8011-01p
SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-70757; File No. SR-ISE-2013-53]

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Schedule of Fees

October 25, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on October 17, 2013, the International Securities Exchange, LLC (the "Exchange" or "ISE") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III 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 ISE proposes to amend its network fees. The text of the proposed rule change is available on the Exchange's Web site (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 self-regulatory organization 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

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

2 17 CFR 240.19b-4.

specified 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

The purpose of this proposed rule change is to amend the Exchange's network fees. Specifically, the Exchange proposes to adopt a network fee for a new 40 Gigabit (Gb) low latency Ethernet connectivity option. The Exchange currently offers three Ethernet connection options, a 1 Gb connection at a cost of $500 per month, a 10 Gb connection at a cost of $4,000 per month, and a 10 Gb low latency connection at a cost of $7,000 per month.

In keeping with changes in technology, the Exchange now proposes to provide an enhanced bandwidth option to enable a more efficient connection to the Exchange. The growth in the size of consolidated and proprietary data feeds has resulted in demand for higher bandwidth. As the number of feeds available and the size of the feeds increases, the bandwidth required for market data feeds steadily rises. Through the use of new, advanced hardware, the proposed new connectivity option will provide increased bandwidth and improved latency, and will thereby satisfy demand for more efficient, lower latency connections to the Exchange's trading system.

The Exchange proposes to charge $12,500 per month for this connection. ISE has expended significant amount of resources in developing this infrastructure and the proposed fees will allow the Exchange to recoup its investment. The Exchange's new network connectivity option will provide Members the option to select the bandwidth that is appropriate for their current needs. This new connectivity option is voluntary and, therefore, the Exchange will retain the existing connectivity options for those Members who choose not to utilize the new network connection.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Securities Exchange Act of 1934 ("Act"),[3] in general, and with Section 6(b)(4) of the Act,[4] in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among Exchange members and other persons using its facilities.

The Exchange's new low latency 40 Gb Ethernet network connection will provide Members the ability to increase data transmission and reduce latency, thereby enhancing their operations. The Exchange believes the proposed fees for this new connection to the Exchange are reasonable because the fees charged will allow the Exchange to cover the hardware, installation, testing and connection costs to maintain and manage the enhanced connection. The proposed fees will allow the Exchange to recoup costs associated with providing the low latency 40 Gb connection while aiding Members in making their network connectivity more efficient, and reducing the potential for data spikes and data gapping issues that result from the transmission of the growing size of the consolidated and proprietary market data feeds. Moreover, the Exchange believes that the proposed fees are reasonable in that they are lower than the fees charged by other trading venues for similar connectivity services.[5]

---

3 15 U.S.C. 78f .

4 15 U.S.C. 78f(b)(4).

5 For example, NYSE Arca Options charges $20,000 per month for a 40 Gb liquidity center network connection plus a $15,000 per connection initial charge. See Securities Exchange Act Release No. 70286 (Aug. 29, 2013) 78 FR 54710 (Sept. 5, 2013) (SR-NYSEARCA-2013-82). NASDAQ OMX PHLX, LLC charges $15,000 per month for a 40 Gb fiber connection with an installation fee of $1,500. See Securities Exchange Act Release No. 66429 (Feb. 21, 2012) 77 FR 11611 (Feb. 27, 2013) (SR-PHLX-2012-20).

The Exchange further believes that the proposed change is reasonable because the proposed fees directly relate to the level of services provided by the Exchange and, in turn, received by Members connecting to the exchange. In this regard, the fees proposed for 40 Gb connections are higher than, for example, the fees for 10 Gb connections because costs for the initial purchase and ongoing maintenance of the 40 Gb connections are generally higher than those of the lower-bandwidth connections. However, these costs are not anticipated to be four times higher than the existing 10 Gb connection. The Exchange therefore notes that while the proposed bandwidth of the low latency 40 Gb connection is four times greater than the existing low latency 10 Gb connection, the proposed fees for the 40 Gb connection are significantly less than four times the fees for the 10 Gb connection. The Exchange believes that this supports a finding that the proposed pricing is reasonable because the Exchange anticipates realizing efficiencies as customers adopt higher-bandwidth connections, and is in turn reflecting such efficiencies in the pricing for the new connectivity option.

The Exchange also believes the proposed fee for 40 Gb connectivity to the Exchange is equitably allocated in that all Members that voluntarily select this service option will be charged the same amount to maintain and manage the enhanced connection. Moreover, the Exchange believes the proposed 40 Gb fee for connectivity to the Exchange is not unfairly discriminatory in that all Members will have the option of selecting the 40 Gb connection, and there is no differentiation among Members with regard to the fees charged for this option.

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

In accordance with Section 6(b)(8) of the Act,[6] the Exchange believes that the proposed rule change will not impose any burden on intermarket or intramarket competition that is not

---

[6] 15 U.S.C. 78f(b)(8).

necessary or appropriate in furtherance of the purposes of the Act. Instead, the Exchange believes that the proposed change will enhance competition by making a service available to Members and thereby satisfy demand for more efficient, lower-latency connections. The proposed low latency 40 Gb connection would make a service available to Members that require the increased bandwidth, but Members that do not require the increased bandwidth could continue to request an existing lower-bandwidth connection and pay the correspondingly lower fees.

The Exchange notes that it operates in a highly competitive market in which Members can readily direct their order flow to competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, the Exchange must continually review, and consider adjusting, its fees to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed fee changes reflect this competitive environment.

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 foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act[7] and paragraph (f) of Rule 19b-4[8] thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if

7 15 U.S.C. 78s(b)(3)(A).

8 17 CFR 240.19b-4(f).

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. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or 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-2013-53 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-2013-53. 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-2013-53 and should be submitted on or before [INSERT DATE 21 DAYS FROM DATE OF PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[9]

Kevin M. O'Neill,
Deputy Secretary.

[FR Doc. 2013-25830 Filed 10/30/2013 at 8:45 am; Publication Date: 10/31/2013]

[9] 17 CFR 200.30-3(a)(12).