

OPTIONS EXCHANGE			
Regulatory Information Circular			
<b>Circular number:</b>	2011-05	<b>Contact:</b>	Russ Davidson, Head of Market Surveillance
<b>Date:</b>	February 25, 2011	<b>Telephone:</b>	(646) 805-1857

**Subject: Qualified Contingent Cross Order**

The SEC has approved an ISE rule change (SR-ISE-2010-73) adopting a new order type: A Qualified Contingent Cross (“Qualified Cross”). A Qualified Cross is an option order that allows members to cross at least 1,000 contracts without exposure, as long as the order is part of a qualified contingent trade (“QCT”). Qualified Cross order types can be used starting on Monday, February 28, 2011.

A QCT is a transaction consisting of two or more component orders, executed as agent or principal, where:

- At least one component is an NMS Stock;
- All the components are effected with a product price contingency that either has been agreed to by all respective counterparties or arranged for by a broker-dealer as principal or agent;
- The execution of one component is contingent upon the execution of all other components at or near the same time;
- The specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined by the time the contingent order is placed;
- The component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and
- The transaction is fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade.

Qualified Crosses are automatically executed upon entry provided that: 1) the execution is at or between the NBBO, 2) the order is automatically cancelled if it cannot be executed, 3) the order is entered in the regular trading increments applicable to the options class under ISE Rule 710 and 4) the execution is not at the same price as a Priority Customer Order on the Exchange’s limit order book.

Note that the stock transaction is trade-through exempt, must be properly marked QCT, and must occur at or near (not before) the same time as the option leg.

Please feel free to contact me with any questions.