

markets are in various countries. A stock index may be based on the prices of all, or only a sample, of the securities whose prices it is intended to represent. Like stock indexes, variability indexes, strategy-based indexes, and dividend indexes are securities indexes. However, variability indexes may measure the implied volatility of an index, using the premiums for series of options on that index, or may measure the historical variance or volatility of the returns of an index using daily returns over a certain period assuming a mean daily return of zero. Strategy-based indexes measure the return of a particular strategy involving the component securities of an index and options on that index. Dividend indexes measure the stock price changes of the component securities of underlying indexes that result solely from the distribution of ordinary cash dividends, as calculated on their respective ex-dividend dates. In this booklet options on variability indexes are referred to generically as variability options, options on strategy-based indexes are referred to as strategy-based index options, and options on dividend indexes are referred to as dividend index options.

Information relating specifically to stock indexes, variability indexes, strategy-based indexes and dividend indexes appears below under the captions "Stock Indexes," "Variability Indexes," "Strategy-based Indexes" and "Dividend Indexes," respectively.

#### **STOCK INDEXES**

4. *The first sentence in the second full paragraph on page 25 is amended as follows:*

Investors should keep in mind that a stock index can respond only to reported price movements in its component securities.

5. *The paragraph that was inserted following the third full paragraph on page 26 in the December 1997 Supplement to this booklet is relocated so that it follows the second full paragraph on page 25 (since that paragraph relates to stock indexes and not to variability indexes or strategy-based indexes).*

6. *The following paragraphs and captions are added on page 25 following the relocated paragraph referred to in point 3 immediately above:*

#### **DIVIDEND INDEXES**

Dividend indexes measure the stock price changes of the component securities of underlying indexes that result solely from the distribution of ordinary cash dividends, as calculated on their respective ex-dividend