Subject: 2003R2 Central Trading System Release

The International Securities Exchange (ISE) will implement a new release of its Central Trading System, known as 2003R2. This release is scheduled for implementation on Monday, January 26, 2004. The implementation date will be confirmed after the following milestones are achieved:

- ISE Software Quality Assurance Testing
- ISE Technical Testing
- Member Firm Product Test

The purpose of this bulletin is to notify member firms of their obligations, key release dates, member firm conference call dates, and ISE contacts for this implementation.

Refer to the Appendix for information on the Key release features (Technical Bulletin 2003-35).

Your obligations

You are required to assign dedicated Business, Technical, and Development representatives to support 2003R2. These resources are the primary contacts between the ISE and your firm.

You must upgrade and certify your software and be in production by Monday, January 26, 2004.

Key release dates

The milestones for 2003R2 are:
<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday Oct 27, 2003</td>
<td>Member Test System Install Date</td>
<td></td>
</tr>
<tr>
<td>Friday Jan 9, 2004</td>
<td>Complete 2003R2 Conformance</td>
<td>Mandatory for all members.</td>
</tr>
<tr>
<td>Saturday Jan 10, 2004</td>
<td>Member Product Test</td>
<td>PMM and CMM participation.</td>
</tr>
<tr>
<td>ISE to confirm this date</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saturday Jan 24, 2004</td>
<td>Day 0 Implementation Go/No Go Conference Call</td>
<td>Conference Call # (888) 279-1273. Passcode 9432400 Call Leader Paul Bennett</td>
</tr>
<tr>
<td>Monday Jan 26, 2004</td>
<td>Production Live date</td>
<td></td>
</tr>
</tbody>
</table>

**Member firm conference call dates**

ISE will conduct 2003R2 status meetings via conference calls. ISE members and staff can use these meetings to share information, monitor progress, discuss issues, and evaluate risk. All dedicated resources are encouraged to participate.

The conference calls start at 4:30 p.m. EST and the dates are:

- Tuesday Dec 2, 2003
- Tuesday Dec 16, 2003
- Tuesday Jan 6, 2004
- Tuesday Jan 20, 2004

**The conference call number is (888) 279-1273. Please reference the International Securities Exchange, passcode 9432400 and call leader Nick Daley.**

**ISE release contacts**

The ISE release contacts are:
<table>
<thead>
<tr>
<th>Area</th>
<th>Contact name</th>
<th>Contact details</th>
</tr>
</thead>
</table>
| API Development Issues              | Tess Mercado          | Direct: (212) 897-0267  
Cell: (917) 374-0882  
Email: tmercado@iseoptions.com |
| API Development Support             | Matt D’Elia           | Direct: (212) 897-0251  
Cell: (917) 327-7554  
Email: mdelia@iseoptions.com |
| API Conformance                     | Oleg Grinberg         | Direct: (212) 897-8171  
Cell: (917) 826-8668  
Email: ogrinberg@iseoptions.com |
| Release Content                     | Thomas Kennelly       | Direct: (212) 897-0262  
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Email: tkennelly@iseoptions.com |
| Member Coordination and Product Test| Nick Daley Kenneth J. Koenke (K.J.) | Direct: (877) 473-9989  
Cell (917) 208-8363 (Nick)  
Email: ndaley@iseoptions.com  
Cell: (917) 318-7804 (K.J.)  
Email: kkoenke@iseoptions.com |
| Computer Operations                 | Joseph Alfano         | Direct: (212) 897-0293  
Cell: (646) 208-5757  
Email: jalfano@iseoptions.com |
| Network Operations                  | Al Soriano            | Direct: (212) 897-0226  
Cell: (646) 294-2039  
Email: asoriano@iseoptions.com |
| Evening Support                     | Jim Liu               | Direct: (212) 897-0299  
Cell: (917) 208-3942  
Email: jliu@iseoptions.com |
| CLICK Trade™ Member Training        | Jonathan Schlossberg  | Direct: (212) 897-0266  
Cell: (917) 941-0523  
Email: jschlossberg@iseoptions.com |
Appendix: Key release features

This section describes the features of 2003R2 as outlined in ISE Technical Bulletin 2003-35 as composed by Wendy Hoffman.

Modification of the PMM Release Lock Transaction

Upon entry, customer orders are compared to the NBBO and are locked if the away market price is better. Otherwise, the order is entered on the ISE Orderbook.

Normal market movement may cause a resting limit order to lock or cross with the away market. If the PMM wants to represent a customer order that is locked or crossed by sending a Principal as Agent order through Linkage, the order must be removed from the Orderbook to prevent incoming orders and quotes from trading against the order while the Linkage order awaits execution.

The PMM Release Lock Transaction (MO111) is used exclusively today to release an order to the Orderbook. This transaction will be modified to allow the PMM to perform the inverse function, that of locking a customer order that resides on the Orderbook when it is locked or crossed with the away market. The new Lock Type value (lock_type_c) of 128 will be used to lock a customer order on the Orderbook. The PMM will not be able to lock a customer order unless this condition is met and will not be able to lock non-customer orders.

Once the order is locked, the BO115 broadcast will be sent to the PMM with the lock_type_c value equal to 1 (Far Away Market is Better). The behavior of this locked order will be the same as if the order had been locked upon entry with the away market better lock.

All Or None Order Notification (AON)

This release will introduce the ability for an EAM to enter All or None (AON) orders. When AON orders are entered that cannot be executed immediately, PMMs and CMMs will be notified of their existence with a BO115 Locked Order Broadcast. The Lock Type value for this alert message will be 0.

This broadcast should be considered an informational alert only. Receipt of this information may prompt the Market Maker to add additional size to his quote in the market to enable this order to trade. The order will not be locked and therefore does not require a PMM Release Lock Transaction.

The PMM Locked Order Query (MQ106) can now be used by a CMM to query for AON orders. The response to the query by a CMM will be a limited subset of all orders. The PMM response to the query will continue to show all locked orders in addition to AON orders.
Stop Orders

This release will introduce the ability for an EAM to enter both Stop Limit and Stop Market orders. Stop order functionality will be handled entirely by the ISE system. There are no programming requirements placed on the Market Maker systems for Stop Orders. This is transparent to the user.

Please call me with any questions.