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## Regulatory Information Circular – 2003-09

<b>To:</b>	All ISE Market Makers
<b>From:</b>	Jim Sampson – Vice President, Market Supervision
<b>Date:</b>	May 23, 2003
<b>Re:</b>	Market Maker Obligations – Opening Rotation

ISE rules delineate the following specific market maker obligations for the opening rotation:

- The opening rotation is conducted by the Primary Market Maker (“PMM”), who is charged with ensuring that it is handled in a fair and orderly manner. The opening rotation must be held promptly following the opening of the underlying security in the primary market where it is traded.
- PMMs must enter continuous, two-sided quotations in all options classes listed on the exchange to which they are appointed, and in all of the listed series of each class (including LEAPS®), from the opening rotation through the closing rotation daily.
- Competitive Market Makers (“CMM”) must enter continuous, two-sided quotations in at least 60% of the options classes in the CMMs assigned group, and in all of the series of each class quoted (including LEAPS®). Additionally, CMMs must participate in the opening rotation.
- All market makers quotations, both during the opening rotation and throughout the trading day, must be compliant with the bid/ask spread requirements delineated in ISE Rule 803.<sup>1</sup>

If a market maker is experiencing difficulty and cannot meet these obligations, it must notify Surveillance immediately and seek an appropriate exemption. Failure to meet the above requirements is a violation of the ISE’s rules and will subject the member to potential disciplinary action.

For further information, please contact me at 212/897-0235.

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<sup>1</sup> The ISE is currently conducting a pilot-program that allows market makers to quote with a \$5 maximum bid/ask spread in certain option classes. However, ISE market makers may only take advantage of this pilot-program following the opening rotation. Please see Regulatory Information Circular 2003-08 for additional details.