

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54841; File No. SR-ISE-2006-69)

November 30, 2006

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Fee Changes

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 November 27, 2006, the International Securities Exchange, LLC (the “Exchange” or the “ISE”) filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II, and III below, which items have been prepared by the self-regulatory organization. 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 is proposing to amend its Schedule of Fees to extend until June 30, 2007, a pilot program that (i) caps and waives execution and comparison fees for transactions in options on the NASDAQ-100 Index Tracking Stock[®] (“QQQQ[®]”) when a member transacts a certain number of QQQQ option contracts, and (ii) reduces and waives the facilitation execution and comparison fees when a member transacts a certain number of contracts through the Exchange’s Facilitation Mechanism. The text of the proposed rule change is available on the Exchange’s

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

Web site at (<http://www.iseoptions.com/legal/proposed-rule-changes.asp>), at the ISE's principal office, and at the Commission's Public Reference Room.

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 proposes to amend its Schedule of Fees to extend until June 30, 2007, a pilot program that (i) caps and waives execution and comparison fees for transactions in options on the QQQQ when a member transacts a certain number of QQQQ option contracts, and (ii) reduces and waives the facilitation execution and comparison fees when a member transacts a certain number of contracts through the Exchange's Facilitation Mechanism.⁵

Under the QQQQ pilot program, when a member's monthly average daily volume ("A.D.V.") in QQQQ options reaches 10,000 contracts, the member's execution fee for the next 2,000 QQQQ option contracts is reduced by \$.10 per contract.⁶ Further, when a member's

⁴ 17 CFR 240.19b-4(f)(2).

⁵ Earlier this year, the Exchange amended the pilot program by increasing the threshold levels at which the fee waiver and reduction applied. See Securities Exchange Act Release No. 54016 (June 19, 2006), 71 FR 36575 (June 27, 2006).

⁶ Telephone conversation between Samir Patel, Assistant General Counsel, ISE, and Hong-anh Tran, Special Counsel, Division of Market Regulation, Commission, on November 28, 2006 (clarifying that the A.D.V. threshold is calculated on a monthly basis).

monthly A.D.V. in QQQQ options reaches 12,000 contracts, the Exchange waives the entire execution fee and the comparison fee for each QQQQ option contract traded thereafter. The Exchange instituted this pilot program in November 2003 for a six month period, expiring in May 2004.⁷ The Exchange extended the pilot program in May 2004 for an additional six month period, expiring in November 2004.⁸ The Exchange extended the pilot program for a one year period in November 2004⁹ and again in November 2005.¹⁰ The current pilot program is set to expire on November 30, 2006. The Exchange now proposes to further extend the pilot program until June 30, 2007.¹¹ The Exchange seeks to extend this pilot program for competitive reasons. This pilot program was initiated and extended in an attempt to increase the Exchange's market share in the QQQQ option product.

The structure of the reduction and waiver of the facilitation execution fee and the comparison fee is based on the structure of the reduction and waiver of the QQQQ execution fee and comparison fee noted above. That is, when a member's monthly A.D.V. in the Facilitation Mechanism reaches 15,000 contracts, the member's facilitation execution fee for the next 5,000 contracts transacted in the Facilitation Mechanism would be reduced by \$.10 per contract. Further, when a member's monthly A.D.V. in the Facilitation Mechanism reaches 20,000

⁷ See Securities Exchange Act Release No. 49147 (January 29, 2004), 69 FR 5629 (February 5, 2004).

⁸ See Securities Exchange Act Release No. 49853 (June 14, 2004), 69 FR 35087 (June 23, 2004).

⁹ See Securities Exchange Act Release No. 50900 (December 21, 2004), 69 FR 78075 (December 29, 2004)

¹⁰ See Securities Exchange Act Release No. 52934 (December 9, 2005), 70 FR 74859 (December 16, 2005).

¹¹ The Exchange intends to establish, through subsequent filings, June 30 as the date on which all of its fee programs expire. By aligning the expiration date as such, the Exchange seeks to manage its various fee programs more effectively.

contracts, the Exchange would waive the entire facilitation execution fee and the comparison fee for each contract transacted in the Facilitation Mechanism thereafter. As with the QQQQ incentives, the Exchange is proposing to extend this pilot program to encourage members to use the Facilitation Mechanism.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act¹² in general, and furthers the objectives of Sections 6(b)(4) of the Act¹³ in particular, in that it is an equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities. In particular, the fee changes proposed hereby will enable the Exchange to continue offering competitively priced products and services.

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

The Exchange believes that the proposed rule change does not 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

No written comments were either solicited or received.

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 Act¹⁴ and Rule 19b-4(f)(2)¹⁵ 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

¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(4).

¹⁴ 15 U.S.C. 78s(b)(3)(A)(ii).

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-2006-69 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-2006-69. 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

¹⁵ 17 CFR 240.19b-4(f)(2).

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-2006-69 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.¹⁶

Florence E. Harmon
Deputy Secretary

¹⁶ 17 CFR 200.30-3(a)(12).