

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-57129; File No. SR-ISE-2008-01]

**Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Fee Changes**

January 10, 2008.

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 January 2, 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, II, and III below, which Items have been substantially prepared by the ISE. The ISE has designated this proposal as one establishing or changing a due, fee, or other charge imposed by the ISE under Section 19(b)(3)(A)(ii) of the Act,<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposal 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 is proposing to amend its Schedule of Fees to adopt a fee cap for certain orders executed in the Exchange’s Facilitation Mechanism. 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.

**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 ISE 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 ISE 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 purpose of this proposed rule change is to adopt a fee cap for orders executed in the Exchange’s Facilitation Mechanism. Specifically, ISE proposes to adopt a fee discount for certain orders of 7,500 contracts or more that are executed in the Exchange’s Facilitation Mechanism. Under this proposal, for orders that are executed in the Exchange’s Facilitation Mechanism, ISE will waive (1) the execution and comparison fee on incremental volume above 7,500 contracts for Firm Proprietary orders, Non-ISE Market Maker orders, and Customer orders in Premium Products, and (2) the execution fee on incremental volume above 7,500 contracts for Customer orders in Second Market options.<sup>5</sup> The number of contracts at or under the threshold will be charged as per the Exchange’s Schedule of Fees. The Exchange currently does not have any size-based discounts for single orders while other Exchanges do. For example, the Chicago Board Options Exchange (“CBOE”) has a large trade discount program under which it caps transaction fees after the first 7,500 contracts for orders in options on the S&P 500 Index, the first 5,000 contracts for orders in other index options, and the first 3,000 contracts for orders in ETF and HOLDRs options.<sup>6</sup> Further, the American Stock Exchange (“Amex”) also has a large trade discount program under which it caps transaction, comparison and floor brokerage fees after the first 2,000 contracts for orders in index, ETF and TIR options.<sup>7</sup> ISE believes that adopting a fee cap for large-sized orders executed in its Facilitation Mechanism will help strengthen its competitive position and encourage members to use the Exchange’s Facilitation Mechanism.

The Exchange proposes to adopt the proposed fee discount on a pilot basis, until June 30, 2008. Further, the proposed cap would apply only to non-discounted volume, that is, it will not apply to orders previously discounted by other pricing incentives that currently appear on the Exchange’s Schedule of Fees.

<sup>5</sup> The Exchange clarified that there is no comparison fee for orders in Second Market options. Telephone conversation between Samir M. Patel, Assistant General Counsel, International Securities Exchange, LLC and Richard Holley III, Senior Special Counsel, Division of Trading and Markets, Commission (January 10, 2008).

<sup>6</sup> See CBOE Options Fee Schedule, Section 18.

<sup>7</sup> See Amex Options Fee Schedule, Section (9).

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,<sup>8</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>9</sup> in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities. In particular, the proposed fee caps will result in lower fees for certain large size orders executed in ISE’s Facilitation Mechanism.

*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 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 rule change establishes or changes a due, fee, or other charge imposed by the Exchange, it has become effective pursuant to Section 19(b)(3) of the Act<sup>10</sup> and Rule 19b-4(f)(2)<sup>11</sup> thereunder. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate 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:

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

<sup>9</sup> 15 U.S.C. 78f(b)(4).

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 19b-4(f)(2).

<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)(ii).

<sup>4</sup> 17 CFR 240.19b-4(f)(2).

*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-2008-01 on the subject line.

*Paper Comments*

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

All submissions should refer to File Number SR-ISE-2008-01. 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 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 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the ISE. 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-2008-01 and should be submitted on or before February 6, 2008.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

**Florence E. Harmon,**  
*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-57115; File No. SR-ISE-2007-103]

**Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1 Thereto, To Permit Trading Pursuant to Unlisted Trading Privileges of Shares of Eight Funds of the ProShares Trust**

January 8, 2008.

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 October 26, 2007, 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. On January 4, 2007, the Exchange filed Amendment No. 1 to the proposed rule change. This order provides notice of the proposed rule change, as amended, and approves the proposal on an accelerated basis.

**I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The Exchange proposes to trade, pursuant to unlisted trading privileges ("UTP"), shares ("Shares") of the following eight funds of the ProShares Trust ("Trust"): (1) Short MSCI Emerging Markets ProShares; (2) Short MSCI Japan ProShares; (3) Short MSCI EAFE ProShares; (4) Short FTSE/Xinhua China 25 ProShares; (5) UltraShort MSCI Emerging Markets ProShares; (6) UltraShort MSCI Japan ProShares; (7) UltraShort MSCI EAFE ProShares; and (8) UltraShort FTSE/Xinhua China 25 ProShares (collectively, "Funds").

The text of the proposed rule change is available at the Exchange's principal office, on the Exchange's Web site (<http://www.ise.com>), 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, ISE 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 III 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

The Exchange proposes to trade the Shares pursuant to UTP. The Commission has approved a proposal by the American Stock Exchange LLC ("Amex") to list and trade the funds.<sup>3</sup> The Exchange is submitting this filing because its current generic listing standards for exchange-traded funds ("ETFs") do not extend to ETFs where the investment objective corresponds to a specified multiple of the performance, or the inverse performance, of an index that underlies a Fund (each such index is referred to below as an "Underlying Index"), rather than merely mirroring the performance of the index. Currently, the Shares trade on the Amex and NYSE Arca.<sup>4</sup>

*Short Funds.* Certain Funds seek daily investment results, before fees and expenses, that correspond to the inverse or opposite of the daily performance (-100%) of the Underlying Indexes ("Short Funds"). If such a Fund is successful in meeting its objective, the net asset value ("NAV")<sup>5</sup> of the corresponding Shares should increase approximately as much (on a percentage basis) as the Underlying Index loses when the prices of the securities in the Underlying Index decline on a given day or, alternatively, should decrease approximately as much as the Underlying Index gains when prices in the Underlying Index rise on a given day. The Short Funds are: (1) Short MSCI Emerging Markets ProShares; (2) Short MSCI Japan ProShares; (3) Short MSCI EAFE ProShares; and (4) Short FTSE/Xinhua China 25 ProShares.

*UltraShort Funds*

Certain Funds seek daily investment results, before fees and expenses, that correspond to twice the inverse

<sup>3</sup> See Securities Exchange Act Release No. 56223 (August 8, 2007), 72 FR 45837 (August 15, 2007) (SR-Amex-2007-60).

<sup>4</sup> See Securities Exchange Act Release No. 56601 (October 2, 2007), 72 FR 51625 (October 10, 2007) (SR-NYSEArca-2007-79).

<sup>5</sup> NAV per Share of each Fund is computed by dividing the value of the net assets of such Fund (*i.e.*, the value of its total assets less total liabilities) by its total number of Shares outstanding. Expenses and fees are accrued daily and taken into account for purposes of determining NAV.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>12</sup> 17 CFR 200.30-3(a)(12).