



INTERNATIONAL SECURITIES EXCHANGE

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## **INTERNATIONAL SECURITIES EXCHANGE GROWS ON SOLID FOUNDATION**

### **Significant Achievements Attained in 2001**

**NEW YORK, January 7, 2002** – The year 2001 proved pivotal for ISE, as many additional milestones were achieved. These included new market share records, several daily volume records, growing demand for ISE memberships (both market makers and Electronic Access Members), a major technology upgrade and a leadership role in industry initiatives.

#### ***Market Share Rank***

ISE has catapulted to the rank of third largest U.S. options exchange among the nation's five options exchanges during 2001, trailing only the Chicago Board Options Exchange (CBOE) and the American Stock Exchange (AMEX). This measurement is based on total volume transacted in all listed options, equity as well as index products, traded during the final quarter of 2001. Note: ISE does not trade index options, which account for sizeable volumes on other U.S. options exchanges.

#### ***Volume Growth***

The volume of contracts traded on the ISE grew at an accelerating pace during the year, resulting in a current market share more than five times what it was one year ago.

ISE highlights in 2001:

- ISE averaged 370,689 contracts daily in the fourth quarter, a 16.3% market share in the issues it trades and a 12.5% overall share when all listed equity and index options are included.
- ISE market share in December increased to 17.6% in its listed issues and 13.6% for all listed options products.
- ISE set two new market share records on December 28, 2001: 22.6% in its listed issues and 18.1% overall.
- On May 29, 2001, 1 year after launch, ISE traded its 25-millionth contract and its 50-millionth contract on October 3, 2001, doubling its first year's volume in only four months.

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- By year-end 2001, ISE traded in excess of 72 million contracts since launch.
- ISE's highest daily volume occurred on September 19, 2001 when 575,195 contracts traded.
- ISE traded 436 issues at the close of 2001, up from the 178 issues that were listed at the end of 2000.

### **Membership**

ISE currently boasts 92 Electronic Access Members (EAMs), which represent customer and proprietary orders, with seven additional applicants pending approval; there were 87 EAMs at the end of 2000. In the latter part of 2001, ISE approved the purchase of three Competitive Market Maker (CMM) memberships in the secondary market: \$1.1 million in August, \$1.6 million in November and another at \$1.6 million in December.

### **Technology**

During late 2001, ISE introduced several significant enhancements to its trading system as part of a major upgrade to further benefit individual and professional investors. These upgrades are part of ISE's commitment to remain at the forefront of electronic options trading, melding the advantages of an auction market with the efficiencies permitted by the application of technology.

The upgrade included software enhancements that provide users with greater flexibility and expanded capabilities, as well as hardware improvements that provide increased processing speed and greater capacity. This was the most significant technology upgrade since the launch of trading, spanning a wholesale change-out of all hardware components, major software revisions and a network redesign. The most significant trading enhancement included in the upgrade was the addition of complex order (spreads and straddles) capability, enabling participants to benefit from the ISE's many advantages while employing this widely utilized trading strategy.

### **Industry Initiatives**

The ISE spearheaded an interim linkage program that launched in early 2001 with one other exchange and has since grown to include all five U.S. options marketplaces. This functionality augments the capabilities of market makers on the participating exchanges to provide superior service to customers until the full industry-wide linkage program is instituted.

"We are very pleased with the milestones that have been achieved and extend our deepest appreciation to all of our member firms, board members, staff and many constituents for their dedication to improving the performance of the ISE," said David Krell, ISE president and CEO. "The industry has expressed its support for ISE and electronic trading in a very tangible manner, and we are hopeful for greater achievements in the months and years to come."

## ISE Market Structure/Membership Information

There are three types of ISE members:

**Primary Market Maker (“PMM”)** - PMMs, similar to specialists (DPMs or LMMs on other exchanges), are market makers with significant responsibilities, including overseeing the opening, providing continuous quotations in all of their assigned options classes, and ensuring that customer orders are not automatically executed at prices inferior to those available at other options exchanges. One PMM is assigned to each of the ten groups of options traded on the Exchange.

**Competitive Market Maker (“CMM”)** - CMMs are market makers that add depth and liquidity to the market and are required to provide continuous quotations in at least 60% of the options classes in their assigned group. Each CMM quotes independently. Ten CMMs are appointed to each of the ten groups of stock options traded on the Exchange.

**Electronic Access Member (“EAM”)** – EAMs are broker/dealers that represent agency and proprietary orders on the Exchange. An EAM does not purchase a membership. Rather, once approved as an ISE member, an EAM pays an access fee that permits the firm to place orders in all of the options traded on the Exchange.

## ISE Background

ISE is the first nationally registered securities exchange since 1973, the first fully electronic options exchange in the United States, and the world’s first options marketplace combining electronic trading and auction market principles. Trading in this innovative market began on May 26, 2000.

ISE intends to list the top equity options classes representing 90% of the option industry’s average daily trading volume. ISE’s rollout schedule involves starting trading with a small number of options classes and growing over time to the full list of products. The updated list of issues traded is available on ISE’s web site ([www.iseoptions.com](http://www.iseoptions.com)) within the section entitled “Product Information.”

ISE has grown to become the third largest of five U.S. options exchanges within just eighteen months of its launch. This measurement is based on total volume transacted in all listed options, equity as well as index products, traded on the five registered U.S. options exchanges.

ISE headquarters is located at 60 Broad Street, New York, NY 10004 and can be reached at (212) 943-2400 or, for additional information, visit its web site at [www.iseoptions.com](http://www.iseoptions.com).

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