

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-60770; File No. SR-ISE-2009-69)

October 2, 2009

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Order Granting Accelerated Approval to a Proposed Rule Change Relating to the Amounts that Direct Edge ECN, in Its Capacity as an Introducing Broker for Non-ISE Members, Passes Through to Such Non-ISE Members

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 30, 2009, the International Securities Exchange, LLC (the “Exchange” or the “ISE”) 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 ISE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons, and is approving the proposal on an accelerated basis.

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

The Exchange proposes to modify the amounts that Direct Edge ECN (“DECN”), in its capacity as an introducing broker for non-ISE Members, passes through to such non-ISE Members.

The text of the proposed rule change is available on the Exchange’s Internet website at <http://www.ise.com>.

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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 self-regulatory organization 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 III below. The self-regulatory organization 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

DECN, a facility of ISE, operates two trading platforms, EDGX and EDGA. On September 30, 2009, the ISE filed for immediate effectiveness a proposed rule change to: (i) amend DECN's fee schedule for ISE Members<sup>3</sup> to adopt new fees and rebates and associated flags;<sup>4</sup> (ii) amend the criteria for meeting the Ultra Tier;<sup>5</sup> (iii) to amend the descriptions of

---

<sup>3</sup> References to ISE Members in this filing refer to DECN Subscribers who are ISE Members.

<sup>4</sup> In SR-ISE-2009-68, the Exchange also adopted additional fees and rebates and associated flags. First, the Exchange added new fee categories for the INET order type. When a member routes to Nasdaq using the INET order type and removes liquidity on Tapes A or C, the member incurs a fee of \$0.0030 on either EDGA or EDGX. Such situation yields new Flag "L". The INET order type sweeps the EDGA or EDGX book, and routes the remainder to Nasdaq. If the order is marketable, it will remove liquidity from the EDGA or EDGX book, as applicable, first. If the order is non-marketable, the order will post on Nasdaq. With regards to a Member's use of the INET order type for Tapes A or C securities, Members routing an average daily volume ("ADV"): (i) less than 5,000,000 shares are charged \$0.0030 per share, as described in the schedule; (ii) equal to or greater than 5,000,000 shares but less than 20,000,000 shares are charged \$0.0027 per share; (iii) equal to or greater than 20,000,000 shares but less than 30,000,001 shares are charged \$0.0026 per share; and (iv) equal to or greater than 30,000,001 shares are charged \$0.0025 per share. The rates, in all cases, are calculated for shares removed from Nasdaq. The Exchange believes that these tier-based rates incent Members to sweep the EDGA or EDGX book first and then offer a discounted rate to Nasdaq's rates

---

if the remainder of the order is routed to Nasdaq. These discounted rates arise in part from reduced administrative costs associated with certain volume levels.

Similarly, the Exchange also added an additional fee category for the INET order type when a member routes to Nasdaq using the INET order type and removes liquidity on Tape B. Such situation yields new flag “2”. With regards to a Member’s use of the INET order type for Tape B securities, Members routing an ADV: (i) less than 20,000,000 shares are charged \$0.0030 per share, as described in the schedule; (ii) equal to or greater than 20,000,000 but less than 30,000,001 shares are charged \$0.0029 per share; and (iii) equal to or greater than 30,000,001 shares are charged \$0.0028 per share.

Furthermore, the Exchange adopted a new rebate. Members receive a rebate of \$0.0032 per share for all liquidity posted on EDGX if they add or route at least 10,000,000 shares of ADV to EDGX prior to 9:30 AM EST or after 4:00 PM EST (includes all flags except N and W) and add a minimum of 75,000,000 shares of ADV on EDGX in total, including during both market hours and pre and post-trading hours. This rebate is designed to reward members who add or route significant order flow to EDGX both during market hours and pre and post-trading hours. It is also designed to increase the liquidity of the pre and post markets.

<sup>5</sup> In SR-ISE-2009-68, the Exchange amended the criteria for meeting the Ultra Tier by allowing ISE Members to receive a \$0.0032 rebate per share for securities priced at or above \$1.00 when ISE Members add liquidity on EDGX if the attributed MPID posts 1% of the Total Consolidated Volume (“TCV”) in ADV. TCV is defined as volume reported by all exchanges and trade reporting facilities to the consolidated transaction reporting plans for Tape A, B, and C securities. The Ultra Tier rebate (\$0.0032 per share), which is a higher rebate than the Super Tier (\$0.0030 per share), is also more difficult to reach than the Super Tier rebate, as a higher volume threshold is required based on recent TCV figures. For example, 1% of the average TCV for July 2009 (8.8 billion) was approximately 88 million shares. This threshold far exceeds the criteria to meet the Super Tier rebate. In addition, the higher rebate also results in part from lower administrative costs associated with higher volume.

