of such securities greater transparency and choice with respect to secondary market trading.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”), in general, and furthers the objectives of Section 6(b)(5) of the Act, in particular, in that it is 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 Exchange believes the proposed rule changes are consistent with these principles in that they seek to expand the number of Debt Securities that can be traded on the NYSE, thereby benefitting investors with increased transparency and choice with respect to secondary market trading.

B. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will 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

No written comments were solicited or received with respect to the proposed rule change.

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

Within 45 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 self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change 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 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–NYSE–2011–15 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–NYSE–2011–15. 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 Web site viewing and printing in the Commission’s Public Reference Room, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 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 No. SR–NYSE–2011–15 and should be submitted on or before May 5, 2011.

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

Cathy H. Ahn,  
Deputy Secretary.

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SEcurities and EXchange COMMISSION


Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Enhancements to the Exchange’s Electronic Trading Platform

April 8, 2011

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), and Rule 19b–4 thereunder, notice is hereby given that on April 7, 2011, 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 and II below, which items have been prepared by the Exchange. The Exchange has filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(ii) of the Act and Rule 19b–4(f)(6) thereunder. 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 proposes to amend certain rules to facilitate enhancements to its electronic options trading system being implemented as part of the Optimise platform. The text of the proposed rule change is available on the Exchange’s Web site http://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 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 Exchange has developed an enhanced technology trading platform (the “Optimise platform”). To assure a smooth transition, the Exchange will migrate option classes from its current trading system to the Optimise platform over time (the “Transition Period”). The Optimise platform will offer members the same trading functionality as the current trading system with some minor enhancements, several of which were previously added to the ISE’s rules. Additionally, the Exchange previously adopted rule changes to identify certain functionality that it anticipated would be phased-in during the Transition Period. However, since the adoption of these rule changes, the initial plan for the launch of the Optimise platform has changed, and the Optimise platform will now have most of the current functionality available during the Transition Period. The purpose of this rule filing is to remove language from the Exchange’s rules indicating that certain functionality is not available on the Optimise platform and to identify additional minor enhancements that will be included on the Optimise platform.

Specifically, the Exchange proposes to delete Supplementary Material .10 to Rule 716 (Block Trades), Supplementary Material .03 to Rule 722 (Complex Orders), and Supplementary Material .09 to Rule 6.53C (Price Improvement Mechanism for Crossing Transactions), which indicate that the Block Order Mechanism, Facilitation Mechanism, Solicited Order Mechanism, Price Improvement Mechanism and complex order functionality will not be available for options traded on the Optimise platform. The Optimise platform will now include all of this functionality during the Transition Period.

With the Optimise platform, the Exchange proposes to add the flexibility for the Exchange to determine, on a class basis, whether orders on the complex order book at the same price are executed in time priority, as they are currently, or among participants pursuant to ISE Rule 713(e) and Supplementary Material .01(a) to ISE Rule 713(e). Under ISE Rule 713(e), priority customer orders are given priority over Professional Orders and market maker quotes at the same price, which will also be the case on the complex order book. However, because there is no obligation for primary market makers to enter quotes on the complex order book, primary market makers will not receive the enhanced participation rights to which they are entitled in the regular market. The Exchange notes that this proposed rule change does not affect the provisions of paragraph (b)(2) of Rule 722 which limits the execution of complex orders when there are priority customer orders on the Exchange for the individual series of a complex order.

For orders traded on the Optimise platform, the Exchange also proposes to modify the Price Improvement Mechanism so that Counter-Side Orders and Improvement Orders only execute against the Agency Order that is being exposed. Currently, when members respond to an order entered into the Price Improvement Mechanism, they may be executed against certain other, unrelated orders. While the Exchange initially implemented this particular feature of the Price Improvement Mechanism to differentiate its service from those offered by other exchanges and to potentially attract additional unrelated order flow to the Exchange, this feature may discourage market participants from responding to Agency Orders. Accordingly, the Exchange believes that removing this feature could increase competition for orders entered into the Price Improvement Mechanism and thereby result in additional price improvement for agency orders.

Finally, the Exchange notes that members initially will not be able to enter reserve orders, nor complex orders with an all-or-none or minimum quantity modifier in options classes that are traded on the Optimise platform. The Exchange will make these order types available on the Optimise platform as promptly as possible within the first month of the Transition Period, and assure that members are informed of the status of these order types.

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b), in general, and Section 6(b)(5) in particular, that an exchange have rules that are 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 for a free and open market and a national market system, and, in general, to protect investors and the public interest. In particular, the Exchange believes the Optimise platform will improve the efficiency and quality of options executions on the Exchange. The Exchange further believes that liquidity on the complex order book may be enhanced by executing all interest at the same price pro-rata based on size (with Priority Customer priority) as it does in its regular market. Having the ability to determine on a class basis whether orders on the complex order book at the same price will be executed in time priority or pro-rata based on size (with Priority Customer priority) will give the Exchange greater flexibility to respond to market needs and enhance its ability to compete more effectively. Finally, the Exchange believes that limiting the availability of Counter-Side Orders and Improvement Orders to execute only against the agency order being exposed in the Price Improvement Mechanism will encourage greater price competition with larger size, thereby increasing the opportunity for such agency order to receive additional price improvement.

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

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5 Options classes will be transferred from the current trading platform to the Optimise trading platform. The same options cannot trade on both systems at the same time. The Exchange has been working with its members to assure a smooth transition to the Optimise trading platform and will continue to do so up to the launch of the new technology and during the Transition Period.


7 Id.

8 The only functionality that will be phased-in is related to cabinet trades pursuant to ISE Rule 718.
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

Because the foregoing proposed rule change: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) by its terms does not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b–4(f)(6) thereunder.16

A proposed rule change filed under Rule 19b–4(f)(6) normally does not become operative for 30 days after the date of filing. However, Rule 19b–4(f)(6)(ii)(B) grants the Commission the discretion to designate a shorter time if such action is consistent with the protection of investors and the public interest.

The Exchange requests that the Commission waive the 30-day period for this filing to become operative so that it may become effective and operative upon filing with the Commission pursuant to Section 19(b)(3)(A) of the Act and rule 19b–4(f)(6) thereunder.16 A proposed rule change filed under Rule 19b–4(f)(6) normally does not become operative for 30 days after the date of filing. However, Rule 19b–4(f)(6)(ii)(B) grants the Commission the discretion to designate a shorter time if such action is consistent with the protection of investors and the public interest.

The Exchange believes that waiver of the 30-day delay is appropriate and consistent with the protection of investors and the public interest. Further, as stated above, the Exchange has already noted its intent to later adopt these functionalities in a previous proposal. Therefore, the Commission believes that waiving the 30-day delay is appropriate and consistent with the protection of investors and the public interest and designates the proposed rule change as operative upon filing.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend 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:

16 17 CFR 240.19b–4(f)(6). In addition, Rule 19b–4(f)(6)(ii)(B) requires that a self-regulatory organization provide the Exchange 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 of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has fulfilled this requirement.
18 See id.
19 For purposes of waiving the 30-day delay, the Commission has also considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78s(f).
21 For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.

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–2011–24 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–2011–24. 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 Web site viewing and printing in the Commission’s Public Reference Room, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the 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–2011–24 and should be submitted on or before May 5, 2011.

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

Cathy H. Ahn, Deputy Secretary.

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