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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>December 1, 2004</b>
<b>Re:</b>	<b>Transaction Fee as of December 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.

<b>Fee</b>	<b>Standard Rate</b>	<b>Current Rate</b>	<b>Rate as of 12/01/2004</b>
<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 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***

- 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 orders 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.
- 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, 2005. 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.



### ***Fee Changes***

As the pilot period has ended for S&P MidCap 400 Index (MID), all fees including transactions, comparisons and surcharges will be assessed.

Effective December 1, 2004, we will assess a \$0.10 per contract surcharge fee for transactions in options based on the Morgan Stanley Technology Index (MSH).

Effective December 1, 2004, we increased from 700,000 to 1,000,000 the average daily volume breakpoint which is used in calculating the execution fee.

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ISE's fee schedule is available at: [http://iseoptions.com/membership/pdf/fee\\_schedule.pdf](http://iseoptions.com/membership/pdf/fee_schedule.pdf).

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