



INTERNATIONAL SECURITIES EXCHANGE.

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**RE: Confirmation of Data Request**

In its filing SR-ISE-2013-22, the International Securities Exchange, LLC (the “ISE” or “Exchange”) is proposing to, among other things, suspend the application of Rule 720 regarding obvious errors during limit up-limit down states for a pilot period of one-year. In connection with this pilot, the Exchange represented that it will provide the Securities and Exchange Commission (“SEC” or “Commission”) with data regarding how Limit and Straddle States effect the quality of the options market.<sup>1</sup> In its Amendment No. 2 to the filing, the Exchange further represented that it will conduct its own analysis concerning the elimination of the obvious error rule during Limit and Straddle States and agreed to provide the Commission with relevant data to assess the impact of this proposed rule change. As part of its analysis, the Exchange will evaluate (1) the options market quality during Limit and Straddle States, (2) assess the character of incoming order flow and transactions during Limit and Straddle States, and (3) review any complaints from members and their customers concerning executions during Limit and Straddle States. The Exchange also agreed to provide to the Commission data to evaluate the impact of the elimination of the obvious error rule, including data relevant to assessing the various analyses noted above.

Additionally, the Exchange now represents that it will monitor market quality, liquidity, and other metrics listed below during Limit and Straddle States and will evaluate the impact of Limit and Straddle States on liquidity and market quality in the options markets.

Specifically, at least two months prior to the end of the Pilot Period, the Exchange will provide to the SEC assessments relating to the impact of the operation of the obvious error rules during Limit and Straddle States as follows:

1. Evaluate the statistical and economic impact of Straddle States on liquidity and market quality in the options markets.
2. Assess whether the lack of obvious error rules in effect during the Straddle and Limit States are problematic.

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<sup>1</sup> See Securities Exchange Act Release No. 69110 (March 11, 2013), 78 FR 16726 (March 18, 2013) (SR-ISE-2013-22),

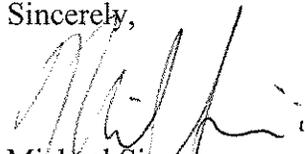
Each month the Exchange will provide to the SEC and the public a dataset containing the data for each Straddle and Limit State in optionable stocks. For each stock that reaches a Straddle State, the number of options included in the dataset will be reduced by selecting options which meet the following conditions:

- The options are more than 20% in the money (strike price remains < 80% of last stock trade price for calls and strike price remains > 120% of last stock trade price for puts when the Straddle or Limit state is reached)
- Option has at least 2 trades during the Straddle or Limit state
- The top 10 options (as ranked by overall contract volume on that day) meeting the conditions above

For each of those options affected, each data record will contain the following information:

- Stock symbol, option symbol, time at the start of the straddle or limit state, an indicator for whether it is a straddle or limit state,
- For activity on the Exchange:
  - executed volume, time-weighted quoted bid-ask spread, time-weighted average quoted depth at the bid, time-weighted average quoted depth at the offer,
  - high execution price, low execution price,
  - number of trades for which a request for review for error was received during Straddle and Limit States,
  - an indicator variable for whether those options outlined above have a price change exceeding 30% during the underlying stock's Limit or Straddle state compared to the last available option price as reported by OPRA before the start of the Limit or Straddle state (1 if observe 30% and 0 otherwise). Another indicator variable for whether the option price within five minutes of the underlying stock leaving the Limit or Straddle state (or halt if applicable) is 30% away from the price before the start of the Limit or Straddle state.

Sincerely,



Michael Simon  
General Counsel