SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73999; File No. SR-ISE-2014-52)

January 6, 2015

Self-Regulatory Organizations; International Securities Exchange, LLC; Order Granting Approval of Proposed Rule Change Regarding the Short Term Option Series Program

I. Introduction

On November 6, 2014, the International Securities Exchange, LLC (the "Exchange" or the "ISE") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 ("Act"),[2] and Rule 19b-4 thereunder,[3] a proposed rule change to extend the current $0.50 strike price intervals in non-index options to short term options with strike prices less than $100. The proposed rule change was published for comment in the Federal Register on November 24, 2014.[4] The Commission received no comment letters on the proposal. This order approves the proposed rule change.

II. Description of the Proposed Rule Change

On any Thursday or Friday that is a business day, the Exchange currently may list short term option series in designated option classes that expire at the close of business on each of the next five Fridays that are business days and are not Fridays in which monthly or quarterly options expire.[5] These short term option series may be listed in strike price intervals of $0.50, $1, or $2.50 depending on the strike price and whether the option trades in dollar increments in

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1 15 U.S.C. 78s(b)(1).

2 15 U.S.C. 78a.

3 17 CFR 240.19b-4.

4 See Securities Exchange Act Release No. 73633 (November 18, 2014), 79 FR 69974 ("Notice").

5 See Supplementary Material .02 to ISE Rule 504.

the related monthly expiration.[6] Specifically, the Exchange may list short term option series at strike price intervals of $0.50 or greater where the strike price is less than $75, or for option classes that trade in one dollar increments in the related non-short term option, $1 or greater where the strike price is between $75 and $150, and $2.50 or greater where the strike price is above $150.[7] During the month prior to expiration of an option class that is selected for the Short Term Option Series Program, the strike price intervals for the related non-short term option shall be the same as the strike price intervals for the short term option.[8]

The Exchange also currently operates a $2.50 Strike Price Program that permits monthly expiration options in classes admitted to the $2.50 Strike Price Program to trade in $2.50 intervals where the strike price is greater than $25 but less than $50; or between $50 and $100 if the strikes are no more than $10 from the closing price of the underlying stock in its primary market on the preceding day.[9] In certain instances, these strike price parameters conflict with the strike prices allowed for related non-short term options as dollar strikes between $75 and $100 otherwise allowed under the Short Term Option Series Program may be within $0.50 of strikes listed pursuant to the $2.50 Strike Price Program. As a result, the Exchange has proposed to amend Supplementary Material .12 to Rule 504 to extend the $0.50 strike price intervals currently allowed for short term options with strike prices less than $75 to short term options with strike prices less than $100. With this proposed change, short term options in non-index option classes will trade in: (1) $0.50 or greater intervals for strike prices less than $100, or for option classes that trade in one dollar increments in the related non-short term option; (2) $1 or

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6 See Supplementary Material .12 to ISE Rule 504.

7 Id.

8 See Supplementary Material .02(e) to ISE Rule 504.

9 See ISE Rule 504(g). The term "primary market" is defined in ISE Rule 100(a)(37) as the principal market in which an underlying security is traded.

greater intervals for strike prices that are between \$100 and \$150; and (3) \$2.50 or greater intervals for strike prices above \$150.

With regard to the impact of the proposal on system capacity, the Exchange states that it has analyzed its capacity and represents that it and the Options Price Reporting Authority ("OPRA") have the necessary systems capacity to handle any potential additional traffic associated with this proposed rule change.[10] In addition, the Exchange states that it believes that its members will not experience a capacity issue as a result of this proposal.[11] Furthermore, the Exchange states that it does not believe the proposed rule change will cause fragmentation of liquidity.[12]

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[13] In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,[14] which requires, among other things, that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, 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 Commission believes that the proposed change may provide the investing public and other market participants more flexibility to closely tailor their investment

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10 See Notice, supra note 4, at 69975.

11 Id.

12 Id.

13 In approving the proposed rule change, the Commission has considered its impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

14 15 U.S.C. 78f(b)(5).

and hedging decisions in short term options, as well as in related non-short term options, thus allowing them to better manage their risk exposure.

In approving this proposal, the Commission notes that the Exchange has represented that it and OPRA have the necessary systems capacity to handle the potential additional traffic associated with this proposed rule change.[15] The Exchange further stated that it believes its members will not have a capacity issue as a result of the proposal and that it does not believe this expansion will cause fragmentation of liquidity.[16]

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15 See Notice, supra note 4, at 69975.

16 Id.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act[17] that the proposed rule change (SR-ISE-2014-52) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[18]

Brent J. Fields
Secretary

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[17] 15 U.S.C. 78f(b)(2).

[18] 17 CFR 200.30-3(a)(12).