SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55683; File No. SR-ISE-2006-77)

April 30, 2007

Self-Regulatory Organizations; International Securities Exchange, LLC; Order Granting Approval to Proposed Rule Change, as Modified by Amendment No. 1, Relating to Penny Increments for Block Mechanism Orders

I. Introduction

On December 13, 2006, the International Securities Exchange, LLC ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b-4 thereunder,[2] a proposed rule change to allow orders to be entered into the Block Mechanism in penny increments and to receive executions in penny increments. On March 19, 2007, the Exchange filed Amendment No. 1 to the proposed rule change. The proposed rule change was published for comment in the Federal Register on March 27, 2007.[3] The Commission received no comment letters on the proposal. This order approves the proposed rule change as modified by Amendment No. 1.

II. Description of the Proposal

The Exchange currently offers a Block Mechanism for the execution of single-sided, block-sized orders.[4] The Block Mechanism exposes orders of at least 50 contracts to all ISE members for three seconds, giving members an opportunity to respond with contra-side trading

---

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

2 17 CFR 240.19b-4.

3 See Securities Exchange Act Release No. 55493 (March 20, 2007), 72 FR 14315.

4 See ISE Rule 716(c).

interest for their own account or on behalf of their customers.[5] Currently, orders may be entered and executed using the Block Mechanism at the standard 5 and 10 cent increments and at "split prices" (2.5 cents for options trading in 5 cent standard increments and 5 cents for options trading in 10 cent standard increments). The Exchange proposes to amend ISE Rule 716 to allow these orders to be entered and executed in penny increments. Such orders would no longer be permitted to be executed at split prices.

III. Discussion

After careful review of the proposal, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[6] In particular, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,[7] which requires, among other things, that the rules of an exchange be designed to prevent fraudulent and manipulative acts, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Specifically, the Commission believes that the proposed rule change is consistent with the Act because it will provide greater flexibility in the pricing of block-size orders and enhanced opportunities for block-size orders to receive price improvement.

---

5 Supplementary Material .03 to ISE Rule 716 prohibits members from entering Responses for the account of an options market maker from another options exchange. This is the only limitation regarding who may enter Responses.

6 In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

7 15 U.S.C. 78f(b)(5).

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[8] that the proposed rule change (SR-ISE-2006-77), as modified by Amendment No. 1, be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[9]

Florence E. Harmon
Deputy Secretary

---

8 15 U.S.C. 78s(b)(2).

9 17 CFR 200.30-3(a)(12).