shares" described in Chapter III), indexes (including stock, variability, strategy-based and dividend indexes), government debt securities, and foreign currencies. Options on other types of underlying interests may become available in the future.

2. *The second paragraph on page 7, as amended by the June 2008 Supplement, is replaced with the following paragraph:*

Exercise prices for each options series (except for series of delayed start options) are established by the options market on which that series is traded at the time trading in the series is introduced, and are generally set at levels above and below the then market value of the underlying interest. However, the options markets may use other methods to set exercise prices. Specific information regarding the setting of exercise prices may be obtained from the listing options market. The options markets generally have the authority to introduce addi-