



August 6th , 2012

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

RE: *Release No. 34-66614; File No. SR-ISE-2012-22* Order Instituting Proceedings to Determine Whether to Approve or Disapprove Proposed Rule Change, as Modified by Amendment No. 1, to Add an Index Option Product for Trading on the Exchange

Dear Ms. Murphy,

KOR Trading LLC ("KOR")¹ appreciates the opportunity to comment on the above referenced rule filing submitted by the International Securities Exchange to create a new Index Option product called the ISE Max SPY Index. KOR applauds the ISE for its creative efforts to bring product designed for retail investors and feels the Securities and Exchange Commission "Commission" should move to approve the product for trading.

KOR has reviewed the volley of correspondence between the various competitive exchanges and the SEC's additional request for clarification on the effect the product would have on retail investors. KOR feels it is uniquely qualified to answer the questions posed by the Commission as follows:

"What are commenters' views as to whether market disruption and harm to investors would occur if the Commission were to approve the proposed rule change before all judicial challenges to the lawfulness of the proposed options under state law have been resolved?"

KOR believes the commission has no jurisdiction on judicial matters specifically in this matter and as such should have no bearing on the decision. The Commission's decision should focus solely on the merits of Section 6(b) of the Act in general, and the rules and regulations there under and, in particular, the requirements of Section 6(b) of the Act². KOR believes the product as described meets those requirements.

¹ KOR Trading LLC brings over 26 years of experience at helping investors and serves to consult exchanges, brokers and advisors on structural, regulatory and political issues.

² 15 U.S.C. 78f(b).

“In light of the Exchange’s representation that it would not start trading the proposed options until the Illinois Circuit Court rules on the motion to enforce the Injunction, and its representation regarding the potential mechanisms to ensure an orderly wind down of trading in the event that ISE is enjoined from offering the product after trading has already begun, do commenters believe any harm would result if the Exchange started trading the proposed options before all judicial challenges to the lawfulness of the proposed options under state law have been resolved?”

KOR notes that the Exchange has subsequently notified the Commission that it would not start trading the options until the Illinois Circuit Court rules on the motion to enforce the Injunction. KOR believes this is a positive step by the exchange as it will mitigate any client issues should it be approved and begin trading and subsequently suffer an unfavorable outcome from judicial review. KOR therefore believes that an orderly wind down of trading would be no different than a current expiration cycle. KOR would recommend however that the exchange list only near term expiry options until the outcome has been decided.

As outlined above, the Exchange has provided additional detail about how it intends to calculate the settlement value for options on the ISE Max SPY Index. What are commenters’ views as to whether the Exchange should provide additional clarity in the filing regarding the calculation methodology for the settlement value of options on the ISE Max SPY Index to mitigate concerns regarding the potential for investor confusion?

Let me be specific. There will be no investor confusion over the calculation methodology as ISE discusses the specifics and also claims that they will have the exact calculations and values available to all investors on their website. Retail investors will not be concerned over small basis point differentials in the settlement value. In fact if they were, ETF products in general would not be wildly popular with retail investors as the “Indicative Index Value” is rarely disseminated to retail investors for ETF’s which differs from the bid/ask traded value.

As noted above, the Exchange would calculate the value of the ISE Max SPY Index by reference to the traded prices of SPY, times ten, at all times. However, the settlement value of the options on the ISE Max SPY Index would be calculated by reference to the NAV of SPY, as calculated by the Exchange, on a per share basis, times ten. What are commenters’ views of the impact, if any, of the differences between the calculation of the settlement value of the proposed options and the value of the ISE Max SPY Index itself on investor understanding of the options on the ISE Max SPY Index? Do commenters believe that the differences between the calculation of the settlement value of the proposed options and the value of the ISE Max SPY Index itself could cause investor confusion?

KOR does not believe that there will be any confusion as the ISE plans ample disclosure publicly available on their website. KOR also notes that the recently approved SPX PM operates in a somewhat similar manner in terms of value reference.

If commenters believe that the differences between the calculation of the settlement value of the proposed options and the value of the ISE Max SPY Index itself could cause investor confusion, what are commenters' views as to whether the steps that ISE has proposed to take to provide investors with information about the product would be sufficient to mitigate such concerns?

The filing states that the exchange website will contain detailed information about the product. KOR feels that this should be sufficient as broker-dealers can point their clients to the website for further information related to the product.

"Do commenters believe that the characterization of the proposed options as options on the "ISE Max SPY Index" would have the potential to cause investor confusion? If so, why? If not, why not? If so, what are commenters' views on whether any potential confusion would be sufficiently mitigated by the steps that ISE has proposed to take to provide investors with information about the product?119 Please be specific in your response."

Absolutely not as if the investor is "confused" they will not trade the product. If they trade the product and continue to be confused they will call their broker. If they call their broker their broker will educate the client and direct them to the website the exchange plans to establish as a requirement of their duty under ISE Rule 610. The product will also be outlined to all approved Options clients of a particular brokerage firm through the required distribution of the updated ODD Document which shall contain the information ISE Mentioned in its original filing.

KOR Trading appreciates the opportunity to comment on the above proposal. Should you have any questions or require further information, please do not hesitate to contact Christopher Nagy at 402-312-7918.

Sincerely,



Christopher Nagy
President
KOR Trading LLC

"Helping exchanges, brokers and advisors maneuver structural, regulatory and political issues"