

August 13, 2010

Elizabeth Murphy
Secretary
Securities and Exchange Commission
100 F Street NW
Washington, DC 20549

Re: Release No. 34-62523; File No. SR-ISE-2010-073
ISE Qualified Contingent Cross Proposal

Dear Ms. Murphy:

NASDAQ OMX PHLX, Inc. (“PHLX”) generally refrains from criticizing proposed rule changes of competing exchanges. Competition and innovation benefit investors because in the long term they improve market structure, increase efficiency, and lower trading costs. Comment letters filed by competitors are often tactical attempts to delay an innovative proposal, copy the innovation, and diminish any first-mover advantage.

The ISE Qualified Contingent Cross proposal (“QCC Proposal”) is an exception. PHLX views the QCC Proposal as a step backwards for investors and for options market structure because it decreases order exposure and interaction without identifying meaningful offsetting benefits. The QCC Proposal could trigger a race-to-the-bottom where options markets compete to provide execution functionality and lower levels of order exposure.

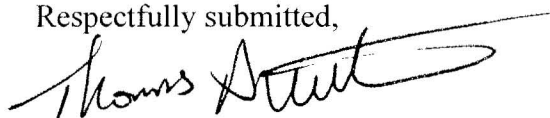
ISE’s QCC Proposal departs from long-held options market principles by permitting orders to cross without requiring prior exposure. Order exposure is a critical distinguishing factor between the options markets where orders occur on an exchange after exposure and the equities markets where trades often occur in fragmented and dark markets without even pre-trade transparency. There can be no dispute that exposing options orders promotes price competition, increases order interaction, and leads to better quality executions for investors,

PHLX, like other markets, recently decreased PHLX order exposure requirements; however, it did so only after conducting a thorough member survey and confirming that PHLX members could effectively respond to exposed orders within the

shortened exposure period.¹ PHLX also undertook to monitor the impact on market quality, if any, from decreasing order exposure requirements, and to file periodic reports on its findings. ISE's QCC Proposal is potentially far more detrimental to exposure and to investors but ISE offers no evidence or undertakings with regard to its impact.

For these and the many reasons stated in comments filed by the Chicago Board Options Exchange, the NYSE Arca Exchange and major options broker-dealers, PHLX joins in urging the Commission to reject ISE's QCC Proposal.

Respectfully submitted,



Thomas Wittman
President
NASDAQ OMX PHLX, Inc.

cc: The Hon. Mary L. Schapiro, Chairman
The Hon. Kathleen L. Casey, Commissioner
The Hon. Elisse B. Walter, Commissioner
The Hon. Luis A. Aguilar, Commissioner
The Hon. Troy A. Paredes, Commissioner
Robert W. Cook, Division of Trading and Markets
James A. Brigagliano, Division of Trading and Markets
Heather Seidel, Division of Trading and Markets
David Liu, Division of Trading and Markets

¹ See Securities Exchange Act Release No. 59081 (Dec. 11, 2008; 73 FR 76432 (Dec. 16, 2008) (SR-PHLX-2008-079).