



Market Operations Information Circular

Circular Number:	2005-11	Contact:	Jim Sampson, VP Market Supervision
Date:	May 12, 2005 , 2005	Telephone:	212/897-0235

The purpose of this bulletin is to inform members of the immediate activation of half-tick pricing for orders executed in the Block, Facilitation, and Solicitation Mechanisms. This functionality was delivered in the R4.0 release, and will be activated today, Thursday, May 12, 2005.

The central system has been enhanced to permit standard and non-standard price ticks for orders executed in the Block, Facilitation, and Solicitation Mechanisms. Standard ticks are defined as \$0.05 and \$0.10 below and above premiums of \$3.00, respectively. A non-standard price tick is defined as the mid-point between two standard ticks -- \$0.025 on premiums below \$3, and \$0.05 on premiums \$3 and above.

Example:

The Bid and Ask quotes for IBMJan40 calls are \$2.50 and \$3.50, respectively:

1. EAM1 enters a Block order to **buy** 1000 IBMJan40 calls at \$3.15.

The BO113 (all participants) is sent announcing the Block order.

2. MM1 uses the Special Order Response (MO109) to **sell** 1000 at \$2.875.
3. MM1 uses the MO109 to **sell** 1000 at \$3.05.
4. MM2 uses the MO109 to **sell** 1000 at \$2.925.

The block exposure time elapses and MM1 is allocated the trade @ 2.875.

The BO112 Special Order Ended broadcast is sent to all parties that entered or responded to the original Block order.

All trade participants are sent trade reports via the BD5 and or the BO141.

Please refer to ISE Technical Bulletin 2005-13 for additional information regarding the specific broadcast transaction types.

For any questions or clarifications please call the ISE Market Operations desk at 877-473-9989 or email us at helpdesk@iseoptions.com.