Where to Trade

Currently, options are traded on four exchanges:

- **AMEX - The American Stock Exchange**
  The AMEX trades put and call options on common stocks, as well as on broad market, industry sector and international indexes, exchange traded funds, and HOLDRS (Holding Company Depositary Receipts);

- **CBOE - The Chicago Board Options Exchange**
  Founded in 1973, the CBOE is the world's largest options marketplace and the pioneer of listed options;

- **PHLX - The Philadelphia Stock Exchange**
  Founded in 1790, the PHLX was the first stock exchange established in the United States. The PHLX trades approximately 2,000 stocks, 1,200 equity options, 16 index options, 8 currency options, and 6 currency futures;

- **PCST - The Pacific Coast Stock Exchange**
  Founded in 1862, the PCST was the first exchange in the world to build and operate an electronic trading system. It trades more than 1,200 stock options and is also one of the world's leading derivatives markets;

OOC – The Options Clearing Corporation. The OOC was founded in 1973. It keeps records of all outstanding contracts of all equity options listed on U.S. exchanges. Basically, the OOC keeps track of every long and short position for every outstanding contract.

Start to Trade

Placing an options order is very similar to placing an order for a stock. If you use a live broker, call your brokerage firm and tell them which option you want to buy. Name the options symbol, the strike price, and provide the expiration date. Next, specify the number of contracts you would like to purchase. Finally, decide on either a specific price you are willing to pay for the option (i.e., use a “limit order”) or place your order “at market” (i.e., a “market order”), which means you will receive the best available price at the specific moment your order hits the trading floor.

With most brokers, you will have to meet certain funding requirements before they will accept your options order. For instance, you must have the necessary funds to cover any margin requirements. To trade options, your broker will require you to open a margin account. Even if you are not going to borrow money from your broker (i.e., trade on margin), you will still be asked to do so.

- The “Initial Margin Requirement” is the amount of money you must have in your account at the time you place an order. Initial margin funds must therefore be deposited into your account before any orders can be accepted;

- The “Maintenance Margin” is calculated as a minimum margin per outstanding contract; you must maintain that amount in your account in order to be able to hold an options position.

After you have met these margin requirements, your broker will send you several agreements, among them the documents entitled "Characteristics and Risk of Standardized Options" and "Understanding Stock Options". These texts are very useful, especially if you have only just started to trade options.

After you have opened an account and met the margin requirements discussed above, you may place an order with your broker.