

Regulatory Information Circular – 2001-1

To: ISE Members

Date: January 9, 2001

Re: Change to Rule 717

The SEC has published in the *Federal Register* for public comment the ISE's proposed rule change limiting the frequency with which Electronic Access Members ("EAMs") can enter orders for the same customer on the Exchange. (Securities Exchange Act Release No. 34-43803 (January 4, 2001)).

The proposed rule change would add new paragraph (h) to Rule 717 (Limitations on Orders), which states that Members shall not cause the entry of more than one order every fifteen seconds for the account of the same beneficial owner in options on the same underlying security. This restriction would not apply if the multiple orders are part of a spread.

The rule change is designed to reduce ISE market maker risk exposure by limiting the ability of a person to rapidly send in orders in the same series or multiple series of the same underlying security. The Exchange believes that fifteen seconds is sufficient to allow market makers to move quotations following an execution, while at the same time not unduly long as to place a burden on investors seeking execution on the Exchange.

This rule change will become effective immediately upon its approval by the SEC, at which time EAMs will be expected to comply with its provisions. Accordingly, if an EAM does not currently have procedures in place to assure compliance with this limitation, it should immediately take steps to develop and implement such procedures.

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