

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-69153; File No. SR-ISE-2013-23)

March 15, 2013

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend its Rules Related to Mini Options Traded on the Exchange

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 13, 2013, the International Securities Exchange, LLC (the "Exchange" or the "ISE") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II, 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 related to Mini Options traded on the Exchange. The text of the proposed rule change is available on the Exchange's Web site [www.ise.com](http://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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

ISE proposes to amend its rules related to Mini Options traded on the Exchange. Mini Options overlie 10 equity or ETF shares, rather than the standard 100 shares.<sup>3</sup> Mini Options are currently approved on the following five (5) underlying securities: SPDR S&P 500 ETF (“SPY”), Apple Inc. (“AAPL”), SPDR Gold Trust (“GLD”), Google Inc. (“GOOG”), and Amazon.com, Inc. (“AMZN”).

The purpose of this proposed rule change is to adopt new Supplementary Material .13(d) to ISE Rule 504 to codify the minimum contract threshold requirement for the execution of Mini Options in the Exchange’s Block Order Mechanism and Solicited Order Mechanism. The Block Order Mechanism is a process by which a Member can obtain liquidity for the execution of block-size orders.<sup>4</sup> Block-size orders are orders for fifty (50) or more contracts.<sup>5</sup> The Solicited Order Mechanism is a process by which an Electronic Access Member can attempt to execute orders of 500 or more contracts it represents as agent against contra orders that it solicited.<sup>6</sup> The minimum contract threshold required for the Block Order Mechanism and the Solicited Order

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<sup>3</sup> Mini Options were approved for trading on September 28, 2012. See Securities Exchange Act Release No. 67948 (September 28, 2012), 77 FR 60735 (October 4, 2012) (Approving SR-ISE-2012-58). The Exchange expects to begin trading Mini Options on March 18, 2013.

<sup>4</sup> See ISE Rule 716(c).

<sup>5</sup> See ISE Rule 716(a).

<sup>6</sup> See ISE Rule 716(e).

Mechanism applies to option contracts that overlie 100 shares and therefore does not currently apply to Mini Options.

This proposed rule change also proposes to adopt a minimum contract threshold for the execution of a Qualified Contingent Cross Order in Mini Options. A Qualified Contingent Cross Order is an order to buy or sell at least 1000 contracts that is identified as being part of a qualified contingent trade coupled with a contra-side order to buy or sell an equal number of contracts.<sup>7</sup> Again, the minimum contract threshold required for the execution of a Qualified Contingent Cross order applies to option contracts that overlie 100 shares and therefore does not currently apply to Mini Options.

The Exchange now proposes to adopt new Supplementary Material .13(d) to Rule 504 to adjust the minimum contract threshold for executing Mini Options in the Block Order Mechanism and Solicited Order Mechanism by ten times their current requirement. Thus, Mini Options executed in the Block Order Mechanism must be for five hundred (500) or more Mini Option contracts, and Mini Options executed in the Solicited Order Mechanism must be for five thousand (5,000) or more Mini Option contracts. Further, new Supplementary Material .13(d) to Rule 504 also adjusts the minimum contract threshold for the execution of Qualified Contingent Cross orders in Mini Options. Thus, a Qualified Contingent Cross order in Mini Options must be comprised of an order to buy or sell at least 10,000 Mini Option contracts coupled with a contra-side order to buy or sell an equal number of Mini Option contracts.

The Exchange believes it is appropriate to adjust the minimum contract threshold for Mini Options so they are equivalent (same number of underlying securities) to the minimum contract threshold required for standard options that are executed in the Block Order Mechanism

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<sup>7</sup> See ISE Rule 715(j).

and Solicited Order Mechanism and for the execution of Qualified Contingent Cross orders in Mini Options. The Exchange believes that adjusting the minimum contract threshold will remove any confusion on the part of market participants that want to use these Exchange functionalities to execute Mini Options.

## 2. Statutory Basis

The basis under the Securities Exchange Act of 1934 (the "Exchange Act") for this proposed rule change is found in Section 6(b)(5), in that the proposed change is designed to promote just and equitable principles of trade, will serve to remove impediments to and perfect the mechanisms of 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 assure that standard options and Mini Options on the same underlying security will have an equivalent minimum contract threshold for the execution of orders in the Exchange's Block Order Mechanism and Solicited Order Mechanism and for Qualified Contingent Cross orders executed on the Exchange. The Exchange believes the proposed rule change will also avoid investor confusion because in the absence of this proposal, the minimum contract threshold for executing Mini Options in the Block Order Mechanism and Solicited Order Mechanism and for executing Qualified Contingent Cross orders in Mini Options would have been different than that for standard options (i.e., different number of underlying securities). The Exchange does not intend that Mini Options and standard options have different minimum contract threshold requirements for its auction mechanisms and for Qualified Contingent Cross orders executed on the Exchange. The Exchange further believes that investors and other market participants will benefit from this proposed rule change because it proposes to clarify and establish the minimum contract threshold for executing Mini Options in the Block Order Mechanism and Solicited Order Mechanism and

for executing Qualified Contingent Cross orders in Mini Options prior to the commencement of trading. The Exchange believes that investors generally will be expecting the minimum contract threshold for Mini Options to be equivalent to the minimum contract threshold for standard options when it comes to executing trades in the Exchange's various auctions and in executing Qualified Contingent Cross orders in Mini Options on the same underlying security. This proposed rule change will therefore lessen investor confusion.

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

This proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. ISE believes that the proposed rule change will in fact relieve any burden on, or otherwise promote, competition. Mini Options are currently approved for trading on multiple options exchanges and all of the options exchanges that have a minimum contract threshold in their rules will have the opportunity to amend their rules to adopt minimum contract thresholds for Mini Options that are equivalent to the minimum contract threshold for standard options.

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: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) by its terms does not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate if consistent with the protection of

investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>8</sup> and Rule 19b-4(f)(6) thereunder.<sup>9</sup>

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay so that the proposed rule change may coincide with the anticipated launch of trading in Mini Options. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest.<sup>10</sup> Waiver of the operative delay will allow the Exchange to implement its proposal consistent with the commencement of trading in Mini Options as scheduled and expected by members and other participants on March 18, 2013. For these reasons, the Commission designates the proposed rule change as operative upon filing.

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.

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to provide 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 of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has fulfilled this requirement.

<sup>10</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-ISE-2013-23 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-2013-23. 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 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-2013-23 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.<sup>11</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).