

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48811; File No. SR-ISE-2003-25]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change and Amendment No. 1 Thereto by the International Stock Exchange, Inc. To Amend Rules 713 and 715 To Add Definitions for All-or-None Orders, Stop Orders and Stop Limit Orders

November 20, 2003.

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 16, 2003, the International Stock Exchange, Inc. ("ISE" or "Exchange") 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 prepared by the ISE. The Exchange has filed the proposal as a "non-controversial" rule change pursuant to section 19(b)(3)(A)(iii) of the Act,<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission.<sup>5</sup> On November 13, 2003, the ISE filed Amendment No. 1 to the proposed rule change.<sup>6</sup> 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 is proposing to amend Rules 713 and 715 to add definitions for all-or-none orders, stop orders and stop limit orders. The text of the proposed rule change is set forth below. Proposed new language is in *italics*; proposed deletions are in [brackets].

\* \* \* \* \*

#### Rule 715. Types of Orders

(c) *All-Or-None Orders.* An all-or-none order is a limit or market order that is to be executed in its entirety or not at all.

(d) *Stop Orders.* A stop order is an order that becomes a market order when the stop price is elected. A stop order to buy is elected when the option is bid or trades on the ISE at, or above, the specified stop price. A stop order to sell is elected when the option is offered or trades on the ISE at, or below, the specified stop price.

(e) *Stop Limit Orders.* A stop limit order is an order that becomes a limit order when the stop price is elected. A stop limit order to buy is elected when the option is bid or trades on the ISE at, or above, the specified stop price. A stop limit order to sell becomes a sell limit order when the option is offered or trades on the ISE at, or below, the specified stop price.

#### Rule 713. Priority of Quotes and Orders

\* \* \* \* \*

#### Supplementary Material to Rule 713

\* \* \* \* \*

.02 All-or-none orders, as defined in Rule 715(c), are contingency orders that have no priority on the book. Such orders are maintained in the system and remain available for execution after all other trading interest at the same price has been exhausted.

\* \* \* \* \*

#### 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 Exchange 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 amend Rules 713 and 715 to add definitions for all-or-none orders, stop orders and stop limit orders. The definitions of these three order types are consistent with the definitions contained in other exchanges' rules.<sup>7</sup> An all-or-none order is a limit or market order that is to be executed in its entirety or not at all. All-or-none orders are contingency orders that have no priority on the book. Such

orders are maintained in the system and remain available for execution after all other trading interest at the same price has been exhausted.

Stop orders are defined as orders that become market orders when the stop price is elected. A stop order to buy is elected when the option is bid or trades on the ISE at, or above, the specified stop price. A stop order to sell is elected when the option is offered or trades on the ISE at, or below, the specified stop price. When the stop price is elected, the system releases a market order into the market and the order would be handled in the same manner as any other market order.

Stop limit orders are defined as orders that become limit orders when the stop price is elected. A stop limit order to buy is elected when the option is bid or trades on the ISE at, or above, the specified stop price. A stop limit order to sell is elected when option is offered or trades on the ISE at, or below, the specified stop price. Once the stop price is elected, the limit order is placed on the ISE book and would be handled in the same manner as any other limit order on the ISE book. In Amendment No. 1, the Exchange has represented that stop and stop limit orders will be elected automatically by the system without manual intervention by any market participant, and that no market participant on the ISE will be able to view pending stop and stop limit orders in the system.

###### 2. Statutory Basis

The ISE believes that the rule change is consistent with section 6 of the Act in general<sup>8</sup> and Section 6(b)(5) of the Act in particular.<sup>9</sup> The Exchange believes that the proposed rule change is intended 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. The Exchange also believes that new order types will offer investors new trading opportunities on the Exchange and enhance the Exchange's competitive position.

##### 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.

<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).

<sup>4</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>5</sup> The ISE provided a five-day written notice to the Commission of its intent to file the proposal. The ISE has requested the Commission to waive the 30-day operative delay. See Rule 19b-4(f)(6)(iii) under the Act. 17 CFR 240.19b-4(f)(6)(iii).

<sup>6</sup> See letter from Katherine Simmons, Vice President and Associate General Counsel, ISE, to Theodore Lazo, Senior Special Counsel, Division of Market Regulation, Commission, Dated November 13, 2003 ("Amendment No. 1").

<sup>7</sup> See, e.g., CBOE Rule 43.2.

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

<sup>9</sup> 15 U.S.C. 78f(b)(5).