

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-57557; File No. SR-ISE-2008-25)

March 26, 2008

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing of Proposed Rule Change, and Amendment No. 1 Thereto, Relating to the Rescission of the “No MPM” Order Type

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 March 5, 2008, the International Securities Exchange, LLC (“Exchange” or “ISE”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by the Exchange. On March 17, 2008, the Exchange filed Amendment No. 1 to the proposed rule change. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, 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 rules to rescind the “No MPM” order type. The text of the proposed rule change is below. Proposed new language is underlined; proposed deletions are enclosed in brackets.

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**Rule 2104. Types of Orders**

(a) – (g) No change.

[(h) *No MPM*. Market or limit orders that should not be executed against orders residing in the Midpoint Match. (*See* Rule 2129)]

[(i)](h) No further change.

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

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

[(j)](i) No further change.

[(k)](j) No further change.

[(l)](k) No further change.

[(m)](l) No further change.

[(n)](m) No further change.

[(o)](n) No further change.

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## **2106. Opening Process**

(a) No change.

(1) All order types other than Stop/Stop Limit, [No MPM,] Post Only, FOK and IOC may participate in the opening transaction. Reserve orders may participate to the full extent of their size. Discretionary orders may participate at their most aggressive prices. Pegged orders will have limit prices based upon the NBBO that is required for the opening transaction to occur.

(2) – (3) No change.

(b) – (f) No change.

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## **2107. Priority and Execution of Orders**

(a) No change.

(b) *Order Execution.* All orders are handled automatically by the ISE Stock Exchange. All orders are available for price improvement at the midpoint of the NBBO if contra-side interest exists in Midpoint Match[, unless marked “No MPM”]. Except as specified below in paragraph (c), orders will not be executed at prices that are inferior to Protected Quotations available at other Trading Centers.

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**Rule 2129. MidPoint Match**

The MidPoint Match (“MPM”) is a process by which Members [can seek] may receive an execution price that is at the midpoint of the NBBO.

(a) – (g) No change.

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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

The best bids and offers on the ISE Stock Exchange are displayed to the marketplace on a continuous basis. Additionally, the ISE offers incoming orders an opportunity to receive price improvement at the midpoint of the National Best Bid or Offer (“NBBO”) through its MidPoint Match (“MPM”) process. Specifically, before executing incoming orders against the ISE’s displayed bid or offer, the System checks MPM to see if there is contra-side interest that can provide price improvement. However, under ISE’s current rules, Equity Electronic Access Members may specify on orders that they do not want the orders to execute against MPM interest, thereby denying such orders the opportunity for price improvement.

The Exchange proposes to eliminate the “No MPM” order qualifier so that all inbound orders will be exposed to MPM interest and be afforded price improvement, when available,

before executing against the ISE's displayed quotations. The Exchange believes that elimination of the "No MPM" order qualifier is appropriate to assure that customers are provided the opportunity to interact with this additional source of liquidity and to receive price improvement whenever possible.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder. Specifically, the Exchange believes the proposed rule change is consistent with Section 6(b)(5)<sup>3</sup> of the Act, requiring that the rules of an exchange be designed to promote just and equitable principles of trade, serve to remove impediments to and perfect the mechanism for 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 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

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<sup>3</sup> 15 U.S.C. 78(f)(b)(5).

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. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-ISE-2008-25 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-ISE-2008-25. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). 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 in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ISE-2008-25 and should be submitted on or before [insert date 21 days from the date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>4</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>4</sup> 17 CFR 200.30-3(a)(12).