

Market Operations Information Circular			
Circular Number:	2006-41	Contact:	Jim Sampson - VP, Trading & Market Operations
Date:	October 18, 2006	Telephone:	212/897-0235

Subject: Penny Pilot - Options

The SEC has requested that the options exchanges commence a pilot to trade options in one cent increments. There will be 13 symbols in the pilot that cover the full range of trading characteristics. The pilot will commence on Friday, January 26, 2007.

The pilot will be conducted with trading increments of one cent for bids/offers up to \$3 and 5 cents for bids/offers above \$3, for each of the symbols in the pilot except for QQQQ. The symbol QQQQ will trade in one-cent increments for all prices.

Each exchange either has filed or will file rules that describe the trading increments for the pilot stocks, changes that result from one-cent increments, various reports to measure the impact of the pilot, and plans for quote mitigation.

The ISE Rule filing may be viewed on our website at:

[http://www.iseoptions.com/legal/pdf/proposed_rule_changes/SR-ISE-2006-62\\$Pilot Program to Quote and Trade Certain Options in Pennies\\$20061011.pdf](http://www.iseoptions.com/legal/pdf/proposed_rule_changes/SR-ISE-2006-62$Pilot Program to Quote and Trade Certain Options in Pennies$20061011.pdf)

ISE is in the process of conducting tests with members to ensure that systems can trade in penny increments. ISE will also participate in industry tests, to be coordinated by the SIA.

The following is the final list of Penny Pilot Classes to be included in the pilot:

IWM	Ishares Russell 2000	CAT	Caterpillar
QQQQ	NASDAQ 100 Trust	WFMI	Whole Foods Market
SMH	SemiConductor Holders	TXN	Texas Instruments
GE	General Electric	GLG	Glamis Gold
AMD	Advanced Micro Devices	FLEX	Flextronics International
MSFT	Microsoft	SUNW	Sun Micro Systems
INTC	Intel		

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