

T7™

Market Maker Quality of Market Report

Version: 1.3

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Abstract

This document describes the Market Maker Quality of Market report ISE makes available to members.

This version is applicable for Member Simulation.

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Table of Contents

1. About This Document.....	4
1.1 Users of this document.....	4
1.2 What's New in This Document	4
2. Introduction.....	5
2.1 Report Naming Convention	5
3. Receiving the MM Quality of Market Report	6
3.1 FTP (for the MM Quality of Market for all symbols)	6
4. Report Criteria.....	7
4.1 Criteria	7
4.2 Premium Low and High Range (Configurable).....	7
4.3 Weeklies & Quarterlies Configuration	8
4.4 Methodology for calculating time on NBBO	8
4.5 Display for Report Emailed to MMs (sample)	8
5. Field Descriptions	9

Tables

Table 1 – Weeklies and Quarterlies Configuration.....	8
Table 2 – MM Quality of Market Field Descriptions	9

1. About This Document

This document:

- Describes the MM Quality of Market that ISE can make available to members
- Provides instructions on how to receive the report
- Provides the field descriptions of the report

1.1 Users of this document

This document is for ISE members who receive the MM Quality of Market via email and FTP.

1.2 What's New in This Document

The most recent changes to this document:

- Added clarification: MMs will be penalized (their MTD % will be affected) if they do not quote in any series for a symbol that they are obligated to quote in.

2. Introduction

The International Securities Exchange (ISE) is a U.S. registered exchange that combines electronic trading with auction market principles.

The ISE exchange primarily trades equity options. An equity option is a contract that gives its holder the right to buy or sell shares of the underlying security at a specified price by a specified date. An underlying security is the stock on which the contract is based.

ISE is a member of the Options Price Reporting Authority (OPRA) and is an owner of the Options Clearing Corporation (OCC). ISE sends its quotes and trades to OPRA, and the OCC clears the trades.

The MM Quality of Market Report, also known as the ISE NBBO Performance Metrics, provides the Market Maker's daily and MTD percentage of time at the National Best Bid or the Best Offer for the day. The data is broken down by 1st month expiration, 2nd month expiration, and all expiration months for Maker/Taker names.

This email is sent out at 9:15AM EST each trading day to MM members.

2.1 Report Naming Convention

The report is emailed only to Market Makers with the subject line **Daily ISE MM NBBO Performance Metrics**.

The Market Maker performance metrics for all symbols is also offered to members. These new metrics are an expansion of the daily email Market Makers receive today for their NBBO metrics in the Maker/Taker names. The report is available in the members' FTP site.

`MM_QOM_ALL_SYMBOLS_YYYY_MM_DD_HHMMSS.csv`

Example: `MM_QOM_ALL_SYMBOLS_2010_07_02_093100.csv`

3. Receiving the MM Quality of Market Report

This report is emailed only to Market Makers with the subject line **Daily ISE MM NBBO Performance Metrics**.

3.1 FTP (for the MM Quality of Market for all symbols)

3.1.1 Using DOS

ISE has assigned you with IP addresses that connect you to the gateway.

1. Start DOS. The Command Prompt window is displayed.
2. Change the directory to the target directory, for example, cd download.
3. Ping the ISE to check your connectivity, for example, ping www.ise.com
If the ping is unsuccessful, contact your network support group to establish your connectivity status.
4. Start an FTP session, for example, reports.ise.com
5. Type the ISE provided user name for the user and press **Enter**.
6. Type the ISE provided password for the password and press **Enter**.
7. Type the get command to copy the file from the ISE ftp site to your local computer and press **Enter**. A message confirms the successful transfer of the file.
If the download is unsuccessful, please call ISE Operations Support at 212 897 0287.
8. Type bye to exit FTP.
9. Close the DOS window.

3.1.2 Using Explorer

1. From 'My Computer'
2. Right Click and select Explore
3. In the Address field, type in: ftp://reports.ise.com
4. Type the ISE provided user name and password and click Log On

Note: Networks may have to change configuration changes to allow access. For further assistance, please call ISE Operations Support at 212 897 0287.

