



Regulatory Information Circular			
Circular Number:	2003-08	Contact:	Jim Sampson, VP Market Supervision
Date:	May 15, 2003	Telephone:	212/897-0235

Subject: Bid/Ask Spreads - \$5 Maximum Pilot Program Policy Change

As you know, the ISE recently implemented a six-month pilot program to relax option quotation spreads in up to 50 underlying securities (the "Pilot Options"). Pursuant to the pilot, market makers may quote all pilot series with a \$5 maximum bid/ask spread.

The ISE has been operating the pilot for more than six weeks. Experience to date indicates that the market opening quality may suffer in classes with wide quotes when the opening rotation algorithm attempts to find a single price for opening.

Effective immediately, all market makers must submit quotes in the Pilot Options in accordance with the terms of ISE Rule 803 for the opening rotation. Following the opening rotation, market makers may relax their quotations per the terms of the pilot program.

As a reminder, the participating option classes are as follows:

Bin 1	Bin 2	Bin 3	Bin 4	Bin 5
ANN	CMCSA	CHTR	EBAY	BBH
COST	MER	EXPE	GMSTE	HC
DELL	NVDA	IWW	IWP	IMMU
KMB	QQQ	JDSU	RTH	INVN
GNSS	SBUX	XLB	XLY	PCG
Bin 6	Bin 7	Bin 8	Bin 9	Bin 10
EXTR	ALA	IRF	AMAT	DGX
IDPH	AOL	NBR	CSCO	GUC
ISIL	FBF	NEM	HPQ	IWW
MXIM	JNS	PPE	KO	PPD
NOC	KEM	TYC	SCH	TE

Please contact me with any questions.