SECURTITES AND EXCHANGE COMMISSION
(Release No. 34-52960; File No. SR-ISE-2005-59)

December 15, 2005

Self-Regulatory Organizations; International Securities Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Expand its $2.50 Strike Price Program

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on December 13, 2005, the International Securities Exchange, Inc. ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by ISE. The Exchange has filed the proposal as a "non-controversial" rule change pursuant to Section 19(b)(3)(A) of the Act[3] and Rule 19b-4(f)(6) thereunder,[4] which renders it effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

ISE proposes to amend ISE Rule 504 pertaining to the $2.50 Strike Price Program ("Program"). Below is the text of the proposed rule change. Proposed new language is in underlined; proposed deletions are in [brackets].

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Rule 504. Series of Options Contracts Open for Trading

(a) through (f) - No change.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 15 U.S.C. 78s(b)(3)(A).

4 17 CFR 240.19b-4(f)(6).

(g) Pursuant to a program initially approved by the SEC in 1995, [T]the options exchanges may select up to 200 options classes on individual stocks for which the interval of strike prices will be $2.50 where the strike price is greater than $25 but less than $50 (the "$2.50 Strike Price Program"). On any option class that has been selected as part of this $2.50 Strike Price Program, $2.50 strike prices between $50 and $75 may be listed, provided that $2.50 strike prices between $50 and $75 are no more than $10 from the closing price of the underlying stock in its primary market on the preceding day. For example, if an options class has been selected as part of the $2.50 Strike Price Program, and the underlying stock closes at $48.50 in its primary market, the Exchange may list the $52.50 strike price and the $57.50 strike price on the next business day. If an underlying security closes at $54, the Exchange may list the $52.50 strike price, the $57.50 strike price and the $62.50 strike price on the next business day. [The 200 options classes may be selected by the various options exchanges pursuant to any agreement mutually agreed to by the individual exchanges. In addition to those options selected by the Exchange, t]The Exchange may list a strike price interval [may be] of $2.50 in any multiply-traded option once [another exchange trading that option selects such option as part of this program] an exchange selects an option as part of the $2.50 Price Program. [The Exchange and any of the other exchanges may also list strike prices of $2.50 on any options class that was previously selected by the NYSE.]

(h) No change.

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II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, ISE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend ISE Rule 504 to allow the listing of options with $2.50 strike price intervals for options with strike prices between $50 and $75 on those option classes that have been selected as part of the Program, provided the $2.50 strike price intervals between $50 and $75 are no more than $10 from the closing price of the underlying stock in its primary market on the preceding day. For example, if an options class has been selected as part of the Program, and the underlying stock closes at $48.50 in its primary market, the Exchange may list options with strike prices of $52.50 and $57.50 on the next business day. If an underlying security closes at $54, the Exchange may list options with strike prices of $52.50, $57.50, and $62.50 on the next business day.

The Program was initially adopted in 1995 as a joint pilot program of the options exchanges, whereby the options exchanges were permitted to list options with $2.50 strike price intervals up to $50 on a total of up to 100 option classes.[5] The Program was later expanded and permanently approved in 1998 to allow the options exchanges to select up to 200 classes on which to list options with $2.50 strike price intervals up to $50.[6] Of these 200 options classes

5 See Securities Exchange Act Release No. 35993 (July 19, 1995), 60 FR 38073 (July 25, 1995) (approving File Nos. SR-Phlx-95-08, SR-Amex-95-12, SR-PSE-95-07, SR-CBOE-95-19, and SR-NYSE-95-12).

6 See Securities Exchange Act Release No. 40662 (November 12, 1998), 63 FR 64297 (November 19, 1998) (approving File Nos. SR-Amex-98-21, SR-CBOE-98-29, SR-PCX-98-31, and SR-Phlx-98-26).

eligible for the Program, 60 classes were allocated to the Chicago Board Options Exchange ("CBOE") and 51 classes were allocated to the American Stock Exchange ("Amex"), all pursuant to a formulae approved by the SEC. Each options exchange, however, is permitted to list options with $2.50 strike price intervals on any option class that another exchange selects as part of the Program.[7]

The Exchange believes that its experiences over the years with the Program have produced positive results. Specifically, the Program has stimulated customer interest by creating additional trading opportunities, by providing more flexibility in trading decisions, and by affording customers the ability to more closely tailor investment strategies to the precise movement of the underlying security. The Exchange's proposal to expand the Program as described in the proposed rule change is intended to provide customers with greater flexibility in their investment choices for those stocks priced between $50 and $75 that have a low volatility and thus trade in a narrow range. The Exchange represents that the Options Price Reporting Authority has the capacity to accommodate the increase in the number of series added pursuant to this rule change.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[8] in general, and furthers the objective of Section 6(b)(5) of the Act,[9] in particular, in that it is designed to promote just and equitable principles of change as well as to protect investors and

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7 The ISE does not select any option classes for inclusion in the Program. The Exchange lists options with $2.50 strike price intervals on those classes selected by the other options exchanges. Telephone conversation between Samir Patel, Assistant General Counsel, ISE, and Theodore S. Venuti, Attorney, Division of Market Regulation, Commission, on December 15, 2005.

8 15 U.S.C. 78f(b).

9 15 U.S.C. 78f(b)(5).

the public interest, by increasing trading opportunities which should, in turn, increase the depth and liquidity of the marketplace.[10]

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the forgoing rule change does not: (1) significantly affect the protection of investors or the public interest; (2) impose any significant burden on competition; and (3) become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act[11] and Rule 19b-4(f)(6) thereunder.[12]

A proposed rule change filed under 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing.[13] However, Rule 19b-4(f)(6)(iii)[14] permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public

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[10] The Commission notes that the statutory basis section of Exhibit 1 to the proposed rule change states the incorrect rule amended by the proposal.

[11] 15 U.S.C. 78s(b)(3)(A).

[12] 17 CFR 240.19b-4(f)(6).

[13] 17 CFR 240.19b-4(f)(6)(iii).

[14] Id.

interest.[15] The Exchange has requested that the Commission waive the 30-day pre-operative delay, and the Commission hereby grants that request.[16] The Commission believes that waiving the 30-day pre-operative delay is consistent with the protection of investors and in the public interest. This action will allow the Exchange to immediately expand its Program to list options with $2.50 strike price intervals for options with strike prices between $50 and $75. The Commission notes that it recently approved similar expansions to the $2.50 Strike Price Programs of CBOE and Amex.[17] These proposals were subject to a full notice-and-comment period, and no negative comments were submitted. The Commission does not believe that ISE's proposal raises any novel issues.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the Act.

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15 In addition, Rule 19b-4(f)(6)(iii) requires that the Exchange give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Commission has decided to waive the five-day pre-filing notice requirement.

16 For the purposes only of waiving the 30-day pre-operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

17 See Securities Exchange Act Release Nos. 52892 (December 5, 2005), 70 FR 73492 (December 12, 2005) (approving SR-CBOE-2005-39) and 52893 (December 5, 2005), 70 FR 73488 (December 12, 2005) (approving SR-Amex-2005-067).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-ISE-2005-59 on the subject line.

Paper comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-9303.

All submissions should refer to File No. SR-ISE-2005-59. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of ISE. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-ISE-2005-59 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[18]

Jonathan G. Katz
Secretary

[18] 17 CFR 200.30-3(a)(12).