

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-58020; File No. SR-ISE-2008-48)

June 25, 2008

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Extend the Short Term Options Series Pilot Program

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> notice is hereby given that on June 23, 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 substantially prepared by the Exchange. The Exchange has designated this proposal as non-controversial under Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposed rule change 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 ISE proposes to amend its rules to extend the Short Term Options Series Pilot Program (“Pilot Program”) for an additional year. The text of the proposed rule change is available on the Exchange’s Web site ([www.ise.com](http://www.ise.com)), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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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> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

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

On July 12, 2005, the Commission approved the Pilot Program that allows ISE to list and trade options series that expire one week after being opened for trading ("Short Term Options Series").<sup>5</sup> Under the terms of the Pilot Program, the Exchange can select up to five options classes on which Short Term Options Series may be opened on any Short Term Options Series opening date. The Exchange also may list Short Term Options Series on any options class selected by other securities exchanges employing a similar pilot program under their respective rules.

The Pilot Program was subsequently extended<sup>6</sup> and the current Pilot Program is set to expire on July 12, 2008.<sup>7</sup> The purpose of this proposed rule change is to extend the Pilot Program for an additional year. The Exchange believes that Short Term Options Series provide

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<sup>5</sup> See Securities Exchange Act Release No. 52012 (July 12, 2005), 70 FR 41246 (July 18, 2005) (SR-ISE 2005-17).

<sup>6</sup> See Securities Exchange Act Release No. 54117 (July 10, 2006), 71 FR 40564 (July 17, 2006) (SR-ISE 2006-37).

<sup>7</sup> See Securities Exchange Act Release No. 56047 (July 11, 2007), 72 FR 39106 (July 17, 2007) (SR-ISE 2007-54).

investors with a flexible and valuable tool to manage risk exposure, minimize capital outlays, and be more responsive to the timing of events affecting the securities underlying options contracts. Although ISE has not listed any Short Term Options Series during the Pilot Program, there has been investor interest in trading short term options at the Chicago Board Options Exchange. For competitive reasons and in order to have the ability to respond to customer interest in Short Term Options Series, the Exchange proposes to extend its Pilot Program.

In the original proposal to establish the Pilot Program, the Exchange stated that if it were to propose an extension or an expansion of the Pilot Program, the Exchange would submit, along with any filing proposing such amendments to the Pilot Program, a report (“Pilot Program Report”) analyzing the Pilot Program, which would cover the entire period during which the Pilot Program was in effect. Since the Exchange has not listed any Short Term Options Series under the Pilot Program, there is no data available to compile such a report at this time. Therefore, the Exchange is not submitting a Pilot Program Report with this proposal.

Finally, the Exchange represents that it has the necessary systems capacity to support the listing of Short Term Options Series should it determine to do so in the future.

## 2. Statutory Basis

The Exchange believes that short-term options series increase the variety of listed options available to investors and provide investors with a valuable tool to manage risk exposure, minimize capital outlays and be more responsive to the timing of events affecting the securities underlying options contracts. For these reasons, the Exchange believes the proposed rule change is consistent with Section 6(b) of the Act.<sup>8</sup> Specifically, the Exchange believes the proposed rule

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<sup>8</sup> 15 U.S.C. 78(f)(b).







