

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53729; File No. SR-ISE-2006-15)

April 26, 2006

Self-Regulatory Organizations; International Securities Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Execution of Complex Orders

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 April 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, II, and III below, which Items have been prepared by the Exchange. The ISE has filed this proposal pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder,⁴ which renders the proposal effective upon filing with the Commission. 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 ISE is proposing to amend its rules to specify that complex orders may be executed using the Solicited Order Mechanism. The text of the rule change is as follows. Underlining indicates additions; [bracketing] indicates deletions.

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Rule 716. Block Trades

(a) through (e) no change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

Supplementary Material to Rule 716

.01 through .07 no change.

.08 Complex Orders. Electronic Access Members may use the Facilitation Mechanism and the Solicited Order Mechanism according to paragraphs (d) and (e) of this Rule 716 to [facilitate] execute block-size complex orders (as defined in Rule 722) at a net price. Members may enter Indications for complex orders at net prices, and bids and offers for complex orders will participate in the execution of an order being [facilitated] executed as provided in paragraphs (d) and (e) of this Rule 716. With respect to bids and offers for the individual legs of a complex order entered into the [Facilitation M]mechanisms, the priority rules for complex orders contained in Rule 722(b)(2) will continue to be applicable. If an improved net price for the complex order being [facilitated] executed can be achieved from bids and offers for the individual legs of the complex order in the Exchange's auction market, the order being [facilitated] executed will receive an execution at the better net price.

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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 proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange 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 Exchange proposes to amend Supplementary Material .08 to ISE Rule 716, "Block Trades," to specify that complex orders may be executed through the Solicited Order Mechanism. The Commission previously approved the execution of complex orders through the Facilitation Mechanism, and the Exchange has modified its system to similarly handle the execution of complex orders through the Solicited Order Mechanism.⁵

The Facilitation and Solicited Order Mechanisms work in the same basic manner. An Electronic Access Member ("EAM") enters an order of a minimum size with a counter side interest, and other market participants are given an opportunity to participate in the trade before it is automatically executed. Complex orders are entered at a net price and are handled in the same manner as any other order under ISE Rule 716(d), "Facilitation Mechanism," and ISE Rule 716(e), "Solicited Order Mechanism."⁶ With respect to bids and offers for the individual legs of a complex order entered into either mechanism, the priority rules for complex orders contained in ISE Rule 722(b)(2), "Complex Order Priority," continue to be applicable. If an improved net price for the complex order being executed can be achieved from bids and offers for the individual legs of the complex order in the Exchange's auction market, the order being executed will receive an execution at the better net price.

⁵ See Securities Exchange Act Release No. 52327 (Aug. 24, 2005), 70 FR 51854 (Aug. 31, 2005) (order approving File No. SR-ISE-2004-33) ("Facilitation Mechanism Order").

⁶ Each mechanism has different execution requirements. In particular, the Facilitation Mechanism has a minimum order size of 50 contracts, while the Solicited Order Mechanism has a minimum order size of 500 contracts. Each leg of a complex order must comply with these minimum order sizes. In addition, the Solicited Order Mechanism requires that all orders be entered as all-or-none orders, while the Facilitation Mechanism does not have this requirement. Complex orders would be subject to the all-or-none requirement when entered into the Solicited Order Mechanism.

2. Statutory Basis

The Exchange believes that the basis under the Act for this proposed rule change is found in Section 6(b)(5),⁷ in that it will serve to remove impediments to, and perfect the mechanisms of, a free and open market and a national market system and, in general, to protect investors and the public interest. In particular, the proposed rule change will make an existing service available to an additional order type.

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

The Exchange believes that 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

The Exchange has designated the proposed rule change as one that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not become operative for 30 days from the date of filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. In addition, as required under Rule 19b-4(f)(6)(iii),⁸ the ISE provided the Commission with written notice of its intention to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days

⁷ 15 U.S.C. 78f(b)(5).

⁸ 17 CFR 240.19b-4(f)(6)(iii).

prior to filing the proposal with the Commission. Therefore, the foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act⁹ and Rule 19b-4(f)(6) thereunder.¹⁰

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

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-2006-15 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-2006-15. 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

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(6).

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 inspection and copying in the Commission's Public Reference Room. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. 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 No. SR-ISE-2006-15 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.¹¹

Nancy M. Morris
Secretary

¹¹ 17 CFR 200.30-3(a)(12).