

## PARTIAL AMENDMENT

The International Securities Exchange, Inc. (the “Exchange”) hereby submits this Partial Amendment, constituting Amendment No. 2, to its rule filing SR-ISE-2006-04 (as amended, the “Rule Filing”), filed on January 12, 2006, in which the Exchange proposes to reorganize from its current structure into a holding company structure. While this is an initial amendment to the Rule Filing, the Exchange, for technical reasons, is submitting it as Amendment No. 2. The purpose of this Amendment No. 2 is to (a) reflect the Commission’s approval of an amendment to Exchange Rule 303 relating to member ownership concentration limits for PMMs; (b) clarify that, following the reorganization, holders of Class B Common Stock of the Exchange (who will be holders of Exchange Rights after the reorganization) will continue to have the right to elect six directors to the Board of International Securities Exchange, LLC; and (c) elaborate the basis on which the Exchange seeks Commission approval of the rule filing.

Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in the Rule Filing. Additions to text are underscored and deletions are in [brackets].

1. The Exchange amends subsection (a) of Item 3 of the Rule Filing (and Section II.A.1. of Exhibit 1 thereto) as follows (For your convenience, where amended text appears under a subheading of Section 3(a), we have indicated the subheading in **bold**).
- Third paragraph, final sentence.

“In addition, ISE, Inc. represents that it will continue to have a [20% member ownership and] trading concentration limit and a 20% member ownership limit.<sup>8</sup>”

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<sup>8</sup> For the [20%] member trading concentration limit, see Rule 303(b), which will continue to exist after the Reorganization, and LLC Agreement, Section 6.5. ISE, Inc. proposes to modify Section 6.5(a) of the LLC Agreement to include lessees of Exchange Rights and to clarify that holders and lessees of Exchange Rights also may not exercise any of the non-trading rights associated with more than 20% of such Exchange Rights. ISE, Inc. also notes that the Commission is in the process of reviewing issues relating to new ownership structures of self-regulatory organizations (“SROs”), and has proposed rules relating to the ownership of SROs, including imposing limitations on member ownership of an SRO or facility of an SRO. See Release No. 34-50699 (November 18, 2004), 69 FR 71126 (December 8, 2004).

ISE, Inc. also notes that [currently it has pending before] the Commission recently approved a separate proposal to amend Rule 303 to increase the 20% member trading concentration limit to 30% for PMMs only, provided that in approving any PMM to exercise the trading privileges associated with more than 20% of the PMMs, the ISE, Inc. Board will not approve any arrangement in which the PMM would gain ownership or voting rights in excess of those permitted under the ISE, Inc. Amended Certificate or ISE, Inc. Amended Constitution. See Release No. 34-53271 (Feb. 10, 2006), 71 FR 8625 (Feb. 17, 2006). [If

## Organization, Management and Governance of ISE, LLC

- Second paragraph under the above-referenced subheading, fifth sentence.

“Similar to the manner of election of the current ISE, Inc. Board, at the first annual meeting of the sole LLC member and holders of Exchange Rights, and at each subsequent annual meeting, ISE Holdings will elect the Non-Industry Directors, and holders of Exchange Rights will elect the Exchange Directors, to serve until the next annual meeting or until their successors are elected and qualified.”

- Fifth paragraph under the above-referenced subheading, eighth sentence.

“Specifically, ISE, LLC’s organizational documents will not (1) deny the right of ISE Holdings to call a special meeting; (2) require “advance notice” of ISE Holdings’ or Exchange Right holders’ proposals; (3) except as described herein, impose an ownership or voting limitation on ISE Holdings (or any corrective mechanism with respect to any ownership limitation),<sup>35</sup> . . .”.

2. The Exchange amends subsection (b) of Item 3 of the Rule Filing (and Section II.A.2. of Exhibit 1 thereto) as follows.

“The basis under the Exchange Act for this proposed rule change is the requirement under Section 6(b)(1) that an exchange be so organized so as to have the capacity to be able to carry out the purposes of the Exchange Act and to comply, and (subject to any rule or order of the Commission pursuant to Section 17(d) or 19(g)(2) of the Exchange Act) to enforce compliance by its members and persons associated with its members, with the provisions of the Exchange Act, the rules and regulations thereunder and the rules of the exchange. ISE, Inc. believes that the proposed rule change is consistent with the requirements of the Exchange Act and the rules and regulations thereunder that are applicable to a national securities exchange, and in particular, with the requirements of Section 6(b) of the Exchange Act. ISE, Inc. also

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and when this proposal is approved by the Commission, Rule 303 will be amended as described above. See Release No. 34-52856 (November 30, 2005), 70 FR 72864 (December 6, 2005).]

<sup>35</sup> ISE, Inc. notes that ownership and voting limitations will not be relevant to a wholly owned subsidiary of a holding company, although ISE Holdings itself will have substantially the same ownership and voting limitations that ISE, Inc. currently has, as described below in “Description of ISE Holdings – Organizational Documents.” Additionally, as stated earlier, ISE, LLC will continue to have a [20% member ownership and] trading concentration limit and 20% member ownership limit pursuant to Rule 303(b) except as described herein, and LLC Agreement, Section 6.5. See footnote 8, *infra*, for a discussion of certain modifications to Rule 303(b) [proposed] approved in a separate rule filing [pending with] by the Commission.

believes this proposed rule change furthers the objective of Section 6(b)(5) that an exchange have rules that, among other things, are designed to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.”

3. The Exchange amends Item 9 of the Rule Filing to include “Exhibit 4 – Text of Amendment to Proposed Rule Change.”

Exhibit 4

Text of Proposed Rule Change

Underlining indicates additions; [Brackets] indicate deletion.

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LIMITED LIABILITY COMPANY AGREEMENT

OF

INTERNATIONAL SECURITIES EXCHANGE, LLC

\* \* \* \*

Section 6.5. Concentration/Voting Limits on Exchange Rights.

\* \* \* \*

(b) An Exchange Member (as defined in the Constitution), together with any affiliate, may not be approved to exercise the trading rights associated with more than [twenty] thirty percent (30%) [(20%)] of the PMM Rights, nor more than twenty percent (20%) of the CMM Rights. The Company may establish further limitations relating to the Company's approval of an Exchange Member's ability to effect Exchange Transactions, as such term is defined in the Constitution.

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Exhibit 5  
Text of the Proposed Rule Change

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