

January 2012 Supplement to Characteristics and Risks of Standardized Options

The February 1994 version of the booklet entitled *Characteristics and Risks of Standardized Options* (the “Booklet”) is amended as provided below to accommodate options on relative performance indexes of which the index components are equity securities (including fund shares).

1. *The first paragraph following the caption “Relative Performance Indexes,” which was added to Chapter IV of the Booklet by the March 2011 Supplement immediately following the section captioned “Strategy-Based Indexes” (which was added on page 25 of the Booklet by the December 2009 Supplement), is replaced by the following paragraphs:*

A relative performance index measures the relative performance — generally the relative total return — of two index components. As of the date of this booklet, the only relative performance options approved for trading are options on indexes of which both index components are equity securities (one or both of which could be non-leveraged fund shares). One of the components in each pair is referred to as the target component and the second is referred to as the benchmark component. The index is calculated by measuring the total return of the target component relative to the total return of the benchmark component. The index will rise as and to the extent that the target component outperforms the benchmark component, and will fall as and to the extent that the opposite occurs. The value of the relative performance index will be set to a base value, such as 100, initially. The following example illustrates the calculation of a relative performance index.

EXAMPLE: Assume that a relative performance index has an initial base value of 100. If the total return of the target component in one day is 10% and the total return of the benchmark component in the one day period is 9%, the index value of the relative performance index at the end of the one day period would equal $100 \times (1 + 10\%) / (1 + 9\%) = 100.92$. If the total return of the target component in the one day period is 9% and the total return of the benchmark component in the one day period is 10%, the index value of the relative performance index at the end of the one day period would equal $100 \times (1 + 9\%) / (1 + 10\%) = 99.09$.

The example above illustrates only a scenario where the total return assumed is for a one day period. Other periods would yield different results. Market participants should contact the exchange on which these options are traded for a more complete description of the index calculation methodology.