



Market Operations Information Circular

Circular Number:	2007-03	Contact:	Jim Sampson - VP, Trading & Market Operations
Date:	January 23, 2007	Telephone:	212-897-0235

Subject: Trading Increments for Special Orders Relative to Penny Trading

Currently, the ISE allows the entry and response to special orders to occur in half-tick increments.¹ In the case of options below \$3.00, this rule permits the trading to occur at half-cent prices. For example, a Facilitation order may trade at \$1.225 (the half-way point between \$1.20 and \$1.25). For option classes that are not part of the Penny Trading Pilot, these special order rules will remain unchanged.

However, as part of the Penny Trading Pilot, a select number of options may trade in 1-cent increments when priced below \$3.00. For Pilot classes, options priced \$3.00 and above will trade in 5-cent increments (trading in QQQQ will be permitted in 1-cent increments at all price levels).

For those options trading in 1-cent increments, trading in half-tick increments is not permitted. In these classes, all special orders and responses must be in 1-cent increments.

In the first phase of the Penny Trading Pilot, the ISE is not offering a systemic block to address this prohibition. It is the responsibility of the member firm to ensure that this requirement is met.

Please contact me with any questions.

¹ Special Order types include Block, Facilitation, and Solicitation.