

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83257; File No. SR-ISE-2018-42)

May 16, 2018

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Exchanges Schedule of Fees

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 1, 2018, Nasdaq ISE, LLC (“ISE” or “Exchange”) 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 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 amend the Exchanges Schedule of Fees.

The text of the proposed rule change is available on the Exchange’s Website at <http://ise.cchwallstreet.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 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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 amend the Exchange’s Schedule of Fees, as described further below.

Fee for Responses to PIM Orders

Currently, for regular orders in Non-Select Symbols,³ the Exchange charges all market participants a fee for Responses to Price Improvement Mechanism (“PIM”) orders that is \$0.20 per contract. For complex orders in both Select Symbols⁴ and Non-Select Symbols, the fee for Responses to PIM orders is likewise \$0.20 per contract for all market participants. The Exchange now proposes to increase the aforementioned fees to \$0.25 per contract for all market participants.

Fee for Responses to Crossing Orders Except PIM Orders

Today, the Exchange charges all market participants a fee for Responses to Crossing Orders⁵ except PIM orders that is \$0.48 per contract for complex orders in Select Symbols. The Exchange now proposes to increase this fee to \$0.50 per contract for all market participants.

QCC and Solicitation Rebate

Currently, members using QCC and/or other solicited crossing orders, including solicited orders executed in the Solicitation, Facilitation or Price Improvement Mechanisms, receive

³ “Non-Select Symbols” are options overlying all symbols excluding Select Symbols.

⁴ “Select Symbols” are options overlying all symbols listed on the Nasdaq ISE that are in the Penny Pilot Program.

⁵ A “Crossing Order” is an order executed in the Exchange's Facilitation Mechanism, Solicited Order Mechanism, PIM or submitted as a Qualified Contingent Cross (“QCC”) order. For purposes of the Fee Schedule, orders executed in the Block Order Mechanism are also considered Crossing Orders.

rebates for each originating contract side in all symbols traded on the Exchange. Once a member reaches a certain volume threshold in QCC orders and/or solicited crossing orders during a month, the Exchange provides rebates to that member for all of its QCC and solicited crossing order traded contracts for that month.⁶ The applicable rebates are applied on QCC and solicited crossing order traded contracts once the volume threshold is met. Members receive the Non-“Customer to Customer” rebate for all QCC and/or other solicited crossing orders except for QCC and solicited orders between two Priority Customers.⁷ QCC and solicited orders between two Priority Customers receive the “Customer to Customer” rebate. Non-“Customer to Customer” and “Customer to Customer” volume is aggregated in determining the applicable volume tier. The current volume threshold and corresponding rebates are as follows:

Originating Contract Sides	Non-"Customer to Customer" Rebate	"Customer to Customer" Rebate
0 to 99,999	\$0.00	\$0.00
100,000 to 199,999	(\$0.05)	(\$0.01)
200,000 to 499,999	(\$0.07)	(\$0.01)
500,000 to 999,999	(\$0.09)	(\$0.03)
1,000,000+	(\$0.11)	(\$0.03)

To incentive greater QCC and/or other solicited crossing order flow to ISE, the Exchange now proposes to amend the tier schedule by adjusting current tier 4 (i.e., 500,000 to 999,999) so

⁶ All eligible volume from affiliated members will be aggregated in determining QCC and Solicitation volume totals, provided there is at least 75% common ownership between the members as reflected on each member's Form BD, Schedule A.

⁷ A "Priority Customer" is a person or entity that is not a broker/dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s), as defined in Nasdaq ISE Rule 100(a)(37A).

that it becomes 500,000 to 749,999 originating contract sides, and adopting a new tier 5 for 750,000 to 999,999 originating contract sides. With this proposed change, members that execute between 500,000 to 749,999 originating contract sides of eligible volume will earn the current tier 4 rebates (i.e., a Non-“Customer to Customer” rebate of \$0.09 per originating contract side and a “Customer to Customer” rebate of \$0.03 per originating contract side). For members that meet the volume threshold in the new tier 5, the Exchange proposes to pay a Non-“Customer to Customer” rebate of \$0.10 per originating contract side and a “Customer to Customer” rebate of \$0.03 per originating contract side. The new tier schedule and corresponding rebates will be as follows:

Originating Contract Sides	Non-"Customer to Customer" Rebate	"Customer to Customer" Rebate
0 to 99,999	\$0.00	\$0.00
100,000 to 199,999	(\$0.05)	(\$0.01)
200,000 to 499,999	(\$0.07)	(\$0.01)
500,000 to 749,999	(\$0.09)	(\$0.03)
750,000 to 999,999	(\$0.10)	(\$0.03)
1,000,000+	(\$0.11)	(\$0.03)

Clean-up Change

The Exchange proposes to make a non-substantive change to remove an obsolete reference to its old website in its Schedule of Fees. In particular, the definition of Select Symbols in the Exchange’s Schedule of Fees presently states that: ““Select Symbols’ are options overlying all symbols listed on the Nasdaq ISE that are in the Penny Pilot Program. The current list of Nasdaq ISE-listed Penny Pilot Program symbols is available at http://www.ise.com/assets/files/products/pennies/penny_stocks.xls.” The Exchange proposes to delete the second sentence in the definition of Select Symbols now that the legacy website is no longer available.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁸ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,⁹ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

