

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53439; File No. SR-ISE-2006-11)

March 7, 2006

Self-Regulatory Organizations; International Securities Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to ISE Rule 1100(g) “Exercise of Options Contracts”

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on February 13, 2006, the International Securities Exchange, Inc. (“ISE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. On March 3, 2006, the ISE filed Amendment No. 1 to the proposed rule change.³ The ISE filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act⁴ and Rule 19b-4(f)(6) thereunder,⁵ which renders it 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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 clarified that the Exchange is requesting that the Commission waive the 5-day pre-filing notice requirement and the 30-day operative delay period and made certain other minor clarifying changes.

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(f)(6).

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

The ISE, pursuant to Section 19(b)(1) of the Act⁶ and Rule 19b-4 thereunder,⁷ proposes to amend ISE Rule 1100(g) “Exercise of Options Contracts” to add two additional minutes within which one may deliver a contrary exercise advice (“CEA”)⁸ or an Advice Cancel to the Exchange. The proposal is intended to conform ISE Rule 1100(g) to a recent change in the closing time for equity options and narrow-based index options from 4:02 p.m. to 4:00 p.m. (EST).⁹ The text of the proposed rule change is available on the ISE’s Web site (<http://www.iseoptions.com>), at the ISE’s principal office, 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 Exchange included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposal. The text of these statements may be examined at the places specified in Item IV below. The ISE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

⁶ 15 U.S.C. 78s(b)(1).

⁷ 17 CFR 240.19b-4.

⁸ A CEA is a communication either to not exercise an option that would be automatically exercised pursuant to the Options Clearing Corporation’s (“OCC”) Exercise-by-Exception (“Ex-by-Ex”) procedure, or to exercise an option that would not be automatically exercised pursuant to the OCC’s Ex-by-Ex procedure.

⁹ See Securities Exchange Act Release No. 53248 (February 7, 2006), 71 FR 8015 (February 15, 2006) (approving SR-ISE-2005-58, which amended ISE Rule 700, so that equity options and narrow-based index options may trade until 4:00 p.m. instead of 4:02 p.m. (EST)).

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed amendment to ISE Rule 1100(g) is to change the time for delivering a CEA or Advice Cancel to conform to the new trading hours for equity options and narrow-based index options.

The Exchange recently submitted a proposed rule change to amend ISE Rule 700 to modify the close of the normal trading hours in options on individual stocks and options on narrow-based indexes from 4:02 p.m. to 4:00 p.m. (EST).¹⁰ However, that filing did not address the change that is the subject of the instant filing. Specifically, the Exchange proposes to amend ISE Rule 1100(g) in order for the rule to be consistent with respect to the new hours of trading in equity options and narrow-based index options. Accordingly, the Exchange is proposing to change all references to 28 minutes in ISE Rule 1100(g) to 30 minutes to reflect the 2 minutes change in the closing time for options on individual stocks and options on narrow-based indexes. According to the Exchange, the proposed rule change, as amended, is based on a proposed rule change submitted by the Pacific Exchange, Inc., which was recently approved by the Commission.¹¹

¹⁰ See Securities Exchange Act Release No. 53248 (February 7, 2006), 71 FR 8015 (February 15, 2006) (order granting accelerated approval of SR-ISE-2005-58).

¹¹ See Securities Exchange Act Release No. 53249 (February 7, 2006), 71 FR 8035 (February 15, 2006) (order granting accelerated approval of SR-PCX-2005-138).

2. Statutory Basis

The Exchange believes that the proposed rule change, as amended, is consistent with Section 6(b) of the Act¹² in general, and furthers the objectives of Section 6(b)(5) of the Act¹³ in particular, because it is designed to promote just and equitable principles of trade, 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.

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

The Exchange does not believe that the proposed rule change, as amended, will 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 ISE has neither solicited nor received comments on the proposed rule change, as amended.

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

Because the foregoing proposed rule change: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) by its terms does not become operative for 30-days after the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change, as amended, has

¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(5).

become effective pursuant to Section 19(b)(3)(A) of the Act¹⁴ and Rule 19b-4(f)(6) thereunder.¹⁵

A proposed rule change filed under Rule 19b-4(f)(6)¹⁶ normally does not become operative prior to 30-days after the date of filing. However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The ISE has asked the Commission to waive the 30-day operative delay and the 5-day pre-filing requirement. The Commission believes that waiving the 30-day operative delay and the 5-day pre-filing requirement is consistent with the protection of investors and the public interest because such waiver will allow the ISE to immediately clarify its rule and conform it to the industry-wide close of trading times now in effect. Accelerating the operative date will allow for a more efficient and effective market operation by offering clarity and internal consistency with existing ISE rules. For these reasons, the Commission designates the proposed rule change, as amended, as effective and operative immediately upon filing with the Commission.¹⁷

At any time within 60-days after the filing of the amended proposed rule change, the Commission may summarily abrogate the rule change if it appears to the Commission that such

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6).

¹⁶ Id.

¹⁷ For the purposes only of waiving the 30-day operative date of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.¹⁸

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 Number SR-ISE-2006-11 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-2006-11. 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

¹⁸ The effective date of the original proposed rule change is February 13, 2006 and the effective date of the amendment is March 3, 2006. For purposes of calculating the 60-day period within which the Commission may summarily abrogate the proposed rule change, as amended, under Section 19(b)(3)(C) of the Act, the Commission considers the period to commence on March 3, 2006, the date on which the Exchange submitted Amendment No. 1. See 15 U.S.C. 78s(b)(3)(C).

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. 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-2006-11 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁹

Nancy M. Morris
Secretary

¹⁹ 17 CFR 200.30-3(a)(12).