

International Securities Exchange Member Application Process

The International Securities Exchange ("ISE" or "Exchange") operates an electronic market for the trading of equity and index options and equity securities. This document describes the process of applying for ISE membership. For further information, potential applicants should review the ISE Constitution and Rules, which are available on the Internet at www.iseoptions.com.

Types of Members. There are three types of Exchange members:

- **Primary Market Makers (PMMs).** For equity and index options, there are ten PMM memberships, with one PMM assigned to each of the ten trading bins. A PMM posts two-sided continuous quotations in all of the options classes to which it is appointed and undertakes special responsibilities for maintaining fair and orderly markets. To become a PMM, an applicant must purchase a share of Series B-1 Common Stock or lease the trading rights associated with a share of Series B-1 Common Stock. Shares of Series B-1 Common Stock are transferable by the owners, and all purchases or leases are privately negotiated with the owners of the shares.
- **Competitive Market Makers (CMMs).** For equity and index options, there are up to 160 CMM memberships, with up to 16 CMMs assigned to each of the ten trading bins. A CMM posts two-sided continuous quotations in at least 60% of the options classes to which it is appointed. To become a CMM, an applicant must purchase a share of Series B-2 Common Stock or lease the trading rights associated with a share of Series B-2 Common Stock. Shares of Series B-2 Common Stock are transferable by the owners, and all purchases or leases are privately negotiated with the owners of the shares.
- **Electronic Access Members (EAMs).** An EAM enters orders for equities and index options and/or equity securities on the Exchange's trading system, and may clear trades executed on the Exchange. To become an EAM, it is not necessary to purchase any share of stock or lease the trading rights associated with any share of stock.

Member Eligibility

- Only U.S. registered broker-dealers may apply to become a Member of the ISE.
- An applicant must be a member of at least one other self-regulatory organization ("SRO").
- An applicant must either be an NSCC/OCC member or submit a clearing guarantee from an ISE clearing firm.

Member Application Process

All broker-dealers seeking trading privileges on the ISE must complete a Membership Application.

- **Member Application Fee.** The membership application fee must accompany the submission of the Member Application. The Exchange will not initiate the application review process until it receives the fee. There is a fee worksheet included with the Member Application.
- **Review Process.** ISE evaluates each application. In conducting its review, the ISE may send an application to the National Association of Securities Dealers, Inc. ("NASD"), which provides ISE support services related to the processing of Member Applications. When NASD handles ISE Member Applications, it acts solely as agent for ISE.
- **Approval of Applications.** The decision of whether to approve an application is made solely by ISE.
- **Timing.** The Member Application review process generally takes between 30 and 45 days for complete applications. This process will take longer for incomplete applications, as the Exchange must receive all needed information before it can evaluate an application.
- **Expiration of Applications.** If the application process is not completed within six months of filing, the application will be deemed automatically withdrawn.