

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56671; File No. SR-ISE-2007-88)

October 18, 2007

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Qualified Contingent Trade Exemption

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 October 5, 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 and II below, which Items have been substantially prepared by the ISE. The ISE has designated the proposed rule change as “non-controversial” under Section 19(b)(3)(A)(iii)³ of the Act and Rule 19b-4(f)(6) 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 from interested persons.

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

The ISE proposes to amend its rules to incorporate the qualified contingent trade exemption into ISE Rule 2107 (Priority and Execution of Orders). The text of the proposed rule change is available at the ISE, the Commission’s Public Reference Room, and 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)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

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 ISE 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 ISE 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 filing is to amend ISE Rule 2107 (Priority and Execution of Orders) to incorporate the exemption granted by the Commission for qualified contingent trades from Rule 611(a) of Regulation NMS under the Act.⁵ In accordance with Rule 611 of Regulation NMS, ISE Rule 2107 governs the priority and execution of equity orders on the ISE Stock Exchange⁶ and prohibits orders from being executed at prices that are inferior to Protected Quotations⁷ available at other Trading Centers.⁸ ISE Rule 2107(c) provides Trade-Through⁹ exceptions, as set forth in Rule 611 of Regulation NMS. Accordingly, the Exchange proposes to add the qualified contingent trade exemption to Rule 2107(c).

⁵ See Securities Exchange Act Release No. 54389 (August 31, 2006), 71 FR 52829 (September 7, 2006) (order granting an exemption for each NMS stock component of certain qualified contingent trades from Rule 611(a) of Regulation NMS).

⁶ The ISE Stock Exchange is a facility of ISE, LLC.

⁷ See ISE Rule 2100(c)(16).

⁸ See ISE Rule 2100(c)(20).

⁹ See ISE Rule 2100(c)(19).

A contingent trade “is a multi-component trade involving orders for a security and a related derivative, or, in the alternative, orders for related securities, that are executed at or near the same time.” Proposed Rule 2107(c)(8) provides an exemption for any Trade-Throughs caused by the execution of an order involving one or more NMS stocks (each an “Exempted Stock Transaction”) that are components of a qualified contingent trade. A “qualified contingent trade” is a transaction consisting of two or more component orders, executed as agent or principal, where: (1) at least one component order is in an NMS stock; (2) all components are effected with a product or price contingency that has been agreed to by the parties; (3) the execution of one component is contingent upon the execution of all other components at or near the same time; (4) the specific relationship between the component orders is determined at the time the contingent order is placed; (5) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or since cancelled; (6) the exempted transaction is fully hedged as a result of the other components of the contingent trade; and (7) the exempted transaction that is part of a contingent trade involves at least 10,000 shares or has a market value of at least \$200,000.

The Exchange also proposes to clean-up the rule text in the Supplementary Material to Rule 2107, which contains provisions applicable to trading in securities prior to the “Trading Phase Date” of Regulation NMS as that date has since past.

2. Statutory Basis

The basis under the Act for this proposed rule change is found in Section 6(b)(5).¹⁰ Specifically, the Exchange believes the proposed rule change is consistent with Section 6(b)(5)

¹⁰ 15 U.S.C. 78f(b)(5).

requirements that the rules of an exchange be designed to promote just and equitable principles of trade, serve 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.

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 persons.

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

Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days after the date of filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹¹ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹² As required under Rule 19b-4(f)(6)(iii),¹³ the ISE 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 the filing of the proposed rule change.

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6).

¹³ 17 CFR 240.19b-4(f)(6)(iii).

A proposed rule change filed under Rule 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing.¹⁴ However, Rule 19b-4(f)(6)(iii)¹⁵ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The ISE requests that the Commission waive the 30-day operative delay period for “non-controversial” proposals under Rule 19b-4(f)(6)¹⁶ and make the proposed rule change effective and operative upon filing. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. The Commission notes that the proposed rule language is identical to language contained in the Commission’s exemption for qualified contingent trades.¹⁷ In addition, the Commission notes that the proposed rule language is identical to a rule of the Chicago Stock Exchange, Inc. previously approved by the Commission.¹⁸ Accordingly, the Commission designates the proposed rule change operative upon filing with the Commission.¹⁹

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 the furtherance of the purposes of the Act.

¹⁴ Id.

¹⁵ Id.

¹⁶ Id.

¹⁷ See supra note 5.

¹⁸ See Securities Exchange Act Release No. 54550 (September 29, 2006), 71 FR 59563 (October 10, 2006) (order approving SR-CHX-2006-05).

¹⁹ For purposes only of waiving the 30-day operative delay, the Commission has considered the impact of the proposed rule 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-2007-88 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.

All submissions should refer to File Number SR-ISE-2007-88. 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 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-2007-88 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.²⁰

Florence E. Harmon
Deputy Secretary

²⁰ 17 CFR 200.30-3(a)(12).