General Comment

Individuals who are managing their own IRA accounts, although held at a brokerage in order to transact business on a stock or options exchange, should not be restricted in the types of assets they can invest in nor restricted in the types of trades they can make. For example, a self-directed investor who desires to make option trades within an IRA should be able to do so without restriction provided they have assured the brokerage or holding entity that they understand the risks involved.

Trading options is no more risky than investing in mutual funds or common stocks. Both of those assets can go up or down as the market changes and the investor may recognize gains or losses. Trading options on stocks or indexes is essentially no different. In fact, trading options can actually be safer than investing solely in a stock. For example, one can buy a Put option as insurance on a stock such that if the stock rises, the portfolio value gains and if the stock falls, the value of the Put option compensates for the fall in the stock price. I have successfully used this technique in the 2015 market as the major sectors are falling but my stock positions are essentially insured.
All investments involve risk. If an individual understands his or her risk, they should be allowed to perform any otherwise legal action without regard to where their account is located.