



<b>Regulatory Information Circular</b>			
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**Subject: Bid/Ask Spreads – \$5 Relaxed Quotation Spread Program Made Permanent**

The ISE recently received SEC approval to implement its relaxed quotation spread program regarding quotation spreads on a permanent basis. This program initially commenced on April 1, 2003 and was limited to 50 underlying securities. On April 1, 2004, the ISE expanded the program to all options classes listed on the Exchange. The Exchange is now implementing this program on a permanent basis. Pursuant to the program, market makers may quote all series with a \$5 maximum bid/ask spread.

The ISE remains concerned that its market opening quality may suffer in classes with wide quotes when the opening rotation algorithm attempts to find a single price for opening. As such, all market makers must submit quotes in accordance with the standard maximum spread requirements contained in ISE Rule 803 for the opening rotation. Following the opening rotation, market makers may then relax their quotations per the terms of the program.

Please contact me with any questions.