ISE
INTERNATIONAL SECURITIES EXCHANGE

Preliminary Exchange Notice 2000-2

To: Prospective ISE Members

Date: February 29, 2000

Re: Amendments to ISE Rules

On February 25, 2000, the ISE submitted the proposed rule changes described below to the Securities and Exchange Commission ("SEC"). The filings made with the SEC will be available on the ISE's web site at www.iseoptions.com shortly. We anticipate that the SEC will publish these proposal for a 21 day comment period, and expect that the SEC will approve the filings prior to our start of trading on May 26, 2000.

- ***Filing No. SR-ISE-00-01.*** The ISE proposes to adopt an allocation procedure for our trading system. The allocation procedure is a trading algorithm that determines how to split the execution of incoming orders among professional trading interests at the same price. This allocation procedure is applied only after all public customer orders at the same price are executed in full. This proposed allocation procedure is unchanged from the system we originally designed, and is the procedure currently described in the DTR Study Material.

- ***Filing No. SR-ISE-00-02.*** The ISE proposes to adopt a fee schedule, which includes membership fees, trading fees and fees for a variety of other services, including the installation and maintenance of certain equipment.

- ***Filing No. SR-ISE-00-03.*** The ISE proposes to establish a 30 second exposure time for block and facilitation orders. This proposed exposure time is unchanged from the system we originally designed, and is the time currently described in the DTR Study Material.

  This rule also proposes to give facilitation orders partial price improvement when there are non-customer orders or market maker quotes in the book at a better price than the facilitation price.

- ***Filing No. SR-ISE-00-04.*** The ISE proposes to reduce the order exposure time required before an Electronic Access Member can execute against its own customer orders from two minutes to 30 seconds.

Please call Richard Pombonyo 212-897-0250 or e-mail rpombonyo@iseoptions.com with any questions regarding this notice.