

## Key Information

### Document - Standardized Binary Options (Long Put)

#### Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products. This is an English only document, not authorized to be translated into another language.

#### Product

**U.S. Standardized Binary Options.** The Options Clearing Corporation (“OCC”) is providing this document under EU Regulation No. 1286/2014 for standardized binary options (a/k/a “listed options”). Standardized binary options are listed and traded on U.S. options exchanges registered with the U.S. Securities and Exchange Commission (“SEC”) as national securities exchanges and are issued, cleared and settled by OCC, an SEC registered clearing agency. For more information on binary options, investors may visit OCC’s website at [www.theocc.com](http://www.theocc.com) or contact OCC’s Investor Services department at 1-888-678-4667. Updated December 15, 2017.

**Alert. You are about to purchase a product that is not simple and may be difficult to understand.** Investors should not trade binary options until they have read and understood this document the related risk disclosure document that is submitted to the SEC, [Characteristics and Risks of Standardized Options](#), also known as the options disclosure document (“ODD”). Disclosures herein should be interpreted in a manner consistent with the ODD, <https://www.theocc.com/components/docs/riskstoc.pdf>.

#### What is this product?

##### Type

A binary option is a cash-settled option having two possible payoffs: either a fixed amount determined by the U.S. options exchange (“cash settlement amount”) or nothing at all. The holder (buyer) of a binary option typically has the right to receive (and the writer (seller) has the obligation to pay) the “cash settlement amount” for the option if the value of the underlying interest at exercise (“exercise settlement value”) meets the criteria for automatic exercise of the option, as specified in the rules of the U.S. options exchange. The exposure to the underlying interest is therefore indirect because the value of the option is derived from the value of the underlying security. Expiration dates for binary options vary. OCC may not unilaterally terminate the option. In certain extraordinary circumstances in which the terms of an option are determined to be clearly erroneous, the exchange on which your transaction is executed may unilaterally terminate the option within a certain period after its execution. In certain instances, an action regarding the underlying interest may result in a change to the terms of the option pursuant to OCC’s rules, which may differ from the methodology used in European options markets.

##### Objectives

The option holder is the person who buys the right conveyed by the option and pays the writer a nonrefundable payment called the “premium.” The option writer is obligated – if and when assigned an exercise – to perform according to the terms by paying the cash settlement amount to the holder. Binary options are typically European-style options and may only be exercised during a specified period before expiration (*e.g.*, expiration date). An option that gives a holder the right to an exercise settlement amount when the value of the underlying is above the exercise price is a binary call option, and an option that gives the holder a right to an exercise settlement amount when the value of the underlying is below the exercise price is a binary put option. Binary options are cash-settled. Factors affecting an option’s value include the exercise price, time until expiration, and the value of the underlying interest and its susceptibility to price fluctuations (volatility).

##### Intended Retail Investor

This product is not designed for a specific type of investor or to fulfill a specific investment objective or investment strategy. It is not suitable for all investors and is intended only for investors who have a thorough understanding of


the product and can bear the potential losses associated with it and the related investment strategy. If you have questions regarding suitability, you may wish to contact your broker or investment adviser.

### What are the risks and what could I get in return?

1	2	3	4	5	6	7
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← Lower risk Higher risk →

**Risk Indicator**



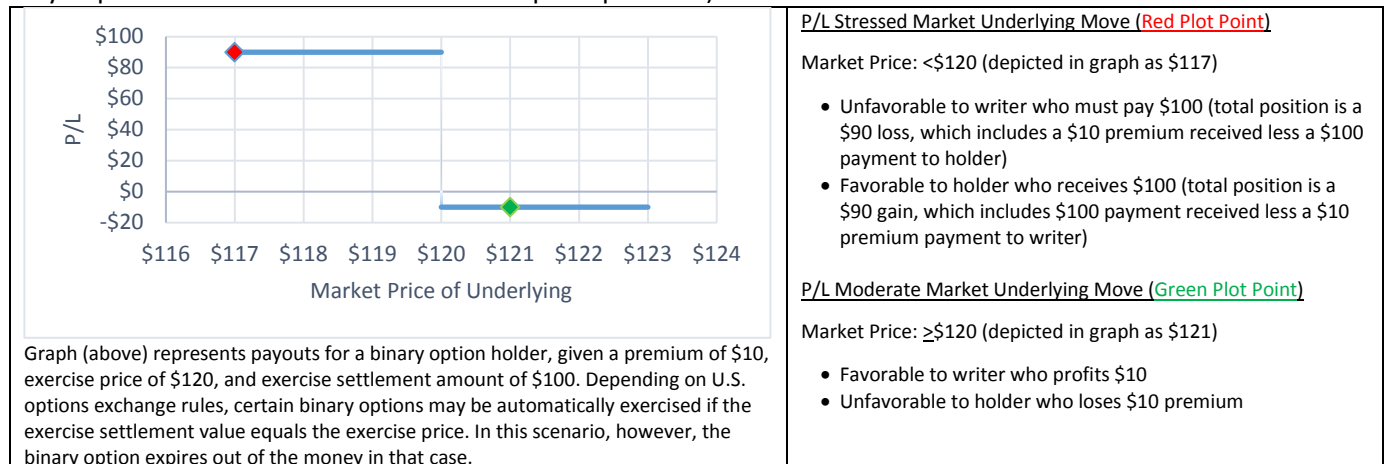
The risk indicator assumes that an option is held until its expiration. Although many options and options strategies have limited risk, some have substantial risk. Events, such as early exercise and corporate actions may significantly impact the value of an option. In certain circumstances, you may not be able to close an existing position or be able to obtain the underlying interest you may be required to deliver.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. We have classified this product as 7 out of 7, which is the highest risk class and rates the potential losses from the future performance at a high level. This product does not include any protection from future market performance so you could lose some or all of your investment.

