

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-80613; File No. SR-ISE-2017-37)

May 5, 2017

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Complex Order Quoting

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 April 26, 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 designate that a symbol will not be eligible for Market Maker quotes in the complex order book after the symbol migrates to Nasdaq INET technology. In addition, that symbol will trade in price/time priority.

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

Today, ISE permits Market Makers to enter quotes on certain symbols for complex strategies on the complex order book in their appointed options classes. Market Maker quotes for complex strategies are not automatically executed against bids and offers on the Exchange for the individual legs nor can they be marked for price improvement.³ Market Makers are not required to enter quotes on the Exchange's complex order book. Quotes for complex orders are not subject to any quotation requirements that are applicable to Market Maker quotes in the regular market for individual options series or classes, nor is any volume executed in complex orders taken into consideration when determining whether Market Makers are meeting quotation obligations applicable to market maker quotes in the regular market for individual options series.

The Exchange proposes to designate that a symbol will not be eligible for Market Maker quotes in the complex order book after the symbol migrates to the INET platform. Specifically, the Exchange filed a proposal to begin the system migration to Nasdaq INET in Q2 of 2017.⁴ The migration to INET will be on a symbol by symbol basis as specified by the Exchange in a

³ See Supplementary Material .03 to Rule 722.

⁴ 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).

notice to Members.⁵ The Exchange is proposing to implement this rule change on the INET platform as the symbols migrate to that platform. Once a symbol moves to INET no complex quoting⁶ will be available for that symbol and the symbol will be allocated in price/time priority.

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. With this system migration, the Exchange intends to adopt certain trading functionality currently utilized at Nasdaq Exchanges.⁷

The Exchange is staging the re-platform to provide maximum benefit to its Members while also ensuring a successful rollout. As symbols migrate to the INET functionality, the symbols that are currently enabled for Market Maker Quotes will become ineligible for complex quoting. This will provide the Exchange additional time to test and implement this functionality on the INET platform. The Exchange will issue an Options Trader Alert to all Members notifying them that complex order quoting functionality will no longer be available after a symbol migrates to INET.⁸

Within a year from the date of filing this rule change, the Exchange will offer complex quoting functionality on the ISE INET platform. Thereafter, Exchange may offer the complex quoting from time to time with notice to members. At the time the Exchange designates a

⁵ 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.

⁶ The Exchange notes that Phlx does not offer complex order quoting functionality.

⁷ See note 4 above.

⁸ Even though the complex quoting functionality will not be available, Market Makers will still be able to submit complex orders.

symbol as available for complex quoting, it will also designate the allocation methodology for that symbol pursuant to ISE Rule 722(b)(3)(i).

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁹ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁰ 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 because the Exchange desires to rollout the complex order quoting functionality at a later date to allow additional time to rebuild this technology on the new platform.

Not offering the Market Maker quotes in the complex order book with the symbol migration to INET, will allow the Exchange additional time to test and implement this functionality. The Exchange will provide Members with ample notice of the turn-off of this functionality in an Options Trader Alert. The Exchange will continue to provide notification to Members to ensure clarity about the availability of this functionality with the symbol migration.

The Exchange is proposing to implement this rule change on the INET platform as the symbols migrate to that platform. Once a symbol moves to INET, no complex quoting¹¹ will be available for that symbol and the Exchange will specify that the allocation methodology for that symbol will be price/time. Within a year from the date of filing this rule change, the Exchange will offer complex quoting functionality on the ISE INET platform. Thereafter, the Exchange may offer the complex quoting for specified symbols from time to time with notice to members.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ The Exchange notes that Phlx does not offer complex order quoting functionality.

At the time the Exchange designates a symbol as available for complex quoting, it will also designate the allocation methodology for that symbols pursuant to ISE Rule 722(b)(3)(i).

Even though the complex quoting functionality will not be available, Market Makers will still be able to submit complex orders. The Exchange does not anticipate any significant impact with respect to execution quality. The Exchange notes that Phlx does not offer complex order quoting functionality.¹²

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. The Exchange does not believe that the proposed rule change will impact the intense competition that exists in the options market. Members will be able to continue to submit complex orders on ISE; however Market Maker quotes in the complex order book will not be available after a symbol migrates to INET. The Exchange does not believe that the proposed rule change will impose any burden on intra-market competition because all Members uniformly will not be able to submit Market Maker quotes in the complex order book.

The Exchange is proposing to implement this rule change on the INET platform as the symbols migrate to that platform. Once a symbol moves to INET, no complex quoting¹³ will be available for that symbol and the Exchange will specify the allocation methodology for that symbol as price/time. Within a year from the date of filing this rule change, the Exchange will offer complex quoting functionality on the ISE INET platform. Thereafter, the Exchange may offer the complex quoting for specified symbols from time to time with notice to members. At

¹² See Phlx Rule 1098.

¹³ The Exchange notes that Phlx does not offer complex order quoting functionality.

the time the Exchange designates a symbol as available for complex quoting, it will also designate the allocation methodology for that symbol pursuant to ISE Rule 722(b)(3)(i).

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 Act¹⁴ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁵

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

¹⁴ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁵ 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.

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-2017-37 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-2017-37. 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-2017-37 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.¹⁶

Eduardo A. Aleman
Assistant Secretary

¹⁶ 17 CFR 200.30-3(a)(12).