

Key Information

Document - Standardized Debt Option (Long Call)

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 Debt Securities Options. The Options Clearing Corporation (“OCC”) is providing this document under EU Regulation No. 1286/2014 for standardized debt securities options (a/k/a “listed options”). Standardized debt securities options are listed and traded on U.S. options exchanges registered with the U.S. Securities and Exchange Commission (“SEC”) and are issued, cleared and settled by OCC, an SEC registered clearing agency. For more information, including the contact details for the U.S. options exchanges, investors may visit OCC’s website at www.theocc.com or contact OCC at 1-312-322-6200. Updated December 28, 2022 and April 20, 2023.

Alert. You are about to purchase a product that is not simple and may be difficult to understand. Investors should not trade debt securities options until they have read and understood this document and 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

There are two types of debt securities options. Price-based options give the holder (buyer) the right either to purchase or sell a specified underlying debt security or to receive a cash settlement payment based on the value of an underlying debt security. Yield-based options give holders the right to receive cash, based on the difference between the exercise price and the value of an underlying yield. The exposure to the underlying debt security is therefore indirect for both types of debt securities options because the value of the option is derived from the value of the underlying security. Expiration dates for debt securities 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, a corporate action regarding the underlying equity security 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 (seller) a nonrefundable payment called the “premium.” The option writer is obligated – if and when assigned an exercise – to perform according to the terms to either buy or sell the underlying debt security at the exercise price or to deliver cash based on the difference between the exercise price and value of the underlying debt security. An option that gives a holder the right to buy is a call option, and an option that gives the holder a right to sell is a put option. An American-style option may be exercised by a holder any time prior to expiration while a European-style option may only be exercised during a specified period before expiration (*e.g.*, expiration date). Yield-based options are typically European-style options. Factors affecting an option’s value include the exercise price, time until expiration, and the value of the underlying security 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 future performance at a very 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 of a debt security option for holders and writers depends on its terms but may involve the following considerations:

- A price-based holder may lose the entire premium if the exercise price for a call is above the current market value of the underlying or the exercise price for a put is below the market value. In either case the option is said to expire “out of the money.” Yield-based options expire out of the money when the exercise price of a call option is above the yield of the underlying debt security or, for a put, when the exercise price is below the yield. A holder who neither sells nor exercises his option prior to expiration may lose his entire investment.
- 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.
- If the underlying security for an exercised option that is physically-settled is unavailable, OCC’s rules may require an alternative form of settlement, such as cash settlement.
- 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. This risk is not considered in the indicator above.**

Performance Scenario (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. Investing in this product holds that you think the underlying price will increase. What you will receive varies based on how the value of the underlying changes over time and which depends on future market performance that is uncertain and cannot be predicted. 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 pay out? 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 and you may suffer loss up to any amount owed to you.

What are the Costs? The person advising on or selling you this product may charge you other costs. If so, this person will provide you with information about these costs and how they affect your investment.

Aggregate costs for debt securities 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 security's price/yield, time until expiration of the option, and exercise price. 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, as applicable, to buy or sell the underlying interest or pay the cash settlement amount. If an option is exercised and assigned, a writer may incur additional costs.

Separate from investor costs, OCC charges related fees for clearing this product to its clearing members but not directly to you: <https://www.theocc.com/company-information/schedule-of-fees>.

Costs Over Time	If you exit
Total Costs	Various
Annual Cost Impact	Various

Composition of Costs		
One-off costs upon entry or exit		Amount (Initial)
Entry Costs (per transaction - opening (entry))	Premium (determined by buyer and seller), Commission (determined by brokerage firm)	Variable
Exit Costs (per transaction - closing (exit))	Premium, Commission	Variable
Ongoing Costs		Amount (at any time)
Management fees and other administrative or operating costs	There is no management fee	N/A
Transaction costs	Margin (requirements are subject to change, and may vary by brokerage)	Variable (ongoing)
Incidental costs taken under specific conditions		
Performance fees	None	N/A

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 to exercise an option is a key investment decision for a holder, as is the decision for both option holders and writers to close out an existing option position before the option expires or is exercised and assigned by executing a closing transaction. Consequently, investors have the sole responsibility for determining if and when they should exercise their options contract(s) and 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. Holders of American-style options who wish to exercise in advance of the expiration date may do so by providing exercise instructions to their broker, pursuant to the broker's process.

How can I complain? Investors may contact OCC at 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>).

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