

ISE Says Linkage Ushers In A New Era In Options Market Linkage Expands Benefits Of Best Execution

NEW YORK, January 31, 2003 –The International Securities Exchange (ISE) said that today's implementation of an electronic intermarket linkage system in the US options market marks the beginning of a new era for options investors.

Effective today, all five US options exchanges implemented the first phase of an electronic linkage system that will enable exchanges to electronically communicate with each other for the first time in the history of the US options market, which will enhance best execution benefits across the options market.

"The electronic linkage of the options markets should benefit investors and help insure that customers orders have every opportunity to receive the very best order executions. The ISE has consistently supported the creation of an options linkage and is proud to have contributed to making linkage a reality and to extending the principles of best execution across the options industry," said David Krell, ISE's president and chief executive officer.

Indeed, intermarket linkage represents the culmination of five exchanges working together to develop order-routing rules and complex technological specifications governing the use of a centralized technology hub that is capable of rapidly routing orders among exchanges. The Options Clearing Corp., which also issues and settles all listed options contracts, operates the linkage hub.

The first implementation phase of the intermarket linkage plan includes options on 14 individual stocks, with more options to be included within the next several months. The initial options classes that will be available on the intermarket linkage, include Apple Computer Corp. (AAPL); Bank of America Corp. (BAC); Eastman Kodak Co. (EK); El Paso Corp. (EP); General Motors Corp. (GM); Hewlett-Packard Cos. (HPQ); Nokia Corp. (NOK); PepsiCo Inc. (PEP); Procter & Gamble Co. (PG); Qlogic Corp. (QLC) Ebay Inc. (EBAY); Broadcom Corp. (RCQ); Seibel Systems Inc. (SGQ), and Nvidia Corp. (UVA).

All ISE Primary Market Makers (PMM) are participating in linkage, which will allow orders to be electronically routed between options exchanges for execution at the best available price.

Intermarket linkage introduces three new order types: Principal Acting as Agent, Principal, and Satisfaction. Principal Acting as Agent orders represent customer orders eligible for price improvement that are routed from one exchange to another. Principal orders allow market makers to access better quotes on other markets. Satisfaction orders, which will be added in a later phase of linkage, are used to remedy "trade-throughs" - - when an order is executed at a price inferior to the National Best Bid or Offer.

"Linkage introduces a new era of best execution into the US options. To investors, linkage will be totally transparent, as it will to order-flow providers, but linkage will help to insure that customers get the best price no matter where the order was originally sent," said Paul Bennett, ISE's senior vice president of Market Operations.

ISE Background

ISE, which pioneered electronic options trading in the US, is the second largest of the five US options exchange, a position reached within 36 months of ISE's May 2000 launch. ISE has enhanced its total market share by increasingly capturing the lead market share in ISE listings.

ISE is the only fully-electronic US 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 efficiencies of electronic trading with auction market principles.

ISE lists 533 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.

CONTACT:

Steven M. Sears
Director
Research & Corporate Affairs
International Securities Exchange
(212) 897-0275
ssears@iseoptions.com

Dorien van Boven
Intermarket Communications
(212) 888-6115, ext. 231
dvanboven@intermarket.com

-ISE-