SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-57441; File No. SR-ISE-2007-95)

March 6, 2008

Self-Regulatory Organizations; International Securities Exchange, LLC; Order Approving a Proposed Rule Change, as Modified by Amendment Nos. 2 and 3, Relating to Reserve Orders

On October 12, 2007, the International Securities Exchange, LLC ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] a proposed rule change to establish a new order type called Reserve Orders. The ISE filed Amendment Nos. 1 and 2 to the proposal on January 17, 2008.[3] The ISE filed Amendment No. 3 to the proposal on January 25, 2008.[4] The proposed rule change, as modified by Amendment Nos. 2 and 3, was published for comment in the Federal Register on February 1, 2008.[5] The Commission received no comment letters regarding the proposal, as modified by Amendment Nos. 2 and 3. This order approves the proposed rule change, as modified by Amendment Nos. 2 and 3.

The Exchange proposes to amend ISE Rule 715, "Types of Orders," to add a new order type, Reserve Orders.[6] A Reserve Order is a single-sided limit order that has both a displayed portion and a non-displayed or reserve portion, both of which are available for execution against

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 Amendment No. 2 replaces the original filing and Amendment No. 1 in their entirety.

4 Amendment No. 3 clarifies portions of the purpose section of the proposed rule change.

5 Securities Exchange Act Release No. 57207 (January 25, 2008), 73 FR 6225.

6 The ISE also proposes to revise paragraphs (c), (d), and (e) of ISE Rule 713, "Priority of Quotes and Orders," to reflect the implementation of Reserve Orders.

incoming marketable orders.[7] Non-marketable Reserve Orders rest on the book.[8] The non-displayed portion of a Reserve Order will be available for execution only after all displayed interest at that price has been executed.[9] Both the displayed and the non-displayed portions of a Reserve Order will be ranked initially by the specified limit price and time of entry, and both the displayed and non-displayed portions of a Reserve Order will trade in accordance with the priority and allocation provisions in ISE Rule 713.[10]

When the displayed portion of a Reserve Order has been decremented, in whole or in part, it will be refreshed from the non-displayed portion of the resting Reserve Order. Upon any refresh, the entire displayed portion of the order will be ranked at the specified limit price, assigned a new entry time (i.e., the time that the newly displayed portion of the order was refreshed), and given priority in accordance with ISE Rule 713.[11] Any remaining non-displayed portion of the order will receive the same time stamp as the newly displayed portion of the order.[12]

The Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[13] Specifically, the Commission finds that the proposal is consistent with

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7 See ISE Rule 715(g)(1).

8 See ISE Rule 715(g)(1).

9 See ISE Rule 715(g)(5).

10 See ISE Rule 715(g)(2), (3), and (5).

11 See ISE Rule 715(g)(4).

12 See ISE Rule 715(g)(5).

13 In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

Section 6(b)(5) of the Act,[14] which requires, in part, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Commission believes that Reserve Orders will provide market participants with greater flexibility in displaying and managing their orders. This may encourage market participants to bring liquidity to the Exchange that they might not otherwise have submitted. In addition, because the ISE's rules provide that the non-displayed portion of a Reserve Order will be available for execution only after all displayed interest at that price has been executed,[15] there is an incentive for market participants to display their trading interest. The Commission also notes that the rules of another options exchange provide for the use of reserve orders,[16] as do the rules of several exchanges trading equity securities.[17]

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14 15 U.S.C. 78f(b)(5).

15 See ISE Rule 715(g)(5).

16 See NYSE Arca Rules 6.62(c)(3) and 6.76(a). In addition, the NASDAQ Stock Market LLC ("Nasdaq") has proposed to use Reserve Orders on the Nasdaq Options Market ("NOM"). See Securities Exchange Act Release No. 55667 (April 25, 2007), 72 FR 23869 (May 1, 2007) (File No. SR-NASDAQ-2007-004) (notice of filing of a proposal to establish rules governing trading on NOM).

17 See e.g., Amex Rule 131(s)-AEMI, NYSE Rule 204(d), Nasdaq Rule 4757(f)(2), and NYSE Arca Equities Rule 7.31(h)(e).

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[18] that the proposed rule change (SR-ISE-2007-95), as modified by Amendment Nos. 2 and 3, is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[19]

Florence E. Harmon
Deputy Secretary

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18 15 U.S.C. 78s(b)(2).

19 17 CFR 200.30-3(a)(12).