

OPTIONS EXCHANGE

Regulatory Information Circular

Circular number:	2010-97	Contact:	Russ Davidson, Head of Market Surveillance
Date:	August 17, 2010	Telephone:	(646) 805-1857

Subject: Change to the Price Improvement Mechanism (“PIM”)

The SEC has approved an ISE Rule change (SR-ISE-2010-15) which allows members to enter PIM transactions at a price that matches the ISE BBO and the NBBO if the agency order is on the opposite side of the market from the NBBO. Currently, PIM transactions are rejected if they don't improve the ISE BBO even though the ISE BBO is equal to the NBBO.

Starting on August 23, 2010, if the ISE BBO is equal to the NBBO, the agency order of the PIM will be automatically executed against the ISE BBO in the same manner as marketable orders entered directly. If the agency order is not fully executed after the ISE BBO is fully exhausted and is no longer at a price equal to the Crossing Transaction, the PIM will be initiated for the balance of the order as provided in Rule 723.

Electronic Access Members should note that the portion of an order that is immediately executed against the ISE BBO would be subject to the exposure requirements contained in Rule 717(d) and (e), which require members to expose certain orders for at least one second before executing such orders as principal or against orders solicited from a broker-dealer. If an Electronic Access Member has a pre-existing proprietary or solicited order on the book when a marketable agency order is entered, the Rules specify that the Electronic Access Member must have been bidding or offering on the Exchange for at least one second prior to receiving the agency order.

Please contact me with any questions.