

## **ISE Launches Electronic Index Options Trading Seeks To Increase Competition, Execution Efficiency**

**NEW YORK, October 8, 2003** –The International Securities Exchange (ISE), whose electronic trading platform revolutionized the US options market, has officially entered the index options trading market.

The Standard & Poor's SmallCap 600 (SML), ISE's first index options product, was listed for trading on October 3, 2003 in bin 10 on a March expiration cycle with position and exercise limits of 100,000 contracts. Morgan Stanley & Co. Inc. is serving as Primary Market Maker (PMM).

"This is an important event in the history of the options market," said David Krell, ISE's president and Chief Executive Officer. "The listing of SML symbolizes ISE's commitment to bringing competition to index options, the last bastion in the options market where investors have not yet experienced the economic benefits of multiple listing."

Recent experiences in the options market prove that investors benefit when exchanges and liquidity providers compete with each other to attract order flow. When options on all major blue-chip stocks were first listed for trading on all exchanges in 1999, prices significantly improved in many of the most actively-traded options classes. Prior to that time, investors who wanted to buy or sell options contracts on such well-known stocks as Dell Computer Corp. (DELL), International Business Machines (IBM), Intel Corp. (INTC), and Microsoft Corp. (MSFT) could only send their orders to one exchange. When options on those and many other major stocks were available for trading on more than one exchange, a market phenomenon known as multiple listing, the options market entered a new era.

Options trading volumes dramatically increased after multiple listing occurred in the market. In an effort to attract and retain individual investors, exchanges became more transparent and customer driven by modernizing their trading systems, providing greater access to their markets and lowering transaction costs. Specialists and market makers competed for orders with their counterparts at other exchanges by offering equity options contracts at prices that were often better than when those same options contracts were only traded at one exchange. Index options trading, however, does not yet fully benefit from multiple listing.

"We are entering the index options market slowly due to circumstance and choice. While many investors have asked us to list the most actively traded index options, we cannot currently address those demands because we cannot procure licenses to trade these products," said Gary Katz, ISE's Chief Operating Officer. The ISE has filed a rule-making petition with the SEC asking the regulatory agency to use its authority to eliminate the exclusive listing of index options. ISE has long believed that all options, including index options, should be eligible to be listed on all options exchanges.

ISE is a strong proponent of multiple listing of index options because it has been demonstrated that competition provides investors with great benefits. Products that are traded without the benefit of full competition, such as certain index options that are proprietary to only one exchange, do not offer those same benefits. Enhancing competition in the options market is consistent with ISE's operational philosophy, and founding business principles, both of which have helped lead to better prices in the options market and significantly improved services to market participants.

## **ISE Background**

The International Securities Exchange, the world's largest equity options exchange, was founded on the principle that technology fosters and infuses new efficiencies and operational innovations into securities trading. After developing an innovative market structure that integrated auction market principles into an advanced screen-based trading system, ISE launched the first fully electronic US options exchange in May 2000. ISE continually enhances its trading systems to provide investors and the trading community with the most efficient, least expensive order executions possible.

For more information about ISE, its products and its technology, visit [www.iseoptions.com](http://www.iseoptions.com).

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