

## Financial Information Notice – 2002 # 01

**To:** ISE Members and Member Firms

**Date:** January 3, 2002

**Re:** Update on Financial Matters Pertaining to the International Securities Exchange

### Member Firms Will Be Able to Provide Telecommunication Services and Gateway Equipment

Many member firms have expressed a desire to provision their own telecommunication connections to our Marketplace. In the very near future, we will contact you to explain how to convert from your current ISE provided circuit to one provided by you.

We anticipate having a program in place by mid year to allow member firms to purchase the gateway equipment from ISE or provision their own equipment.

### Timing of Payments for Order Flow

We are working to eliminate the month-end payment cycle and process all payments during our mid-month cycle. To support this process, we ask that all Primary Market Makers report Payment For Order Flow information to us no later than the 10<sup>th</sup> business day of the month. It is our goal to send complete payments to the order flow providers by the 15<sup>th</sup> business day of the month.

### Execution Fees

As stated in the ISE fee schedule, Execution Fees for Market Makers and Firm Proprietary trades decrease at several breakpoints (see below), resulting in transaction fees that may vary monthly.

#### Execution fees for Market Maker and Firm Proprietary (per contract / side)

▪ A.D.V. Less Than 300,000	\$0.21
▪ A.D.V. From 300,001 to 500,000	\$0.17
▪ A.D.V. From 500,001 to 700,000	\$0.14
▪ A.D.V. Over 700,000	\$0.12

The monthly Execution Fee is determined via a weighted average calculation based on the total Average Daily Volume (ADV) in the current month. For example, a month with an ADV of 400,000 contracts would have an Execution fee of \$0.20. This fee is calculated as the weighted average of 300,000 contracts at \$0.21 and 100,000 contracts at \$0.17.

The amount is calculated on the last day of the month, rounded to the nearest penny and applied to all contracts traded in that month.

### Automatic Payment of Fees

Several members have expressed an interest in having their clearing account automatically charged for all ISE fees. Currently funds are withdrawn from members clearing accounts for Execution and Comparison fees. We now have the functionality to withdraw all fees from a member's clearing account. If you are interested in this time saving program, please contact Andreas Michael at [amichael@iseoptions.com](mailto:amichael@iseoptions.com).

### ISE Schedule of Fees

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

Please contact our Controller, Andreas Michael ([amichael@iseoptions.com](mailto:amichael@iseoptions.com)), or our Chief Financial Officer, Bruce Cooperman ([bcooperman@iseoptions.com](mailto:bcooperman@iseoptions.com)) with any questions or concerns you may have.