4. Report Criteria

4.1 Criteria

1. Use symbols under ISE's M/T model.
2. Calculate Total Series for each symbol in a separate column. The option to consider corresponding series for the total is configurable:
 - a. If set to True, corresponding call or put series are counted for Total Series provided that they meet the other criteria
 - b. If set to False, corresponding series are not included in the Total Series calculation
3. Include series where the National Best Bid \geq premium low range and National Best Offer \leq premium high range for the day. This range should be configurable.
4. If at any point during the day, the series moves outside of the premium low and high range, that time should not be included in calculating MMs quote and the total time for the day.
5. Include all series, regardless of volume.
6. Exclude messages that result from pulling or removing quotes to stop the MM's timer
7. Exclude series that have a zero National Best Bid at any point during the day.
8. Independently calculate MMs quote quality metrics in series expiring in current month and month after (in addition to all months calculated today) – see mock up below
 - a. 1st Expiration Month: This only applies to all series expiring in the current expiration calendar month. For example, for a May 1 report, include only series expiring May 21st (the expiration for the month of May).
 - b. 2nd Expiration Month: This only applies to all series expiring in the second expiration calendar month. For example, for a May 1 report, include only series expiring June 18 (the expiration for the month of June).
 - c. All Expiration Months: This includes all series for all expiration calendar months.
9. Show daily and MTD percentages in one report.
10. MMs will be penalized (their MTD % will be affected) if they do not quote in any series for a symbol that they are obligated to quote in.

4.2 Premium Low and High Range (Configurable)

- \$0.03 and \$5.00, for stocks trading \leq \$100.00
- \$0.10 and \$5.00, for stocks trading $>$ \$100.0

4.3 Weeklies & Quarterlies Configuration

Table 1 – Weeklies and Quarterlies Configuration

	1 st month	2 nd month	All months
Weeklies	<i>Include</i>	<i>Include</i>	<i>Include</i>
Quarterlies	<i>Exclude</i>	<i>Exclude</i>	<i>Include</i>

4.4 Methodology for calculating time on NBBO

1. When the MM's quote reaches the NBBO, a timer begins that records the number of seconds the MM's quote remains at the NBBO. The timer ends when the MM is no longer at the NBBO.
2. The number of milliseconds at the NBBO is aggregated for all series included in the calculation.
3. The total number of milliseconds at the NBBO (aggregates for all eligible series) is then divided by the total number of milliseconds in the day during which the series was trading in the premium low and high range for the NBBO.
 - a. Only consider quotes between 9:30am and 4:00pm or 4:15pm (depending on symbol)
 - b. Count Series in Regular or Fast Market state only. If the series is halted during the day the halted duration will be excluded from both the numerator and denominator.
 - c. During a short trading day, both numerator and denominator must be adjusted accordingly.
 - d. The timer for the numerator and denominator starts only after the series opens at the ISE.

4.5 Display for Report Emailed to MMs (sample)

- Only the M/T symbols the MM quotes in will be displayed in the emailed report.
- Make the font color green if the percentage is greater than or equal to 80% for 1st Expiration Month Daily/MTD, 2nd Expiration Month Daily/MTD, and All Expiration Month Daily/MTD.
- Add the total number of symbols a MM has qualified in MTD for 1st month, 2nd month, and All Expiration months. Display it next to the date.

5. Field Descriptions

Table 2 – MM Quality of Market Field Descriptions

Field	Description	Data Format
Symbol	All symbols under ISE's M/T model	Text
Total Series	Sum of series for each symbol	Numerical value; integer
1 st Expiration Month Daily	Daily percentage of time when MM was at the National Best Bid or the National Best Offer for the day. This only applies to all series expiring in the current expiration calendar month. For example, for a May 1 report, include only series expiring May 21 st (the expiration for the month of May). Exclude Quarterlies.	Numerical percentage value, up to two decimal places
1 st Expiration Month MTD	Month-to-date percentage of time when MM was at the National Best Bid or the National Best Offer for the day. This only applies to all series expiring in the current expiration calendar month. For example, for a May 1 report, include only series expiring May 21 st (the expiration for the month of May). Exclude Quarterlies.	Numerical percentage value, up to two decimal places
2 nd Expiration Month Daily	Daily percentage of time when MM was at the National Best Bid or the National Best Offer for the day. This only applies to all series expiring in the next two expiration calendar months. This only applies to all series expiring in the second expiration calendar month. For example, for a May 1 report, include only series expiring June 18 (the expiration for the month of June). Exclude Quarterlies.	Numerical percentage value, up to two decimal places
2 nd Expiration Month MTD	Month-to-date percentage of time when MM was at the National Best Bid or the National Best Offer for the day. This only applies to all series expiring in the next two expiration calendar months. This only applies to all series expiring in the second expiration calendar month. For example, for a May 1 report, include only series expiring June 18 (the expiration for the month of June). Exclude Quarterlies.	Numerical percentage value, up to two decimal places
All Expiration Months Daily	Daily percentage of time when MM was at the National Best Bid or the National Best Offer for the day. This includes all series for all expiration calendar months.	Numerical percentage value, up to two decimal places
All Expiration Months MTD	Month-to-date percentage of time when MM was at the National Best Bid or the National Best Offer for the day. This includes all series for all expiration calendar months.	Numerical percentage value, up to two decimal places