

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-80718; File No. SR-ISE-2017-44)

May 18, 2017

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Temporarily Suspend the Implementation of QCC with Stock Order Functionality Upon Migration to INET

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 May 8, 2017, Nasdaq ISE, LLC (“ISE” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I and II, below, which Items have been prepared by the Exchange. 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 delay the implementation of QCC with Stock Order functionality with the migration to Nasdaq INET.

The text of the proposed rule change is available on the Exchange’s website at 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 in

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

The purpose of the proposed rule change is to delay the implementation of QCC with Stock Order functionality offered to members on a voluntary basis. QCC with Stock Orders will be temporarily unavailable in symbols that have migrated to the INET architecture as this functionality will be introduced later in the launch of the INET trading system. The QCC with Stock Order is a piece of functionality that facilitates the execution of the stock component of qualified contingent trades in connection with the execution of a Qualified Contingent Cross (“QCC”) Order on the Exchange. Specifically, a QCC with Stock Order is defined as a QCC Order³ entered with a stock component to be communicated to a designated broker-dealer for execution pursuant to Rule 721(c).⁴

Rule 721(c) and the Supplementary Material thereto describe how the stock component of QCC with Stock Orders are executed. Since QCC Orders represent one component of a qualified contingent trade, each QCC Order must be paired with a stock transaction. When a member enters a QCC Order, the member is responsible for executing the associated stock component of the qualified contingent trade within a reasonable period of time after the QCC Order is executed. QCC with Stock Order functionality is a voluntary piece of functionality that provides members with an automated means of executing the stock component of a qualified

³ A QCC Order is comprised of an originating order to buy or sell at least 1000 contracts that is identified as being part of a qualified contingent trade, coupled with a contra-side order or orders totaling an equal number of contracts. See Rule 715(j).

⁴ See Rule 715(t).

contingent trade. Specifically, when a member enters a QCC with Stock Order, a QCC Order is entered on the Exchange. That QCC Order is automatically executed upon entry provided that the conditions of Rule 721(b) are met. If the QCC Order is executed, the Exchange will automatically communicate the stock component to the member's designated broker-dealer for execution. Currently, members that execute the options component of a qualified contingent trade entered as a QCC with Stock Order remain responsible for the execution of the stock component if they do not receive an execution from their designated broker-dealer. Although QCC Orders are eligible for automatic execution, it is possible that the QCC Order may not be executable based on market prices at the time the order is entered. If the QCC Order is not capable of being executed, the entire QCC with Stock Order, including both the stock and options components, is cancelled.

QCC with Stock Order functionality will not initially be available on INET for symbols that have been migrated to that platform. In conjunction with the upcoming migration to INET, the Exchange proposes to temporarily suspend the availability of QCC with Stock Order functionality provided under Rule 721(c) and the Supplementary Material to Rule 721 until a date to be announced by the Exchange via an Options Trader Alert, which date shall occur prior to August 1, 2017. QCC with Stock Orders in symbols that have migrated to INET will be rejected until such time as that functionality is introduced on INET. Specifically, the Exchange has filed and received approval for a proposed rule change to begin the system migration to INET in Q2 of 2017.⁵ The migration to INET will be on a symbol-by-symbol basis as will be

⁵ See Securities Exchange Act Release No. 80432 (April 11, 2017), 82 FR 18191 (April 17, 2017) (SR-ISE-2017-03) (Order Approving Proposed Rule Change, as Modified by Amendment No. 1, to Amend Various Rules in Connection with a System Migration to Nasdaq INET Technology).

communicated by the Exchange in a notice to Members.⁶ The Exchange proposes to implement QCC with Stock Order functionality on the INET platform during the INET symbol migration. Once QCC with Stock Order functionality is launched on INET, members may utilize this functionality for symbols as they migrate to INET. The Exchange will announce a date, via an Options Trader Alert, when the functionality will be available. At that time, all symbols that have migrated to INET as of that date will be able to utilize the QCC with Stock Order functionality. All other symbols that migrate after that date, if any, would be able to utilize the QCC with Stock Order functionality as they migrate. The QCC with Stock Order functionality will continue to be available on the legacy ISE system until the symbols migrate to INET.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,⁷ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁸ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. Specifically, the Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest because QCC with Stock Order functionality is currently offered to members on a voluntary basis to

