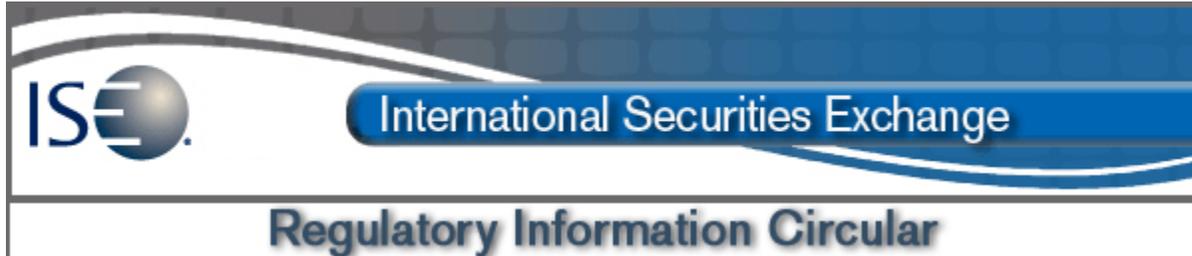


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Date: October 24, 2011 **Telephone:** (646) 805-1857

Subject: CMM Appointments' Obligations

On August 11, 2011, the SEC approved an ISE rule change (SR-ISE-2011-33) related to CMM appointments. As of November 3, all CMMs must adopt the new structure which requires them to select daily appointments in options classes listed in the first market based on a CMM's trading rights. Under the new structure, a CMM may:

- ✓ Quote either all or a subset of the options classes that the CMM has selected, but **may not** quote an option class that has not been selected.
- ✓ Change the list of their selected options classes on a daily basis, but the new list must be submitted to the ISE before 9:00 AM to be valid for that trading day. The selection can be made using the Member Area's website.
- ✓ Quote options classes with a total number of points not exceeding the points associated with the trading rights they own or lease.
- ✓ Initiate intraday quoting up to the number of options classes in which it participates in the opening rotation. For example, if a CMM quotes 100 options classes at the open, that CMM is allowed to quote no more than an additional 100 symbols after the open.
- ✓ Comply with all continuous, bid/ask spread differential, and trading in non-appointed options requirements (see FAQ and summary below for both first and second markets).

Frequently Asked Questions:

1. Am I required to quote a certain number of options classes per day?

No. There is no minimum requirement for the number of options classes that must be quoted during the day (see opening participation requirements).

2. Do I need to select the options classes in the second market and let you know before 9:00 AM?

No. The second market is not part of the trading rights. You do not need to let us know which second market options classes you want to quote.

3. Are corporate action series, weeklies and quarterlies part of the series quoting calculation?

Yes.

4. If I am a PMM, will my PMM names be counted towards my 50% opening calculation?

No. The PMM must quote all its appointed options classes. The 50% opening participation only applies to the options classes a CMM chooses to quote.

Quoting Obligations Summary

Requirements¹	First Market	Second market
Minimum Number of Series Required to be Continuously Quoted by a PMM	100% until the close of trading	100% until the close of trading
Minimum Number of Series Required to be Continuously Quoted by a Non-Preferred CMM	60% until the close of trading	100% until the close of trading
Minimum Number of Series Required to be Continuously Quoted by a Preferred CMM	90% until the close of trading	100% until the close of trading
Minimum Number of LEAPS Required to be Continuously Quoted (PMM)	Required to quote 100%	Required to quote 100%
Minimum Number of LEAPS Required to be Continuously Quoted (CMM)	No requirement to quote them	No requirement to quote them
Bid/Ask Spread Differential At the Open (PMM/CMM)	Bid less than \$2 → 0.25 Bid less than \$5 → 0.40 Bid less than \$10 → 0.50 Bid less than \$20 → 0.80 Bid equal or greater than \$20 → 1.00 Check updated RICs for quote spread exemptions for certain options classes and exemptions granted at the open.	Bid less than \$2 → 0.25 Bid less than \$5 → 0.40 Bid less than \$10 → 0.50 Bid less than \$20 → 0.80 Bid equal or greater than \$20 → 1.00 Check updated RICs for quote spread exemptions for certain options classes and exemptions granted at the open.

¹ See ISE Rules 506, 803(b)(4), 804(e)(1), 804(e)(2)(iii), 805(b)(2), 805(b)(3), 904(a), and 904(b) for full details.

Requirements	First Market	Second market
Bid/Ask Spread Differential After the Open (PMM/CMM)	\$5 (see RIC for quote spread exemptions in NDX and RUT options)	\$5 (see RIC for quote spread exemptions in NDX and RUT options)
Bid/Ask Spread Differential LEAPS (CMM)	No Requirements	No Requirements
Bid/Ask Spread Differential LEAPS (PMM)	Double the legal width	Double the legal width
Opening Participation (CMM)	50% of the total number of options classes quoted during the day	50% of the total number of options classes quoted during the day
Trading in non-appointed symbols (CMM)	Not to exceed 25% of overall CMM's volume during a quarter	Not to exceed 25% of overall CMM's volume during a quarter
Trading in non-appointed symbols (PMM)	Not to exceed 10% of overall PMM's volume during a quarter	Not to exceed 10% of overall PMM's volume during a quarter