

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-61010; File No. SR-ISE-2009-87)

November 16, 2009

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing of Proposed Rule Change Relating to Foreign Currency Options

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 27, 2009, the International Securities Exchange, LLC (“ISE” or “Exchange”), 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 prepared by the Exchange. The Commission is publishing this notice to solicit 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 Exchange proposes to amend its rules regarding Foreign Currency Options (“FX Options”).<sup>3</sup> The text of the proposed rule change is available on the Exchange’s Web site [www.ise.com](http://www.ise.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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 self-regulatory organization 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 those statements may be examined at the

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

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

<sup>3</sup> ISE began trading FX options on April 17, 2007. See Securities Exchange Act Release No. 55575 (April 3, 2007), 72 FR 17963 (April 10, 2007) (SR-ISE-2006-59) (the “FX Options Filing”).

places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

ISE proposes to amend its rules regarding FX Options. Specifically, the Exchange proposes to amend ISE Rule 2205 by adding a provision that permits the Exchange to list a single strike price of one cent (\$0.01) for each expiration month for FX Options opened for trading on the Exchange.<sup>4</sup> The proposed one cent strike would be in addition to the strike prices listed by the Exchange pursuant to ISE Rule 2205.

Currently, pursuant to ISE Rule 2205, after a class of options contracts on any underlying currency pair has been approved for listing and trading, the Exchange may open for trading series of FX Options that expire in consecutive monthly intervals (ISE Rule 2205(a)(1)(A)), in three or “cycle” month intervals (ISE Rule 2205(a)(1)(B)), or that have up to 36 months to expiration (ISE Rule 2205(a)(1)(C)). For example, pursuant to ISE Rule 2205(a)(1)(A), with respect to each class of FX Options, the Exchange may open for trading series of options having up to four consecutive expiration months, with the shortest term series having no more than two months to expiration. The Exchange may also open additional consecutive month series of the

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<sup>4</sup> The Commission notes that the proposed text for ISE Rule 2205 is as follows:

Rule 2205. Series of Foreign Currency Options Open for Trading

(a) – (b) No Change.

(c) For each expiration month opened for trading, in addition to the strike prices listed by the Exchange pursuant to this Rule 2205, the Exchange shall also list a single strike price of one cent (\$0.01).

same class for trading at or about the time a prior consecutive month series expires, and the expiration month of each such new series shall normally be the month immediately succeeding the expiration month of the then outstanding consecutive month series of the same class of options having the longest remaining time to expiration. Under this proposed rule change, for each such month opened for trading, the Exchange would list an additional strike price of one cent.

The Exchange notes that adding a one cent strike for FX Options will result in a single deep in the money call option to provide investors with exposure similar to that of spot. The Exchange believes creating such exposure provides an opportunity to attract a broader range of market participants by offering a product that, in particular, accommodates retail spot foreign currency traders.

The Exchange also believes that a \$0.01 strike price would enable certain trading strategies that were previously unavailable to investors. Specifically, investors would be able to engage in strategies that offer similar exposure to a tied-to-spot trade, such as a buy-write trade. The proposed new strike would also appeal to securities brokers that do not currently offer spot foreign currency trading. Many online securities brokers have not offered spot foreign currency trading to their customers because it is not a listed and centrally-cleared product. ISE's proposed rule change offers such brokers an opportunity to expand their offering beyond equities and retain customer assets that may otherwise go to spot foreign currency trading venues that operate outside of US regulatory jurisdiction.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations under the Act applicable to a

national securities exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>5</sup> Specifically, the Exchange believes the proposed rule change is consistent with Section 6(b)(5) of the Act's<sup>6</sup> requirements that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and, in general, to protect investors and the public interest. In particular, the proposed rule change will allow the Exchange to list a single one cent strike for each expiration month of FX Options opened for trading and thereby provide investors with the ability to engage in previously unavailable spot foreign currency trading strategies.

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

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 Exchange consents, the Commission will:

- (A) by order approve the proposed rule change, or

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

<sup>6</sup> 15 U.S.C. 78f(b)(5).

- (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-2009-87 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-ISE-2009-87. 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, 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-2009-87 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>7</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>7</sup> 17 CFR 200.30-3(a)(12).