⁶ The Exchange will issue an Options Trader Alert prior to the migration and will specify the dates that symbols will migrate to the INET platform. The Exchange is staging the re-platform to provide maximum benefit to its Members while also ensuring a successful rollout. INET is the proprietary core technology utilized across Nasdaq's global markets and utilized on The NASDAQ Options Market LLC ("NOM"), NASDAQ PHLX LLC ("Phlx") and NASDAQ BX, Inc. ("BX") (collectively, "Nasdaq Exchanges"). The migration of ISE to the Nasdaq INET architecture would result in higher performance, scalability, and more robust architecture.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

assist in their execution of qualified contingent trades. Furthermore, members that execute the options component of a Qualified Contingent Trade entered as a QCC with Stock Order remain responsible for the execution of the stock component if they do not receive an execution from their designated broker-dealer. There is no requirement that members utilize QCC with Stock functionality, and members will continue to be able to enter regular QCC Orders where the exchange does not assist with the execution of the stock component of the trade and the members do so themselves. Specifically, Members would remain able to execute QCC Orders on the INET platform prior to QCC with Stock functionality being turned back on, provided that the member would be responsible for executing the associated stock component of the qualified contingent trade within a reasonable period of time after the QCC Order is executed.

Furthermore, the Exchange will continue to offer the QCC with Stock Order functionality on the legacy ISE system until such time as each symbol migrates to INET. The Exchange intends to introduce QCC with Stock Order functionality on INET during the symbol migration, and prior to the rollout of the majority of symbols on INET. Based on the Exchange's anticipated symbol rollout, the affected symbols will not include symbols where members typically enter a significant volume of QCC with Stock Orders.⁹ The Exchange also notes that it has issued an Options trader Alert providing Members notice of its proposal to delay the QCC with Stock Order functionality during the initial launch of the INET technology until such time as the Exchange announces the availability of the QCC with Stock Order functionality.¹⁰ The Exchange intends to make clear the implementation timeline of this functionality within its rulebook.

⁹ Of the 3172 symbols listed on ISE, the Exchange anticipates rolling out approximately 151 symbols prior to introducing QCC with Stock Order functionality on INET.

¹⁰ See Options Trader Alert # 2017-32.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. No market participant would be able to submit a QCC with Stock Order on INET until such time as the Exchange turns back on the functionality with notice to members. The Exchange believes that notwithstanding the delay of this functionality, ISE will continue to remain a competitive with other options markets. Moreover, Members will still be able to execute QCC Orders on the Exchange using other means to ensure the execution of the stock component of those qualified contingent trades.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act¹¹ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹²

In its filing, ISE requested that the Commission waive the 30-day operative delay in order to enable the Exchange to launch the new INET system on the schedule previously announced to

¹¹ 15 U.S.C. 78s(b)(3)(A)(iii).

¹² 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file 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 satisfied this requirement.

members. The Commission believes that such waiver is consistent with the protection of investors and the public interest. The Exchange represented that delaying the launch of the INET system could harm members that have relied upon the schedule previously announced by ISE. Moreover, ISE explained that waiving the 30-day operative delay would have limited consequences; members received notice of the proposed change on April 28, 2017, and the Exchange will migrate symbols that have a higher volume of QCC with Stock Orders later in its INET rollout in order to reduce the impact on its members. For these reasons, the Commission believes that proposed rule change will provide clarity to ISE members regarding the availability QCC with Stock Order functionality on the Exchange and designates the proposed rule change to be operative upon filing.¹³

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule 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:

¹³ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

- 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-2017-44 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-2017-44. 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-2017-44 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.¹⁴

Eduardo A. Aleman
Assistant Secretary

¹⁴ 17 CFR 200.30-3(a)(12) and (59).