

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-58411; File No. SR-ISE-2008-65)

August 22, 2008

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Fee Changes.

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 August 12, 2008, the International Securities Exchange, LLC (the "Exchange" or the "ISE") filed with the Securities and Exchange Commission the proposed rule change, as described in Items I, II, and III 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 ISE is proposing to amend its Schedule of Fees to establish fees for transactions in options on 12 Premium Products.³ The text of the proposed rule change is available at the Exchange.

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Premium Product is defined in the Schedule of Fees as the products enumerated therein.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose – The Exchange is proposing to amend its Schedule of Fees to establish fees for transactions in options on the iShares DJ US Financial Sector Index Fund (“IYF”),⁴ the Market Vectors Coal ETF (“KOL”),⁵ the SPDR KBW Regional Banking ETF (“KRE”),⁶ the Ultra Oil & Gas ProShares Trust (“DIG”), the UltraShort Real Estate ProShares Trust (“SRS”), the UltraShort Basic Materials ProShares Trust (“SMN”),⁷ the Vanguard® Materials ETF

⁴ iShares® is a registered trademark of Barclays Global Investors, N.A. (“BGI”), a wholly owned subsidiary of Barclays Bank PLC. “Dow Jones” and “Dow Jones U.S. Financial Sector Index Fund” are service marks of Dow Jones & Company, Inc. (“Dow Jones”) and have been licensed for use for certain purposes by BGI. All other trademarks and service marks are the property of their respective owners. The Dow Jones U.S. Financial Sector Index Fund (“IYF”) is not sponsored, endorsed, issued, sold or promoted by Dow Jones. BGI and Dow Jones have not licensed or authorized ISE to (i) engage in the creation, listing, provision of a market for trading, marketing, and promotion of options on IYF or (ii) to use and refer to any of their trademarks or service marks in connection with the listing, provision of a market for trading, marketing, and promotion of options on IYF or with making disclosures concerning options on IYF under any applicable federal or state laws, rules or regulations. BGI and Dow Jones do not sponsor, endorse, or promote such activity by ISE, and are not affiliated in any manner with ISE.

⁵ The Market Vectors Coal ETF (“KOL”) is distributed by Van Eck Securities Corporation (“VESC”) and tracks the Stowe Coal IndexSM, which is published by Stowe Global Indexes LLC (“Stowe”). VESC has entered into a licensing agreement with Stowe to use the Stowe Coal Index in connection with KOL. Van Eck Associates Corporation (“VEAC”) is the investment adviser to KOL. Stowe’s only relationship with VEAC is the licensing of certain service marks and trade names of Stowe and of the Stowe Coal Index. Stowe does not sponsor, endorse, or promote KOL and makes no representation regarding the advisability of investing in KOL. Neither VESC nor VEAC has licensed or authorized ISE to (i) engage in the creation, listing, provision of a market for trading, marketing, and promotion of options on KOL or (ii) to use and refer to any of their trademarks or service marks in connection with the listing, provision of a market for trading, marketing, and promotion of options on KOL or with making disclosures concerning options on KOL under any applicable federal or state laws, rules or regulations. Neither VESC nor VEAC sponsors, endorses, or promotes such activity by ISE, and are not affiliated in any manner with ISE.

⁶ “SPDR®” is a trademark of the The McGraw-Hill Companies, Inc (“McGraw-Hill”). The “KBW Regional Bank IndexSM” and “Keefe, Bruyette & WoodsSM” are service marks and the property of Keefe, Bruyette & Woods, Inc. (“KBW”). KBW’s only relationship to State Street Bank and Trust Company is the licensing of certain trademarks and tradenames of KBW and the KBW Regional Banking Index in connection with the listing and trading of the KBW Regional Banking ETF (“KRE”) on the American Stock Exchange. KRE is not sponsored, sold or endorsed by KBW or McGraw-Hill and neither KBW nor McGraw-Hill makes any representation regarding the advisability of investing in KRE. Neither KBW nor McGraw-Hill has licensed or authorized ISE to (i) engage in the creation, listing, provision of a market for trading, marketing, and promotion of options on KRE or (ii) to use and refer to any of their trademarks or service marks in connection with the listing, provision of a market for trading, marketing, and promotion of options on KRE or with making disclosures concerning options on KRE under any applicable federal or state laws, rules or regulations. Neither KBW nor McGraw-Hill sponsors, endorses, or promotes such activity by ISE and are not affiliated in any manner with ISE.

