International Securities Exchange

Regulatory Information Circular

Circular number:	2013-07	**Contact:**	Russ Davidson, Head of Market Surveillance
Date:	March 27, 2013	**Telephone:**	(646) 805-1857

Subject: Quotation Requirements

An ISE rule change (SR-ISE-2013-17) related to Primary Market Maker (PMM) and Competitive Market Maker (CMM) quotation requirements will become effective as of **April 4, 2013.** Pursuant to this rule change, the following requirements will apply:

- ✓ ISE Rule 804(e)(1) – PMMs must enter quotations in all of the series listed on the Exchange of the options classes to which they are appointed on a daily basis.
- ✓ ISE Rule 804, Supplementary Material .01 - PMMs must quote 90% of the time the option class is open for trading on the Exchange.
- ✓ ISE Rule 804(e)(2) – CMMs are no longer required to enter quotations in the option classes to which they are appointed.
- ✓ ISE Rule 804(e)(2)(ii) – CMMs may initiate quoting in option classes to which they are appointed intraday, eliminating the pre-opening quoting obligations.
- ✓ ISE Rule 804(e)(2)(iii) – CMMs must quote 60% of the time the option class is open for trading on the Exchange (90% for preferenced CMMs).
- ✓ ISE Rule 804, Supplementary Material .02 – CMMs' quotation requirements do not include adjusted options series or long term options series (LEAPS).

Frequently Asked Questions:

1. Are CMMs required to quote a certain number of options classes per day?

   No. CMMs have no minimum number of option classes they must quote. However, they may not quote options classes with a total number of points exceeding the points associated with the trading rights they own or lease.

2. Do CMMs still need to select which option classes they plan to quote and submit them to the Exchange before 9:00 AM?

   Yes. This requirement remains unchanged.

3. If a CMM chooses to quote an adjusted or long term options series, do normal bid/ask spread differentials apply?

   No. These series are exempt from the bid/ask spread differential requirements.

4. If a CMM chooses to quote in the pre-opening, do the pre-opening bid/ask spread differentials apply?

   Yes. Quotes before the open must comply with pre-open bid/ask spread differentials.

5. How is compliance with continuous quoting determined?

   The Exchange will calculate the percentage of time a market maker quotes by dividing the total amount of time the market maker was entering quotes in all eligible options series in all options classes quoted on a given day (the numerator) by the total amount of time all of the eligible options series of the same options classes were open for trading (the denominator). All quoting time will be summed collectively across all option classes on a daily basis.

6. Are the option series that were adjusted based on 2 for 1 split or 3 or 1 split considered adjusted Series?

   No. An adjusted option series is an option series wherein, as a result of a corporate action by the issuer of the underlying security, one option contract in the series represents the delivery of other than 100 shares of underlying stock or exchange traded fund shares. For example, options that were adjusted on a 3 for 2 split would be considered a corporate action because the deliverable would be 150 shares of the underlying stock. Other examples of corporate actions include cash distributions, spinoffs, mergers and reverse stock splits.