SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-70335; File No. SR-ISE-2013-47)

September 6, 2013

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to $0.50 and $1 Strike Price Intervals for Classes in the Short Term Option Series Program

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 August 28, 2013, International Securities Exchange, LLC (the "Exchange" or "ISE") 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 give the Exchange the ability to initiate strike prices in more granular intervals for Short Term Options ("STOs") in the same manner as on other options exchanges.

The text of the proposed rule change is available on the Exchange's Internet website at 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

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

2 17 CFR 240.19b-4.

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

1. Purpose

The Commission recently approved the Exchange's proposal regarding strike price intervals for certain STOs, permitting ISE to list \$0.50 strike price intervals for STOs for options classes that trade in one dollar increments and are in the Short Term Option Series Program ("STOS Program"),[3] and simultaneously approved a NASDAQ OMX PHLX, LLC ("PHLX") filing regarding \$0.50 and \$1 strike price intervals for certain STOs that used a different methodology than ISE for STO pricing.[4] Subsequent to the approval of these two competing methodologies, the Chicago Board Options Exchange, Inc. ("CBOE"), PHLX, NYSE Arca, Inc. ("Arca"), NYSE MKT LLC ("MKT"), and MIAX Options Exchange ("MIAX") filed immediately effective rule changes that integrated the two prior methodologies for establishing strike price intervals for STOs.[5] In order to remain competitive, the Exchange is now proposing to adopt a consolidated methodology for STO strike price intervals as currently employed by these other options exchanges.

3 See Securities Exchange Act Release No. 67754 (August 29, 2012), 77 FR 54629 (September 5, 2012) (SR-ISE-2012-33).

4 See Securities Exchange Act Release No. 67753 (August 29, 2012) 77 FR 54635 (September 5, 2012) (SR-Phlx-2012-78).

5 See Securities Exchange Act Release Nos. 68074 (October 19, 2012), 77 FR 65241 (October 25, 2012) (SR-CBOE-2012-92); 69633 (May 23, 2013), 78 FR 32498 (May 30, 2013) (SR-Phlx-2013-55); 68194 (November 8, 2012), 77 FR 68172 (November 15, 2012) (SR-NYSEArca-2012-114); 68193 (November 8, 2012), 77 FR 68177 (November 15, 2012) (NYSEMKT–2012–53); 69809 (June 20, 2013), 78 FR 38416 (June 26, 2013) (SR-MIAX-2013-30).

The STOS Program is codified in ISE Rules 504 and 2009. These rules state that after an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day, series of options on no more than thirty option classes that expire on each of the next five consecutive Fridays that are business days. In addition to the thirty option class limitation, there is also a limitation that no more than twenty series for each expiration date in those classes may be opened for trading.[6] Furthermore, the strike price of each STO series has to be fixed with approximately the same number of strike prices being opened above and below the value of the underlying security at about the time that the STOs are initially opened for trading on the Exchange, and with strike prices being within thirty percent (30%) above or below the closing price of the underlying security from the preceding day. The Exchange does not propose any changes to the current program limitations. The Exchange only proposes to amend Supplementary Material .12 to ISE Rule 504 (Series of Options Contracts Open for Trading) and Supplementary Material .05 to ISE Rule 2009 (Terms of Index Options Contracts) to specify that the strike price interval for STOs may be $0.50 or greater where the strike price is less than $75, and $1 or greater where the strike price is between $75 and $150. Like the other options exchanges, ISE rules will also continue to permit strike

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6 However, if the Exchange opens less than twenty (20) short term options for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened. Any additional strike prices listed by the Exchange shall be within thirty percent (30%) above or below the current price of the underlying security. The Exchange may also open additional strike prices of STO series that are more than 30% above or below the current price of the underlying security provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers (market-makers trading for their own account shall not be considered when determining customer interest under this provision). Supplementary Material .02(d) to Rule 504 and Supplementary Material .01(d) to Rule 2009.

price intervals of $0.50 for option classes that trade in one dollar increments and are in the STOS Program.

