June 15, 2015

Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609

Re: File No. SR-PHLX-2014-66

Dear Mr. Fields:

The International Securities Exchange, LLC ("ISE") appreciates the opportunity to provide additional comment on the above-referenced proposed rule filing in which NASDAQ OMX PHLX LLC ("Phlx") proposes to establish an electronic solicitation mechanism through which a member may execute all-or-none orders of 500 or more contracts that it represents as agent against contra orders that it has solicited from other market participants. ISE originally commented on the Phlx proposal in February, raising concerns related to exposure of agency orders to potential price improvement and protection of customer orders on the book.[1] Phlx has since submitted a response to those comments and filed an amended proposal that does not substantively address any of the issues identified in our original letter.[2] We submit this new letter to reiterate our original comments in light of Phlx's response.

I. Phlx's Proposed Handling of Customer Orders at the Stop Price of the Solicited Order Would Result in Weakened Customer Protections and Enable Regulatory Arbitrage

As we noted in our original comment letter, our primary concern with the Phlx proposal has to do with the proposed handling of customer orders on the book at the stop price of the solicited order. We continue to believe that Phlx's proposal would weaken customer protections and enable regulatory arbitrage by canceling a solicitation auction if there is customer interest on the book at the stop price that, combined with other available price improving interest, would be of sufficient size to trade with the agency order. While Phlx responds that cancelling the auction would prevent customer interest from being

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[1] See Letter from Michael J. Simon, Secretary and General Counsel, International Securities Exchange, LLC, dated February 25, 2015. Our original comments are incorporated by reference into this comment letter.

[2] See Letter from Carla Behnfeldt, Associate General Counsel, The NASDAQ OMX Group, Inc., dated March 11, 2015; Securities Exchange Act Release No. 74746 (April 16, 2015), 80 FR 22569 (April 22, 2015).

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traded-through, we believe that Phlx should instead be held to the same high standard required of other markets that guarantee an execution for the customer order by allowing the solicitation auction to be broken up. This remains the case even when dealing with customer orders that are received after an auction has been initiated, and regardless of how rare Phlx anticipates such orders may be. Securing an execution for the customer order as well as a better overall price for the agency order would not, as Phlx contends, provide an "unfair advantage" to customer orders on the book. Moreover, although other exchanges that offer solicitation auctions today would cancel the auction in other circumstances – specifically, when there is not sufficient non-customer interest to execute the remainder of the agency order at a better price – there is a clear rationale for doing so since the agency order would not benefit from price improvement. Where both the agency order and the customer order would benefit from an execution, however, we believe that the public interest would be best served by allowing the agency order to trade against the customer order and other improving interest. This principle is enshrined in the rules of other exchanges that offer solicitation auctions, and should be required of Phlx as well.

II. Phlx's Proposed Handling of All-or-None Orders on the Book During a Solicitation Auction is not Consistent with the Protection of Investors and the Public Interest

We also continue to believe that Phlx's proposed handling of all-or-none customer orders does not provide adequate protection to customers on the book during a solicitation auction. As proposed, Phlx would allow a solicited order to cross with the agency order when there is a resting customer all-or-none order at the stop price of the solicited order, even if the customer order is eligible to trade with the agency order based on its size contingency. This is a straightforward attempt to avoid breaking up solicited crosses, and comes at the expense of customer protection. Phlx believes that this acceptable because "the presence or absence of order contingencies is entirely within the discretion and control of the customer." We do not believe that it is consistent with the protection of investors or the public interest to ignore available customer orders at the stop price merely because a customer has determined to use an order type offered by Phlx.

Finally, we reiterate our point on Phlx's proposal to ignore all-or-none complex orders in the complex order book when determining whether there is sufficient interest to execute the agency order at a better price. By ignoring all-or-none complex orders, Phlx would allow the execution of an agency order against the solicited order at a worse price than available from other market participants. In support of this result, Phlx attempts to equate their proposal with ISE's rules regarding the priority of all-or-none orders. To clarify this here, all-or-none orders on ISE have no priority over other orders *at the same price*. Our rules make clear, however, that all-or-none orders are available for execution after other trading interest at the same price has been exhausted. All-or-none orders on ISE decidedly may not be ignored when such orders would result in a better price for the other side of the trade. Yet, this is what Phlx is proposing here. It is fundamental to the solicitation process that the agency order be fully exposed to all other price improving interest, including all-or-none orders. As such, Phlx should not be excused from fully exposing solicited crosses simply because it believes that all-or-none complex orders are rare, or that building the appropriate protections would be somewhat onerous.

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For the reasons described above, ISE continues to believe that Phlx's proposed solicitation mechanism fails to provide important protections guaranteed by competing markets and therefore does not serve the public interest and the protection of investors. We thus respectfully ask that the Commission disapprove the proposed rule change. We thank the Commission for the opportunity to comment again on this proposed rule filing. If you have any additional questions, or if we can be of further assistance in this matter, please do not hesitate to contact us.

Sincerely,

Michael J. Simon,
Secretary and General Counsel