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VIA ELECTRONIC SUBMISSION AND OVERNIGHT DELIVERY

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

Re: File No. SR-ISE-2012-22

Dear Ms. Murphy:

NYSE Euronext appreciates the opportunity to comment on the above referenced proposal by the International Securities Exchange, LLC ("ISE") ("Proposal"), which would establish rules related to the listing and trading of options on the ISE Max SPY™ Index ("ISE Max SPY").[1] As the operator of two options exchanges, NYSE Arca Inc. and NYSE Amex LLC, we generally applaud efforts to provide investors with additional opportunities to invest using listed options. NYSE Euronext would like to use this opportunity to comment to highlight an area of particular concern to us relating to asymmetrical position limits for economically equivalent products and the burden on competition it potentially creates in the context of singly-listed, proprietary products.

The ISE Proposal

ISE proposes to introduce European style, cash settled options based on the ISE Max SPY index, which ISE describes as being "calculated by multiplying the share prices of SPY by a factor of 10 and rounding to the tenths place. For example, if the share price for SPY is 112.35 then the ISE Max SPY value would yield a value of 1123.50 for the ISE Max SPY."[2]

As described in the Proposal, the "settlement value of the ISE Max SPY utilizes the prices of the stocks held in the SPDR® S&P 500® ETF Trust ("SPY"). These stocks are also used in

[1] See Securities Exchange Act Release No. 34-66614 (March 16, 2012). Capitalized terms not defined in this letter have the meaning in the ISE Proposal.

[2] See supra note 1, page 3.

the calculation of the S&P 500® index underlying C2's SPXPM." On that basis, the ISE argues, rightfully so in our opinion, that the logic that supported the Commission's approval to reintroduce p.m.-settlement to cash-settled index options when it approved C2 Options Exchange, Incorporated's SPXPM product, applies to the ISE's Proposal as well.[3]

Further, the same logic that supported elimination of SPXPM position limits also applies to the ISE Max SPY Proposal such that those options as proposed also would not be subject to position limits. Specifically, the ISE states, "The position limits suggested by the Dutt-Harris model for an S&P 500®-based index option would be so large as to be irrelevant and position limits of such magnitude would attract scrutiny from surveillance systems that would, as a consequence, serve as an effective substitute for position limits. The premise of this conclusion is based upon the broad range and deep liquidity of securities that comprise the S&P 500®, which are the same portfolio securities whose published prices are used to calculate the settlement value of the ISE Max SPY."[4]

NYSE Euronext agrees with the ISE's assertion regarding the appropriateness of eliminating position limits for a product based on the stocks held in the SPDR® S&P 500® ETF Trust, which are also the same stocks used in the calculation of the S&P 500® index underlying C2's SPXPM.

Economically Equivalent Products

A key part of our basis for agreeing with ISE's Proposal with respect to position limits is the fact that there is a very large degree of economic equivalence between options on their proposed index and the existing C2 SPXPM product. Further, that same economic equivalence extends to options on SPY, as the value of SPY shares is largely determined by the value of the stocks held in the SPDR® S&P 500® ETF Trust. Additionally, hedging for options on the ISE Max SPY will likely involve high levels of trading of the securities that comprise the underlying ISE Max SPY index, which are shares of SPY.

Given that the natural hedge for ISE Max SPY will be shares of SPY, and the fact that ISE Max SPY would not be subject to position limits, by extension position limits for the SPY options themselves should be eliminated. NYSE Euronext believes that when investors seeking to hedge large notional amounts of broad market exposure are forced into trading singly-listed proprietary options such as the proposed ISE Max SPY, SPX or SPXPM, those investors are being deprived of the competition in both exchange fees and bid/ask spreads that occurs in multiply-traded options products such as options on SPY.

NYSE Euronext believes that, in the interests of promoting fair and equitable markets, it is important to give investors looking to hedge broad market exposure the benefits of being able

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3 See Securities Exchange Act Release No. 65256 (September 2, 2011), 76 FR 55969 (September 9, 2011) (SR-C2-2011-008) ("SPXPM Filing").

4 See supra note 1, pages 15 and 16.

to do so via options on SPY. Absent the same ability to take very large positions in SPY options, investors are unquestionably being disadvantaged. The Exchange notes that, with respect to competition among economically equivalent products, a 2005 paper by Hans Dutt and Lawrence Harris that set forth a model to determine appropriate position limits for cash-settled index derivatives observed that "markets and their regulators should take a closer look at the underlying economic rationale for the levels at which they currently set their position limits to ensure that… inconsistent position limits do not produce competitive advantages and disadvantages among contracts."[5]

Conclusion

NYSE Euronext is supportive of the ISE's efforts to introduce new and innovative products for investors. The rationale for supporting a product that not only competes with SPX, SPXPM and SPY is sound, as are their arguments for why options on ISE Max SPY should not be subject to position limits. NYSE Euronext further believes that investors must be given an opportunity to choose between singly listed, proprietary products and multiply listed products whenever possible. In furtherance of that goal, NYSE Euronext plans to file a proposed rule change to eliminate position limits in SPY options.

We appreciate the Commission's consideration of our comments. If the Commission or its Staff has any questions on this letter, please feel free to contact Mr. Michael Babel, at (212) 656-4744.

Sincerely,

Janet McGinness

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5 See "Position Limits for Cash-Settled Derivative Contracts", The Journal of Futures Markets, Vol. 25, No. 10 (2005) ("Dutt-Harris Paper"). In the paper, the authors examined existing position limits to determine whether they were consistent with the model the authors developed, and found that the results indicated that existing limits were not correlated with the limits suggested by their model.