

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-61009; File No. SR-ISE-2009-97)

November 16, 2009

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding the Closing Settlement Value for the Brazilian Real

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 November 10, 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, II, and III below, which items have been prepared by the Exchange. The Exchange has filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> 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 Exchange proposes to amend its Rule 2212 regarding the closing settlement value for the Brazilian real. The text of the proposed rule change is available on the Exchange's Web site [www.ise.com](http://www.ise.com), at the principal office of the Exchange, 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

---

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

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

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

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 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

ISE proposes to amend its rules regarding Foreign Currency Options (“FX Options”)<sup>5</sup> traded on the Exchange. Specifically, ISE proposes to amend its Rule 2213 regarding the closing settlement value for options on the Brazilian real. The Brazilian real is one of the 19 underlying currencies that have been approved for trading by the SEC.<sup>6</sup> Pursuant to the FX Options Filing, the Exchange currently lists options on 9 currency pairs and anticipates listing additional FX Options shortly, including options on the Brazilian real.

Currently, ISE’s rule for determining the closing settlement value for FX Options, including the Brazilian real, states that the closing settlement value shall be shall be determined by using the WM/Reuters Intraday Spot rate on the last trading day during expiration week. However, based on conversations with market participants, the Exchange understands that the Brazilian real is a non-deliverable currency as a result of capital controls established by Brazil’s central bank. And although Brazil has a very active domestic foreign currency futures market,

---

<sup>5</sup> ISE began trading FX options on April 17, 2007 pursuant to Commission approval. See Securities Exchange Act Release No. 55575 (April 3, 2007), 72 FR 17963 (April 10, 2007) (SR-ISE-2006-59) (the “FX Options Filing”).

<sup>6</sup> Id.

there are strict controls related to obtaining the physical currency. Further, FX market participants worldwide prefer to use the official exchange rate, known as the PTAX, established by the Central Bank of Brazil (BACEN) for valuing derivative transactions involving the Brazilian real. The PTAX, which is calculated daily, has been published by BACEN since February 1, 1999. The PTAX has thus become the industry standard for determining settlement value.<sup>7</sup>

ISE therefore proposes to amend its rules to allow the closing settlement value for the Brazilian real to be determined based on the PTAX rate. Doing so will reflect the current industry standard with respect to this product and will align trading in it with other regulated and exchange-listed products in the U.S. The PTAX rate is the same as that used by the Bolsa de Mercadorias & Futuros to cash settle its U.S. dollar futures contract as well as that used by the Chicago Mercantile Exchange to cash settle its Brazilian real futures contract.

In the event the PTAX rate is not available, the Exchange shall calculate the closing settlement value for options on the Brazilian real using the WM/Reuters Intraday Spot price corresponding to 12:00 PM New York time, which is what the Exchange currently uses to calculate the closing settlement values for all the FX options that are currently listed on the Exchange.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations under the Act applicable to a

---

<sup>7</sup> Additional information on the PTAX is available on BACEN’s website at [http://www.bcb.gov.br/sddsi/taxacambio\\_i.htm](http://www.bcb.gov.br/sddsi/taxacambio_i.htm).

national securities exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>8</sup> Specifically, the Exchange believes the proposed rule change is consistent with Section 6(b)(5) of the Act's<sup>9</sup> requirements that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and, in general, to protect investors and the public interest. In particular, the proposed rule change will allow the Exchange to use the PTAX, an industry-recognized source, to determine the closing settlement value for options on the Brazilian real which the Exchange expects shortly to list for trading.

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

Because the foregoing proposed rule change does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition, and, by its terms, does not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section

---

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

<sup>9</sup> 15 U.S.C. 78f(b)(5).

19(b)(3)(A)<sup>10</sup> of the Act and Rule 19b-4(f)(6)<sup>11</sup> thereunder. The Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing the proposed rule change.

At any time within 60 days of the filing of the 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.

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-ISE-2009-97 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-2009-97. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

---

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

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, on official business days between the hours of 10:00 am and 3:00 pm. 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 Number SR-ISE-2009-97 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

Florence E. Harmon  
Deputy Secretary

---

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