

## Market Information Circular

<b>Circular number:</b>	2003-16	<b>Author:</b>	Wendy Hoffman
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With the implementation of Linkage, members are no longer able to trade through the NBBO without incurring Satisfaction Order liability for customer contracts represented in the NBBO, as well as potential disciplinary liability for engaging in a pattern or practice of trade-throughs. Therefore, the ISE will be changing the behavior of limit priced IOC orders and FOK orders to minimize the likelihood that liability is incurred.

When the following changes are in place, limit priced IOC orders and FOK orders will never lock. They will be processed immediately to the extent possible without trading through the NBBO. Execution reports and/or order cancellations will be sent to the EAMs informing them of the status of the order. Market IOC orders will continue to trade up to the NBBO and the balance will be locked.

An EAM may elect to "Ignore the Away Market" when submitting IOC and FOK orders. An order bearing this instruction will trade to the limit price and ignore the away market. Members must have reasonable justification for trading through another market under the linkage rules to avoid potential disciplinary action, and must be prepared to accept Satisfaction Order liability if this option is selected.

There will not be a technical bulletin regarding this circular, as there are no changes required by the members in support of this feature.

These changes are currently scheduled for implemented on October 20, 2003.

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## Changes to IOC (Immediate or Cancel) Order Processing

Limit orders entered with a validity of IOC will trade up to the NBBO price and the balance of the order will be canceled. These orders will no longer lock if the away market price is better.

- If a limit IOC order can trade in its entirety without trading through the NBBO, the EAM will receive an execution report for the entire order quantity.
- If the order partially trades, the member will receive an execution report for the traded quantity and the balance of the order will be cancelled.
- If the order cannot trade, the entire order will be cancelled.

Market priced IOC orders will continue to trade up to the NBBO price and the balance will be locked.

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## Changes to FOK (Fill or Kill) Order Processing

Orders with a validity of FOK will trade in their entirety only if they can be executed in full without trading through the NBBO. If the order cannot be executed within the NBBO, the entire order will be cancelled.

- The member will receive an execution report if the order trades completely.
- If the order cannot trade, it will be cancelled.

Questions regarding this functionality may be addressed to Market Control at 877-473-9989.