

EXHIBIT A.—TEXT OF THE PROPOSED RULE CHANGE

ISE Schedule of fees	Amount	Billable unit	Frequency	Notes
Software License & Maintenance:				
• Torque:				
First .....	1250.00	Terminal .....	Monthly.	
Second through Fourth.	\$750.00	Terminal .....	Monthly.	
Fifth and Over ...	250.00	Terminal .....	Monthly.	
• Click .....	500.00	Terminal .....	Monthly.	
Session/API Fee:.				
• Market Makers ....	1,000.00	API .....	Monthly .....	Minimum of Two.
• EAM .....	250.00	API .....	Monthly.	
• Ordering Routing Service Connection Fee.	250.00	API .....	Monthly.	
Access Services				
Access Fees:				
• EAM .....	500.00	Member Firm .....	Monthly..	
• Market Maker.				
• Primary .....	4,000.00	Member Firm .....	Monthly.	
• Competitive .....	2,000.00	Member Firm .....	Monthly.	
Network Fees:.				
• Dedicated Line connection.	250.00	Line .....	Monthly.	
• Order Routing Service.	100.00	Line .....	Monthly.	
Gateway:.				
• Installation .....	5,000.00	Gateway .....	One Time.	
Legal & Regulatory:				
Application:				
• Primary Market Maker.	7,500.00	Member Firm .....	One Time.	
• Competitive Market Maker.	5,500.00	Member Firm .....	One Time.	
• Electronic Access Member.	3,500.00	Member Firm .....	One Time.	
• Lessor .....	1,000.00	Applicant .....	One Time.	
Administrative:				
• DTR Approval .....	500.00	Trader .....	One Time.	
• U4 Initial Registration.	25.00	Registered Person .....	One Time.	
• Pg 2—U4 for Non-Registered Persons.	100.00	Individual .....	One Time.	
Regulatory Fee: .....	3,500.00	Member Firm .....	Annual.	
Other Services:				
Training .....	500.00	Daily per Trainee .....	As Incurred.	
Testing .....	100.00	Per candidate .....	Per Exam.	
Third Party Developers:				
• Set-Up .....	1,000.00	Developer .....	One Time.	
• Usage .....	1,000.00	Monthly .....	Monthly.	
Disaster Recovery Testing & Relocation Services.	3,000.00	½ Day .....	As Incurred.	

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-42475; File No. SR-ISE-00-04]

**Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the International Securities Exchange LLC Relating to the Exposure of Orders on the Exchange**

February 29, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

(“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on February 25, 2000, the International Securities Exchange LLC (the “Exchange” or the “ISE”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the ISE. The Commission is publishing this notice to solicit

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

comments on the proposed rule change from interested persons.

### **I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The ISE proposes to amend its crossing rules to reduce from two minutes to thirty seconds the amount of time that Electronic Access Members are required to expose orders on the Exchange before executing them as principal or executing them against solicited order. Proposed new language is in italics; proposed deletions are in brackets.

\* \* \* \* \*

#### **Rule 717 Limitations on Orders**

##### **(a) Principal Transactions.**

Electronic Access Members may not execute as principal orders they represent as agent unless (i) agency orders are first exposed on the Exchange for at least [two (2) minutes] *thirty (30) seconds*, (ii) the Electronic Access Member has been bidding or offering on the Exchange for at least [two (2) minutes] *thirty (30) seconds* prior to receiving an agency order that is executable against such bid or offer, or (iii) the Member utilizes the Facilitation Mechanism pursuant to Rule 716(d).

##### **(b) Solicitation Orders.**

Electronic Access Members must expose orders they represent as agent on the Exchange for at least [two (2) minutes] *Thirty (30) seconds* before such orders may be executed in whole or in part by orders solicited from Members and non-member broker-dealers to transact with such orders.

### **II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, the ISE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IIV below. The ISE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

#### **A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

##### **1. Purpose**

The Exchange is proposing to reduce from two minutes to 30 seconds the order exposure time required in paragraphs (d) and (e) of ISE Rule 717. The purpose of the order exposure

requirements is to assure that agency orders have an opportunity to interact on the Exchange before they are executed, either by the broker representing the order, or by another order solicited by the broker. However, market participants have indicated to the exchange that two minutes is too long to delay the execution of an order when there is a party willing to execute against the order.

The Exchange has taken this view into consideration and weighed the need to assure that orders interact in the Exchange's electronic auction market system against the competing customer interest of receiving a speedy execution. In this respect, the Exchange recognizes the benefits of order interaction, as well as the risk that an order left unexecuted might "miss the market." Upon reconsideration of the two minute exposure time, the Exchange believes that the objective of the exposure rule can be satisfied by a shorter time period, which will benefit limit orders by providing them an opportunity for a more rapid execution. The Exchange believes that exposing an order for 30 seconds will provide sufficient opportunity for orders to interact with other trading interest on the Exchange, and thereby preserve the benefits of the ISE's electronic auction market.<sup>3</sup>

##### **2. Statutory Basis**

The ISE believes that the proposed rule change is consistent with the provisions of Section 6(b)(5) of the Act,<sup>4</sup> which requires that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

#### **B. Self-Regulatory Organization's Statement on Burden on Competition**

The ISE does not believe that the proposed rule change will result in any burden on competition that is not

<sup>3</sup> The ISE concurrently is proposing to establish 30 seconds as the time given for market participants to respond to broadcasts requesting trading interest with respect to block-size orders. See SR-ISE-00-03. The Exchange believes that 30 seconds is sufficient for members to participate in the execution of these large-size orders, and that there is no reason to require a longer exposure time for smaller orders.

<sup>4</sup> 15 U.S.C. 78f(b)(5).

necessary or appropriate in furtherance of the purposes of the Act.

#### **C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others**

Written comments on the proposed rule change were neither solicited nor received.

### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the ISE consents, the Commission will:

(A) By order approve the proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the ISE. All submissions should refer to File No. SR-ISE-00-04 and should be submitted by March 27, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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<sup>5</sup> 17 CFR 200.30-3(a)(12).