

## SCHEDULE OF FEES—Continued

	Amount	Billable unit	Frequency	Notes
• Facilitation .....	0.15	contract/side .....	Transaction.	
• Market Maker & Firm Proprietary (for a pilot period expiring on January 30, 2004, including members of other exchanges executing Linkage transactions, except for Satisfaction Orders)				
A.D.V. Less Than 300,000 .....	0.21	contract/side .....	Transaction .....	Based on Exchange A.D.V.
A.D.V. From 300,001 to 500,000 .....	0.17	contract/side .....	Transaction .....	Based on Exchange A.D.V.
A.D.V. From 500,001 to 700,000 .....	0.14	contract/side .....	Transaction .....	Based on Exchange A.D.V.
A.D.V. Over 700,000 .....	0.12	contract/side .....	Transaction .....	Based on Exchange A.D.V.
• Surcharge for Options on Nasdaq 100 Index Tracing Stock <sup>sm</sup> , the Nasdaq Biotechnology Index®, the iSharesS&P 100 Index Fund, options on Select Sector SPDR® Funds*, and exchange traded funds based on indexes developed by the Frank Russell Company**.	0.10	contract/side .....	Transaction .....	Excludes Public Customer Orders; Firm Proprietary fees for trades in the iShares S&P 100 Index Fund waived through May 31, 2003. Applies to P Orders and P/A Orders in these options for a pilot period expiring on January 30, 2004. *Financial Select Sector SPDR Fund (XLF), Technology Select Sector SPDR Fund (XLK), Utilities Select Sector SPDR Fund (XLU). **Russell 2000 Value iShares (IWN), Russell 2000 Growth iShares (IWO), Russell 1000 Growth iShares (IWF), Russell 1000 Value iShares (IWD).
* * * * *				
Comparison Fee .....	.03	contract/side .....	Transaction .....	Fee waived for Customer Trades through June 30, 2003. Applies to P Orders and P/A Orders for a pilot period expiring on January 30, 2004.

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## 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 Exchange 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 IV below. The Exchange 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

In File No. SR-ISE-2002-19, the Exchange adopted rules governing operation of the Linkage.<sup>3</sup> That filing also specified that certain existing Exchange fees would apply to Linkage trades. The purpose of this filing is to clarify that three ISE fees apply to Linkage trades: trade execution fees; a \$.10 surcharge for options traded

pursuant to licensing agreements (but only for executions in options specifically subject to the surcharge); and the \$.03 comparison fee.

Furthermore, at the request of the Commission staff, this filing would establish each of these Linkage-related fees as a one-year pilot, expiring on January 30, 2004. The Exchange intends to file an additional rule change prior to the expiration of this pilot period either to extend the term of the pilot or to establish these fees on a permanent basis.

#### 2. Basis

The Exchange believes that the basis under the Act for this proposed rule change is the requirement under section 6(b)(4) of the Act<sup>4</sup> that an exchange have an equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities.

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

The Exchange believes that the proposed rule change does not impose any burden on competition that is not 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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

### 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 self-regulatory organization consents, the Commission will:

(a) By order approve such 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.

<sup>3</sup> See Securities Exchange Act Release No. 47293 (January 31, 2003), 68 FR 6232 (February 6, 2003).

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