

Information Notice

March 2023 Options Disclosure Document

FINRA is advising member firms that the Options Clearing Corporation has issued the [March 2023](#) Options Disclosure Document (ODD). The ODD contains general disclosures on the characteristics and risks of trading standardized options. The March 2023 ODD contains new language to (i) accommodate cash-settled flexibly structured options on certain fund shares that meet specified criteria as defined in the rules of the options market, (ii) provide additional details on the fungibility of flexibly structured options with standardized options, and (iii) address a scenario where an underlying security price may not be available and the resulting implications for cash-settled flexibly structured options on certain fund shares. In addition, the March 2023 ODD updates language describing when trading in a.m. settled index options may not occur in relation to an option expiration date and, in unusual circumstances, due to market closures.

Rule 9b-1 under the Securities Exchange Act requires broker-dealers to deliver the ODD and supplements to customers.¹ FINRA has similar requirements in FINRA Rule 2360(b)(11)(A)(1), which, among other things, requires firms to deliver the current ODD to each customer at or before the time the customer is approved to trade options.

To comply with the requirements of FINRA Rule 2360(b)(11)(A)(1), firms may distribute the March 2023 ODD in various ways, including, but not limited to, one of the following:

1. conducting a mass mailing of the March 2023 ODD to all of its customers approved to trade options and who have already received the ODD; or
2. distributing the March 2023 ODD to a customer who has already received the ODD, not later than the time a customer receives a confirmation of a transaction in the category of options to which the amendment pertains.

FINRA reminds firms that they may electronically transmit documents, including the ODD, that they are required to furnish to customers under FINRA rules, provided the firm adheres to the standards contained in the October 1995 and May 1996 Securities and Exchange Commission

April 27, 2023

Suggested Routing

- ▶ Compliance
- ▶ Institutional
- ▶ Legal
- ▶ Options
- ▶ Senior Management
- ▶ Trading

Key Topic(s)

- ▶ A.M. Settled Index Options
- ▶ Flexibly Structured Options
- ▶ Options
- ▶ Options Disclosure Document (ODD)

Referenced Rules & Notices

- ▶ Notice to Members 98-03
- ▶ Rule 2360

releases,² and as discussed in [Notice to Members 98-03](#). Firms may also transmit the ODD to customers who have consented to electronic delivery through the use of a hyperlink.³

Questions regarding this *Notice* may be directed to Matthew Vitek, Associate General Counsel, Office of General Counsel, at (240) 386-6490.

Endnotes

1. 17 CFR 240.9b-1.
2. See Securities Act Release No. 7288 (May 9, 1996), 61 FR 24644 (May 15, 1996) and Securities Act Release No. 7233 (October 6, 1995), 60 FR 53458 (October 13, 1995).
3. See Securities Act Release No. 58738 (October 6, 2008), 73 FR 60371 (October 10, 2008).