Subject: Trading Increments for Special Orders Relative to Penny Trading

Currently, the ISE allows the entry and response to special orders to occur in half-tick increments. In the case of options below $3.00, this rule permits the trading to occur at half-cent prices. For example, a Facilitation order may trade at $1.225 (the half-way point between $1.20 and $1.25). For option classes that are not part of the Penny Trading Pilot, these special order rules will remain unchanged.

However, as part of the Penny Trading Pilot, a select number of options may trade in 1-cent increments when priced below $3.00. For Pilot classes, options priced $3.00 and above will trade in 5-cent increments (trading in QQQQ will be permitted in 1-cent increments at all price levels).

For those options trading in 1-cent increments, trading in half-tick increments is not permitted. In these classes, all special orders and responses must be in 1-cent increments.

In the first phase of the Penny Trading Pilot, the ISE is not offering a systemic block to address this prohibition. It is the responsibility of the member firm to ensure that this requirement is met.

Please contact me with any questions.

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1 Special Order types include Block, Facilitation, and Solicitation.