SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-59548; File No. SR-ISE-2009-10)

March 10, 2009

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Exchange's Obvious Error Rules

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 February 25, 2009, 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, II, and III below, which Items have been prepared by the self-regulatory organization. The Exchange filed the proposed rule change as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A) of the Act[3] 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. <u>Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change</u>

The ISE proposes to amend its Rule 720 regarding obvious errors. The text of the proposed rule change is as follows, with deletions in [brackets] and additions <u>underlined</u>:

Rule 720. Obvious Errors

* * *

Supplementary Material to Rule 720

.01 - .04 No Change.

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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).

.05 Buyers of options with a zero bid [and $.05 offer (i.e., a Theoretical Price of $.05)] may request that their execution be busted if at least the [three] two strikes below (for calls) or above (for puts) in the same options class were quoted with a zero bid [and $.05 offer] at the time of the execution. Such buyers must follow the procedures of paragraph (b)(1) above.

.06 - .08 No Change.

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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 self-regulatory organization 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 self-regulatory organization 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 proposed rule change is to amend ISE Rule 720 regarding obvious errors. Under the current rule, transactions in options series quoted no bid at a nickel, i.e., $0.05 offer, may be nullified provided at least three strikes below (for calls) or above (for puts) in the same options class was quoted zero bid at a nickel at the time of execution. A "no bid" or "zero bid" option refers to an option where the bid price is $0.00. Series of options quoted no bid are usually deep out-of-the-money series that are perceived as having little if any chance of expiring in-the-money. For this reason, relatively few transactions occur in these series and those that do are usually the result of a momentary pricing error.

The proposed rule change would eliminate the portion of the current rule that requires quotes to have a nickel offer and instead only require that the option series be quoted no bid.[5] The proposed rule change would also reduce from three to two the number of strikes above or below the options series in question in which there also must be no bid.[6] The reason for this change is that options that are priced at no bid, regardless of the offer, are usually deep-out-of-the-money series that are perceived as having little if any chance of expiring in-the-money. This is especially the case when multiple series below (for calls) or above (for puts) in the same option class are quoted no bid. In this regard, the offer price is irrelevant. Therefore, transactions in series that are quoted no bid at a dime, for example, are just as likely to be the result of an obvious error as are transactions in series that are quoted no bid at a nickel when multiple series below (for calls) or above (for puts) in the same option class are quoted no bid.

As is currently required, buyers must notify ISE's market operations group within the designated timeframe to seek relief.

2. Statutory Basis

The basis under the Securities Exchange Act of 1934 ("Exchange Act") for this proposed rule change is the requirement under Section 6(b)(5) that an exchange have rules that are designed to promote just and equitable principles of trade, and 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. In particular, the proposed rule change provides for

[5] The Exchange notes that this proposed change is similar to the "no bid" provision in NYSE Arca Rule 6.87 Commentary .04.

[6] The Exchange notes that this proposed change differs from NYSE Arca Rule 6.87 Commentary .04 in that it proposes to look to two strikes above or below the options series in question in which there also must be no bid whereas the NYSE Arca rule looks to only one strike above or below the options series in question in which there also must be no bid.

the nullification of certain trades that result from an inaccurate pricing anomaly.

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.

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

This proposed rule change does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition, and, by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange 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 filing the proposed rule change as required by Rule 19b-4(f)(6).[7] The proposed rule change will permit the Exchange to nullify certain trades that result from an inaccurate pricing anomaly. Further, the proposed rule change is similar to the rules of NYSE Arca currently in effect. For the foregoing reasons, this rule filing qualifies for immediate effectiveness as a "non-controversial" rule change under paragraph (f)(6) of Rule 19b-4 of the Act, as it does not raise any new, unique or substantive issues, and is beneficial for competitive purposes and to promote a free and open market for the benefit of investors.

7 17 CFR 240.19b-4(f)(6).

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.

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-2009-10 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-ISE-2009-10. 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 a.m. and 3:00 p.m. 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 File Number SR-ISE-2009-10 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.[8]

Florence E. Harmon
Deputy Secretary

8 17 CFR 200.30-3(a)(12).