Fee for Responses to PIM Orders

The Exchange believes that its proposal to increase the regular and complex order fees for Responses to PIM orders from \$0.20 to \$0.25 per contract for all market participants is reasonable, equitable and not unfairly discriminatory. With the proposed changes, market participants that respond to PIM auctions will pay response fees that remain significantly lower than those charged for Responses to other Crossing Orders. Accordingly, the Exchange believes that the PIM response fees proposed herein will remain attractive to market participants and will continue to encourage them to respond to PIM auctions, thereby increasing price improvement opportunities for PIM orders. Furthermore, the Exchange believes that the proposed PIM response fees are equitable and not unfairly discriminatory they will apply uniformly to all market participants.

Fee for Responses to Crossing Orders Except PIM Orders

The Exchange believes that its proposal to increase the complex order fees for Responses to Crossing Orders except PIM orders in Select Symbols to \$0.50 per contract for all market participants is reasonable because the proposed fee remains within the range of similar fees charged by other options exchanges, including, for example, BOX Options Exchange (“BOX”),

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(4) and (5).

which charges up to \$0.50 per contract for responses in its solicitation or facilitation auction mechanisms for penny pilot classes.¹⁰ Accordingly, the Exchange believes that the response fees proposed herein for Crossing Orders except PIM orders are set at levels that the Exchange believes will remain attractive to market participants that trade on ISE. Additionally, the Exchange believes that the proposed fees for Responses to Crossing Orders except PIM orders are equitable and not unfairly discriminatory because they will apply uniformly to all market participants.

QCC and Solicitation Rebate

The Exchange believes that the proposed changes to the QCC and Solicitation rebate tier schedule are reasonable because the proposed changes are designed to encourage members to bring additional QCC and/or other solicited crossing order volume to the Exchange in order to benefit from the enhanced rebates. As explained above, the Exchange is (i) adjusting the volume threshold in the current tier 4 from 500,000 to 999,999 to 500,000 to 749,999 originating contract sides and offering the current tier 4 Non-“Customer to Customer” rebate of \$0.09 per originating contract side and “Customer to Customer” rebate of \$0.03 per originating contract side, and (ii) adopting a new tier 5 for 750,000 to 999,999 originating contract sides with a corresponding Non-“Customer to Customer” rebate of \$0.10 per originating contract side and “Customer to Customer” rebate of \$0.03 per originating contract side. With the proposed changes, members will be provided more opportunities to meet the volume thresholds and

¹⁰ BOX charges a fee for responses in the solicitation or facilitation auction mechanisms for all account types that is \$0.25 per contract for penny pilot classes. See BOX Fee Schedule, Section I.C. As set forth in the BOX Fee Schedule, “[r]esponses to Facilitation and Solicitation Orders executed in these mechanisms shall be charged the “add” fee.” Id. at Section III.B, second bullet. For all account types, this fee (i.e., the Fee for Adding Liquidity) is \$0.25 for penny pilot classes. Id. Thus, BOX may charge a fee for responses in its solicitation or facilitation auction mechanisms of up to \$0.50 per contract.

qualify for enhanced rebates by bringing greater QCC and/or other solicited crossing order flow to the Exchange. The Exchange also believes that the proposed changes to the tier schedule are equitable and not unfairly discriminatory because all members will be able to attain the enhanced rebates by executing the required volume of QCC and/or other solicited crossing orders on the Exchange.

Clean-up Change

The Exchange believes that its proposal to remove the obsolete reference to its old website from its Schedule of Fees is reasonable, equitable and not unfairly discriminatory because it is a non-substantive change designed to make the Schedule of Fees more transparent to members and investors.

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. In this instance, the Exchange is proposing various changes to its fees and rebates program for Crossing Orders, specifically to increase the response fees for Crossing Orders, including PIM orders, and to enhance its QCC and Solicitation rebate program by modifying the current tier schedule, each as described in detail above. The Exchange does not believe that the proposed changes impose an undue burden on competition because the proposed fees and rebates will apply uniformly to all market participants, as discussed above. Furthermore, the Exchange believes that its fees and rebates program for Crossing Orders will remain attractive with the changes proposed herein, and will continue to attract additional order flow to ISE, thereby enhancing the competitiveness of ISE relative to other options exchanges.

The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to

be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited. In sum, if the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,¹¹ and Rule 19b-4(f)(2)¹² 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 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.

¹¹ 15 U.S.C. 78s(b)(3)(A)(ii).

¹² 17 CFR 240.19b-4(f)(2).

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-2018-42 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-2018-42. 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.

Persons submitting comments are cautioned that we do not redact or edit personal identifying

information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ISE-2018-42 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.¹³

Eduardo A. Aleman
Assistant Secretary

¹³ 17 CFR 200.30-3(a)(12).