SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73394; File No. SR-ISE-2014-50)

October 21, 2014

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 October 10, 2014, 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 is proposing to amend its Schedule of Fees to increase the route-out fee applicable to Professional Customer orders in Non-Select Symbols, and adopt a route-out fee for Non-Customer orders routed to away markets. The text of the proposed rule change is available on the Exchange's website (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 discussed any comments it received on the proposed rule change. The text of these statements may be examined at the

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

2 17 CFR 240.19b-4.

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 purpose of the proposed rule change is to amend the Schedule of Fees to increase the route-out fee applicable to Professional Customer orders in Non-Select Symbols,[3] and adopt a route-out fee for Non-Customer orders[4] routed to away markets. The Exchange's Schedule of Fees has separate fees applicable to Standard Options and Mini Options. The Exchange notes that while the discussion below relates to fees for Standard Options, the fees for Mini Options, which are not discussed below, are and shall continue to be 1/10th of the fees for Standard Options.

The Exchange presently charges a route-out fee applicable to Priority Customer[5] and Professional Customer[6] orders routed to away markets pursuant to the Options Order Protection and Locked/Crossed Market Plan (the "Plan"). Specifically, the Exchange charges a route-out fee of $0.45 per contract for Priority Customer orders and $0.55 per contract for Professional Customer orders in all symbols. The Exchange now proposes to increase the route-out fee for Professional Customer orders in Non-Select Symbols to $0.95 per contract to reduce the negative economics associated with executing these orders on other options exchanges. Professional

3 "Non-Select Symbols" are options overlying all symbols excluding Select Symbols.

4 A Non-Customer Order is an order for the account of a person or entity that is a broker or dealer in securities. See ISE Rules 100(a)(27)-(28).

5 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).

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

Customer orders in Select Symbols and Priority Customer orders will continue to pay route-out fees at their respective rates described above.

On July 31, 2014 the Exchange filed a proposed rule change that introduced linkage routing for Non-Customer orders, which became effective on September 1, 2014.[7] In connection with this new functionality, the Exchange now proposes to adopt a route-out fee for Non-Customer orders routed to other options exchanges. The proposed route-out fee will be $0.55 per contract in Select Symbols,[8] and $0.95 per contract in Non-Select Symbols, in line with the rates described above for Professional Customer orders, and will be applicable to all Market Maker,[9] Non-ISE Market Maker,[10] and Firm Proprietary[11] / Broker-Dealer[12] orders routed to away markets pursuant to the Plan.

In connection with the proposed fee changes described above, the Exchange also proposes to reformat its route-out fee table to include separate columns for Select Symbols and Non-Select Symbols, as well as for Standard Options and Mini Options, and to reduce the number of duplicative footnotes.

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7 See Securities Exchange Act Release No. 72816 (August 12, 2014), 79 FR 48811 (August 18, 2014) (SR-ISE-2014-37).

8 "Select Symbols" are options overlying all symbols listed on the ISE that are in the Penny Pilot Program.

9 The term "Market Makers" refers to "Competitive Market Makers" and "Primary Market Makers" collectively. See ISE Rule 100(a)(25).

10 A Non-ISE Market Maker, or Far Away Market Maker ("FARMM"), is a market maker as defined in Section 3(a)(38) of the Securities Exchange Act of 1934 registered in the same options class on another options exchange.

11 A "Firm Proprietary" order is an order submitted by a member for its own proprietary account.

12 A Broker-Dealer order is an order submitted by a Member for a non-Member broker-dealer account.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,[13] in general, and Section 6(b)(4) of the Act,[14] in particular, in that it is designed to provide for the 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 fees are reasonable and equitable as they offset costs incurred by the Exchange in connection with using unaffiliated broker-dealers to access other exchanges for linkage executions. Other options exchanges, such as the NASDAQ Options Market ("NOM") and NYSE Arca Options ("Arca"), have fees for taking liquidity that are as high as $0.89 per contract for Professional Customer orders in Non-Select Symbols.[15] It has thus become necessary for the Exchange to raise the route-out fees applicable to these orders to recoup the higher costs associated with executing orders on these markets. Furthermore, as the Exchange recently expanded its linkage routing capabilities to include Non-Customer orders, the Exchange believes that it is appropriate to adopt corresponding fees at this time. The route-out fees proposed herein for Non-Customer orders are lower than those charged by some of the Exchange's competitors, including, for example, NASDAQ OMX PHLX ("PHLX"), which charges a fee of $0.97 per contract for routing Non-Customer orders to away markets.[16]

Furthermore, the Exchange believes that the proposed fees are not unfairly discriminatory because these fees would be uniformly applied, as appropriate, to all Professional Customer and

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13 15 U.S.C. 78f.

14 15 U.S.C. 78f(b)(4).

15 See NOM Chapter XV Options Pricing, Sec. 2 NASDAQ Options Market—Fees and Rebates; Arca Options Fees and Charges, Trade-Related Charges for Standard Options.

16 See PHLX Fee Schedule, Section V, Routing Fees.

Non-Customer orders. As has historically been the case, Priority Customer orders will continue to pay lower route-out fees than orders from other market participants, including Professional Customer and, now, Non-Customer orders. The Exchange believes that it is equitable and not unfairly discriminatory to charge lower fees for Priority Customer orders than Professional Customer and Non-Customer orders as a Priority Customer is by definition not a broker or 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). This limitation does not apply to participants whose behavior is substantially similar to that of market professionals, including Professional Customers and Non-Customers, who will generally submit a higher number of orders (many of which do not result in executions) than Priority Customers. Moreover, the Exchange notes that Priority Customer orders are often charged lower taker fees than Professional Customer and Non-Customer orders on other options exchanges, meaning that the execution costs to the Exchange for routing these orders is correspondingly lower. As such, the Exchange believes that it is equitable and not unfairly discriminatory to pass on this cost savings to the firms entering these orders.

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 1/10th the rate of fees of Standard Options.

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

The Exchange does not believe that the proposed rule change will impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act as it simply adjusts Professional Customer route-out fees to be consistent with the costs associated with routing orders to away markets, and adopts fees for routing Non-Customer orders to other options exchanges, in connection with the introduction of linkage routing for those orders. The Exchange 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 to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed fee change reflects this competitive environment.

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[17] and subparagraph (f)(2) of Rule 19b-4 thereunder,[18] because it establishes a due, fee, or other charge imposed by ISE.

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[17] 15 U.S.C. 78s(b)(3)(A)(ii).

[18] 17 CFR 240.19b-4(f)(2).

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 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 No. SR-ISE-2014-50 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-ISE-2014-50. 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 am and 3:00 pm. Copies of such filing also will be available for inspection and copying at the principal office of the 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-2014-50 and should be submitted by [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.[19]

Kevin M. O'Neill
Deputy Secretary

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[19] 17 CFR 200.30-3(a)(12).