

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-58685; File No. SR-ISE-2008-73)

September 30, 2008

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Expand the Trading Hours of the ISE Stock Exchange

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 September 24, 2008, the International Securities Exchange, LLC (“Exchange” or “ISE”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has filed the proposal pursuant to Section 19(b)(3)(A) of the Act³ 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 Exchange submits this rule filing to extend its hours of trading for equity securities. The text of the proposed rule change is available on the Exchange’s Web site 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

In its filing with the Commission, the Exchange included statements concerning the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

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 Exchange 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 Exchange proposes to extend its hours of trading for equity securities. Currently, the Exchange has two equity trading sessions. The Pre-Market Session begins at 9:00 a.m. Eastern Time⁵ and ends when the opening transaction occurs, as defined in ISE Rule 2106(b). The Regular Market Session commences upon the opening transaction, as defined in ISE Rule 2106(b), and concludes simultaneously with the primary listing market in such security, which is either 4:00 p.m. or 4:15 p.m. Eastern Time, depending on the security.⁶

The Exchange is proposing to begin ISE Stock Exchange trading at 8:00 a.m. Eastern Time and close the market at 5:00 p.m. Eastern Time. Trading in the Pre-Market Session and the transition to the Regular-Market Session⁷ will remain unchanged, other than starting the Pre-Market Session one hour earlier.

Additionally, the Exchange is proposing to adopt a Post-Market Session, which will begin at the conclusion of the Regular-Market Session and close at 5:00 p.m. Eastern Time. To participate in the Post-Market session, Equity Electronic Access Members ("Equity EAMs")

⁵ See Securities and Exchange Commission Release No. 34-57021 (December 20, 2007), 72 FR 74373 (December 31, 2007) (SR-ISE-2007-116) (Notice of filing and immediate effectiveness of proposed rule change to open the Exchange's equity trading platform at 9:00 a.m.).

⁶ See ISE Rule 2106.

⁷ See supra note 5.

must mark orders as "Post-Closing." Accordingly, the Exchange is proposing to amend ISE Rule 2102 (Hours of Business) to provide for a Post-Market Session and ISE Rule 2104 (Types of Orders) to adopt a "Post-Closing" order.

Trading during expanded hours involves potential risks, including the possibility of lower liquidity, higher volatility, changing prices, unlinked markets with the possibility of trade-throughs, and wider spreads. Moreover, trades executed during these sessions may receive executions at inferior prices when compared to the high/low of the day. The Supplementary Material to ISE Rule 2102 presently requires Equity EAMs that submit orders during the Pre-Market Session on behalf of non-members to disclose the risks of participating in such session to their customers. The Exchange proposes to expand this customer disclosure requirement to also apply to the Post-Market Session.

The Exchange proposes to adopt rule text governing trading halts in the Pre- and Post-Market Sessions. Specifically, if a security begins trading on the Exchange in the Pre-Market Session and subsequently a temporary interruption occurs in the calculation or wide dissemination of the intraday indicative value ("IIV") or the value of the underlying index by a major market data vendor, the Exchange may continue to trade the derivative securities product for the remainder of the Pre-Market Session.

The Exchange will continue to halt trading during the Regular-Market Session in accordance with the provisions set forth in existing ISE Rule 2101(a)(2)(iii)(A) and (B).⁸

⁸ The Exchange is also amending ISE Rule 2101(a)(2)(iii)(A) to delete language addressing the halting and subsequent resumption of trading when the underlying value of a securities derivative product continues not to be calculated or widely available as of the commencement of trading on the next business day. The Exchange believes that it is appropriate to delete this language because it is being added to proposed Rule 2102(e)(3).

The Exchange will halt trading during the Post-Market Session if the IIV or the value of the underlying index continues not to be calculated or widely available after the close of the Regular-Market Session. The Exchange may trade derivative securities products in the Post-Market Session only if the listing market traded such securities until the close of its regular trading session without a halt.

If the IIV or the value of the underlying index continues not to be calculated or widely available as of the commencement of the Pre-Market Session on the next business day, the Exchange will not begin trading the derivative securities product in the Pre-Market Session that day. If an interruption in the calculation or wide dissemination of the IIV or the value of the underlying index continues, the Exchange may resume trading in the derivative securities product only if calculation and wide dissemination of the IIV or the value of the underlying index resumes or trading in the derivative securities product resumes in the listing market.

The Exchange intends to distribute to its Equity EAMs and make available on its Web site at www.ise.com a Regulatory Information Circular (“RIC”) that discloses, among other things: (1) the current underlying index value and IIV may not be updated during the Pre- and Post-Market Sessions; (2) lower liquidity in the Pre- and Post-Market Sessions may impact pricing; (3) higher volatility in the Pre- and Post-Market Sessions may impact pricing; (4) wider spreads may occur in the Pre- and Post Market Session; (5) the circumstances that trigger trading halts; (6) required customer disclosures; and (7) suitability requirements. The RIC will also highlight that investors may be at a disadvantage to market professionals during the Pre- and Post-Market Sessions in that they may not have access to an updated index value or IIV that would otherwise be available during the Regular Market Session. The Exchange is also

amending the Supplementary Material to Rule 2102 to require Equity EAMs to disclose additional risks associated with extended trading hours in Exchange Traded Funds to customers.

Additionally the Exchange is proposing to amend Rule 2102(b) to precisely define the transition between the Pre-Market Session and the Regular-Market Session as is described above.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations under the Act applicable to a national securities exchange and, in particular, the requirements of Section 6(b) of the Act.⁹ Specifically, the Exchange believes the proposed rule change is consistent with Section 6(b)(5) of the Act's¹⁰ 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 provide a competitive marketplace for Equity EAMs to trade securities during extended hours.

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.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

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

Because the foregoing 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 from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹¹ and Rule 19b-4(f)(6) thereunder.¹²

ISE has asked the Commission to waive the 30-day operative delay. The Commission believes that such waiver is consistent with the protection of investors and the public interest because such waiver should benefit investors by allowing ISE, without undue delay, to expand its hours of trading, which should add competition in the trading of equity securities and new derivative securities products. In addition, proposed ISE Rule 2102 is closely modeled after similar rules of other national securities exchanges¹³ and does not raise any novel or significant regulatory issues. Therefore, the Commission designates the proposed rule change as operative upon filing.¹⁴

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6). The Commission notes that ISE has satisfied the five-day pre-filing notice requirement.

¹³ See e.g., NYSE Arca Rule 7.34 and Securities Exchange Act Release No. 54997 (December 21, 2006), 71 FR 78501 (December 29, 2006) (SR-NYSEArca-2006-77)(reflecting trading halt procedures for securities trading in extended hours). See also Securities Exchange Act Release No. 56625 (October 5, 2007), 72 FR 58144 (October 12, 2007) (SR-NYSEArca-2007-73)(discussing disclosure to be included in regulatory information bulletin).

¹⁴ For purposes only of waiving the operative date of this proposal, the Commission has considered the rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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. Please include File Number SR-ISE-2008-73 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-2008-73. 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 on official business days

between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing will also 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-2008-73 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.¹⁵

Florence E. Harmon
Acting Secretary

¹⁵ 17 CFR 200.30-3(a)(12).