

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-55557; File No. SR-ISE-2006-78)

March 29, 2007

Self-Regulatory Organizations; International Securities Exchange, LLC; Order Granting Approval of Proposed Rule Change Relating to the Facilitation Mechanism

On December 13, 2006, the International Securities Exchange, LLC (“ISE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> to amend ISE Rule 716(d) to allow an Electronic Access Member (“EAM”) to execute a transaction through the Exchange’s Facilitation Mechanism wherein the EAM has solicited interest from other parties to execute against a block-sized order it represents as agent, in addition to facilitating such orders with orders from the EAM’s proprietary account. The proposed rule change was published for comment in the Federal Register on February 12, 2007.<sup>3</sup> The Commission received no comments on the proposal. This order approves the proposed rule change.

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange<sup>4</sup> and, in particular, the requirements of Section 6(b)(5) of the Act.<sup>5</sup> Specifically, the Commission believes that the proposed rule change is consistent with the Act because it is a reasonable modification designed to provide additional flexibility for the Exchange’s members to obtain

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 55236 (February 2, 2007), 72 FR 6633.

<sup>4</sup> In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>5</sup> 15 U.S.C. 78f(b)(5).

block-sized executions on behalf of their customers. The Commission notes that Supplementary Material .01 to ISE Rule 716 provides that the use of the Facilitation Mechanism does not alter a member's best execution duty to obtain the best price for its customer. The Commission also notes that Supplementary Material .05 to ISE Rule 716 requires that any solicited contra orders entered by Exchange members to trade against agency orders may not be for the account of an ISE market maker that is assigned to the options class.<sup>6</sup>

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>7</sup> that the proposed rule change (SR-ISE-2006-78) be, and hereby is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>6</sup> The Exchange confirmed that, in addition to orders solicited pursuant to paragraph (e) of ISE Rule 716, the last sentence of Supplement .05 to ISE Rule 716 also applies to orders solicited pursuant to paragraph (d) of ISE Rule 716. Telephone conversation on March 28, 2007 between Joseph Ferraro, Associate General Counsel, ISE and Jennifer Dodd, Special Counsel, Division of Market Regulation, Commission.

<sup>7</sup> 15 U.S.C. 78s(b)(2).

<sup>8</sup> 17 CFR 200.30-3(a)(12).