

Financial Information Notice – 2001 - 01

To: ISE Members and Member Firms

Date: February 1, 2001

Payment for Order Flow

ISE commenced a Payment for Order Flow program on December 1 and began collecting and distributing related payments earlier this month. A fee of \$0.75 per contract is charged to market makers for each trade executed *opposite* a customer order, with accounting for the funds being performed on an individual Bin by Bin basis. Applicable funds are drawn from each market maker's OCC account once each month on the 5th business day of the month. Payments to order flow providers are made at the sole discretion of the PMM for each Bin (Bin Advisory Committee meetings will be held on a regular basis in order for market makers to discuss payment for order flow issues). Payments to order flow providers are processed twice each month on the tenth business day, and last business day.

Payment directions from PMMs must be in writing, preferably via e-mail. To help us automate the payment process PMMs should provide ISE the payment per contract, where feasible.

Questions regarding the receipt or payment of funds for order flow payment may be directed to Bruce Cooperman (212-897-0220 or bcooperman@iseoptions.com) or Andreas Michael (212-897-0211 or amichael@iseoptions.com).

Delinquent Balances

All transaction fees (execution, comparison and payment for order flow) are withdrawn from member's OCC clearing accounts on the 5th business day of each month. All other fees are billed at month end and are due upon receipt. **Beginning on March 2, 2001 all accounts receivable due to ISE that are outstanding for over 90 days will be withdrawn from clearing accounts.** At the discretion of ISE, disputed amounts will not be withdrawn from the account.

Clearing firms will be told the amount to be withdrawn one week prior to withdrawal.

Telecommunication Charges

Our primary telecommunications supplier has notified us that in February 2001 they will assess an additional 7.5% for a charge called *Federal Universal Service Fee*.

ISE acts as a conduit for telecommunication charges; we pass along the costs of telecommunication services from our providers to our members. ISE has many items in dispute with our primary telecommunications supplier that should result in credits to some members. ISE will not issue a credit to our members until the credit is issued by the telecommunication provider.

ISE Schedule of Fees

Our fee schedule is available on our website and may be found at the following URL: http://www.iseoptions.com/about/struct_regul1.html