

Market Operations Information Circular			
Circular Number:	2005-18	Contact:	Jim Sampson – VP, Trading & Market Operations
Date:	August 3, 2005	Telephone:	212-897-0235

Subject: FAQ: Short Dated Options (aka “Weekly’s” or “Quickies”)

The SEC recently approved ISE’s filing to trade Short Dated Options (“SDOs”) under a pilot period expiring July 12th, 2006. The purpose of this circular is to provide members with answers to frequently asked questions about SDOs.

✓ ***Will SDOs function like their standard (monthly) counterparts?***

Other than an SDO’s expiration date and last trading day, SDOs will have identical contract specifications as their standard option series counterparts. This includes settlement styles (American or European, “a.m.” or “p.m.”) and strike intervals.

✓ ***When will SDOs expire?***

Each SDO will open for trading on Friday and expire at market close on the following Friday. If Friday is not a business day, the series will be opened or expire on the preceding business day.

No weekly series can expire in the same week in which the monthly option series in the same class expires. Therefore, SDOs that would expire on the third Friday of the month will not be initiated.

✓ ***What is the last trading day for SDOs?***

The last trading day for SDOs is Friday. Because this is also the expiration day, this represents a departure from existing standard options, for which the last trading day is the day before expiration day, usually Saturday.

Note that this also means two weekly options can trade on Friday (i.e., the last trading day for Week 1 options will also be the first trading day for Week 2 options).

✓ ***How many SDO classes will be offered?***

The SDO pilot program allows ISE to offer SDOs on five currently listed option classes, as well as trade SDOs offered by the other exchanges participating in the pilot (assuming the standard option is listed on the ISE).

Please note that it is ISE's intention not to list SDOs unless an ISE-listed class is offered by a competing exchange.

✓ ***How many series per SDO class?***

ISE will offer up to five SDO series for each expiration date, with at least two strike prices above and below the value of the underlying security at the time the SDO is listed on the ISE. Unlike standard options, new strikes will not be added due to movements in the underlying security.

✓ ***What will SDO symbols and codes look like?***

Each SDO series will have a separate OPRA code, distinct from its standard option counterpart. The OPRA codes assigned to each weekly option (Week 1, Week 2, etc.) will be re-used each month. Month and strike codes will follow the standard format (e.g., an SDO 50 Call expiring in January will have a month/strike code of AJ).

✓ ***Will ISE add or adjust series mid-week?***

SDOs may not be added after the market open on Friday. However, in the event of a mid-week corporate action, ISE will adjust the current weekly option as necessary.

The ISE's intention is to list SDOs as described in this information circular. However, requirements specific to a weekly expiration series are subject to change pending industry-wide acceptance of an alternative agreement.

Please contact me with any questions.