INTERNATIONAL SECURITIES EXCHANGE

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Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 205490609

Re: File No. SR-ISE-2006-62

Dear Ms. Norris:

In the above captioned rule filing, the International Securities Exchange, LLC ("ISE") proposes to implement the SEC mandated penny pilot and to codify in its rules its existing quote mitigation strategies. The Commission has received three comment letters on the above captioned rule filing from: (1) the Securities Industry and Financial Markets Association ("SIFMA");[1] (2) optionsXpress, Inc.;[2] and (3) the Chicago Board Options Exchange ("CBOE").[3]

The SIFMA comment letter strongly supports the ISE's approach to quote mitigation strategy of employing a holdback timer, which it correctly describes as a process by which the ISE reports options data to the Options Price Reporting Authority ("OPRA") at very short intervals. In order to control the number of quotations the ISE disseminates, we utilize a holdback timer mechanism so that newly-received quotations and other changes to the ISE's best bid and offer accumulate for a period of up to, but not more than, one second before we disseminate an updated quote. The SIFMA advocates that all options exchanges and OPRA employ this type of strategy, stating that:

> The holdback timer strategy has the advantages of reducing the overall amount of data traffic while not interfering with exchange members' ability to submit quotes to the market. Because the contemplated delays in data transmission are very brief, transparency of the market would be preserved and there should be no disadvantage to either market professionals or investors.

Similarly, optionsXpress supports the ISE's use of a holdback timer, but expresses concern that a longer holdback timer could negatively impact market

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[1] Letter from Christopher Nagy, Chair, SIFMA Options Committee, dated December 20, 2006.
[2] Letter from Peter J. Bottini, Executive Vice-President, optionsXpress, Inc., dated October 31, 2006.
[3] Letter from Patrick Sexton, Associate General Counsel, CBOE, dated November 13, 2006.

quality and the linkage system. The ISE agrees that holdback timers should not exceed one second, as is reflected in the proposed rule change.

The CBOE states that it does not necessarily have any fundamental objection to ISE's usage of a holdback timer, but requests that the ISE provide it with a road map on how to successfully implement such a strategy. Many of the specific questions posed in the CBOE letter (e.g., does the timer apply to quotes and order, are size changes included, does it affect execution prices, etc.) are answered clearly from the proposed language in the filing, which states that the holdback timer is a mechanism we use so that newly-received quotations and other changes to the Exchange's best bid and offer are not disseminated for a period of up to, but not more than one second. The holdback timer clearly addresses the dissemination of quote changes on the ISE, not the execution of orders. The SIFMA had no trouble understanding how the holdback timer works and expressed no concerns about execution quality.

As we also state in our filing, the ISE is codifying a current practice that has caused no disruptions in our marketplace or the intermarket linkage system. We believe that our systems capacity, performance and reliability are a significant competitive advantage, and that our technological capabilities and marketplace experience with respect to employing the holdback timer contribute materially to this advantage. Accordingly, we do not believe it is necessary or appropriate for the ISE to provide the CBOE with the details it requests regarding how we can and do employ the holdback timer (e.g., whether by series or class, continuously or only during periods of significant quote traffic, etc.). There is no regulatory reason for us to provide this information to our competitors as they consider how to implement a similar strategy so that they can compete more effectively with the ISE.

Sincerely,

Michael J. Simon
Secretary