

Because yield-based options are European-style options and the underlying yield is determined from the most recently auctioned Treasury security with the longest remaining life, a major factor affecting the pricing of such options is likely to be the estimates of market participants of the anticipated yield at expiration, and current yield may be a less significant pricing factor.

Settlement of exercises of yield-based options takes place on the business day immediately following the day of exercise. Investors may determine from their brokerage firms when and how settlement amounts will be credited or debited to their brokerage accounts.

If the U.S. Department of the Treasury ceases to issue, or changes the terms or the schedule of issuance of, Treasury securities of a designated maturity, an adjustment panel has discretion to adjust the terms of the series by substituting other Treasury securities or to make such other adjustment as the adjustment panel may determine. If the options market on which a particular yield-based option is traded should decrease the multiplier for the option, the adjustment panel has discretion to adjust outstanding options affected by the change by proportionately subdividing them or by taking other action.

Rules of the options market on which yield-based options are traded may permit or require suspension of trading in the options if current quotations for the last-auctioned Treasury securities of the designated maturity become unavailable or unreliable. For a discussion of the risks involved in trading halts, see the discussion in Chapter X under "Other Risks."