⁷ “Dow Jones”, “Dow Jones U.S. Oil & GasSM”, “Dow Jones U.S. Basic MaterialsSM”, and “Dow Jones U.S. Real EstateSM” are service marks of Dow Jones & Company, Inc. (“Dow Jones”) and have been licensed for use for certain purposes by ProFunds Trust. All other trademarks and service marks are the property of their respective owners. The Ultra Oil & Gas ProShares (“DIG”), the UltraShort Real Estate ProShares (“SRS”), and the UltraShort Basic Materials ProShares (“SMN”) are not sponsored, endorsed, issued, sold or promoted by Dow Jones. Dow

("VAW"), the Vanguard[®] REIT ETF ("VNQ"), the Vanguard[®] Growth ETF ("VUG"), the Vanguard[®] Europe Pacific ETF ("VEA"), the Vanguard[®] Emerging Markets ETF ("VWO")⁸ and the Regional Bank HOLDRs Trust ("RKH").⁹ The Exchange represents that IYF, KOL, KRE, DIG, SRS, SMN, VAW, VNQ, VUG, VEA, VWO and RKH are eligible for options trading because they constitute "Exchange-Traded Fund Share," [sic] as defined by ISE Rule 502(h).

All of the applicable fees covered by this filing are identical to fees charged by the Exchange for all other Premium Products. Specifically, the Exchange is proposing to adopt an execution fee for all transactions in options on IYF, KOL, KRE, DIG, SRS, SMN, VAW, VNQ, VUG, VEA, VWO and RKH.¹⁰ The amount of the execution fee for products covered by this

Jones has not licensed or authorized ISE to (i) engage in the creation, listing, provision of a market for trading, marketing, and promotion of options on DIG, SRS and SMN or (ii) to use and refer to any of their trademarks or service marks in connection with the listing, provision of a market for trading, marketing, and promotion of options on DIG, SRS and SMN or with making disclosures concerning options on DIG, SRS and SMN under any applicable federal or state laws, rules or regulations. Dow Jones does not sponsor, endorse, or promote such activity by ISE and is not affiliated in any manner with ISE.

⁸ Vanguard, Vanguard ETFs and Vanguard ETF are trademarks of The Vanguard Group, Inc. ("Vanguard"). All other marks are the exclusive property of their respective owners. The Vanguard[®] Materials ETF ("VAW") tracks the Morgan Stanley Capital International[®] (MSCI[®]) US Investable Market Materials Index. The Vanguard[®] REIT ETF ("VNQ") tracks the MSCI US REIT Index. The Vanguard[®] Growth ETF ("VUG") tracks the MSCI US Prime Market Growth Index. The Vanguard[®] Europe Pacific ETF ("VEA") tracks the MSCI Europe, Australasia, Far East Index. The Vanguard[®] Emerging Markets ETF ("VWO") tracks the MSCI Emerging Markets Index. MSCI does not sponsor, endorse, or promote VAW, VNQ, VUG, VEA and VWO and makes no representation regarding the advisability of investing in VAW, VNQ, VUG, VEA and VWO. Vanguard has not licensed or authorized ISE to (i) engage in the creation, listing, provision of a market for trading, marketing, and promotion of options on VAW, VNQ, VUG, VEA and VWO or (ii) to use and refer to any of their trademarks or service marks in connection with the listing, provision of a market for trading, marketing, and promotion of options on VAW, VNQ, VUG, VEA and VWO or with making disclosures concerning options on VAW, VNQ, VUG, VEA and VWO under any applicable federal or state laws, rules or regulations. Vanguard does not sponsor, endorse, or promote such activity by ISE, and is not affiliated in any manner with ISE.

