



RealDay™ Options

Select Your Day — Protect Your Portfolio

The Concept*

RealDay options will be a forward-starting, or delayed strike, one-day option.

The Purpose

To provide the trader with the least costly, truly convenient, and most precise way to gain exposure to, or hedge, a daily event.

Strikes

Strike *multipliers* will be known prior to expiration, but strike *prices* will not be known until the close of trading on the trading day prior to expiration.

Listing

RealDay options are expected to be listed at least two weeks prior to expiration and will expire every trading day.

Least Costly

Theoretically, the RealDay option premium should be that of an option with one day to expiration regardless of how long the contract is listed.

Truly Convenient

Because the premium is expected to change little prior to the strike price's being set, this feature allows the trader ample time to make a decision or to achieve the best possible order fill.

Most Precise

The instrument design provides the trader a precise close-to-close result for expiration day.

Key Features

- Low cost
- No time decay (theta) prior to expiration day
- Maximum of seven strikes for each trading day
- In-the-money options may not be listed
- Many spread opportunities with the underlying security, standard options, implied volatility products, and realized volatility products

Cash Settlement

At expiration, RealDay options will be cash settled.

Strike Conversion

Prior to expiration day, a strike multiplier will be displayed in the strike field. For expiration day, the field displayed will change from a strike *multiplier* to a strike *price*.[†] For example, suppose an at-the-money RealDay SPY option has a strike multiplier of 100% (1.000), and the closing price of SPY is 242.12. The strike multiplier of 1.000 will change to a strike price of 242.12 (242.12 X 1.000) at the close on the trading day before expiration.

Uses

In addition to using RealDay options as simple daily options, they may also be used to gain exposure to, or hedge against:

- Implied volatility
- Implied-volatility skew
- Realized volatility

"Let each day be your masterpiece."
— Source unknown

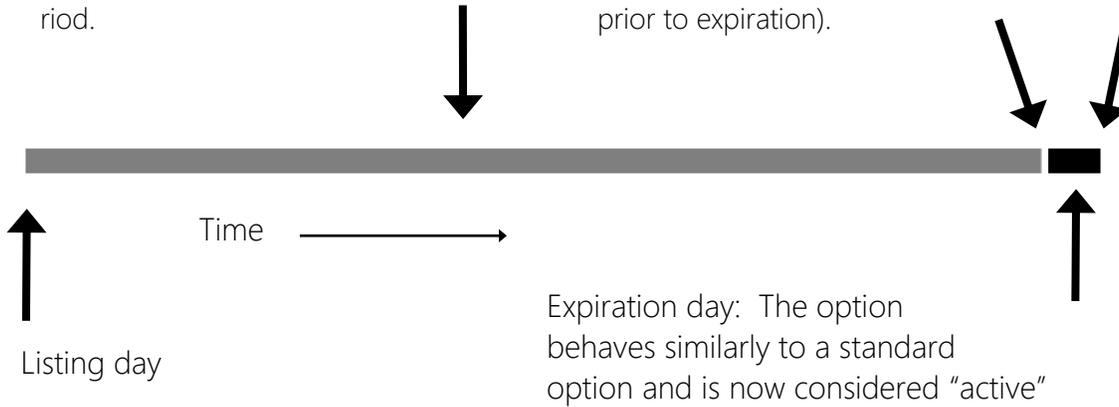
Brochure updated: 1 July 2018

The Life of a RealDay™ Option

Strike *multiplier* is known, but numerical value of strike *price* is yet to be determined. The option is in the anticipatory, or "dormant," period.

Strike *price* determined (based on the underlying security's closing price, potential adjustment, and multiplier on the trading day prior to expiration).

At expiration, an open position is automatically exercised and cash settled.



Bundles*

One transaction, cleared as multiple, consecutive RealDay options



*Bundles have not been approved by the SEC and may not be available at launch.

