

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-58072; File No. SR-ISE-2008-51)

July 1, 2008

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Establish an Exemption for Certain Regulation NMS-Compliant Intermarket Sweep Orders from the Requirements in Rule 2119 (Equity EAMs Acting as Brokers) and Conform Rule 2119 to Financial Industry Regulatory Authority 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 June 24, 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 Act³ and Rule 19b-4(f)(6) thereunder,⁴ 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 Rule 2119 (Equity EAMs Acting as Brokers) to conform it to similar Financial Industry Regulatory Authority, Inc. (“FINRA”) rules. The text of the proposed rule change is available on the Exchange’s Web site (www.ise.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 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

ISE Rule 2119 generally prohibits an Equity Electronic Access Member ("Equity EAM") from trading for its own account in a security when the Equity EAM is either holding an unexecuted customer market order in that security or trades at a price that is equal to or better than an unexecuted customer limit order that it holds in that security. Although FINRA rules impose similar obligations, FINRA provides for exceptions and exemptions to this obligation that the Exchange now seeks to adopt.

The Exchange proposes to amend Rule 2119 to include an exception that allows an Equity EAM to trade for its own account in a security when the Equity EAM is either holding an unexecuted customer market order in that security or trades at a price that is equal to or better than an unexecuted customer limit order that it holds in that security, provided that the Equity EAM immediately thereafter executes the customer order up to the size and at the same price at which it traded for its own account or better.

The Exchange also proposes to amend Rule 2119 to add an exemption that was recently adopted by FINRA. On May 6, 2008, the Commission approved amendments to FINRA Rule

2111 and IM-2110-2 that establish an intermarket sweep order (“ISO”) exemption.⁵ This exemption provides members with relief from the obligations related to trading in their own accounts while holding an unexecuted customer order. Specifically, an exemption applies when an ISO is routed for the member’s own account and a customer order is received after the member routed the ISO, but before the member receives an execution. Additionally, an exemption applies when the member executes an ISO to facilitate a customer order and that customer has consented to not receiving the better prices obtained by the ISO.

The Exchange proposes to amend Rule 2119 to incorporate these exceptions and exemptions into its Rule to facilitate member compliance with Regulation NMS and to more closely align ISE Rules with similar FINRA rules.

2. Statutory Basis

The basis for this proposed rule change is found in Section 6(b)(5)⁶ of the Act. Specifically, the Exchange believes the proposed rule change is consistent with the requirement in Section 6(b)(5) that the rules of an exchange be designed 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.

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

The Exchange believes that 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.

⁵ See Securities Exchange Release No. 57784 (May 6, 2008), 73 FR 27587 (May 13, 2008) (SR-FINRA-2007-39) (“Release No. 34-57784”).

⁶ 15 U.S.C. 78(f)(b)(5).

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

The Exchange has designated the proposed rule change as one that: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not become operative for 30 days from the date of filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Therefore, the foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act⁷ and subparagraph (f)(6) of Rule 19b-4 thereunder.⁸ The Exchange has asked the Commission to waive the operative delay to permit the proposed rule change to become operative prior to the 30th day after filing.

The Commission has determined that waiving the 30-day operative delay of the Exchange's proposal is consistent with the protection of investors and the public interest and will promote competition because the Exchange's proposal comports with FINRA rules that previously were approved by the Commission.⁹ In addition, such waiver would allow the Exchange to provide for, without delay, consistent application of these rules for its members that

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to provide 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 of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has fulfilled this requirement.

⁹ See, e.g., Release No. 34-57884, supra note 5.

also are members of FINRA. Therefore, the Commission designates the proposal operative upon filing.¹⁰

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

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 No. SR-ISE-2008-51 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-ISE-2008-51. 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

¹⁰ For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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 No. SR-ISE-2008-51 and should be submitted on or before [insert date 21 days from the date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Florence E. Harmon
Acting Secretary

¹¹ 17 CFR 200.30-3(a)(12).