
Regulatory Information Circular – 2002-21

To:	All ISE Members
From:	Jim Sampson – Vice President, Market Supervision
Date:	December 13, 2002
Re:	Securities Transaction for Tax Purposes

Members are reminded that certain transactions effected for tax purposes may not be consistent with Exchange Rules or the Securities Exchange Act of 1934 (the “Act”).

All transactions on the Exchange must be subject to the risk of the market and must be reported for dissemination over the tape. In addition, transactions effected for the purpose of creating a false, misleading, or artificial appearance of activity in an option series, or for the purposes of unduly or improperly influencing the market price of an option series, are in violation of ISE Rule 405 (“Manipulation”) and Section 9 of the Act. Further, any purchase or sale transaction (or series of transactions) that is coupled with an agreement, arrangement, or understanding, directly or indirectly, to reverse such transaction is in violation of ISE Rule 405.

Members are cautioned that “tax switching” transactions, “tax rolls,” “dividend rolls,” etc., may constitute prearranged trading, manipulation, or marking, which are all prohibited by Exchange rules. These trading strategies may also result in “wash” transactions, which are also prohibited. Any participation in such transactions may result in disciplinary action by the Exchange and possible review and action by Internal Revenue Service.

It should be noted, however, that the purpose of this Circular is to remind Members of Exchange and SEC rules and regulations only. It is not to be construed as describing tax consequences of any transactions under the Internal Revenue Code or state law.

For further information, please contact me at 212/897-0235.