

OPTIONS EXCHANGE			
Regulatory Information Circular			
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Subject: Quoting Obligations for Competitive Market Makers

The SEC has approved an amendment to ISE Rules 713, 804, and 805 (SR-ISE-2008-78). The amendment makes the following changes to the quoting obligations of Competitive Market Makers (“CMMs”):

- ***CMMs are no longer required to quote all of the series of an options class throughout the trading day.*** Rather, they are only required to maintain continuous quotes in at least 60% of the series in an option class throughout the trading day. Note however, that the quoting requirement is higher for CMMs that receive preferenced order flow in a class. Preferenced CMMs are required to quote at least 90% of the series in an option class throughout the trading day.
- ***The number of classes a CMM must quote in their assigned Bins has been lowered.*** CMMs are now required to participate in the opening rotation and continuously quote throughout the trading day in 60% of the option classes in the bin or 40 classes in a bin, whichever is less.
- ***The amount of volume a CMM is permitted to execute outside its assigned Bin(s) has been refined.*** The total number of contracts executed during a quarter by a CMM in options classes to which it is not appointed may not exceed twenty-five percent (25%) of the total number of contracts traded by such CMM in classes to which it is appointed and with respect to which it was quoting pursuant to Rule 804(e)(2). This means that only volume executed by a CMM when it is quoting will be considered when calculating what percentage the CMM executed in options classes to which it is not appointed.

Please note that the second and third bullet points do not apply to Second Market CMMs.

Please contact Ron Veith at 212 897-8130 or myself if you have any questions.