

## FREQUENTLY ASKED QUESTIONS: NASDAQ OMX ALPHA INDEXES™

### Q: What are the NASDAQ OMX Alpha Indexes?

A: NASDAQ OMX Alpha Indexes™ measure relative total returns of an underlying stock or exchange-traded fund (ETF) against another ETF utilizing a proprietary calculation, allowing a straightforward way to track an asset's performance. The first component identified in the index is the "Target Component" and is measured against the second component identified in the index as the "Benchmark Component".

The NASDAQ OMX Alpha Indexes were developed by NASDAQ OMX in conjunction with **Jacob S. Sagi**, Financial Markets Research Center Associate Professor of Finance, Owen School of Management, Vanderbilt University and **Robert E. Whaley**, Valere Blair Potter Professor of Management and Co-Director of the FMRC, Owen Graduate School of Management, Vanderbilt University. Visit the NASDAQ OMX Trader® [website](#) for their research paper on the subject.

### Q: Which indexes are available?

A. The following Target/Benchmark combinations are currently [available](#). Note: not all indexes offer index options at this time.

The index option trading symbol is the same as the index symbol.

### Q: Can I trade them?

A: Yes, *select* [Alpha Index Options](#) are available for trading on NASDAQ OMX PHLX<sup>SM</sup>(PHLX<sup>®</sup>).

### Q: Why is this unique?

A: Prior to this development, there was no way to trade "alpha" on a stock without incorporating market returns. The index options are designed to capture the alpha of single stocks or ETFs. Therefore, an investor who accurately selects a stock that outperforms the market would **benefit from that decision despite a market selloff**.

### Q: How are the options traded?

A: The Alpha Index options have standard contract specifications:

- Utilize Alpha Index as the underlying
- Utilize one-point exercise price increments starting at 100 on January 1
- Utilize contract multiplier of 100
- Utilize same expiration cycles as standard stock options.

**Q: Are any new pairs going to trade?**

A: Yes, pending SEC approval we would like to offer options on the ETF vs. ETF pairs.

**Q: How do you calculate the index?**

A: Each Alpha Index is comprised of a Target and Benchmark whereby the relative total return performance is calculated daily by comparing price returns and dividends to the previous trading day. The initial Alpha Indexes have a starting point of 100.00 as of January 1, 2010. These indexes depict a simple way to examine whether a single name “Target” (i.e. AAPL) has a total return performance (price return plus dividends) higher or lower since January 1, 2010 versus a “Benchmark” (i.e. SPY). Occasional adjustments may be made to the indexes to reflect corporate events affecting the Target and Benchmark components.

**Q: When does the index reset back to 100?**

A: There are no current plans for resets.

**Q: Where will the options be listed?**

A: NASDAQ OMX PHLX<sup>SM</sup> (PHLX<sup>®</sup>) only.

**Q: What would happen to AVSPY if AAPL pays a large dividend?**

A: The index value is not impacted.

**Q: How and when does it settle? Cash or stock?**

A: Like most index options, the index will settle in cash on the morning opening prints on the primary market the expiration Friday.

**Q: Are there plans for weeklies and quarterlies?**

A: Not initially, but likely in the near future.

**Q: Are LEAPS going to be available?**

A: Not initially, but likely eventually.

**Q: Where can I find Professor Whaley’s research paper about “Relative Performance Indexes”?**

A: Refer to the NASDAQ OMX Trader<sup>®</sup> website or [click here](#).

**Q: Is there any video content explaining this product offering?**

A: Visit the [Alpha webpage](#) to see interviews with Professor Robert E. Whaley and Eric Noll, Executive Vice President, Transaction Services, U.S. and U.K.

**Q: How are the indexes disseminated?**

A: Data recipients will receive real-time index information from the proprietary [NASDAQ OMX Global Index Data Service<sup>SM</sup> \(GIDS<sup>SM</sup>\)](#) data feed as well as [NASDAQ OMX Global Index Watch \(GIW\)](#). The index option values are available via the proprietary [Top of PHLX Options \(TOPO\)](#) and [TOPO Plus Orders](#) data feeds as well as the Options Price Reporting Authority (OPRA).

**Q: How can an individual investor trade the index options?**

A: The Alpha Index Options are available via any online brokerage account (e.g. Charles Schwab, E\*Trade, Fidelity, Scottrade, TD Ameritrade, TradeKing, etc.), if you are approved to trade options.

**Q: How can I find more information?**

A: For further information or questions, visit [www.nasdaqomxtrader.com/alpha](http://www.nasdaqomxtrader.com/alpha). You can find index performance charts and options chains at [www.nasdaq.com/alpha-index.options](http://www.nasdaq.com/alpha-index.options). Please contact the PHLX Listings and Business Development Office at +1 215 496 5550 or [alpha@nasdaqomx.com](mailto:alpha@nasdaqomx.com). The NASDAQ OMX team is happy to provide index options trading education and additional resources to your firm.

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