Strikes

Options	Strike Names	Types
RealDay 101.5% Call	Scream™	OTM
RealDay 101.0% Call	Shock™	OTM
RealDay 100.5% Call	Reach™	OTM
RealDay 100.0% Call	Battle™	ATM
<hr/>		
RealDay 100.0% Put	Battle	ATM
RealDay 99.5% Put	Reach	OTM
RealDay 99.0% Put	Shock	OTM
RealDay 98.5% Put	Scream	OTM

- Maximum seven strikes listed (eight options)
- Listings of at-the-money (ATM) and out-of-the-money (OTM) options are expected
- In-the-money options (ITM) may not be offered

Model Pricing

Factors	Expires Next Day	Expires Next Month
Underlying price	100	100
Strike price (ATM)	100	100
Risk-free rate	1%	1%
No. of days option is active	1	1
Active period starts	Today	Today+30
Active period ends	Tomorrow	Tomorrow+30
Implied volatility	20%	20%
Call Premium	0.42	0.42
Put Premium	0.42	0.42

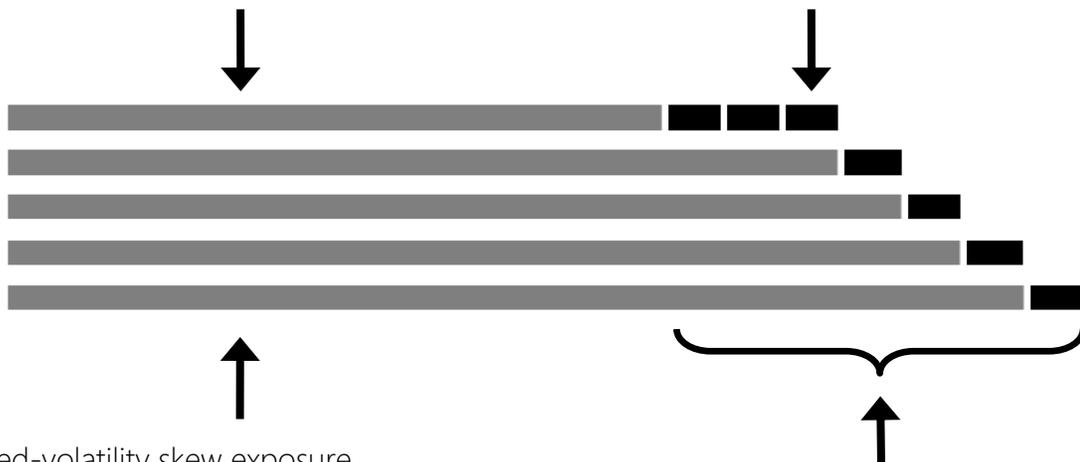
No time decay (theta)!

Notice: These hypothetical results are based on a generic options pricing model. It is unknown how RealDay options will be priced when listed for trading. All models are based on assumptions that may not be valid under all market conditions.

Possible Exposures*

1. Implied volatility exposure

2. Daily option exposure



3. Implied-volatility skew exposure

4. Realized volatility exposure

*Details:

1. Hold and liquidate a RealDay option prior to expiration day and capture predominantly implied volatility changes.
2. Hold a RealDay option on expiration day and receive exposure similar to that of a standard option.
3. Hold and liquidate two or more RealDay strikes prior to expiration day and attain volatility skew changes.
4. Trade consecutive RealDay Battle calls and puts, hold to expiration, and produce realized volatility exposure.

Detailed Information*

Underlying Security

The first series of RealDay Options are expected to be listed on SPDR® S&P 500® ETF Trust (symbol SPY).

RealDay Options Symbol

SPYZ

Premium Quotation

Stated in whole points and decimals; one point equals \$100. Minimum tick will be 0.01 (\$1.00).

Premium Quotation for Bundles

Stated in whole points and decimals; one point equals \$100. Minimum tick for series trading below \$3 will be 0.05 (\$5.00); above \$3 will be 0.10 (\$10.00).

