
Regulatory Information Circular – 2003-15

To:	All ISE Members
From:	Jim Sampson – Vice President, Market Supervision
Date:	October 13, 2003
Re:	Contrary Exercise Advice (CEA) – extension of cut-off time for customers

The ISE has received SEC approval to extend the 5:30 p.m. (ET) cut-off time to 6:30 p.m. (ET) with respect to the submission of a CEA or CEA cancel.¹ The additional one-hour submission time applies to the following accounts:

- For customer accounts - the clearing firm must be in receipt of the customer's CEA or CEA cancel instructions by 5:30 p.m. (ET) and document such acceptance via an electronic time-stamp. The clearing firm then has until 6:30 p.m. (ET) to submit the CEA or CEA cancel.
- For non-customer accounts - the member must utilize a submission device with an electronic time stamp (i.e., e-mail or internal computer record) to record the delivery of a CEA or CEA cancel instructions by 5:30 p.m. (ET). The member then has until 6:30 p.m. (ET) to submit the CEA or CEA cancel.

In those cases where members do not employ an electronic submission device, non-customer CEAs or CEA cancels must be received and submitted to the Exchange by 5:30 p.m. This includes market-maker accounts that normally submit CEAs to the Exchange.

In connection with the use of electronic submission methods, members and clearing firms must establish a fixed procedure to ensure that the electronic time stamp for the CEA or CEA cancel is secure.

As a reminder, you may submit a Contrary Exercise Advice form using the following methods:

¹ Under the Option Clearing Corporation's (OCC) Exercise-by-Exception procedures, expiring equity options that are (1) 3/4 of a point or more in-the-money for customer accounts or (2) 1/4 of a point or more for firm or market makers accounts are automatically exercised. Expiring options that fall below these parameters will be exercised only if the OCC clearing member holding the position submits a Contrary Exercise Advice to the OCC

- **E-mail:** You may e-mail your CEA form to ISE Market Surveillance at surveillance@iseoptions.com
- **Fax:** You may fax your CEA form to the ISE Market Surveillance Department at (212) 425-4890
- **Direct submission to the OCC via the ENCORE system**
- **On-line at www.iseoptions.com:** You must log-in as a member to access the CEA form on-line. Please note that this form is being developed, and you will be informed when it will be available.

If you are an ISE Market Maker, you are required to submit your CEA to the ISE. Do not send your CEA to another Exchange.

Member firms may also accept and maintain standing instructions from customers or market makers to routinely exercise options contracts at values different from the OCC's Exercise by Exception parameters. Those submitting such standard instructions are not required to submit CEAs in those instances, but you must submit a copy of the standing instructions to the ISE Market Surveillance Department.

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