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## Memorandum

<b>To:</b>	<b>ISE Members</b>
<b>From:</b>	<b>Office of the CFO</b>
<b>Date:</b>	<b>November 1, 2004</b>
<b>Re:</b>	<b>Transaction Fee as of November 1, 2004</b>

Per the Average Daily Volume formula presented in the current ISE Fee Schedule, non-public customer transaction fees will be \$0.06 per contract less than standard rates.

Fee	Standard Rate	Current Rate	Rate as of 11/01/2004
<b>Market Maker &amp; Proprietary Execution Fee</b>	<b>\$0.21</b>	<b>\$0.15</b>	<b>\$0.15</b>

The above rates do not include a \$.03 per contract comparison fee that is assessed to all transactions (unless otherwise waived) and a licensing surcharge that is assessed to all transactions (unless otherwise waived) in the licensed products that are enumerated in the ISE Fee Schedule available at [www.iseoptions.com](http://www.iseoptions.com).

### ***Fee Waivers/Discounts***

- Payment for order flow fees for linkage transactions are eliminated. That is, no payment for order flow fee applies to the execution of a customer order by a primary market maker if the primary market maker executes a corresponding P/A trade on another exchange.
- For a pilot period ending November 30, 2005, we are offering a volume based discount for our facilitation orders. Under this program, Member firms that trade an average daily volume (ADV) of 8,000 to 10,000 facilitation contracts will receive a \$0.10 per contract reduction in facilitation fees for every contract over 8,000. ISE member firms whose monthly facilitation ADV exceeds 10,000 contracts will incur no facilitation or comparison fees for facilitation contracts over 10,000.
- Transaction, comparison and surcharge fees are waived for transactions in S&P MidCap 400 Index options through November 25, 2004.



- We have extended the pilot period for volume-based discounts for non-customer orders in options on the Nasdaq 100 Index Tracking Stock to November 30, 2004. Member firms that trade an average daily volume (ADV) of 8,000 to 10,000 QQQ non-customer contracts for a month will receive a \$0.10 per contract reduction in transaction fees for every non-customer contract over 8,000 contracts. ISE member firms whose monthly ADV exceeds 10,000 QQQ non-customer contracts will incur no transaction or comparison fees for any non-customer contracts over 10,000.

ISE's fee schedule is available at: [http://iseoptions.com/membership/pdf/fee\\_schedule.pdf](http://iseoptions.com/membership/pdf/fee_schedule.pdf). Fee notices are available at [http://www.iseoptions.com/legal/fee\\_notice.asp](http://www.iseoptions.com/legal/fee_notice.asp)

Please call Meinie Cheek at (212) 897-0246 or Amit Muni at (212) 897-0211 if you have any questions.