



ISE Announces “ONE SIZE FITS ALL” Trading Rule Professional Traders To Get Same Rights As Retail Traders

NEW YORK, November 1, 2002 – The artificial distinctions that have historically separated how different types of customers are treated in the options market are headed for extinction.

Pending regulatory approval, ISE said today that it will adopt a “one size fits all” trading rule that will insure that market makers and firms receive the same order execution advantages long enjoyed by customers. ISE’s proposed rule would allow market makers and firms to automatically execute orders against the displayed quote - - something now only available to customers across the options market. This means that if ISE’s Primary and Competitive Market Makers are displaying a quote whose aggregate displayed “order size” is 250 contracts to buy or sell that any trader could automatically execute their order against the ISE market

“If the SEC approves our rule filing, order designations that differentiate between customer, firm and market maker orders will become a not so quaint memory of the past, not at all unlike the days when the floor-based exchanges had exclusive franchises on the options of most major blue-chip stocks,” said David Krell, ISE’s chief executive officer and president.

ISE’s rule filing is a revolutionary advance in options trading. The “one size fits all rule” marks the first time in the industry’s 29-year history that the benefits available to retail customers are being offered to professional and institutional traders. The ISE filing was supported by Primary and Competitive Market Makers, who are able to provide “one size fits all” capability because they use trading technology that precisely quantifies risk, which enables them to commit unparalleled capital resources to the options market.

The “one size fits all” rule will remove the uncertainty that market makers and firms often encounter when they try to execute orders. “What you see should be what you get. ISE’s liquidity providers stand behind their markets and provide liquidity to everyone at the ISE,” Mr. Krell said

Since ISE was founded, the Exchange has consistently aimed to foster competition and access in the options market. ISE’s efficiencies have changed the fundamental nature of U.S. options trading by:

- Fostering competition in a multiple exchange marketplace.
- Helping to prompt the multiple-listing of the most liquid options classes, which broke apart the franchises that enabled the floor-based exchanges to exclusively list options on most blue-chip stocks.
- Dramatically lowering order execution fees.
- Adding and significantly increasing the overall liquidity in the options market by attracting major securities firms that for the first time participated in the options market as specialists and market makers.
- Introducing transparency by insuring quotes were accompanied by size.
- Insisting that all options markets are electronically linked, a process which when completed will enable specialists and market makers at different exchanges to access each others' markets.

“Over the past three years, ISE has dragged the options industry through a process that took the stock market 30 years to get through,” Mr. Krell said. “We appreciate the support of order-flow providers and I want to assure you that we will not, and we do not, take our success for granted, nor do we take our customers’ business for granted. We constantly examine our business. We evolve. We innovate. We don’t stand still.”

ISE Background

ISE pioneered electronic options trading in the U.S.

Within 18-months of its May 26, 2000 launch, ISE became the third largest of five domestic options exchanges, a position that it has enhanced by capturing the lead market share in its listings. During the 2002 third quarter, ISE dominated trading in its listed issues, capturing a 27% market share, or average daily volume of 671,531 contracts.

ISE is the only fully-electronic U.S. options exchange, the first registered securities exchange approved by the Securities and Exchange Commission since 1973, and the first and only electronic options exchange in the global marketplace that has successfully integrated the intrinsic efficiencies of electronic trading with auction market principles. ISE lists 517 options classes, whose aggregate volume represents more than 90% of the industry’s total equity options volume. For more information about ISE, its products and its technology, visit www.iseoptions.com.

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