

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54561; File No. SR-ISE-2006-54)

October 2, 2006

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to ISE Stock Exchange Fees

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 September 6, 2006, the International Securities Exchange, LLC ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The ISE has designated this proposal as one changing a fee imposed by the ISE under Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposal 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

The ISE proposes to amend its Schedule of Fees to adopt fees related to the ISE Stock Exchange, LLC ("ISE Stock"). The text of the proposed rule change is available on the Exchange's Web site at <http://www.iseoptions.com>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

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

In its filing with the Commission, the 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 ISE 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 ISE states that the purpose of the proposed rule change is to adopt fees related to the trading of equity securities on ISE Stock, a facility of the Exchange. The proposed fee schedule includes execution fees, access fees, and regulatory fees for trading of equity securities, as well as changes to existing language to clarify the application of certain fees that are specific to options trading only. With regard to the execution fees, the Exchange proposes to charge fees based on a member's average daily shares executed, with the average daily volume ("ADV") calculated on a monthly basis. This fee would be charged on a tiered basis (e.g., a member that executes 9,600,000 shares in a 20-day month would have an ADV of 480,000 shares and would be charged as follows: \$0.0025 for the first 200,000 shares ADV (4,000,000 shares) and \$0.0020 for the remaining 280,000 shares ADV (5,600,000 shares)). Further, a member that transacts more than 3,000,000 shares on a daily basis would be charged a fee of \$0.0010 per share for all

of its monthly volume instead of being charged on a tiered basis.⁵ Additionally, in an effort to promote ISE Stock, the Exchange proposes to waive all execution fees until December 1, 2006.

With regard to access fees, the Exchange states that it currently charges an Electronic Access Member (“EAM”) that trades options an access fee of \$500 per month. Access fees for these EAMs will remain unchanged if they also trade equities on ISE Stock. For an EAM that trades equities only, the Exchange proposes a monthly access fee of \$200. Finally, the Exchange states that it currently charges an EAM that trades options a regulatory fee of \$5,000 per year. For EAMs that trade equities only, the Exchange proposes an annual regulatory fee of \$5,000. For EAMs that trade both equities and options, the Exchange proposes an annual regulatory fee of \$6,000.⁶

The Exchange also proposes to amend 1) the Notes for the cancellation fee to clarify that the fee is applicable to options orders only; and 2) language to the EAM / Trade Review Terminal fee and the Order Routing Service Connection Fee to clarify that these fees are options fees and are applicable to EAMs that trade options.⁷ The Exchange states that both these fees

⁵ The tiers are as follows:

A.D.V. Up to 200,000 shares	\$0.0025 per share
A.D.V. From 200,001 to 500,000 shares	\$0.0020 per share
A.D.V. From 500,001 to 2,000,000 shares	\$0.0015 per share
A.D.V. From 2,000,001 to 3,000,000 shares	\$0.0010 per share
A.D.V. Over 3,000,000 shares	\$0.0010 per share (applied to all volume)

Telephone conversation between Michou H.M. Nguyen, Special Counsel, Division of Market Regulation, Commission, and Samir Patel, Assistant General Counsel, Exchange, on September 27, 2006.

⁶ The Exchange represents that there exists overlap in the costs associated with the regulatory fee for trading options and for trading equities. Therefore, if an EAM trades both, the EAM is only charged \$6,000 instead of \$10,000. Id.

⁷ The Exchange represents that the Trade Review Terminal and the related Order Routing Service are used exclusively for the trading of options. Therefore, the Trade Review Terminal fee and the associated Order Routing Service Connection Fee would only be charged to EAMs trading options. Id.

currently appear as Session/API Fee in the current fee schedule.

Finally, the Exchange also proposes to charge EAMs that trade equity securities certain administrative fees. These would include fees related to the registration of Form U4 as well as a CRD fee. The Exchange states that these administrative fees currently appear under the Legal & Regulatory section of the current fee schedule.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁸ in general, and furthers the objectives of Section 6(b)(4) of the Act⁹ in particular, in that it provides for an equitable allocation of reasonable dues, fees, and other charges among ISE members.

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 that is 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 nor received any written comments on the proposed rule change.

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

The foregoing proposed rule change has been designated as a fee change pursuant to Section 19(b)(3)(A)(ii) of the Act¹⁰ and Rule 19b-4(f)(2)¹¹ thereunder, because it establishes or changes a due, fee, or other charge imposed by the Exchange. Accordingly, the proposal will take effect upon filing with the Commission. At any time within 60 days of the filing of such

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(4).

¹⁰ 15 U.S.C. 78s(b)(3)(A)(ii).

¹¹ 17 CFR 240.19b-4(f)(2).

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 purposes of the Act.

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 Number SR-ISE-2006-54 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-ISE-2006-54. 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. Copies of

such filing also will be available for inspection and copying at the principal office of the 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 Number SR-ISE-2006-54 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.¹²

Nancy M. Morris
Secretary

¹² 17 CFR 200.30-3(a)(12).