



INTERNATIONAL SECURITIES EXCHANGE

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FOR IMMEDIATE RELEASE

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**INTERNATIONAL SECURITIES EXCHANGE ANNOUNCES
ACTIVATION OF NEWEST PRIMARY MARKET MAKER**

NEW YORK, January 4, 2001 – The International Securities Exchange (ISE) announced today that Morgan Stanley & Co. Incorporated, a subsidiary of Morgan Stanley Dean Witter & Co., will begin operating as a Primary Market Maker (PMM) beginning Friday, January 5, joining other prominent institutions as the leading liquidity providers in the first fully electronic options market in the United States.

Morgan Stanley Dean Witter is a preeminent global financial services firm and a market leader in securities, asset management and credit services. The company has offices in New York, London, Tokyo, Hong Kong and other principal financial centers around the world and has 524 securities branch offices throughout the United States.

The activation of this PMM membership brings a significant level of market experience to the Exchange. Morgan Stanley has operated as a Competitive Market Maker (CMM) on the ISE since September 1. Over the last half-year, Morgan Stanley has developed their proprietary market making engine, and with their successful experience as a CMM are now ready to begin trading as a PMM.

The ISE previously announced that PMM memberships would be operated by: Banc of America Securities LLC; Bear, Stearns & Co. Inc.; Deutsche Bank Securities, Inc.; Hull Trading Company, LLC (an affiliate of Goldman, Sachs & Co.); KBC Adirondack Electronic Markets LLC; Knight Financial Products LLC; Morgan Stanley & Co. Incorporated; and Timber Hill. These firms also trade as Competitive Market Makers.

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David Krell, president and CEO of ISE, said, "We are excited that Morgan Stanley is beginning their new role on the ISE and look forward to their further contributions in developing this unique marketplace."

Morgan Stanley will begin making markets in one issue (FDX – FedEx Corporation), and will add issues until it reaches its full contingent of products. The existing PMMs began in the same fashion and now each trades between twenty and thirty-five issues.

Primary Market Makers provide liquidity in their assigned options by making continuous two-sided markets and ensuring that orderly market conditions are maintained. Competitive Market Makers provide additional depth and liquidity by quoting independently, thereby ensuring a competitive process that provides narrow spreads with quotes in size.

On May 26, 2000 the ISE listed three issues as a first step in its rollout to trade the top 600 equity options on the world's only exchange to combine electronic trading with auction market principles. Currently, ISE trades 183 issues and is continuing to increase the roster in its rollout toward the full contingent of 600 listings. The updated list of issues traded is available on ISE's web site (www.iseoptions.com) within the section entitled "Product Information."

ISE Market Structure/Membership Information

The ISE plans to list and trade 600 stock options, which are divided into ten groups of approximately 60 stock options each. Market makers are assigned to provide liquidity in each group.

There are three types of ISE members:

Primary Market Maker ("PMM") - PMMs, similar to specialists (DPMs or LMMs on other exchanges), are market makers with significant responsibilities, including overseeing the opening, providing continuous quotations in all of their assigned options classes, and ensuring that customer orders are not automatically executed at prices inferior to those available at other options exchanges. One PMM is assigned to each of the ten groups of options traded on the Exchange.

Competitive Market Maker (“CMM”) - CMMs are market makers that add depth and liquidity to the market and are required to provide continuous quotations in at least 60% of the options classes in their assigned group. Each CMM quotes independently. Ten CMMs are appointed to each of the ten groups of stock options traded on the Exchange.

Electronic Access Member (“EAM”) – EAMs are broker/dealers that represent agency and proprietary orders on the Exchange. An EAM does not purchase a membership. Rather, once approved as an ISE member, an EAM pays an access fee that permits the firm to place orders in all of the options traded on the Exchange.

ISE Background

ISE is the first nationally registered securities exchange in twenty-seven years, the first fully electronic options exchange in the United States, and the world’s first options marketplace combining electronic trading and auction market principles. Trading in this innovative market began on May 26, 2000.

ISE has announced its intention to list the top 600 equity options classes representing over 90% of the option industry’s average daily trading volume. ISE’s rollout schedule involves starting trading with a small number of options classes and growing over time to the full list of 600.

ISE headquarters is located at 60 Broad Street, New York, NY 10004 and can be reached at (212) 943-2400 or, for additional information, visit its web site at www.iseoptions.com.

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