The risk of loss in trading commodity futures contracts can be substantial. You should, therefore, carefully consider whether such trading is suitable for you in light of your circumstances and financial resources. You should be aware of the following points:

(1) You may sustain a total loss of the funds that you deposit with your broker to establish or maintain a position in the commodity futures market, and you may incur losses beyond these amounts. If the market moves against your position, you may be called upon by your broker to deposit a substantial amount of additional margin funds, on short notice, in order to maintain your position. If you do not provide the required funds within the time required by your broker, your position may be liquidated at a loss, and you will be liable for any resulting deficit in your account.

(2) The funds you deposit with a futures commission merchant for trading futures positions are not protected by insurance in the event of the bankruptcy or insolvency of the futures commission merchant, or in the event your funds are misappropriated.

(3) The funds you deposit with a futures commission merchant for trading futures positions are not protected by the Securities Investor Protection Corporation even if the futures commission merchant is registered with the Securities and Exchange Commission as a broker or dealer.

(4) The funds you deposit with a futures commission merchant are generally not guaranteed or insured by a derivatives clearing organization in the event of the bankruptcy or insolvency of the futures commission merchant, or if the futures commission merchant is otherwise unable to refund your funds. Certain derivatives clearing organizations, however, may have programs that provide limited insurance to customers. You should inquire of your futures commission merchant whether your funds will be insured by a derivatives clearing organization and you should understand the benefits and limitations of such insurance programs.

(5) The funds you deposit with a futures commission merchant are not held by the futures commission merchant in a separate account for your individual benefit. Futures commission merchants commingle the funds received from customers in one or more accounts and you may be exposed to losses incurred by other customers if the futures commission merchant does not have sufficient capital to cover such other customers’ trading losses.

(6) The funds you deposit with a futures commission merchant may be invested by the futures commission merchant in certain types of financial instruments that have been approved by the Commission for the purpose of such investments. Permitted investments are listed in Commission Regulation 1.25 and include: U.S. government securities; municipal securities; money market mutual funds; and certain corporate notes and bonds. The futures commission merchant may retain the interest and other earnings realized from its investment of customer funds. You should be familiar with the types of financial instruments that a futures commission merchant may invest customer funds in.

(7) Futures commission merchants are permitted to deposit customer funds with affiliated entities, such as affiliated banks, securities brokers or dealers, or foreign brokers. You should inquire as to whether your futures commission merchant deposits funds with affiliates and assess whether such deposits by the futures commission merchant with its affiliates increases the risks to your funds.

(8) You should consult your futures commission merchant concerning the nature of the protections available to safeguard funds or property deposited for your account.

(9) Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example, when the market reaches a daily price fluctuation limit ("limit move").

(10) All futures positions involve risk, and a “spread” position may not be less risky than an outright “long” or “short” position.

(11) The high degree of leverage (gearing) that is often obtainable in futures trading because of the small margin requirements can work against you as well as for you. Leverage (gearing) can lead to large losses as well as gains.

(12) In addition to the risks noted in the paragraphs enumerated above, you should be familiar with the futures commission merchant you select to entrust your funds for trading futures positions. The Commodity Futures Trading Commission requires each futures commission merchant to make publicly available on its website firm specific disclosures and financial information to assist you with your assessment and selection of a futures commission merchant. Information regarding this futures commission merchant may be obtained by visiting our website, https://www.tdameritrade.com/disclosure.page.

ALL OF THE POINTS NOTED ABOVE APPLY TO ALL FUTURES TRADING WHETHER FOREIGN OR DOMESTIC. IN ADDITION, IF YOU ARE CONTEMPLATING TRADING FOREIGN FUTURES OR OPTIONS CONTRACTS, YOU SHOULD BE AWARE OF THE FOLLOWING ADDITIONAL RISKS:
(13) Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally “linked” to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, customers who trade on foreign exchanges may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. Before you trade, you should familiarize yourself with the foreign rules which will apply to your particular transaction.

(14) Finally, you should be aware that the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the foreign futures contract is liquidated or the foreign option contract is liquidated or exercised.

THIS BRIEF STATEMENT CANNOT, OF COURSE, DISCLOSE ALL THE RISKS AND OTHER ASPECTS OF THE COMMODITY MARKETS.
OPTIONS DISCLOSURE STATEMENT


Both the Purchaser and the Grantor should know that the option if exercised, results in the establishment of a futures contract (an “option on a futures contract”).

Both the Purchaser and the Grantor should know whether the particular option in which they contemplate trading is subject to a “stock-style” or “futures-style” system of margining. Under a stock-style margining system, a Purchaser is required to pay the full purchase price of the option at the initiation of the transaction. The Purchaser has no further obligation on the option position. Under a futures-style margining system, the Purchaser deposits initial margin and may be required to deposit additional margin if the market moves against the option position. The Purchaser’s total settlement variation margin obligation over the life of the option, however, will not exceed the original option premium, although some individual payment obligations and/or risk margin requirements may at times exceed the original option premium. If the Purchaser or Grantor does not understand how options are margined under a stock-style or futures-style margining system, he or she should request an explanation from the Futures Commission Merchant (“FCM”) or Introducing Broker (“IB”).

A person should not purchase any commodity option unless he or she is able to sustain a total loss of the premium and transaction costs of purchasing the option. A person should not grant any commodity option unless he or she is able to meet additional calls for margin when the market moves against his or her position and, in such circumstances, to sustain a very large financial loss.

