



Regulatory Information Circular			
Circular Number:	2004-03	Contact:	Jim Sampson, VP Market Supervision
Date:	March 30, 2004	Telephone:	212/897-0235

Subject: Bid/Ask Spreads – Expansion of \$5 Maximum Pilot Program

The ISE recently received SEC approval to expand its pilot program regarding quotation spreads. To date, the program has operated in 50 underlying securities. Commencing Thursday, April 1, 2004, the program will be expanded to include all option classes listed on the Exchange. Pursuant to the pilot, market makers may quote all series with a \$5 maximum bid/ask spread. The pilot program will end on September 30, 2004, unless it is extended or is terminated early.

The ISE remains concerned that its market opening quality may suffer in classes with wide quotes when the opening rotation algorithm attempts to find a single price for opening. As such, all market makers must submit quotes in accordance with the standard maximum spread requirements contained in ISE Rule 803 for the opening rotation. Following the opening rotation, market makers may then relax their quotations per the terms of the pilot program.

During this six-month period, the ISE will be closely monitoring the quality of markets in the pilot options, and will make a determination as to the future of the program.

Please contact me with any questions.