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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-68919; File No. SR-ISE-2013-08)

February 13, 2013

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing of Proposed Rule Change to Amend the Minimum Trading Increments for Mini Options

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on February 6, 2013, 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 prepared by the self-regulatory organization. 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 Exchange proposes to permit the minimum trading increment for Mini Options to be the same as the minimum trading increment permitted for standard options on the same underlying security. 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.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

in Item IV below. The self-regulatory organization 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 proposes to amend its rules to permit the minimum trading increment for Mini Options to be the same as the minimum trading increment permitted for standard options on the same underlying security. Mini Options overlie 10 equity or ETF shares, rather than the standard 100 shares.³ Mini Options are currently approved on the following five (5) underlying securities: SPDR S&P 500 ETF ("SPY"), Apple Inc. ("AAPL"), SPDR Gold Trust ("GLD"), Google Inc. ("GOOG"), and Amazon.com, Inc. ("AMZN"). Of the five securities on which Mini Options are permitted, four of them (SPY, AAPL, GLD and AMZN) participate in the Penny Pilot Program.⁴ Under the Penny Pilot Program, with the exception of three classes,⁵ the minimum price

³ Mini Options were approved for trading on September 28, 2012. See Securities Exchange Act Release No. 67948 (September 28, 2012), 77 FR 60735 (October 4, 2012) (Approving SR-ISE-2012-58). The Exchange expects to begin trading Mini Options on March 18, 2013.

⁴ The Penny Pilot Program, which permits certain options series to be quoted and traded in increments of \$0.01, began on January 26, 2007. See Securities Exchange Act Release No. 55161 (January 24, 2007), 72 FR 4754 (February 1, 2007). The Penny Pilot Program has since been extended a number of times and is currently in place through June 30, 2013. See Securities Exchange Act Release Nos. 56151 (July 26, 2007), 72 FR 42452 (August 2, 2007); 56564 (September 27, 2007), 72 FR 56412 (October 3, 2007); 57508 (March 17, 2008), 73 FR 15243 (March 21, 2008); 59633 (March 26, 2009), 74 FR 15018 (April 2, 2009); 60222 (July 1, 2009), 74 FR 32994 (July 9, 2009); 60865 (October 22, 2009), 74 FR 55880 (October 29, 2009); 63437 (December 6, 2010), 75 FR 77032 (December 10, 2010); 65968 (December 15, 2011), 76 FR 79723 (December 22, 2011); 67323 (June 29, 2012), 77 FR 40121 (July 6, 2012); and 68424 (December 13, 2012), 77 FR 75241 (December 19, 2012).

⁵ The three classes are the Nasdaq-100 Index Tracking Stock ("QQQQ"), the SPDR S&P 500 ETF ("SPY") and the iShares Russell 2000 Index Fund ("IWM"). QQQQ, SPY and IWM are quoted in \$0.01 increments for all options series.

variation for all participating options classes is \$0.01 for all quotations in options series that are quoted at less than \$3 per contract and \$0.05 for all quotations in options series that are quoted at \$3 per contract or greater. Therefore, the minimum trading increment for AAPL, GLD, and AMZN is \$0.01 for option series under \$3 and \$0.05 for options quoted at \$3 or greater, while the minimum trading increment for SPY, which is not subject to a price test, is \$0.01 across all option series. The Exchange notes that GOOG is not in the Penny Pilot Program and therefore, standard options in GOOG have a minimum increment of \$0.05 and \$0.10 per contract depending on the price at which the standard option in this class is quoted.

