

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-65771; File No. SR-ISE-2011-60)

November 17, 2011

Self-Regulatory Organizations; International Securities Exchange, LLC; Order Granting Approval of Proposed Rule to Expand the Short Term Options Series Program

I. Introduction

On September 23, 2011, 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 expand the Short Term Options Series Program (“STOS Program”). The proposed rule change was published for comment in the Federal Register on October 13, 2011.³ The Commission received no comment letters on the proposal. This order approves the proposed rule change.

II. Description of the Proposal

The proposed rule change seeks to amend ISE Rules 504 and 2009 to expand the STOS Program⁴ so that the Exchange may select up to 25 option classes to participate in the STOS Program⁵ and list up to 30 Short Term Option Series (“STOS Options”) for each option class that

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 65503 (October 6, 2011), 76 FR 63691 (“Notice”).

⁴ The Exchange adopted the STOS Program on a pilot basis in 2005. See Securities Exchange Act Release No. 52012 (July 12, 2005), 70 FR 41246 (July 18, 2005) (SR-ISE-2005-17). The STOS Program was approved on a permanent basis in 2010. See Securities Exchange Act Release No. 62444 (July 2, 2010), 75 FR 39595 (July 9, 2010) (SR-ISE-2010-72).

⁵ The Exchange previously increased the total number of option classes that may participate in the STOS Program from five to 15. See Securities Exchange Act Release No. 63878 (February 9, 2011), 76 FR 8796 (February 15, 2011) (SR-ISE-2011-08).

participates in the Exchange's STOS Program.⁶ Currently, the Exchange may open no more than 15 option classes and no more than 20 series for each expiration date in those classes.⁷ The Exchange proposed no other changes to the STOS Program.

In the Notice, the Exchange stated that the principal reason for the proposed expansion is customer demand for adding, or not removing, classes from the STOS Program. Specifically, ISE cited an increased demand for more series when market-moving events, such as corporate events and large price swings, have occurred during the life span of an affected STOS class. Currently, if the maximum number of series has been reached, the Exchange must delete or delist certain series in order to make room for more in-demand series.

III. Discussion

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.⁸ Specifically, the Commission finds that the proposal is consistent with Section 6(b)(5) of the

⁶ The Exchange previously increased the number of permissible series per STOS class from seven to 20 series. See Securities Exchange Act Release No. 62444 (July 2, 2010), 75 FR 39595 (July 9, 2010) (SR-ISE-2010-72).

⁷ However, if the Exchange opens less than 20 series for an expiration date, additional series may be opened with that expiration date when the Exchange deems it necessary to maintain an orderly market, to meet customer demand, or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened. Any additional series listed by the Exchange shall have strike prices within 30% above or below the current price of the underlying security. The Exchange may also open additional series of Short Term Option Series with strike prices more than 30% above or below the current price of the underlying security if demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Market-makers trading for their own account shall not be considered when determining customer interest under this provision. See Supplementary Material .02(d) to Rule 504 and Supplementary Material .01(d) to Rule 2009.

⁸ 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).

Act,⁹ which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, 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. The Commission believes that the proposal strikes a reasonable balance between the Exchange's desire to offer a wider array of products and the need to avoid unnecessary proliferation of options series.

In approving this proposal, the Commission notes that the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority ("OPRA") have the necessary systems capacity to handle the potential additional traffic associated with trading of an expanded number of classes and series in the STOS Program. The Commission expects the Exchange to monitor the trading volume associated with the additional options series listed as a result of this proposal and the effect of these additional series on market fragmentation and on the capacity of the Exchange's, OPRA's, and vendors' automated systems.

⁹ 15 U.S.C. 78f(b)(5).

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-ISE-2011-60) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Kevin M. O'Neill
Deputy Secretary

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 17 CFR 200.30-3(a)(12).