

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-57237; File No. SR-ISE-2007-124)

January 30, 2008

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto Relating to Equity Fees

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 31, 2007, the International Securities Exchange, LLC (“ISE” or “Exchange”) 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 substantially prepared by ISE. On January 28, 2007, ISE submitted Amendment No. 1 to the proposed rule change.<sup>3</sup> ISE filed the proposal pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>4</sup> and Rule 19b-4(f)(2)<sup>5</sup> thereunder, as establishing or changing a due, fee, or other charges applicable to a member, which renders the proposed rule change effective upon filing with the Commission. 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

ISE is proposing to amend its Schedule of Fees with respect to equity transactions. The text of the proposed rule change is available at ISE, [www.ise.com](http://www.ise.com), and the Commission’s Public Reference Room.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> In Amendment No. 1, the Exchange made clarifying changes to the purpose section of the filing.

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>5</sup> 17 CFR 240.19b-4(f)(2).

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 Exchange proposes to amend its Schedule of Fees to: (1) distinguish between transaction fees related to equity orders and equity orders submitted on an order delivery basis; (2) to increase the rebate for equity orders that add liquidity for securities that trade at or above \$1.00 from \$0.0025 to \$0.0032; (3) to increase the rebate for equity orders submitted on an order delivery basis that add liquidity for securities that trade at or above \$1.00 from \$0.0025 to \$0.0027 (these orders are submitted by Order Delivery Equity Electronic Access Members ("Order Delivery Equity EAMs")); and (4) to cease sharing market data revenues except with respect to orders submitted on an order delivery basis. The Exchange proposes to implement these changes on January 2, 2008.

The Exchange proposes to restructure its Schedule of Fees and allocation of market data rebates to provide Equity Electronic Access Members ("Equity EAMs") that submit equity orders an efficient method of calculating the exact cost of trading on the ISE Stock Exchange. Specifically, rather than providing these Equity EAMs with a lump sum market data rebate every quarter, the Exchange proposes to increase the rebate for execution of equity orders that provide

liquidity from \$0.0025 to \$0.0032 for securities that trade at or above \$1.00. This change will allow Equity EAMs to perform a precise cost benefit analysis in determining where to route their order flow.

The Exchange proposes to increase the rebate for the execution of equity orders submitted on an order delivery basis that provide liquidity from \$0.0025 to \$0.0027 for securities that trade at or above \$1.00, but to leave the allocation of market data rebates the same for these orders. The Exchange has determined that increasing the maker rebate, discussed above, and continuing to rebate 50% of its quote and trade revenue to Order Delivery Equity EAMs is necessary for competitive reasons, particularly in light of the fact that other markets have similar maker rebates and provisions in their market data revenue rebate program.<sup>6</sup>

The Exchange believes that these fee changes will not impair its ability to carry out its regulatory responsibilities. Furthermore, the Exchange intends that this rule change will not have an overall affect on the amounts rebated to Equity EAMs, except that payments will occur on a monthly instead of quarterly basis. The monies rebated to Order Delivery Equity EAMs on a quarterly basis remain unchanged.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6(b) of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>8</sup> in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities.

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<sup>6</sup> See Securities Exchange Act Release No. 56890 (December 4, 2007), 72 FR 70360 (December 11, 2007) (SR-NSX-2007-13).

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(4).

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 unsolicited written comments from members or interested parties.

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

The foregoing proposed rule change has become effective upon filing with the Commission pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>9</sup> and Rule 19b-4(f)(2)<sup>10</sup> thereunder, because it establishes or changes a due, fee, or other charge applicable only to a member.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate 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.

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

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<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>10</sup> 17 CFR 240.19b-4(f)(2).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-ISE-2007-124 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-2007-124. 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 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, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of 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-2007-124 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.<sup>11</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).