



Regulatory Information Circular			
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Subject: Automatic Execution of B/D Orders

The International Securities Exchange recently amended Rule 714 to state that it will not automatically execute incoming orders at prices inferior to the national best bid or offer (NBBO). While the Exchange's system has always prevented incoming public customer orders from automatically trading through the NBBO, non-customer orders (i.e., orders for the account of a broker-dealer) have been automatically executed against the best bid or offer on the Exchange without regard to away market prices.

The rule change has not been operative pending implementation of the necessary systems changes. These systems changes will be implemented starting September 13th, and thus the rule change will become operative on this date. The text of Rule 714 as amended is as follows:

714. Automatic Execution of Orders

(a) Incoming orders that are executable against orders and quotes in the System will be executed automatically by the System; provided that such orders will not be automatically executed by the System at prices inferior to the best bid or offer on another national securities exchange, as those best prices are identified in the System. Public Customer Orders that are not automatically executed will be handled by the Primary Market Maker pursuant to Rule 803(c). Non-Customer Orders that are not automatically executed will be rejected automatically by the System.

(b) Paragraph (a) shall not apply in circumstances where a "fast market" in the options series has been declared on the Exchange, or where a "fast market" in the options series has been declared in other markets or where quotations in other markets are otherwise not firm.

Please contact me with any questions.