

Index Options

Comparison of Indexes and ETF's

	Index Options	ETF Options
Underlying:	Cash value - \$100 multiplier	100 shares
Exercise/Assignment:	Receive/Pay Cash	Buy/Sell Shares
Exercise Style:	<ul style="list-style-type: none"> • European (except the OEX) • Only on the last day before expiration • SPX, XSP, DJX, NDX, MNX, RUT, XEO • Automatically closed if \$0.01 ITM 	<ul style="list-style-type: none"> • American Only • Any business day before deadline • Automatically closed if \$0.05 ITM
Settlement Method:	AM – based on opening prices (usually Friday expiration day opening prices)	PM – based on market close of expiration Friday

Underlying Indexes

Index	ETF	Index Option(s)
DJIA	DIA	DJX (1/100 th of the DJIA)
NASDAQ 100	QQQQ (1/40 th of NASDAQ 100)	NDX (NASDAQ 100) MNX (1/10 th of NASDAQ 100)
S&P 500	SPY	SPX (S&P 500) XSP (1/10 th of the S&P 500)
S&P 100	None?	OEX (1/2 of the S&P 100)
Russell 2000	IWM	RUT

60-40 Tax Treatment

- Applies to broad-based, cash settled index options
- IRS Section 1256 Contracts
- Regardless of holding period, P&L treated as 60% long-term and 40% short term
- Reported on Form 6781 and Schedule D
- Positions are "Marked to Market" at year end and taxed as if closed. Year-end prices become cost basis for next tax year.

Primary Taxed Advantaged Index Options

- DJX – Dow Jones Industrial Average
- OEX – S&P 100 Index Options (American style)
- XEO – S&P 100 Index Options (European style)
- SPX – S&P 500 Index Options
- XSP – Mini-S&P 500 Index Options
- NDX – Nasdaq 100 Index Options
- MNX – CBOE Mini-NDX Index Options
- RUT – Russell 2000 Index Options