

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55936; File No. SR-ISE-2007-32)

June 21, 2007

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto Relating to Removing Certain Rules from its Rulebook

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 May 9, 2007, the International Securities Exchange, LLC (the “Exchange” or the “ISE”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by the Exchange. On June 8, 2007, ISE filed Amendment No. 1 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The Exchange proposes to remove certain inconsequential ISE rules for which there is no corresponding National Association of Securities Dealers (“NASD”) rule. The text of the proposed rule change is below. Proposed new language is underlined; proposed deletions are enclosed in brackets.

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Rule 403. Reserved.[Nominal Employment

No Member may employ any person in a nominal position on account of business obtained by such person.]

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 is incorporated in this notice.

Rule 605. Reserved.[Other Affiliations of Registered Persons

Except with the express written permission of the Exchange, every registered person shall devote his entire time during business hours to the business of the Member employing him, or to the business of its affiliates that are engaged in the transaction of business as a broker or dealer in securities or commodities or in such other businesses as have been approved by the Member's designated examining authority.]

Rule 615. Reserved.[Addressing of Communications to Customers

No Member shall address any communications to a customer in care of any other person unless either (i) the customer, within the preceding twelve (12) months, has instructed the Member in writing to send communications in care of such other persons, or (ii) duplicate copies are sent to the customer at some other address designated in writing by him.]

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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 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 is proposing to rescind certain inconsequential ISE rules. The Exchange has recently entered into an amended and restated 17d-2 Agreement with the National

Association of Securities Dealers (“NASD”), whereby the NASD has assumed regulatory and enforcement responsibilities for dual members with respect to common rules delineated in the Agreement.⁴ During the course of amending this Agreement, the Exchange came across some common rules that the ISE needed to amend in order to conform the language to the corresponding NASD rule⁵ and a few rules which are not common to the NASD rules and are not specific to or necessary for the Exchange’s marketplace or membership. Accordingly, the Exchange proposes to remove the following rules from its rulebook: Rule 403 (Nominal Employment), Rule 605 (Other Affiliations of Registered Persons), and 615 (Addressing of Communications to Customers).

The Exchange seeks to rescind Rule 403 (Nominal Employment) because the rule is narrowly drafted to prohibit members from obtaining business by employing a person in a nominal position. The Exchange believes that Rule 406 (Gratuities) better addresses this issue by prohibiting a member from giving any compensation or gratuities in any one year in excess of \$100 to any employee of any other member or of any non-member broker, dealer, bank or institution, without the prior consent of the employer and of the Exchange.

Additionally, the Exchange seeks to rescind Rule 605 (Other Affiliations of Registered Persons) because the Exchange believes it is an antiquated rule and due to significant changes in market structure, the Exchange no longer believes it necessary to limit registered persons activities during business hours. Further, the NASD has no comparable rule and, as discussed

⁴ See Securities Exchange Act Release No. 55367 (February 27, 2007), 72 FR 9983 (March 6, 2007) (Order approving and declaring effective a plan for the allocation of regulatory responsibilities between ISE and NASD).

⁵ See Securities Exchange Act Release No. 55751 (May 11, 2007), 72 FR 27884 (May 17, 2007) (Proposal to amend ISE rules to conform such rules to their corresponding NASD rules).

above, the Exchange has entered into a 17d-2 Agreement with the NASD to monitor and enforce common rules, including, but not limited to, rules governing Registered Persons.

Lastly, the Exchange seeks to rescind Rule 615 (Addressing of Communications to Customers) because the Exchange believes that broker-dealers that do a public business are better equipped to set their own policies and procedures governing communications with customers that are applicable to their business. Pursuant to ISE Rule 2114 (Doing Business with the Public) ISE members that do business with the public are required to also be a member of the NASD. The NASD requires broker-dealers to have written supervisory procedures covering areas such as, communications with the public and customer account statements. Additionally, those members must also comply with NASD rules, which the Exchange believes sufficiently address this topic.

2. Statutory Basis

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

⁶ 15 U.S.C. §78f(b).

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.

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

- (A) by order approve such proposed rule change, as amended, or
- (B) institute proceedings to determine whether the proposed rule change, as amended, should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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-2007-32 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-2007-32. This file number should be included in 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 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 the File Number SR-

ISE-2007-32 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.⁷

Florence E. Harmon
Deputy Secretary

⁷ 17 CFR 200.30-3(a)(12).