

Market Operations Information Circular			
Circular Number:	2005-8	Contact:	Jim Sampson, VP Market Supervision
Date:	April 15, 2005	Telephone:	212/897-0235

The purpose of this Market Information Circular (MIC) is to announce that **there will be a delay in the implementation of the software fix to address the “All or None” issue referred to in MIC-2005-5, a copy of which is reprinted below, in order to conduct further testing.** We intend to implement the software fix immediately following certification by our Quality Assurance team.

MIC-2005-5

Subject: “All or None” Orders

The purpose of this Market Information Circular (MIC) is to advise members of a situation involving All-or-None (“AON”) orders that may produce undesirable results. (Note that this condition will be introduced in the software release to be implemented on April 4, 2005.)

In a very narrow circumstance, an AON order may receive a partial execution. Specifically, if an AON order is entered during market conditions such that it is subject to the Exchange’s “three-tick lock” mechanism (either due to the selection of “ignore away market” or if there is no competing market quote), followed by a reduction in quantity to the order in question, the executable portion of the order (if any) will trade, effectively disregarding its AON criteria.

To illustrate:

- ISE BBO: 5.80 – 6.00 (10 x 10)
- “Next Level Volumes” are set to 10 for both bid and offer
- AON order entered: Buy 100 @ 6.30 with “Ignore Away Market”
- Order locks per “three tick lock” mechanism
- Order is altered by reducing quantity to 90 from 100
- Result: The system will trade the available quantity at each price level up to the order’s limit price until the order is no longer executable. In this example, 40 will trade, leaving 50 on the book

The Exchange anticipates the implementation of a software fix to address this issue following April expiration. In the interim, should you experience the above behavior, please contact ISE Market Operations immediately at 877/473-9989 so that the appropriate action may be taken.