SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67353; File No. SR-ISE-2012-61)

July 5, 2012

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by International Securities Exchange to Amend ISE Rule 715 to Reflect a Modification in the Functionality of the Add Liquidity Order

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on June 27, 2012, the International Securities Exchange, LLC (the "Exchange" or the "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 self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 715 (Types of Orders) to reflect a modification in the functionality of the Add Liquidity Order and to rename the order type.

The text of the proposed rule change is available at on the Exchange's Internet website at http://www.ise.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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 self-regulatory organization 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

1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

places specified in Item IV below. The self-regulatory organization 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 [sic] amend ISE Rule 715(n), Add Liquidity Order ("ALO"), to add a sentence describing a change to the functionality.[3]

The ALO was adopted to accommodate investors and market participants who wish only to provide liquidity in certain circumstances, such as to receive a maker fee (rebate) upon execution of an order. ALOs are limit orders that will only be executed as a "maker" on the ISE. Members can choose whether an ALO that is executable on the ISE upon entry (or that locks or crosses an away market upon entry) will be cancelled or re-priced to one minimum price variation above the national best bid or below the national best offer. For an ALO to be accepted by the system the Member must designate whether the order shall be re-priced or cancelled; there is no default option. An Add Liquidity Order will only be re-priced once and will be executed at the re-priced price.

The Exchange is now proposing additional functionality, such that, if at the time of entry, an ALO would lock or cross one or more non-displayed orders on the Exchange, the ALO will be cancelled or re-priced to the minimum price variation above the best non-displayed bid price

[3] ALOs have not yet been implemented on the Exchange. While the rule change adopting the ALO became operative on April 6, 2012, the implementation date for the order type was delayed until such time as the technology incorporating this functionality was released. See Securities Exchange Act Release No. 66617 (March 19, 2012), 77 FR 17102 (March 23, 2012) (Notice of Filing and Immediate Effectiveness of SR-ISE-2012-20).

(for sell orders) or below the best non-displayed offer price (for buy orders).[4] Currently, the only type of non-displayed order available on the Exchange is the all-or-none order ("AON"). AONs are contingency orders that have no priority on the book,[5] are not included in the ISE best bid or offer and, as such, are not included in the national best bid or offer ("NBBO"). AONs are considered to be "non-displayed" because they are not disseminated to OPRA to be included in the NBBO. However, they are not truly a "non-displayed" order as AONs are disseminated via the ISE Order Feed which Members can subscribe to for a fee.[6] Accordingly, Members entering AONs do not have an expectation that their order is "non-displayed" and would not have concerns that the ALO could disclose the existence of the AON by re-pricing to one minimum price variation above the AON bid price or below the AON offer price as Members have access to the existence of AONs via the ISE Order Feed.

The Exchange believes that adding this functionality is imperative to ensure that ALOs are only executed when providing liquidity. Without the ability to re-price an ALO that locks or crosses a non-displayed order, under certain circumstances, an incoming ALO could execute against a non-displayed order resting on the ISE limit order book, which would be in direct contravention with the purpose of an ALO – to provide liquidity, not take liquidity.

Additionally, for branding and marketing purposes, the Exchange proposes to rename the "Add Liquidity Order" to the "Add Liquidity Only" order.

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4 For example, if the NBBO is 2.00 x 2.06 and there is a non-displayed all-or-none ("AON") order (due to the size contingency, AON orders are not displayed) on the book to sell 10 contracts at 2.05, an incoming ALO to buy 10 contracts at 2.06 will be re-priced to 2.04.

5 See Supplemental Material .02 to ISE Rule 713.

6 See ISE Schedule of Fees.

As the implementation date for this order is not certain, the Exchange will announce the specific operative date via an Information Circular.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,[7] in general, and with Section 6(b)(5) of the Act,[8] in particular, in that the proposal is 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 regulating, clearing, settling processing information with respect to, and 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. Specifically, the ALO order is designed to provide market participants with the ability to provide liquidity and have more control over their execution costs. When an ALO would lock or cross a non-displayed order on the ISE limit order book or be executed upon entry, it will either be cancelled or re-priced as designated. The only non-displayed order type that the Exchange offers is the all-or-none order, which is non-displayed in the sense that it is not included in the ISE best bid and offer, and therefore, is not included in the NBBO. However, AONs are disseminated via the ISE Order Feed, allowing market participants to know of the existence of the AONs and thereby removing any expectation that AONs are truly non-displayed. Accordingly, Members entering AONs do not have an expectation that their AON is non-displayed and would not have concerns that this modification of the ALO's functionality could provide market participants with the ability to ferret out AONs on the ISE limit order book which would otherwise be hidden.

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7 15 U.S.C. 78f.

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

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 other interested parties.

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

Because the foregoing proposed rule change does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition, and, by its terms, does not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)[9] of the Act and Rule 19b-4(f)(6)[10] thereunder. The Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing the proposed rule change.

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

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8 15 U.S.C. 78f(b)(5).

9 15 U.S.C. 78s(b)(3)(A).

10 17 C.F.R. 240.19b-4(f)(6).

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-2012-61 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-ISE-2012-61. 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 website (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 Web site viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549. 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-2012-61 and should be submitted by [insert date 21 days from the date of publication in the Federal Register].

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

Elizabeth M. Murphy
Secretary

[11] 17 CFR 200.30-3(a)(12).