

the reference index expiring in the two nearest months with at least 8 calendar days left to expiration. Implied volatility index values will be affected by any factor that affects the component options series of the index, including, among other things, applicable laws, regulations and trading rules, the market-making and order processing systems of the markets on which the options are traded, and the liquidity and efficiency of those markets.

Implied volatility options that are described in this Supplement are European-style and "A.M.-settled," which means that the exercise settlement values are derived from opening values of the component put and call options. An exercise settlement value for implied volatility options is calculated from *actual opening premium prices* of the relevant series of options on the reference index unless there is no trade in a series at the opening, in which case the *mid-point of the bid and offer premium quotations* for that series as determined at the opening of trading is used. All other index values for each of these implied volatility indexes are calculated using the *mid-points of the bid and offer premium quotations* of the options series that comprise the index. (Since these index values are based on quotations they are sometimes referred to as "indicative values.")

Because different values may be used in calculating the indicative values and exercise settlement values for implied volatility options, there is a risk that there may be a divergence between the exercise settlement value for implied volatility options and an indicative value calculated at the opening on the date on which the exercise settlement value is being determined. This risk is described further in Chapter X of this booklet, under the heading "Special Risks of Index Options." Additional information regarding the method used to calculate the values of a particular implied volatility index is available from the market on which options on that index are traded.

Investors should keep in mind that indicative values of an implied volatility index can reflect changes in the implied volatility of the reference index only to the extent that quotations of the component options of the index are current. Indicative values for an implied volatility index may be disseminated, and implied volatility options may be traded, during times when one or more component securities in the reference index are not trading, or when the quotations for one or more of the options series comprising the implied volatility index are not current. Similarly, an exercise settlement value for an implied volatility index may be calculated even if one or more component securities in the reference index are not trading. In any of these cases, an indicative value or exercise settlement