The risk and reward profile for holders and writers depends on the option terms but may involve the following:

- An option holder may lose the entire premium if the exercise settlement value for a binary call is below the exercise price or the exercise settlement value for a binary put is above the exercise price. In either case the option is said to expire “out of the money.” An option holder who neither sells his option nor exercises it prior to its expiration may lose his entire investment in the option.
- If a U.S. options exchange where options are solely traded becomes unavailable, investors in those options could no longer engage in closing transactions. Moreover, there may be times when options prices will not maintain customary or anticipated relationships to the prices of underlying or related interests.
- Tax law in the investor’s home Member State may have an impact on the investor’s return.
- **Be aware of currency risk. Any cash payment associated with the trading or exercise of options will settle in U.S. Dollars, and consequently, investment results may change depending on currency fluctuations.**

**Performance Scenarios** (Examples do not include the costs of commissions, taxes and other transaction costs that may impact the value of a transaction and option position.)



The graph illustrates how your investment could perform. You can compare it to the pay-off graphs for other derivatives. The graph presents a range of possible outcomes and is not an exact indication of what you might receive. What you will receive varies based on how the value of the underlying changes over time. For two values of the underlying, the graph shows what the profit or loss of the product would be. The horizontal axis shows possible values of the underlying and the vertical axis shows the profit or loss of the option. The figures shown

include all the costs of the product itself, but may not include all the costs you pay to your advisor or distributor and do not take into account your personal tax situation, which may also affect how much you receive.

**What happens if OCC is unable to payout?**

OCC’s rules are designed so that the performance on all options is between OCC and a group of brokerage firms called clearing members that carry the positions of all option holders and writers in their OCC accounts. The clearing members must meet OCC’s financial requirements for participation and provide collateral for the positions of option writers that they carry. The writer’s brokerage firm may require the investor to provide related collateral in connection with the positions, as described below. Through a legal novation process, OCC becomes the buyer to every seller clearing member and the seller to every buyer clearing member. This system is designed to back the performance of options and manage counterparty risk to facilitate the settlement of options trades in the event a clearing member fails to meet its obligations. However, there is still risk that OCC may not have sufficient financial resources to settle the obligations.

**What are the Costs?**

Aggregate costs for binary options depend on multiple factors. An options premium is the cost paid by the holder to the writer. Factors having a significant effect on the premium include, but are not limited to, the underlying interest’s price, time until expiration of the option, and exercise settlement value. Options investing involves additional costs that include tax considerations, transaction costs and margin requirements that can significantly affect profit or loss. Transaction costs consist primarily of commissions (which are imposed in opening, closing, exercise and assignment transactions), but may also include margin and interest costs. Margin means the assets required to be deposited by a writer with his brokerage firm as collateral for the obligation to pay the cash settlement amount. If an option is exercised and assigned, a writer may incur additional costs. Advisors, distributors or any other persons advising on or selling binary options will provide information detailing any cost of distribution not already included in this section to enable the investor to understand the cumulative effect of the aggregate costs on the return.

**Costs over Time and Composition of Costs-**

Costs	Premium	Commission	Margin	Taxes
Amount	Varies -determined by buyer and seller when executing a trade	Varies - determined by individual brokerage firm	Varies - margin requirements are subject to change, and may vary from brokerage firm to brokerage firm.	Dependent on individual investor’s tax situation
Frequency	Initial (per transaction - opening (entry) or closing (exit))	Initial (per transaction)	Recurring while option position is held	Recurring

**How long should I hold it and can I exit a transaction early (can I take money out early?)**

**Recommended holding period: None.** The decision for both option holders and writers to close out an existing option position before the option expires or is exercised and assigned is a key investment decision. Consequently, investors have the sole responsibility for determining whether to close out an existing option position. Investors who close out an existing option position forego any subsequent profit or loss associated with the option. All options have an expiration date after which the option will have no value and will no longer exist.

**How can I complain?**

Investors may contact OCC at [investorservices@theocc.com](mailto:investorservices@theocc.com). Investors may also file a complaint with the Financial Industry Regulatory Authority (“FINRA”) (<http://www.finra.org/investors/investor-complaint-center>) or the SEC (<https://www.sec.gov/oiea/Complaint.html>).

FINRA Investor Complaint Center 9509 Key West Avenue Rockville, MD 20850-3329 Phone: (240) 386-HELP (4357) Fax: (866) 397-3290	U.S. Securities and Exchange Commission Office of Investor Education and Advocacy 100 F Street, N.E. Washington, DC 20549-0213 Fax: (202) 772-9295
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