

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54571; File No. SR-ISE-2006-56)

October 4, 2006

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing of a Proposed Rule Change and Amendment No. 1 Relating to Customer Fees for Certain Complex Orders

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 September 20, 2006, the International Securities Exchange, LLC (“Exchange” or “ISE”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change, as described in Items I, II, and III below, which Items have been prepared by the Exchange. The ISE filed Amendment No. 1 to the proposal on October 4, 2006.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, 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 Schedule of Fees to adopt a customer fee for certain Complex Orders. The text of the proposed rule change is available on ISE’s Web site (<http://www.iseoptions.com>), at the principal office of ISE, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 revises the text of the ISE’s Schedule of Fees to: (1) explain when an order takes liquidity from the ISE’s complex order book; and (2) clarify that the proposed fee applies solely to Complex Orders that trade with other Complex Orders, and not to Complex Orders that trade with customer orders in the regular order book.

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 the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange 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 this proposed rule change is to amend ISE's Schedule of Fees to adopt a customer fee for certain Complex Orders.⁴ The Exchange currently waives transaction fees for customers, except for customer transactions in Premium Products.⁵ The Exchange has noted an increase in volume in certain customer order transactions in Complex Orders. According to the ISE, customers that use highly developed trading systems are quickly able to hit the bid or lift an offer, thereby taking liquidity, *i.e.*, interacting with Complex Orders resident on the complex order book. The Exchange thus proposes to charge an execution and comparison fee of \$0.15 and \$0.03 per contract, respectively, for customer orders that take liquidity to put them on a more equal footing with broker-dealer orders that are currently subject to this fee.

As with all Complex Order fees, only the largest leg of a Complex Order will be charged this fee if that leg is also taking liquidity away. The Exchange will not charge customers for Complex Orders if they are the liquidity provider, *i.e.*, they are first on the complex order book.

⁴ Complex Orders are defined in ISE Rule 722(a).

⁵ Premium Products are defined in the Schedule of Fees as the products enumerated therein.

The Exchange will determine which side of a complex order is the liquidity taker and which is the liquidity provider based on the order time. The order that arrived first on the complex order book is the liquidity provider. This fee will only apply to customer Complex Orders that trade with other Complex Orders. If a Complex Order legs into the regular market, customer orders in the regular market that interact with the Complex Order will not be charged this fee, nor will a fee be charged to the Complex Order legging in.

ISE believes that the proposed fee is objective in that it is based on the behavior of market participants and the type of orders submitted. As noted above, since the behavior of these customers is similar to the behavior of a broker-dealer, the ISE believes that it is fair for the Exchange to charge for these customer orders the same fees as those charged for broker-dealer orders.

2. Statutory Basis

The Exchange believes that the basis for the proposal under the Act is the requirement under Section 6(b)(4) of the Act⁶ that an exchange have an equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities.

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

The Exchange believes that the proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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 written comments from members or other interested parties.

⁶ 15 U.S.C. 78f(b)(4).

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- A. by order approve such proposed rule change; or
- B. institute proceedings to determine whether the proposed rule change should be 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-2006-56 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-ISE-2006-56. 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 Commissions Internet Web site (<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 inspection and copying in the Commission's Public Reference Room. 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-2006-56 and should be submitted on or before [insert date 21 days from the date of publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

Nancy M. Morris
Secretary

⁷ 17 CFR 200.30-3(a)(12).