SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-70029; File No. SR-ISE-2013-45)

July 23, 2013

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Schedule of Fees

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 July 11, 2013, 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 ISE proposes to amend its Schedule of Fees to modify its routing fees and to eliminate a fee discount applicable to Foreign Currency Options ("FX Options") traded on the Exchange. The text of the proposed rule change is available on the Exchange's web site (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 self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and

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

2 17 CFR 240.19b-4.

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this proposed rule change is to amend the Schedule of Fees to modify the route-out fee applicable to Priority Customer[3] and Professional Customer[4] orders and to eliminate a fee discount applicable to FX Options traded on the Exchange. First, the Exchange currently charges a fee of $0.35 per contract and $0.45 per contract to executions of Priority Customer and Professional Customer orders, respectively, for standard options in all symbols that are routed to one or more exchanges in connection with the Options Order Protection and Locked/Crossed Market Plan. For Mini Options, this fee is currently $0.035 per contract for Priority Customer orders and $0.045 per contract for Professional Customer orders. The Exchange now proposes to increase the route-out fee for Priority Customer and Professional Customer orders for standard options to $0.38 per contract and $0.55 per contract, respectively. For Mini Options, the Exchange proposes to increase the route fee for Priority Customer orders to $0.038 per contract and for Professional Customer orders to $0.055 per contract.

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3 A Priority Customer is defined in ISE Rule 100(a)(37A) as a person or entity that is not a broker/dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).

4 A Professional Customer is a person who is not a broker/dealer and is not a Priority Customer.

The route-out fee offsets costs incurred by the Exchange in connection with using unaffiliated broker-dealers to access other exchanges for linkage executions and is therefore appropriate because the market professionals that are submitting these orders can route them directly to away exchanges, if desired, and should not be able to forgo an away market fee by directing their orders to the ISE. These costs incurred by the Exchange recently increased as a result of the Exchange's changing the way Priority Customer and Professional Customer orders are handled under the Options Order Protection and Locked/Crossed Market Plan.[5]

Second, the Exchange currently provides a fee discount for large-sized FX Options orders. The fee discount applies to orders of 250 contracts or more and waives fees on incremental volume above 250 contracts. Contracts at or under the threshold are charged the constituent's prescribed execution fee. The fee discount applies to all market participants who trade FX Options on the Exchange. The Exchange initially adopted the fee discount for large-sized FX Options orders in 2008.[6] The fee discount was subsequently extended[7] and expired on June 30, 2013.[8] The Exchange has determined to eliminate this fee discount because the Exchange believes it is no longer necessary to

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5 See Securities and Exchange Act Release No. 69396 (April 18, 2013), 78 FR 24273 (April 24, 2013) (SR-ISE-2013-18) (Order Approving Order Handling Under the Options Order Protection and Locked/Crossed Market Plan).

6 See Securities Exchange Act Release No. 58139 (July 10, 2008), 73 FR 41142 (July 17, 2008) (SR-ISE-2008-54).

7 See Securities Exchange Act Release Nos. 60192 (June 30, 2009), 74 FR 32211 (July 7, 2009) (SR-ISE-2009-42); 62506 (July 15, 2010), 75 FR 42801 (July 22, 2010) (SR-ISE-2010-67); and 64743 (June 24, 2011, 76 FR 38434 (June 30, 2011) (SR-ISE-2011-35).

8 See Securities Exchange Act Release No. 67212 (June 19, 2012), 77 FR 37947 (June 25, 2012) (SR-ISE-2012-55).

provide an incentive to attract large-sized FX Options orders to the Exchange and therefore, proposes to remove reference to this fee discount from its Schedule of Fees.

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(4) that an exchange have an equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities. In particular, the Exchange believes the proposed route-out fee is reasonable and equitable as it provides the Exchange the ability to recover costs associated with using unaffiliated broker-dealers to route Priority Customer and Professional Customer orders to other exchanges for "linkage" executions. These costs incurred by the Exchange recently increased as a result of the Exchange's changing the way Priority Customer and Professional Customer orders are handled under the Options Order Protection and Locked/Crossed Market Plan.[9] The Exchange also believes that the proposed fees are not unfairly discriminatory because these fees would be uniformly applied to all Priority Customer and Professional Customer orders. As fees to access liquidity for Priority and Professional Customer orders have risen at other exchanges, it has become necessary for the Exchange to raise routing fees in order to recoup the higher costs. The Exchange notes that a number of other exchanges currently charge a variety of routing related fees associated with customer and non-customer orders that are subject to linkage handling. The Exchange also notes that the fees proposed herein are within the range of fees charged by some of the Exchange's competitors.[10]

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9 See note 5.

10 See NASDAQ OMX PHLX ("PHLX") Fee Schedule, Section V, Routing Fees; and Chicago Board Options Exchange ("CBOE") Fees Schedule, Linkage Fees.

The Exchange has determined to charge fees for regular orders in Mini Options at a rate that is 1/10th the rate of fees the Exchange currently provides for trading in standard options. The Exchange believes it is reasonable and equitable and not unfairly discriminatory to assess lower fees to provide market participants an incentive to trade Mini Options on the Exchange. The Exchange believes the proposed fees are reasonable and equitable in light of the fact that Mini Options have a smaller exercise and assignment value, specifically 1/10th that of a standard option contract, and, as such, levying fees that are 1/10th of what market participants pay to trade standard options. As a result, routing fees for Mini Options will continue to be charged at $1/10^{th}$ the rate of fees of standard options.

The Exchange's proposal to remove references to the fee discount for large-sized FX Options from its Schedule of Fees is reasonable, equitable and not unfairly discriminatory because the Exchange has determined to no longer provide an incentive to attract this order flow to the Exchange. The reference to this fee discount on the Exchange's Schedule of Fees for large-sized FX Options is therefore unnecessary.

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

ISE 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. The Exchange believes the proposed fee change does not impose a burden on competition because the proposed fee is consistent with fees charged by other exchanges and will uniformly apply to all Priority Customer and Professional Customer orders in standard options and Mini Options that are routed out to other exchanges for linkage executions. The Exchange notes that Members can and do route these orders to other markets or to specify that ISE not route orders away on their behalf. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct their order flow to competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees and rebates to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed fee change reflects this competitive environment. Furthermore, neither fee change presents a change to or impacts intra-market competition as the route out fee applies to orders routed to away markets and the large-sized FX Options order incentive does not change the relative levels of fees paid by various ISE participants.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act[11] and subparagraph (f)(2) of Rule 19b-4 thereunder,[12] because it establishes a due, fee, or other charge imposed by ISE.

At any time within 60 days of the filing of such 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

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11 15 U.S.C. 78s(b)(3)(A)(ii).

12 17 CFR 240.19b-4(f)(2).

protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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-2013-45 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-2013-45. 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-2013-45, 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.[13]

Kevin M. O'Neill
Deputy Secretary

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[13] 17 CFR 200.30-3(a)(12).