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March 1, 2010

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609

Re: File No. SR-ISE-2009-35

Dear Ms. Murphy:

We submit this letter regarding the above-referenced rule filing, in which the International Securities Exchange, LLC ("ISE") proposes to adopt a Qualified Contingent Cross ("QCC") Order. The purpose of this letter is to address the letter of the CBOE dated January 20, 2010.[1] Among other things, the CBOE "revises" its statistic claiming that 48 percent of orders of 500 or more contracts brought to its floor involve more than one contra party. Analyzing only relevant transactions, the CBOE now claims that only 21.27 percent of such orders (limited to multiply-listed options) involve more than one contra party.

Noting that CBOE has more than halved the number of times it claims that large trades involve floor participation, we believe that we have taken this statistical discussion as far as possible. CBOE has sole access to this information and we are not in a position to analyze the validity of its new analysis, although even the 21 percent number seems high to us. But wrangling over statistics obscures the bigger point: this is not an ISE/CBOE issue, but a larger competitive issue regarding the execution of large tied-to-stock options trades in either a floor-based or electronic environment.

There currently are four floor-based options exchanges that offer members the ability to effect large crosses on their floors. If a member seeks liquidity through the participation of other traders on a floor, the floors can accommodate such trading. On the other hand, if a member has arranged a large tied-to-stock trade and seeks to effect the cross without intervention, the member similarly can seek to cross that trade on a floor that is willing to accommodate the member. We only seek the ability to compete in this floor-dominated market, offering automation and efficiency.

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[1] Letter dated January 20, 2010 from Angelo Evangelou, Assistant General Counsel, CBOE, to Elizabeth Murphy, Secretary, Commission ("CBOE Letter").

The CBOE also protests that we accused them of permitting "illegal trade-throughs." CBOE was referring to our factual statement that during the period from September 1, 2009 to November 18, 2009, one percent of trades of 5000 or more contracts executed on the ISE were reported at prices inferior to the NBBO. The corresponding numbers were eight percent on the CBOE and 40 percent on NASDAQ OMX PHLX. The CBOE letter attempts to justify its eight percent trade-through number as due to normal fluctuations in the NBBO. That may well be the case, but we doubt that the *national* best bid and offer fluctuates eight times as much on the CBOE as it does on the ISE, or 40 times as much on NASDAQ OMX PHLX. Rather, we believe this indicates that floors are receptive to finding ways to accommodate large trades.

We emphasize that we proposed the QCC simply to provide members with an efficient vehicle to effect options trades of 500 or more contracts, tied to stock, in an automated fashion. This is not a first step on a "slippery slope" to permit unobstructed crosses or dark pools in options. Rather, working with the staff of the Division of Trading and Markets, we developed this limited proposal when we voluntarily repealed the 500 contract block exception from trade-throughs that was part of the old linkage plan. As discussed in our previous letters, the QCC is tailored to the new distributive linkage and is more restrictive than the block exception in that it is limited to options trades tied to stock.

The Division appropriately approved the QCC to coincide with the advent of distributive linkage to allow us to provide a seamless transition to the new trading environment. However, we have yet to be able to implement the QCC because one exchange has taken advantage of the administrative process to preserve the competitive advantage that floor-based trading currently enjoys with respect to these large trades as a result of their less efficient, less transparent trading environments. The Commission cannot let this competitive disparity continue.

We again thank the Commission for the opportunity to respond to the CBOE Letter. We respectfully request that the Commission affirm the Division of Trading and Market's approval of the QCC. If the Commission or staff have any further questions on this matter, please do not hesitate to contact us.

Sincerely,

Michael J. Simon,
Secretary

cc: Hon. Mary L. Schapiro, Chairman
Hon. Luis A. Aguilar, Commissioner
Hon. Kathleen L. Casey, Commissioner
Hon. Troy A. Paredes, Commissioner
Hon. Elisse B. Walter, Commissioner
Robert Cook, Director, Division of Trading and Markets
James Brigagliano, Deputy Director, Division of Trading and Markets
Elizabeth King, Associate Director, Division of Trading and Markets