

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-63104; File No. SR-ISE-2010-91)

October 14, 2010

Self-Regulatory Organizations; International Securities Exchange, LLC; Order Approving Proposed Rule Change To Adopt a Pilot Program to List Additional Expiration Months for Each Class of Options Opened for Trading on the Exchange

I. Introduction

On August 25, 2010, the International Securities Exchange, LLC (the “Exchange” or “ISE”) filed with the Securities and Exchange Commission, 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> a proposed rule change to adopt a pilot program to list additional expiration months for each class of options opened for trading on the Exchange. The proposed rule change was published for comment in the Federal Register on September 2, 2010.<sup>3</sup> The Commission received no comments on the proposal. This order approves the proposal.

II. Description of the Proposal

Pursuant to ISE Rule 504(e), the Exchange currently opens series with four expiration months for each class of options open for trading on the Exchange: the first two being the two nearest months, regardless of the quarterly cycle on which that class trades; the third and fourth being the next two months of the quarterly cycle previously designated by the Exchange for that specific class.

The Exchange believes that there is market demand for series with a greater number of expiration months. The Exchange therefore proposes to adopt a pilot program pursuant to

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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> See Securities Exchange Act Release No. 62772 (August 26, 2010), 75 FR 53991 (“Notice”).

which it will list series with up to an additional two expiration months, for a total of six expiration months for each class of options open for trading on the Exchange. The proposal will become effective on a pilot basis for twelve months commencing on the next full month after approval is received to establish the pilot program. Under the proposal, series with the additional months listed pursuant to the pilot program will result in four consecutive expiration months plus two months from the quarterly cycle. The Exchange seeks to limit the pilot to the 20 most actively traded options classes.

### III. Discussion

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>4</sup> Specifically, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,<sup>5</sup> in that the proposal has been designed to promote just and equitable principles of trade, and to protect investors and the public interest.

The Commission believes that allowing the Exchange to list and trade series with up to two additional expiration months, under the terms described in the Exchange's proposal, should provide investors with additional means of managing their risk exposures and carrying out their investment objectives. The Commission notes that the pilot program limits the series that may be opened pursuant to the pilot program to the 20 most actively traded options classes. The Commission believes this restriction should allow the Exchange to offer a wider array of investment opportunities, while minimizing the impact on quotation message

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<sup>4</sup> The Commission has considered the proposed rule change's impact on efficiency, competition and capital formation. See 15 U.S.C. 78c(f).

<sup>5</sup> 15 U.S.C. 78f(b)(5).

traffic. The Commission also notes that the proposal requires the Exchange to closely monitor the trading and quotation volume associated with the additional options series created under the pilot program and the effect of these additional series on the capacity of the Exchange's, OPRA's, and vendors' systems.<sup>6</sup>

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>7</sup> that the proposed rule change (SR-ISE-2010-91) is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>6</sup> If the Exchange were to propose an extension, expansion, or permanent approval of the pilot program, the Exchange would be required to submit a report on the pilot program to the Commission at least 60 days prior to the pilot program expiration date. See Notice, supra note 3, at 53991-92.

<sup>7</sup> 15 U.S.C. 78s(b)(2).

<sup>8</sup> 17 CFR 200.30-3(a)(12).