Previously, ISE Members were provided a \$0.0032 rebate per share for securities priced at or above \$1.00 when ISE Members added liquidity on EDGX if the attributed MPID satisfied one of the following criteria on a daily basis, measured monthly: (i) adding 100,000,000 shares or more on EDGX; or (ii) adding 50,000,000 shares or more of liquidity to EDGX, so long as added liquidity on EDGX is at least 20,000,000 shares greater than the previous calendar month. In SR-ISE-2009-68, the Exchange also deleted the Full Sweep Tier, which provided a \$0.0035 rebate per share for liquidity added on EDGX if the attributed MPID added 50,000,000 shares or more on a daily basis, measured monthly, by using the ROUT routing strategy.

certain flags in the schedule;<sup>6</sup> and (iv) to amend its fee schedule to reflect pass through charges of other market centers.<sup>7</sup> The fee changes made pursuant to SR-ISE-2009-68 became operative on October 1, 2009.

In its capacity as a member of ISE, DECN currently serves as an introducing broker for the non-ISE Member subscribers of DECN to access EDGX and EDGA. DECN, as an ISE Member and introducing broker, receives rebates and is assessed charges from DECN for transactions it executes on EDGX or EDGA in its capacity as introducing broker for non-ISE Members. Since the amounts of such rebates and charges were changed pursuant to SR-ISE-2009-68, DECN wishes to make corresponding changes to the amounts it passes through to non-ISE Member subscribers of DECN for which it acts as introducing broker. As a result, the per share amounts that non-ISE Member subscribers receive and are charged will be the same as the amounts that ISE Members receive and are charged.

ISE is seeking accelerated approval of this proposed rule change, as well a retroactive effective date of October 1, 2009. ISE represents that this proposal will ensure that both ISE Members and non-ISE Members (by virtue of the pass-through described above) will in effect receive and be charged equivalent amounts and that the imposition of such amounts will begin on the same October 1, 2009 start date.

---

<sup>6</sup> In SR-ISE-2009-68, the Exchange also amended the descriptions of the “N” and “W” flags to display which Tape liquidity is removed from. For the “N” flag, the Exchange amended the description to state that liquidity is removed from Tapes B & C. For the “W” flag, the Exchange amended the description to state that liquidity is removed from Tape A.

<sup>7</sup> In SR-ISE-2009-68, the Exchange amended its fee schedule to pass through to ISE members the actual transaction fees assessed by away markets. Specifically, the Exchange amended its fees schedule to reflect Nasdaq’s reduction in rebate from 0.0006 to 0.0001 for removing liquidity from Nasdaq OMX BX.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,<sup>8</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>9</sup> in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities. In particular, this proposal will ensure that dues, fees and other charges imposed on ISE Members are equitably allocated to both ISE Members and non-ISE Members (by virtue of the pass-through described above).

### 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.

## III. 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

---

<sup>8</sup> 15 U.S.C. 78f.

<sup>9</sup> 15 U.S.C. 78f(b)(4).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-ISE-2009-69 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-ISE-2009-69. 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 a.m. and 3 p.m. 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-2009-69 and should be submitted on or before [insert date 21 days from the date of publication in the Federal Register].

IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>10</sup> Specifically, the Commission finds that the proposed rule change is consistent with Section 6(b)(4)<sup>11</sup> of the Act, which requires that the rules of a national securities exchange provide for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using its facilities.

As described more fully above, ISE recently amended DECN's fee schedule for ISE Members to, among other things, amend the criteria for meeting the Ultra Tier rebate, delete the Full Sweep Tier, adopt fees in connection with the use of INET routing strategies, and to adopt a new rebate for liquidity posted on EDGX during pre and post hours trading.<sup>12</sup> The fee changes made pursuant to the Member Fee Filing became operative on October 1, 2009. DECN receives rebates and is charged fees for transactions it executes on EDGX or EDGA in its capacity as an introducing broker for its non-ISE member subscribers.

The current proposal, which will apply retroactively to October 1, 2009, will allow DECN to pass through the revised rebates and fees to the non-ISE member subscribers for which it acts as an introducing broker. The Commission finds that the proposal is consistent with the Act because it will provide rebates and charge fees to non-ISE member subscribers that are equivalent to those established for ISE member subscribers in the Member Fee Filing.<sup>13</sup>

---

<sup>10</sup> In approving this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C 78c(f).

<sup>11</sup> 15 U.S.C. 78f(b)(4).

<sup>12</sup> See File No. SR-ISE-2009-68 (the "Member Fee Filing").

<sup>13</sup> Id.

ISE has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after publication of notice of filing thereof in the Federal Register. As discussed above, the proposal will allow DECN to pass through to non-ISE member subscribers the revised rebate and fees established for ISE member subscribers in the Member Fee Filing, resulting in equivalent rebates and fees for ISE member and non-member subscribers. In addition, because the proposal will apply the revised rebates and fees retroactively to October 1, 2009, the revised rebates and fees will have the same effective date, thereby promoting consistency in the DECN's fee schedule. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act, for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register.



V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>14</sup> that the proposed rule change (SR-ISE-2009-69) be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

Florence E. Harmon  
Deputy Secretary

---

<sup>14</sup> 15 U.S.C. 78s(b)(2).

<sup>15</sup> 17 CFR 200.30-3(a)(12).