A person who purchases an option subject to stock-style margining should be aware that, in order to realize any value from the option, it will be necessary either to offset the option position or to exercise the option. Options subject to futures-style margining are marked to market, and gains and losses are paid and collected daily. If an option purchaser does not understand how to offset or exercise an option, the Purchaser should request an explanation from the FCM or IB. Customers should be aware that in a number of circumstances, some of which will be described in this disclosure statement, it may be difficult or impossible to offset an existing option position on an exchange.

The Grantor of an option should be aware that, in most cases, a commodity option may be exercised at any time from the time it is granted until it expires. The Purchaser of an option should be aware that some option contracts may provide only a limited period of time for exercise of the option.

The Purchaser of a put or call subject to stock-style or futures-style margining is subject to the risk of losing the entire purchase price of the option—that is, the premium charged for the option plus all transaction costs.

The Commodity Futures Trading Commission requires that all customers receive and acknowledge receipt of a copy of this disclosure statement but does not intend this statement as a recommendation or endorsement receipt of exchange-traded commodity options.

1. SOME OF THE RISKS OF OPTION TRADING.

Specific market movements of the underlying future cannot be predicted accurately.

The grantor of a call option who does not have a long position in the underlying futures contract is subject to risk of loss should the price of the underlying futures contract be higher than the strike price upon exercise or expiration of the option by an amount greater than the premium received for granting the call option.

The grantor of a call option who has a long position in the underlying futures contract is subject to the full risk of a decline in price of the underlying position reduced by the premium received for granting the call.

In exchange for the premium received for granting a call option, the option grantor gives up all of the potential gain resulting from an increase in the price of the underlying futures contract above the option strike price upon exercise or expiration of the option.

The grantor of a put option who does not have a short position in the underlying futures contract is subject to risk of loss should the price of the underlying futures contract decrease below the strike price upon exercise or expiration of the option by an amount in excess of the premium received for granting the put option.

The grantor of a put option on a futures contract who has a short position in the underlying futures contract is subject to the full risk of a rise in the price in the underlying position reduced by the premium received for granting the put. In exchange for the premium received for granting a put option on a futures contract, the option grantor gives up all of the potential gain resulting from a decrease in the price of the underlying futures contract below the option strike price upon exercise or expiration of the option.
6. DEEP-OUT-OF-THE-MONEY OPTIONS.

A person contemplating purchasing a deep-out-of-the-money option (that is, an option with a strike price significantly above, in the case of a call, or significantly below, in the case of a put, the current price of the underlying futures contract) should be aware that the chance of such an option becoming profitable is ordinarily remote.

On the other hand, a potential grantor of a deep-out-of-the-money option should be aware that such options normally provide small premiums while exposing the grantor to all of the potential losses described in section (1) of this disclosure statement.
7. GLOSSARY OF TERMS.

(i) **Contract market.** Any board of trade (exchange) located in the United States which has been designated by the Commodity Futures Trading Commission to list a futures contract or commodity option for trading.

(ii) **Exchange-traded option; put option; call option.** The options discussed in this disclosure statement are limited to those which may be traded on a contract market. These options (subject to certain exceptions) give an option purchaser the right to buy in the case of a call option, or to sell in the case of a put option, a futures contract underlying the option at the stated strike price prior to the expiration date of the option.

   Each exchange-traded option is distinguished by the underlying futures contract, strike price, expiration date, and whether the option is a put or a call.

(iii) **Underlying futures contract.** The futures contract which may be purchased or sold upon the exercise of an option on a futures contract.

(iv) [Reserved]

(v) **Class of options.** A put or a call covering the same underlying futures contract.

(vi) **Series of options.** Options of the same class having the same strike price and expiration date.

(vii) **Exercise price.** See strike price.

(viii) **Expiration date.** The last day when an option may be exercised.

(ix) **Premium.** The amount agreed upon between the purchaser and seller for the purchase or sale of a commodity option.

(x) **Strike price.** The price at which a person may purchase or sell the underlying futures contract upon exercise of a commodity option. This term has the same meaning as the term “exercise price.”

(xi) **Short option position.** See opening sale transaction.

(xii) **Long option position.** See opening purchase transaction.

(xiii) **Types of options transactions—**

   (A) **Opening purchase transaction.** A transaction in which an individual purchases an option and thereby obtains a long option position.

   (B) **Opening sale transaction.** A transaction in which an individual grants an option and thereby obtains a short option position.

   (C) **Closing purchase transaction.** A transaction in which an individual with a short option position liquidates the position. This is accomplished by a closing purchase transaction for an option of the same series as the option previously granted. Such a transaction may be referred to as an offset transaction.

   (D) **Closing sale transaction.** A transaction in which an individual with a long option position liquidates the position. This is accomplished by a closing sale transaction for an option of the same series as the option previously purchased. Such a transaction may be referred to as an offset transaction.

(xiv) **Purchase price.** The total actual cost paid or to be paid, directly or indirectly, by a person to acquire a commodity option. This price includes all commissions and other fees, in addition to the option premium.

(xv) **Grantor, writer, seller.** An individual who sells an option. Such a person is said to have a short position.

(xvi) **Purchaser.** An individual who buys an option. Such a person is said to have a long position.