

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-62271; File No. SR-ISE-2010-58)

June 10, 2010

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Trading Halts

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 10, 2010, the International Securities Exchange, LLC (the “Exchange” or the “ISE”) filed with the Securities and Exchange Commission (the “SEC” or the “Commission”) the proposed rule change as described in Items I, and II below, which items have been prepared by the self-regulatory organization. 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 Rule 702 (Trading Halts) to confirm that the Exchange will halt trading in an options class when a trading pause in the underlying security is initiated by the primary listing exchange. The text of the proposed rule changes is as follows, with additions underlined:

Rule 702. Trading Halts

(a) and (b) no change.

(c) Trading Pauses. Trading on the Exchange in any option contract shall be halted whenever trading in the underlying security has been paused by the primary listing market.

Trading in such options contracts may be resumed upon a determination by the Exchange that

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

the conditions that led to the pause are no longer present and that the interests of a fair and orderly market are best served by a resumption of trading, which in no circumstances will be before the Exchange has received notification that the underlying security has resumed trading on at least one exchange.

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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 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 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

The primary listing markets for U.S. stocks, as well as all other U.S. equity markets, are in the process of amending their rules so that they may, from time to time, issue a five-minute "trading pause" for an individual security if the price of such security moves 10% or more from a sale in a preceding five-minute period.³ This uniform market-wide trading pause will initially

³ E.g., Exchange Act Release No. 34-62126 (May 19, 2010), 75 FR 28831 (May 24, 2010) (Notice for SR-NYSE-2010-39); Exchange Act Release No. 34-62129 (May 19, 2010), 75 FR 28839 (May 24, 2010) (Notice for SR-NASDAQ-2010-61); Exchange Act Release No. 34-62127 (May 19, 2010), 75 FR 28837 (May 24, 2010) (Notice for SR-NYSEAmex-2010-46); Exchange Act Release No. 34-62128 (May 19, 2010), 75 FR 28830 (May 24, 2010) (Notice for SR-NYSEArca-2010-41); Exchange Act Release No. 34-62133 (May 19, 2010), 75 FR 28841 (May 24, 2010) (Notice for SR-FINRA-2010-25). See also infra note 4.

cover individual securities included in the S&P 500[®] Index and is being implemented as a pilot concluding on December 10, 2010 (“trading pause pilot”).

ISE Rule 702(a)(1) states that an Exchange official may halt trading in any stock option in the interests of fair and orderly market, taking into consideration factors such as whether trading in the underlying security has been halted or suspended in the primary market. ISE Rule 702(a)(3) further provides that the Exchange will halt trading for a class or classes of options contracts whenever there is a halt of trading in an underlying security in the primary market. In this respect, the Exchange notes that its trading system automatically halts trading upon the receipt of a halt message from the primary listing exchange.

The purpose of this rule change is to confirm that the Exchange will automatically halt trading in securities when the primary listing exchanges initiate a trading pause. The proposed rule specifies that trading in options will resume when the Exchange determines that the conditions that led to the pause are no longer present and that the interests of a fair and orderly market are best served by a resumption of trading. The rule also specifies that the Exchange will not resume trading until the underlying security has resumed trading on at least one exchange.⁴

⁴ The trading pause pilot allows the non-primary trading markets to initiate trading 10 minutes following a trading pause initiated by a primary listing exchange. E.g., Exchange Act Release No. 34-62123 (May 19, 2010), 75 FR 28844 (May 24, 2010) (Notice for SR-EDGX-2010-01); Exchange Act Release No. 34-62122 (May 19, 2010), 75 FR 28833 (May 24, 2010) (Notice for SR-EDGA-2010-01); Exchange Act Release No. 34-62121 (May 19, 2010), 75 FR 28834 (May 24, 2010) (Notice for SR-BATS-2010-14); Exchange Act Release No. 34-62124 (May 19, 2010), 75 FR 28828 (May 24, 2010) (Notice for SR-BX-2010-37); Exchange Act Release No. 34-62130 (May 19, 2010), 75 FR 28842 (May 24, 2010) (Notice for SR-CHX-2010-10). If trading is initiated by one or more non-primary listing equities exchanges after 10 minutes, the Exchange will determine whether to wait until the primary listing market has resumed trading as well or whether the interests of a fair and orderly market are best served by a resumption of trading at that time.

2. Statutory Basis

The basis under the Exchange Act for this proposed rule change is the requirement under Section 6(b)(5) that an exchange have rules that are designed to promote just and equitable principles of trade, and to remove impediments to and perfect the mechanism for a free and open market and a national market system, and in general, to protect investors and the public interest. In particular, the proposal confirms that the Exchange will halt trading in options when a trading pause is initiated by the primary listing market for the underlying security.

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 Exchange 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 proposed rule change: (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 after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change or such shorter time as designated by the Commission, the proposed rule

change has become effective pursuant to Section 19(b)(3)(A) of the Act⁵ and Rule 19b-4(f)(6) thereunder.⁶

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days after the date of filing.⁷ However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Commission approved filings from the exchanges and the Financial Industry Regulatory Authority to institute a single stock trading pause for equity securities that experience a 10% change in price during a five minute period.⁸ The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because it will allow ISE to halt trading for individual equity options at the same time that the primary listing market implements the pilot for eligible underlying stocks.⁹

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.

⁵ 15 U.S.C. 78s(b)(3)(A).

⁶ 17 CFR 240.19b-4(f)(6). The Commission notes that the Exchange has met this requirement.

⁷ 17 CFR 240.19b-4(f)(6).

⁸ See Securities Exchange Act Release Nos. 62251 and 62252 (June 10, 2010).

⁹ For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-2010-58 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-ISE-2010-58. 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 Web site viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. 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 publicly available. All submissions should refer to File Number SR-ISE-2010-58 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.¹⁰

Florence E. Harmon
Deputy Secretary

¹⁰ 17 CFR 200.30-3(a)(12).