

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-60642; File No. SR-ISE-2009-61)

September 9, 2009

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding Exposure of Reserve Orders

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on August 27, 2009, 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 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 Exchange is proposing to amend its rules to adopt an interpretation to its rules related to the exposure of reserve orders. The text of the proposed rule change is as follows, with additions underlined:

Rule 717. Limitations on Orders

(a) through (g) no change.

Supplementary Material to Rule 717

.01 - .04 no change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

.05 With respect to the non-displayed reserve portion of a reserve order, the exposure requirement of paragraphs (d) and (e) are satisfied if the displayable portion of the reserve order is displayed at its displayable price for one second.

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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, the self-regulatory organization 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 self-regulatory organization 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

(a) Purpose – The purpose of the proposal is to adopt an interpretation to ISE Rule 717(d) and (e) to specify that the exposure requirement contained in these paragraphs is satisfied with respect to the non-displayed reserve portion of a reserve order if the displayable portion is displayed at its displayable price for one second. A reserve order is an order where only a portion of the full size is included in the Exchange's disseminated quotation.³ The displayed size is executed according to the Exchange's regular priority rules, and is refreshed with additional volume from the non-displayed portion of the order. The non-displayed portion of the reserve order is available for execution only after the exchange's displayed quote is fully exhausted.

³ ISE Rule 715(g).

Under the proposed interpretation, after entering a reserve order, a member may enter a contra-side order for its own account or a contra-side order that was solicited from another broker-dealer that would execute against the displayable and non-displayed portions of the order so long as the displayable portion of the order was displayed on the ISE (i.e., the price of the order is at the ISE BBO) for at least one second. This proposed interpretation is the same as an existing interpretation to the rule of the Nasdaq Options Market that contains the same exposure requirements as ISE Rule 717(d) and (e).⁴ Accordingly, the Commission has previously determined that display of the displayable portion of a reserve order is sufficient to satisfy the exposure requirements of ISE Rule 717(d) and (e).

(b) Basis – The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5) that an exchange have rules that are designed to promote just and equitable principles of trade, and to remove impediments to and perfect the mechanism for a free and open market and a national market system, and in general, to protect investors and the public interest. In particular, the proposal is the same as an existing rule of another exchange,⁵ and will provide members with certainty with respect to the applicable exposure requirements for reserve orders.

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

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.

⁴ Nasdaq Rules, Chapter VII, Sec. 12 (Order Exposure Requirements), Commentary .03.

⁵ Id.

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

This proposed rule change does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition, and, by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange provided the Commission with 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 the proposed rule change as required by Rule 19b-4(f)(6).⁶ The proposed rule change is the same as a rule that the Commission has previously approved for another self-regulatory organization.⁷ For the foregoing reason, this rule filing qualifies for immediate effectiveness as a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 of the Act.

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

⁶ 17 CFR 240.19b-4(f)(6).

⁷ Supra note 4.

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 proposal 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-2009-61 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-ISE-2009-61. 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, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will 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 Number SR-ISE-2009-61 and should be submitted on or before [insert date 21 days from the date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁸

Florence E. Harmon
Deputy Secretary

⁸ 17 CFR 200.30-3(a)(12).