

Regulatory Information Circular – 2002-06

To: ISE Primary Market Makers

Date: May 13, 2002

Re: PMM Trading Ahead of FARMM Orders

An Electronic Access Member ("EAM") may enter orders on behalf of non-ISE options market makers ("FARMM" orders). Upon entry of such an order, the order's terms are "locked" and broadcast to the PMM. PMMs must address FARMM orders within 30 seconds.

It is considered a violation of a PMM's obligation to maintain a fair and orderly market to trade ahead of a FARMM order's intentions. For example, with a market of 2.10 – 2.30, a FARMM order is entered to sell 10 contracts at 2.10. It is a violation of ISE rules for the PMM to manually enter a marketable order to sell any number of contracts during the period in which the original FARMM order is locked. Further, while the PMM may enter electronically generated orders during this time period, the PMM's order generation algorithm may not include the advent of a FARMM order as a component of its automatic order generation programming.

For further information on this circular, please contact Jim Sampson, Vice President Market Supervision, at 212/897-0235.