

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53788; File No. SR-ISE-2006-19)

May 11, 2006

Self-Regulatory Organizations; International Securities Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto Relating to PrecISE Fees

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 April 3, 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 ISE. On May 10, 2006, ISE filed Amendment No. 1 to the proposed rule change.³ The ISE has designated this proposal as one establishing or changing a due, fee, or other charge imposed by the ISE under Section 19(b)(3)(A)(ii) of the Act,⁴ and Rule 19b-4(f)(2) thereunder,⁵ which renders the proposal 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 revised the purpose section of the filing to clarify that: (i) PrecISE is merely a new front-end system interface to the Exchange’s existing trading system, which does not require changes to ISE’s surveillance or communications rules and does not impact the Exchange’s market structure; (ii) ISE members will continue to pay CLICK fees only to the extent that they continue to have or use those terminals; (iii) the new away market routing functionality is optional for members; and (iv) the \$20 monthly fee charged to IRDs for the away market routing functionality will be charged per PrecISE trade terminal (which conformed the purpose section to the text of the Schedule of Fees).

⁴ 15 U.S.C. 78s(b)(3)(A)(ii).

⁵ 17 CFR 240.19b-4(f)(2).

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

The ISE is proposing to amend its Schedule of Fees to adopt fees for the use of its new, proprietary PrecISE Trade® order entry terminals. The text of the proposed rule change, as amended, is available on the ISE’s Web site (http://www.iseoptions.com/legal/proposed_rule_changes.asp), at the principal office of the ISE, 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 ISE 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 ISE 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 to establish fees for the use of ISE’s new, proprietary PrecISE Trade order entry terminals. PrecISE Trade is the brand name of ISE’s front-end order-entry terminal that, ultimately, will replace ISE’s current front-end CLICK® order-entry terminal licensed to it by OMX Technology that Electronic Access Members (“EAMs”) use to send orders to the ISE and view market data.⁶ The Exchange currently charges

⁶ After the introduction of PrecISE Trade terminals, the ISE will begin phasing out CLICK terminals. Upon the completion of such phase-out, ISE will submit a proposed rule change to the Commission pursuant to which it will remove CLICK fees from its fee schedule. The Exchange represents that a PrecISE Trade terminal is merely a new front-end system interface to the existing trading system operated by the Exchange known as

EAMs \$500 per CLICK terminal, for the first terminal through the fifth terminal. For the sixth terminal and all subsequent terminals, the Exchange charges EAMs \$250 per CLICK terminal. However, all CLICK fees for the second and all subsequent terminals are waived through June 30, 2006.⁷ The Exchange proposes monthly PrecISE Trade terminal fees of \$250 per terminal, with a \$500 minimum and \$1500 maximum, per EAM, per month. These new PrecISE Trade fees will enable the ISE to recoup the costs of developing, maintaining, and supporting the PrecISE Trade terminals. To allow members to become familiar with the PrecISE Trade terminals, the Exchange proposes to waive the associated fees for a member's first two months of PrecISE Trade terminal usage. Members that currently have CLICK terminals will continue to pay fees for those terminals during this period to the extent they continue to have or use those terminals. The Exchange believes this will allow for a smooth transition to the new PrecISE Trade terminals.

Additionally, PrecISE Trade terminals will have away market routing functionality, enabling members to send option orders to other option exchanges through the PrecISE Trade

CLICK (i.e., it is a new means of connecting to the Exchange's existing trading system), and does not require any changes to the Exchange's surveillance or communications rules. Further, there is no change to, or impact on, the Exchange's market structure as a result of the new PrecISE Trade terminals.

⁷ See Securities Exchange Act Release No. 51775 (June 2, 2005), 70 FR 33569 (June 8, 2005).

terminal, if a member so desires.⁸ To accomplish “away-market routing,” an EAM must establish a relationship with an Intermediate Routing Destination (“IRD”). An IRD is an ISE member that has connectivity to, and is a member of, other options exchanges. If an EAM sends an order to an IRD using the away market routing functionality of a PrecISE Trade terminal, the IRD will route that order to the designated away market on behalf of the entering EAM. The Exchange proposes to charge IRDs a flat monthly fee of \$20 per PrecISE Trade terminal that is authorized to send orders to that IRD if a member requests the away-market routing functionality. This fee will enable the ISE to recoup the costs of developing, maintaining, and supporting the away-market routing functionality.

2. Statutory Basis

The Exchanges believes that the basis under the Act for this proposed rule change is the requirement under Section 6(b)(4) of the Act⁹ that an exchange have an equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities. In particular, these fees would permit the Exchange to recover the costs of developing, maintaining, and supporting PrecISE Trade terminals and away-market routing.

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

The Exchange believes that the proposed rule change, as amended, does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

⁸ The away market routing functionality is an added feature of the new PrecISE Trade terminal. This functionality is offered as a convenience to ISE members and is not an exclusive means to send orders intermarket.

⁹ 15 U.S.C. 78f(b)(4).

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 rule change, as amended, establishes or changes a due, fee, or other charge imposed by the Exchange, it has become effective pursuant to Section 19(b)(3) of the Act¹⁰ and Rule 19b-4(f)(2)¹¹ thereunder. At any time within 60 days of the filing of such amended proposed rule change, the Commission may summarily abrogate 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.¹²

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 19b-4(f)(2).

¹² The effective date of the original proposed rule is April 3, 2006. The effective date of Amendment No. 1 is May 10, 2006. For purposes of calculating the 60-day period within which the Commission may summarily abrogate the proposed rule change under Section 19(b)(3)(C) of the Act, the Commission considers the period to commence on May 10, 2006, the date on which the ISE submitted Amendment No. 1. See 15 U.S.C. 78s(b)(3)(C).

- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-ISE-2006-19 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-ISE-2006-19. 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 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-2006-19 and should be submitted on or before [insert date 21 days from the date of publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Nancy M. Morris
Secretary

¹³ 17 CFR 200.30-3(a)(12).