SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-65502; File No. SR-ISE-2011-63)

October 6, 2011

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Retire a Pilot Program and to Harmonize ISE's Rules Regarding Listing Expirations with the Existing Rules of Other Exchanges

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 26, 2011, 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 and II below, which Items have been prepared by the Exchange. 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 proposes to amend its rules to retire a pilot program and to harmonize ISE's rules regarding listing expirations with the existing rules of other exchanges. The text of the proposed rule change is available on the Exchange's Web site www.ise.com, at the principal office of the Exchange, 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 Exchange 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

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

2 17 CFR 240.19b-4.

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

1. Purpose

The purpose of the proposed rule change is to retire the Additional Expiration Months Pilot Program ("Pilot Program") and to amend ISE's rules regarding listing expirations. This filing is based on the existing rules of other options exchanges.[3]

ISE Rules Governing Listing of Expirations

Pursuant to ISE Rule 504(e), ISE typically opens four expiration months for each class of options open for trading on the Exchange: the first two being the two nearest months, regardless of the quarterly cycle on which that class trades; the third and fourth being the next two months of the quarterly cycle previously designated by the Exchange for that specific class. Notwithstanding Rules 504(a) and 504(c), which presumably provide ISE with the flexibility to add additional expiration months, ISE has historically interpreted Rule 504(e) conservatively and viewed it to allow a maximum number of expirations that may be listed.

In 2010, the Exchange established the Pilot Program pursuant to which ISE could list up to an additional two expiration months, for a total of six expiration months for each class of

[3] See NASDAQ Options Market ("NOM") Chapter IV, Section 6 (Series of Options Contracts Option for Trading), NASDAQ OMX PHLX, LLC ("PHLX") Rule 1012 (Series of Options Listed for Trading) and Chicago Board Options Exchange ("CBOE") Rule 5.5 (Series of Option Contracts Open for Trading). See also Securities Exchange Act Release Nos. 57478 (March 12, 2008), 73 FR 14521 (March 18, 2008) (SR-NASDAQ-2007-004 and NASDAQ -2007-080) and 63700 (January 11, 2011) 76 FR 2931 (January 18, 2011) (SR-PHLX-2011-04). The PHLX filing was based on NOM's existing rules.

option open for trading on the Exchange.[4] CBOE subsequently established a similar pilot program.[5]

After ISE and CBOE established their respective pilot programs, ISE submitted a filing in response to a PHLX filing regarding the listing of expirations.[6] In the PHLX filing, PHLX amended its rules so that it could open "at least one expiration month" for each class of standard options open for trading on PHLX.[7] PHLX stated in its filing that this amendment was "based directly on the recently approved rules of another options exchange, namely Chapter IV, Sections 6 and 8" of NOM. Since PHLX's rules did not hard code an upper limit on the maximum number of expirations that may be listed per class, ISE believed that PHLX (and NOM) had the ability of list expirations that ISE would not be able to list under its rules. As a result, ISE amended its rules by adding Supplementary Material .10 to Rule 504 and Supplementary Material .04 to Rule 2009 to permit ISE to list additional expiration months on options classes opened for trading on ISE if such expiration months are opened for trading on at least one other national securities exchange.[8]

Retire Additional Expiration Months Pilot and Adopt Amended Rules

ISE initially established the Pilot Program because it did not believe it had the ability to list more than four expirations per class when an options class is opened for trading on the

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4 See Securities Exchange Act Release No. 63104 (October 14, 2010), 75 FR 64773 (October 20, 2010) (SR-ISE-2010-91).

5 See Securities Exchange Act Release No. 63185 (October 27, 2010), 75 FR 67419 (November 2, 2010) (SR-ISE-CBOE-2010-97).

6 See Securities Exchange Act Release No. 64343 (April 26, 2011), 76 FR 24546 (May 2, 2011) (SR-ISE-2011-26).

7 See id. at 24546-24547.

8 See id. at 24547.

Exchange. Now that ISE has the ability to match the expiration listings of other exchanges[9] (that may exceed six expirations and may occur on a regular basis) the Exchange believes that the Pilot Program is no longer necessary and is proposing to retire it. To affect this change, the Exchange is proposing to delete Supplementary Material .08 to Rule 504, which sets forth the terms of the Pilot Program, and which is currently scheduled to expire on October 31, 2011.

In addition, ISE's ability to match the expirations listed by other exchanges is set forth in Supplementary Material .10 to Rule 504. This provision, however, only provides ISE with the ability the match expirations initiated by other options exchanges. To encourage competition and to place ISE on a level playing field, the Exchange should have the same ability as PHLX, NOM and CBOE to initiate expirations. Therefore, ISE is proposing to harmonize its rules with the rules of PHLX, NOM and CBOE by clarifying that ISE will open at least one expiration month and one series for each class opened for trading on the Exchange. To affect this change, the Exchange is proposing to amend the text of Rule 504(b) to track the rule text of NOM Chapter IV, Section 6, PHLX Rule 1012 and CBOE Rule 5.5 and to delete Rule 504(e).

Finally, the Exchange is proposing to slightly modify Rule 504 regarding the opening of additional series. Specifically, the Exchange proposes to amend Rule 504(c) to permit the listing of additional series when (among other reasons) the market price of the underlying stock moves more than five strike prices from the initial exercise price or prices.[10] Currently, Rule 504(c) permits the listing of additional series when the market price of the underlying stock moves

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9 See Supplementary Material .10 to ISE Rule 504.

10 Rule 504(c) also permits ISE to add additional series of options of the same class when the Exchange deems it necessary to maintain an orderly market and to meet customer demand. These "additional series" provisions are similar to existing provisions in NOM Chapter IV, Section 6, PHLX Rule 1012 and CBOE Rule 5.5.

substantially from the initial exercise price or prices. This proposed rule change again tracks PHLX, NOM and CBOE's existing rule text.

The Exchange believes the proposed rule change is proper, and indeed necessary, in light of the need to have rules that do not put the Exchange at a competitive disadvantage. ISE's proposal puts the Exchange in the same position as PHLX, NOM and CBOE and provides the Exchange with the same ability to initiate and match identical expirations across exchanges for products that are multiply-listed and fungible with one another. The Exchange believes that the proposed rule change should encourage competition and be beneficial to traders and market participants by providing them with a means to trade on the Exchange securities that are initiated by the Exchange and listed and traded on other exchanges.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act")[11] and the rules and regulations thereunder and, in particular, the requirements of Section 6(b) of the Act.[12] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[13] requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to remove impediments to and to 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 proposed rule change will permit the Exchange to accommodate requests made by its Members and other market participants to list additional expiration months and thus encourages competition without harming investors or the public interest.

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11 15 U.S.C. 78s(b)(1).

12 15 U.S.C. 78f(b).

13 15 U.S.C. 78f(b)(5).

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.

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 foregoing 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 from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act[14] and Rule 19b-4(f)(6) thereunder.[15]

The Exchange has requested that the Commission waive the 30-day operative delay. The Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest because the proposal should promote competition by allowing the Exchange, without undue delay, to incorporate rules that previously have been adopted by other exchanges and thereby to list and trade option series that are trading on those other

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14 15 U.S.C. 78s(b)(3)(A).

15 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's 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 Exchange has satisfied this requirement.

options exchanges. Therefore, the Commission designates the proposal operative upon filing.[16]

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend 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-2011-63 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-2011-63. 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 website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the

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

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 website viewing and printing 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 the filing also will be available for inspection and copying at the principal office of the Exchange. 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-2011-63 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[17]

Elizabeth M. Murphy
Secretary

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