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May 27, 2011

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609

Re: File Nos. SR-CBOE-2011-041 and SR-NADQ-2011-56

Dear Ms. Murphy:

The International Securities Exchange, LLC ("ISE") appreciates the opportunity to comment on the above referenced proposals ("Proposals") of the Chicago Board Options Exchange ("CBOE") and NASDAQ OMX PHLX ("PHLX").[1] In these Proposals, CBOE and PHLX seek approval to adopt a qualified contingent cross ("QCC") order rule for transactions originating on the floor of their exchanges.

As the Commission is aware, ISE received approval for the QCC order after much discussion regarding the competitive advantage floor-based trading environments have over all electronic execution environments with respect to the execution of large-size orders.[2] During the lengthy deliberations on our QCC proposal, the ISE amended the proposal to reject a QCC if the transaction was at the same price as a priority customer order on our book, and the Commission took this into consideration when considering the merits of our proposal. The PHLX has adopted a QCC order rule for its electronic trading environment that will reject a QCC if there is a priority customer order on the electronic book.[3]

In an all electronic trading environment, the system automatically checks to see if there is a priority customer order on the book before allowing a QCC to be executed. While both of the floor-based Proposals state that a QCC will be rejected if there are customer orders on the book, we believe that the mechanics of how QCC orders are executed on the floor and "entered" into the system need to be clarified. In particular, it is unclear what the time of execution would be for a floor-based trade. We believe that

[1] Securities Exchange Act Release Nos. 64354 (April 27, 2011), 76 F.R. 25392 (May 4, 2011); and 64415 (May 5, 2011), 76 FR 27732 (May 12, 2011).
[2] *See* Securities Exchange Act Release No. 63955 (February 24, 2011), 76 FR 11533 (March 2, 2011). The percentage of large-size orders executed on floor-based exchanges without being broken-up is more than twice the percentage on ISE's electronic market. See Memorandum Regarding ISE Qualified Contingent Cross Proposal from Division of Risk, Strategy and Financial Innovation, dated March1, 2010.
[3] *See* Securities Exchange Act Release No. 64249 (April 7, 2011), 76 FR 20773 (April 13, 2011) (SR-PHLX-2011-047).

is unclear what the time of execution would be for a floor-based trade. We believe that the time of execution of a QCC should be the time it is entered into the system.[4] Allowing a QCC to be implemented in a non-automated environment without a systemic check of whether there is a customer order on the book at the time of execution would effectively eliminate the protections guaranteed in an all electronic trading environment, thus returning us to the unequal competitive environment from which the ISE's QCC proposal originated.

If you have any questions on our comments, or if we can be of further help to the Commission on this matter, please do not hesitate to contact us.

Sincerely,

Michael J. Simon
Secretary

cc: Robert Cook, Director, Division of Trading and Markets
James Brigagliano, Deputy Director, Division of Trading and Markets
Heather Seidel, Associate Director, Division of Trading and Markets

[4] There should be no ability for QCC trades to be entered with a "late" indicator that might allow QCC trades to take place at the same price as a customer order on the book at the time the QCC is actually entered into the system.