This proposed rule change will permit the minimum trading increment for Mini Options to be identical to the minimum trading increment applicable to standard options on the same underlying security. The Exchange believes having different trading increments for Mini Options than those permitted for standard options on the same underlying security would be detrimental to the success of this new product offering and would also lead to investor confusion. The Exchange notes that the Commission approved Mini Options on SPY, AAPL, GLD, GOOG and AMZN because of their high price and current volume levels and because of the level of retail investor participation in trading options in these classes. Mini Options are a natural extension to the options overlying these securities and therefore should retain the most important characteristic, i.e., trading increments. The Exchange believes that by reducing the minimum trading increments for Mini Options, the proposed rule change will provide market participants with meaningful trading opportunities in this product. Further, quoting and trading in smaller increments will enable market participants to trade Mini Options with greater precision as to price. Providing these more refined increments will permit the Exchange's market makers the opportunity to provide better fills (meaning less spread than the current wider minimum

increments rules allow) to customers. Therefore, ISE proposes to amend its rules to permit the listing and trading of Mini Options in the same increment permitted for standard options on the same underlying security.

With this proposed rule change, although Mini Options would be trading in narrower increments, they would not be considered part of the Penny Pilot Program.

The Exchange's proposal to quote and trade certain option classes that are outside of the Penny Pilot Program in \$0.01 increments is not novel. Specifically, the Commission has permitted ISE to set the minimum increment for all Foreign Currency Options traded on the Exchange at \$0.01 regardless of the price at which the option is quoted.⁶ The Commission has also previously approved a proposal by NASDAQ OMX PHLX, Inc. permitting that exchange to also trade its foreign currency options in \$0.01 increments.⁷

In support of this proposed rule change, ISE proposes to amend ISE Rules 504 and 710. As so [sic] ISE Rule 710, ISE proposes to add new Supplementary Material .03 which provides that the minimum trading increment for Mini Options shall be determined in accordance with new Supplementary Material .13(d) to Rule 504. Proposed Supplementary Material .13(d) provides that the minimum trading increment for Mini Options shall be the same as the minimum trading increment permitted for standard options on the same underlying security.

With regard to the impact of this proposal on system capacity, the Exchange represents that it and the Options Price Reporting Authority have the necessary systems capacity to handle the potential additional traffic associated with this proposal. The Exchange does not believe that

⁶ See Securities Exchange Act Release No. 57019 (December 20, 2007), 72 FR 73937 (December 28, 2007) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Rule 710, Minimum Trading Increments) (SR-ISE-2007-120).

⁷ See Securities Exchange Act Release No. 56933 (December 7, 2007), 72 FR 71185 (December 14, 2007) (Approving SR-PHLX-2007-70).

this increased traffic will become unmanageable since Mini Options are limited to a fixed number of underlying securities.

2. Statutory Basis

The basis under the Securities Exchange Act of 1934 (the “Exchange Act”) for this proposed rule change is found in Section 6(b)(5), in that the proposed change is designed to promote just and equitable principles of trade, will serve to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest. In particular, the proposed rule change will assure that standard options and Mini Options on the same underlying security will trade in similar increments and therefore provide market participants meaningful trading opportunities and enable them to trade Mini Options with greater precision as to price. The Exchange also believes the proposed rule change will avoid investor confusion if both standard options and Mini Options on the same underlying security are permitted to trade in similar trading increments. The Exchange further believes that investors and other market participants will benefit from this proposed rule change because it proposes to clarify and establish the minimum trading increment for Mini Options prior to the commencement of trading. The Exchange believes that investors generally will be expecting the minimum trading increment for Mini Options to be the same as the minimum trading increment for standard options on the same underlying security. This proposed rule change will therefore lessen investor confusion because Mini Options and standard options on the same underlying security will have the same minimum trading increment.

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

This proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. ISE believes that

the proposed rule change will in fact relieve any burden on, or otherwise promote, competition. Mini Options are currently approved for trading on multiple options exchanges and all of these exchanges will have the opportunity to establish minimum trading increment for Mini Options.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) By order approve or disapprove such proposed rule change, or
- (B) Institute proceedings to determine whether the proposed rule change should be disapproved.

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 Number SR-ISE-2013-08 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-ISE-2013-08. 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 website (<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 website viewing and printing 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 the 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 Number SR-ISE-2013-08 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁸

Kevin M. O'Neill
Deputy Secretary

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⁸ 17 CFR 200.30-3(a)(12).