The Exchange notes that while it believes that there is substantial overlap between the two strike price interval setting parameters, the Exchange believes there are gaps that would enable one of the options exchanges listed above to initiate a series that ISE would not be able to initiate.[7] Since strict inter-exchange rule uniformity is not required for the STOS Programs that have been adopted by the various options exchanges, the Exchange proposes to revise its strike price intervals setting parameters so that it has the ability to initiate strike prices in the same manner (i.e., intervals) as CBOE, PHLX, Arca, MKT, and MIAX. Accordingly, the Exchange proposes to adopt rule text language substantially similar in all material respects to that adopted by the other exchanges, and in this way consolidate the two different approaches regarding strike price intervals for STOs.

The principal reason for the proposed expansion is in response to market and customer demand to list actively traded products in more granular strike price intervals, and to provide Exchange members and their customers increased trading opportunities in the STOS Program, which is one of the most popular and quickly-expanding options expiration programs. The Exchange has observed increased demand for STO classes and/or series, particularly when market moving events such as significant market volatility, corporate events, or large market,

[7] The Exchange is making a distinction between initiating series and cloning series. The Exchange and the majority, if not all, of the other options exchanges that have adopted a STOS Program have a rule similar to the Exchange's that permits the listing of series that are opened by other exchanges. See Supplementary Material .02 to Rule 504 and Supplementary Material .01 to Rule 2009. This filing is concerned with the ability to initiate series. If a class is selected to participate in the STOS Program but does not trade in dollar increments, the Exchange would not be permitted to initiate $0.50 strikes on that class even though other options exchanges may be permitted to do so based on the strike price.

sector, or individual issue price swings have occurred. There are substantial benefits to market participants in the ability to trade eligible option classes at more granular strike price intervals. The Exchange notes that the STOS Program has been well-received by market participants, in particular by retail investors. The Exchange believes that the current proposed revisions to the STOS Program will permit the Exchange to meet increased customer demand for more granular strike prices.

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority ("OPRA") have the necessary systems capacity to handle any potential additional traffic associated with this current amendment to the STOS Program. The Exchange believes that its members will not have a capacity issue as a result of this proposal. The Exchange represents that it will monitor the trading volume associated with the additional options series listed as a result of this proposal and the effect (if any) of these additional series on market fragmentation and on the capacity of the Exchange's automated systems.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder, including the requirements of Section 6(b) of the Act.[8] In particular, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[9] requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general,

8 15 U.S.C. 78f(b).

9 15 U.S.C. 78f(b)(5).

to protect investors and the public interest.

The Exchange believes that giving it the ability to initiate strike prices in $0.50 and $1 intervals for STO options, as provided for in the proposed rule text, is reasonable because it will benefit investors by providing them with the flexibility to more closely tailor their investment and hedging decisions. While the proposed rule change may generate additional quote traffic, the Exchange does not believe that any increased traffic will become unmanageable since the proposal remains limited to a fixed number of classes. The Exchange also believes that the proposed rule change will ensure competition because it will allow the Exchange to initiate series in the same strike intervals as other options exchanges, including CBOE, PHLX, Arca, MKT, and MIAX.

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. To the contrary, the Exchange believes the proposal is pro-competitive. In this regard and as indicated above, the Exchange notes that the rule change is being proposed as a competitive response to immediately effective filings recently submitted by CBOE, PHLX, Arca, MKT, and MIAX.[sic] ISE believes this proposed rule change is necessary to permit fair competition among the options exchanges with respect to STOS Programs.

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[10] and Rule 19b-4(f)(6) thereunder.[11]

The Exchange has requested that the Commission waive the 30-day operative delay. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest in that it will allow ISE to offer additional STO products to traders and investors in the same manner as other exchanges.[12] In sum, the proposed rule change presents no novel issues, and waiver will allow the Exchange to remain competitive with other exchanges. Therefore, the Commission designates the proposal operative upon filing.[13]

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. If the Commission takes such action, the

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10 15 U.S.C. 78s(b)(3)(A).

11 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.

12 See supra, note 5.

13 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).

Commission shall institute proceedings under Section 19(b)(2)(B)[14] of the Act to determine whether the proposed rule change 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-2013-47 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-2013-47. 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

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[14] 15 U.S.C. 78s(b)(2)(B).

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-2013-47 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.[15]

Kevin M. O'Neill
Deputy Secretary

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15 17 CFR 200.30-3(a)(12).