

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56055; File No. SR-ISE-2007-52)

July 12, 2007

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change as Modified by Amendment No. 1 Thereto Relating to Fee Waivers

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 June 27, 2007, the International Securities Exchange, LLC (“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 substantially prepared by the Exchange. On July 11, 2007, the Exchange filed Amendment No. 1 to the proposed rule change. ISE has designated this proposal as one establishing or changing a due, fee, or other charge imposed by ISE under Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) 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, as amended, from interested persons.

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

ISE proposes to amend its Schedule of Fees to extend two fee waivers. The text of the proposed rule change is available at the Commission’s Public Reference Room, at the Exchange, and on its Web site at www.ise.com.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

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 purpose of this proposed rule change is to extend two fee waivers. First, ISE currently waives most customer transaction fees, with such waiver scheduled to expire on June 30, 2007.⁵ In order to remain competitive in the marketplace, the Exchange proposes to extend this waiver through June 30, 2008.

Second, ISE currently has a pilot program that: (1) caps and waives execution and comparison fees for transactions in options on the NASDAQ-100 Index Tracking Stock[®] (“QQQQ”)⁶ and the iShares Russell 2000[®] Index Fund (“IWM”)⁷ when a member transacts a certain number of QQQQ and IWM option contracts; and (2) reduces and waives the facilitation

⁵ See Securities Exchange Act Release No. 53954 (June 7, 2006), 71 FR 34651 (June 15, 2006) (SR-ISE-2006-29).

⁶ The Exchange instituted this pilot program in November 2003 and has since extended it on numerous occasions. See Securities Exchange Act Release Nos. 49147 (January 29, 2004), 69 FR 5629 (February 5, 2004) (SR-ISE-2003-32); 49853 (June 14, 2004), 69 FR 35087 (June 23, 2004) (SR-ISE-2004-15); 50900 (December 21, 2004), 69 FR 78075 (December 29, 2004) (SR-ISE-2004-36); 52934 (December 9, 2005), 70 FR 74859 (December 16, 2005) (SR-ISE-2005-53); 54841 (November 30, 2006), 71 FR 71006 (December 6, 2006) (SR-ISE-2006-69).

⁷ See Securities Exchange Act Release No. 55973 (June 28, 2007), 72 FR 37063 (July 6, 2007) (SR-ISE-2007-39).

execution and comparison fees when a member transacts a certain number of contracts through the Exchange's Facilitation Mechanism.

The Exchange's fee discount program applies to ISE Market Maker orders and Firm Proprietary orders in QQQQ and IWM options. The Exchange's current transaction fees for these order types are as follows: for ISE Market Maker orders, the transaction fees range from \$.21 to \$.12 per contract, depending on the Exchange's trading volume, plus a comparison fee of \$.03 per contract; and for Firm Proprietary orders, the transaction fee is \$.15 per contract, plus a comparison fee of \$.03 per contract.

Under the QQQQ pilot program, when a member's average daily volume ("A.D.V.") in QQQQ options reaches 10,000 contracts, the member's execution fee for the next 2,000 QQQQ option contracts is reduced by \$.10 per contract. Further, when a member's monthly A.D.V. in QQQQ options reaches 12,000 contracts, the Exchange waives the entire execution fee and the comparison fee for each QQQQ option contract traded thereafter. Under the IWM pilot program, when a member's A.D.V. in IWM options reaches 8,000 contracts, the member's execution fee for the next 2,000 IWM option contracts is reduced by \$.10 per contract. Further, when a member's monthly A.D.V. in IWM options reaches 12,000 contracts, the Exchange waives the entire execution fee and the comparison fee for each IWM option contract traded thereafter.

The structure of the reduction and waiver of the facilitation execution fee and the comparison fee is based on the structure of the reduction and waiver of the QQQQ and IWM execution and comparison fees noted above. That is, when a member's monthly A.D.V. in the Facilitation Mechanism reaches 15,000 contracts, the member's facilitation execution fee for the next 5,000 contracts transacted in the Facilitation Mechanism are reduced by \$.10 per contract. Further, when a member's monthly A.D.V. in the Facilitation Mechanism reaches 20,000

contracts, the Exchange waives the entire facilitation execution fee and the comparison fee for each contract transacted in the Facilitation Mechanism thereafter.

The Exchange notes that the current pilot program is set to expire on June 30, 2007. The Exchange now proposes to extend the pilot program for another year, until June 30, 2008. ISE seeks to extend this pilot program for competitive reasons. This pilot program was initiated and extended in an attempt to increase the Exchange's market share in QQQQ and IWM options and to also encourage members to use the Exchange's Facilitation Mechanism.

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(4) of the Act⁸ 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 extend current waivers, thus effectively maintaining low fees.

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.

⁸ 15 U.S.C. 78f(b)(4).

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

The foregoing proposed rule change has been designated as a fee change pursuant to Section 19(b)(3)(A)(ii) of the Act⁹ and Rule 19b-4(f)(2)¹⁰ thereunder, because it establishes or changes a due, fee, or other charge imposed by the Exchange. Accordingly, the proposal took effect upon filing with the Commission. At any time within 60 days of the filing of such 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.¹¹

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-2007-52 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.

⁹ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁰ 17 CFR 240.19b-4(f)(2).

¹¹ 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 July 11, 2007, the date on which ISE filed Amendment No. 1. See 15 U.S.C. 78s(b)(3)(C).

All submissions should refer to File Number SR-ISE-2007-52. 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, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such 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 Number SR-ISE-2007-52 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.¹²

Florence E. Harmon
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).