⁹ The Regional Bank HOLDRsSM Trust ("RKH") issues Depositary Receipts called Regional bank HOLDRsSM representing undivided beneficial ownership in the U.S.-traded common stock of a group of specified companies that, among other things, are involved in various segments of the regional banking industry. "HOLDRs" and "HOLDing Company Depositary Receipts" are service marks of Merrill Lynch & Co., Inc. ("Merrill Lynch"). All other trademarks and service marks are the property of their respective owners. Merrill Lynch has not licensed or authorized ISE to (i) engage in the creation, listing, provision of a market for trading, marketing, and promotion of options on RKH or (ii) to use and refer to any of their trademarks or service marks in connection with the listing, provision of a market for trading, marketing, and promotion of options on RKH or with making disclosures concerning options on RKH under any applicable federal or state laws, rules or regulations. Merrill Lynch does not sponsor, endorse, or promote such activity by ISE, and is not affiliated in any manner with ISE.

¹⁰ These fees will be charged only to Exchange members. Under a pilot program that is set to expire on July 31, 2009, these fees will also be charged to Linkage Principal Orders ("Linkage P Orders") and Linkage Principal Acting as Agent Orders ("Linkage P/A Orders"). The amount of the execution fee charged by the Exchange for

filing shall be \$0.18 per contract for all Public Customer Orders¹¹ and Firm Proprietary orders. The amount of the execution fee for all ISE Market Maker transactions shall be equal to the execution fee currently charged by the Exchange for ISE Market Maker transactions in equity options.¹² Finally, the amount of the execution fee for all non-ISE Market Maker transactions shall be \$0.45 per contract.¹³ Further, since options on IYF, KOL, KRE, DIG, SRS, SMN, VAW, VNQ, VUG, VEA, VWO and RKH are multiply-listed, the Exchange's Payment for Order Flow fee shall apply to all these products. The Exchange believes the proposed rule change will further the Exchange's goal of introducing new products to the marketplace that are competitively priced.

(b) Basis – The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,¹⁴ in general, and furthers the objectives of Section 6(b)(4),¹⁵ 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.

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

Linkage P Orders and Linkage P/A Orders is \$0.24 per contract side and \$0.15 per contract side, respectively. *See* Securities Exchange Act Release No. 58143 (July 11, 2008), 73 FR 41388 (July 18, 2008) (SR-ISE-2008-52).

¹¹ Public Customer Order is defined in Exchange Rule 100(a)(39) as an order for the account of a Public Customer. Public Customer is defined in Exchange Rule 100(a)(38) as a person or entity that is not a broker or dealer in securities.

¹² The Exchange applies a sliding scale, between \$0.01 and \$0.18 per contract side, based on the number of contracts an ISE market maker trades in a month.

¹³ The amount of the execution fee for non-ISE Market Maker transactions executed in the Exchange's Facilitation and Solicitation Mechanisms is \$0.19 per contract.

¹⁴ 15 U.S.C. 78f.

¹⁵ 15 U.S.C. 78f(b)(4).

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

The foregoing rule change has become effective pursuant to Section 19(b)(3) of the Act¹⁶ and Rule 19b-4(f)(2)¹⁷ thereunder. 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.

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-2008-65 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-ISE-2008-65. 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

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 CFR 19b-4(f)(2).

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 a.m. and 3:00 p.m. Copies of the filing will also be available for inspection and copying at the principal office of the self-regulatory organization. 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-2008-65 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.¹⁸

Florence E. Harmon
Acting Secretary

¹⁸ 17 CFR 200.30-3(a)(12).