



INTERNATIONAL SECURITIES EXCHANGE.

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October 12, 2011

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

Re: File No. SR-ISE-2011-39

Dear Ms. Murphy:

We submit this letter in response to comments submitted to the Commission by Android Alpha Fund (the "Commenter")¹ on the above-referenced rule filing in which the International Securities Exchange, LLC ("ISE" or "Exchange") proposes to, among other things, provide for market makers quotes for complex orders. The Commenter asserts that, due to capacity constraints, allowing market makers to enter quotes on the complex order book would degrade the service offered by the Exchange. However, this simply is not the case.

The Commenter correctly states that the number of instruments created on the complex order book requires systems overhead. As the Commenter points out, the number of different complex order instruments that could be created in just one options class is nearly endless. In order to assure that an ample number of complex order instruments are available for each options class, the Exchange currently supports 3000 complex order instruments per options class. With more than 2400 options classes listed on the Exchange, this means that the ISE complex order book has the capacity to support more than 7.2 million different instruments on a daily basis. As a point of comparison, far fewer than 3000 different complex order instruments have ever traded across all of the more than 2400 options classes traded on the Exchange in a single day. Therefore, the Exchange believes that it provides more than sufficient capacity to meet investor demand.

The Exchange maintains a rigorous capacity planning program that monitors system performance and projected capacity demands. This program is designed to assure that the system has sufficient capacity to support the existing and future needs of the Exchange. As a general matter, the Exchange considers the potential impact on systems capacity of all new initiatives. In particular, the

¹ Letter from Geva Patz, Principal, Android Alpha Fund, dated July 27, 2011.

Exchange analyzed the potential for additional message traffic resulting from market makers entering quotes on the complex order book, and concluded that, while quotes may update more frequently than orders, it has sufficient capacity to handle those quotes without degrading the performance of its systems or reducing the number of complex order instruments it currently supports. Indeed, because market makers can update multiple complex order instruments with a single quote change, encouraging market makers to add liquidity to the complex order book by quoting requires less ISE capacity than if market makers enter the exact same liquidity with orders, as they are able to do currently. In other words, today, market makers need to enter two separate orders to update a bid and an offer for each complex order instrument. In contrast, market makers will be able to update both the bid and offer for multiple complex instruments with one quote change. Accordingly, allowing quotes on the complex order book is an efficient way for the Exchange to encourage greater liquidity on the complex order book.

Encouraging market makers to offer investors greater liquidity in the instruments traded on the ISE complex order book will not degrade the service offered by ISE to the Commenter or any other market participant. Rather, it is designed to encourage enhanced competition and liquidity in the instruments traded on the complex order book. Therefore, we respectfully request that the Commission approve the proposed rule filing.

Sincerely,

A handwritten signature in black ink, appearing to read "MJS", with a horizontal line extending to the right.

Michael J. Simon
Secretary and General Counsel