

PHLX FOREX Options™ FAQs

Q. What is the difference between the new FOREX options and the World Currency Options (“WCOs”)?

A. The difference between FOREX options and WCOs is that FOREX options, with the exception of the Japanese Yen, will be based on the foreign exchange spot price, instead of the index-like WCO price (spot price x 100).

Q. What will the trading symbols be for the new FOREX options? Will they differ from the current World Currency Options (WCO) symbols?

A. Yes, the new FOREX trading symbols will be different from the current WCO symbols. The new symbols are indicated in the chart below:

Currency	Old Symbol	New Symbol
Australian Dollar	XDA	FXAD
British Pound	XDB	FXBP
Canadian Dollar	XDC	FXCD
Euro	XDE	FXEU
Swiss Franc	XDS	FXSF
New Zealand Dollar	XDZ	FXNZ
Japanese Yen	XDN	FXJY

Q. How will the new the new FOREX options strike price convention look, as a result of these forthcoming changes?

A. The new strike price convention (except for the Japanese Yen) will be calculated by dividing the current strike price by 100. As evidenced in the chart below, the new strike prices seek to replicate the foreign exchange spot market price convention.

Currency	Examples of Old Strike Prices	Examples of New Strike Prices
Australian Dollar	101, 101.5, 102, 102.5	1.01, 1.015, 1.02, 1.025
British Pound	157, 158, 159, 160	1.57, 1.58, 1.59, 1.60

Canadian Dollar	99, 99.5, 100, 100.5	0.99, 0.995, 1.00, 1.005
Euro	131.5, 132, 132.5, 133	1.315, 1.32, 1.325, 1.33
Swiss Franc	108, 109, 110, 111	1.08, 1.09, 1.10, 1.11
New Zealand Dollar	79, 80, 81, 82	0.79, 0.80, 0.81, 0.82
Japanese Yen	121, 122, 123, 124	***No Change ***

Q. When will these changes happen?

A. Following the close of business on Friday, June 22nd, the current currency symbols and strike prices (except for the Japanese Yen) will be converted. Beginning Monday, June 25th, both the new trading symbols and the new strike prices will be in effect for trading.

Q. Why are these changes occurring?

A. We are making these changes to provide retail and institutional traders better trading and hedging opportunities to replicate the foreign exchange spot market price convention. Prior to this, the Exchange offered currencies expressed as an index-like price (i.e. a multiplier of 100 times the spot price).

Q. Why is the Japanese Yen not making the same strike price conversion as the other currencies?

A. We believe that the current strike price convention is better suited for the Japanese Yen. Therefore, the strike prices will remain the same. However, the options will trade under the new symbol "FXJY".

Q. Will the Exchange provide an underlying spot value for the new FOREX options?

A. NASDAQ OMX will neither publish nor disseminate an underlying spot value for any of the new PHLX FOREX options, since the spot values for the currencies are readily available in the market place.

Q. What underlying spot values will no longer be disseminated of the Global Index Dissemination Service ("GIDS")?

A. All values distributed over GIDS related to the WCOs will cease, except those related to the Japanese Yen (trading under the new symbol FXJY). NASDAQ OMX will not disseminate an underlying spot value for any of the new PHLX FOREX options because currency spot values are readily available in the market place.

Q. How will settlement work at expiration?

A. The settlement values for the FOREX options will be announced, via the NASDAQ OMX website, using a spot value at 12:00 p.m. EST on the Friday of expiration (or Thursday, if Friday is a holiday). The settlement values will not be distributed over the GIDS, except the value for the Japanese Yen. The contract holder will take receipt of or deliver the cash difference between the settlement value and strike price.

Q. If I currently hold a WCO position, am I going to have the same position after the conversion?

A. Beginning on Monday, June 25th, all of the contracts held under the WCO symbols will be converted to the new FOREX trading symbols (see chart above). However, you will have the same position in terms of number of option contracts.

- *Example* - an investor holds 10 June British Pound 158 calls under the symbol XDB on June 22nd. On June 25th, these 10 XDB calls contracts will be converted into 10 FXBP June 1.58 call contracts. The new FXBP contracts are also cash settled options with European-style exercise at June expiration.
- *Example*- an investor holds 5 July New Zealand Dollar 83 puts under the symbol XDZ on June 22nd. On June 25th, these 5 XDZ put contracts will be converted into 5 FXNZ July 0.83 put contracts. The new FXNZ contracts are also cash settled options with European-style exercise at June expiration.

Q. How much will it cost to purchase an option?

A. The cost to purchase an option will not differ as a result of these changes.

- *Example*- an investor wants to purchase one June Australian Dollar 1.03 call. The spot market for the Australian Dollar is 1.0410. Therefore, the intrinsic value of the option is .0110. Since the contract size is 10,000 Australian Dollars, essentially the premium is expressed with a multiplier of \$100, and as a result, the premium of 1.10 costs \$110, either under the old or new price convention.
- *Example*- an investor wishes to purchase one September Swiss Franc 1.12 put. The spot market for the Swiss Franc is 1.0975. The intrinsic value of the option would be .0225. Since the contract size is 10,000 Swiss Francs, essentially the premium is expressed with a multiplier of

\$100, and as a result, the premium of 2.25 costs \$225, either under the old or new price convention.

Q. How will settlement work at expiration?

A. The settlement value will still be announced at 12:00 p.m., Eastern Time (ET) on the Friday of expiration (or Thursday if Friday is a holiday). This settlement value will be reflected in spot value format. The contract holder will take receipt of or deliver the cash difference between the settlement value and strike price.

- *Example* - an investor buys one Canadian Dollar (FXCD) September 0.95 call. At September expiration, the settlement value for the Canadian Dollar is 1.0138. Therefore, the investor will receive \$638 ($\$.0638 \times 10,000$, where $\$.0638$ represents the difference between the settlement value and the strike price).
- *Example* - an investor buys one Euro August 1.335 put. At June expiration, the settlement value for the Euro is 1.3014. Therefore, the investor will receive \$336 ($\$.0336 \times 10,000$, where $\$.0336$ represents the difference between the settlement value and the strike price).