Margin

Purchases of puts or calls will be paid in full. Sales of uncovered puts or calls are expected to be margined the same way as standard options. To calculate maintenance margin, current market value will be used instead of option proceeds. Additional margin may be required pursuant to exchange rules.

First Trading Day

A minimum of two weeks prior to expiration

Trading Hours

8:30 AM to 3:15 PM Chicago time

Listing Pattern

Approximately 252 daily expirations per year

Strike Multipliers/Increments

The strike multipliers will always include the ATM (1.000). Other strike multipliers may be available in increments of 0.50% (0.005) above and below the ATM strike.

Strike Prices Determined

Strike prices will be determined at the close of trading in the underlying security on the trading day prior to expiration day.

Strike Price Calculation

1. Ascertain the closing price of the underlying security
2. Adjust for certain corporate actions
3. Multiply by the strike multiplier
4. Round to nearest 0.01 points

Adjustment for Certain Corporate Actions

An adjustment to the closing price of the underlying security may be needed in order to remove the effects of certain corporate actions, such as stock dividends or stock splits, which directly affect the share price.[†] In a 2-for-1 stock split in SPY, for example, the closing price would be adjusted by dividing the closing price of SPY by two before applying the strike multiplier. This would happen at the close on the day prior to the stock split.

Strike Display

Prior to expiration day, the option's strike field will display the strike multiplier (e.g., 1.000). On expiration day, the field will display the actual strike price (e.g., 242.12).

Exercise Style

European exercise (i.e., only at expiration) and cash settled

Example of Call Purchase

Scenario

On Monday, SPY is trading at 247.91. A trader wants to purchase a RealDay™ SPY 100.5% call for expiration on Friday (strike multiplier = 1.005). Although on Monday the actual strike price is unknown, the call that the trader receives will have a strike increment 0.5% above the close of SPY on the upcoming Thursday. Assume that the trader purchases the call for 0.54 (\$54.00).

Strikes Determined

On Thursday, SPY closes at 243.43. RealDay option strike prices (for expiration on Friday) are as follows: The strike *multiplier* of the RealDay 1.005 call for Friday expiration is used to set the strike *price* to 244.65.

	Strike Multipliers	Strike Prices
RealDay	1.015 Call	247.08
RealDay	1.010 Call	245.86
RealDay	1.005 Call	244.65
RealDay	1.000 Call	243.43
RealDay	1.000 Put	243.43
RealDay	0.995 Put	242.21
RealDay	0.990 Put	241.00
RealDay	0.985 Put	239.78

Profit/Loss Analysis

At expiration on Friday, if the closing price of SPY has risen above the strike price of the purchased call, the option expires in the money. Profits are realized if the SPY price exceeds the strike price (244.65) by more than the original purchase price of the option (0.54) and any applicable fees. If the SPY price does not rise enough, the loss is limited to the amount of the original premium plus fees.

RealDay LLC
a subsidiary of
Demand Derivatives Corp.
demandderivatives.com
info@demandderivatives.com
1-888-865-9267

*Subject to change. Details may vary according to the underlying asset. RealDay options are not currently listed for trading on any exchange. The information provided herein is for informational purposes only. See demandderivatives.com for detailed information. SPDR® and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC. The information provided herein must not be relied upon and Demand Derivatives Corp., and affiliates, will not be liable for actions taken or not taken in reliance thereon. Options involve risk and are not suitable for all investors. Prior to buying or selling an option, a person must receive a copy of *Characteristics and Risks of Standardized Options*. Copies are available from your broker, by calling 1-888-OPTIONS, or from The Options Clearing Corporation at theocc.com. No statement within this document should be construed as a recommendation to buy or sell a security or options contract or to provide investment advice. [†]In the case of stock dividends, stock splits, and reverse stock splits, the option multiplier or number of options may be adjusted. Note that there will be no adjustment to the prior day's closing price, nor to the options multiplier or number of options, for cash dividends.