

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-77409; File No. SR-ISEMercury-2016-05)

March 21, 2016

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

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 March 10, 2016, ISE Mercury, LLC (the “Exchange” or “ISE Mercury”) 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 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

ISE Mercury proposes to amend its Schedule of Fees by adopting volume-based tiered rebates and fees. These tiers are determined by a member’s average daily volume of Priority Customer orders traded on the Exchange. The text of the proposed rule change is available on the Exchange’s Internet website at <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 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 self-regulatory organization has prepared summaries, set forth in Sections A,

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

ISE Mercury is proposing to amend its Schedule of Fees to establish volume-based tiered rebates and fees (the “Member Volume Program” or “MVP”). The MVP tiers are determined by a member’s average daily volume (“ADV”) of Priority Customer³ Regular Orders,⁴ in Penny and Non-Penny Pilot Symbols,⁵ traded on the Exchange. The Exchange will also aggregate the trading activity of affiliated members in determining this ADV.⁶ ISE Mercury believes the proposed fee and rebate tiers will incentivize firms to increase Priority Customer order flow to the Exchange. The Exchange is also proposing Penny and Non-Penny Symbol fees for both Crossing Orders and Responses to Crossing Orders. Finally, the Exchange proposes to offer Market Makers⁷ a per contract discount when trading against Non-Priority Customer orders.

³ 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).

⁴ A Regular Order is an order that consists of only a single option series and is not submitted with a stock leg.

⁵ Under the Penny Pilot, the minimum price variation for all participating options classes, except for the Nasdaq-100 Index Tracking Stock (“QQQ”), the SPDR S&P 500 Exchange Traded Fund (“SPY”) and the iShares Russell 2000 Index Fund (“IWM”), is \$0.01 for all quotations in options series that are quoted at less than \$3 per contract and \$0.05 for all quotations in options series that are quoted at \$3 per contract or greater. The proposed fees and rebates for Penny Pilot symbols apply to all classes in the Penny Pilot, i.e., to series that are quoted at less than \$3 that have a minimum price variation of \$0.01 and to series that are quoted at \$3 or more that have an minimum price variation of \$0.05. QQQ, SPY, and IWM are quoted in \$0.01 increments for all options series.

⁶ Aggregation is necessary and appropriate because certain members conduct customer and market maker trading activity through separate but related broker-dealers.

⁷ The term Market Makers refers to “Competitive Market Makers” and “Primary Market Makers” collectively. Market Maker orders sent to the Exchange by an Electronic Access Member are assessed fees at the same level as Market Maker orders.

The Member Volume Program

Currently, the fees and rebates assessed for Regular Orders in standard options that are in the Penny Pilot are: (1) \$0.20 per contract for Market Maker orders,⁸ (2) \$0.47 per contract for Non-ISE Mercury Market Maker,⁹ Firm Proprietary¹⁰ / Broker-Dealer,¹¹ and Professional Customer¹² orders; and (3) (\$0.18) per contract for Priority Customer orders. The transaction fees and rebates assessed for Regular Orders that are not in the Penny Pilot are: (1) \$0.20 per contract for Market Maker orders; (2) \$0.90 per contract for Non-ISE Mercury Market Maker, Firm Proprietary / Broker-Dealer, and Professional Customer orders; and (3) (\$0.18) per contract for Priority Customer orders.

The Exchange proposes to amend the above fees and rebates so that they will be based on a member's ADV of Priority Customer orders traded in a given month and the highest tier threshold attained applies retroactively in a given month to all eligible traded contracts and applies to all eligible market participants. This Priority Customer ADV includes all Priority Customer volume executed on the Exchange in all symbols and order types, including volume executed in the Price Improvement Mechanism ("PIM") and the Facilitation and Qualified Contingent Cross mechanisms.

⁸ This fee applies to ISE Mercury Market Maker orders sent to the Exchange by Electronic Access Members.

⁹ A Non-ISE Mercury Market Maker, or Far Away Market Maker ("FARMM"), is a market maker as defined in Section 3(a)(38) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), registered in the same options class on another options exchange.

¹⁰ A Firm Proprietary order is an order submitted by a member for its own proprietary account.

¹¹ A Broker-Dealer order is an order submitted by a member for a non-member broker-dealer account.

¹² A Professional Customer is a person who is not a broker/dealer and is not a Priority Customer.

Further, the Exchange will aggregate the trading activity of separate members in calculating Priority Customer ADV provided there is at least 75% common ownership between the firms as reflected on each firm's Form BD, Schedule A. The Exchange believes that aggregating this volume across members that share at least 75% common ownership will allow members to continue to execute trades on the Exchange through separate broker-dealer entities for different types of volume, while receiving rebates based on the aggregate volume being executed across such entities.

The Exchange now proposes fees and rebates based on five volume tier levels as described in the table below. These fees and rebates will be based on the highest tier that a member reaches in a given month, and these tiered rates will apply retroactively to all eligible traded contracts for all client categories.

Qualifying Tier Thresholds	
Tier	Total Affiliated Priority Customer ADV
Tier 1	0 – 19,999
Tier 2	20,000 – 39,999
Tier 3	40,000 – 59,999
Tier 4	60,000 – 79,999
Tier 5	80,000+

Additionally, the Exchange proposes to amend the Schedule of Fees to include language related to excluding days from the ADV calculations used to determine applicable fee and rebate tiers. Specifically, the Exchange proposes to 1) exclude from its ADV calculations any trading day on which the Exchange is closed early for holiday observance; 2) exclude days where the Exchange declares a trading halt in all securities or honors a market-wide trading halt declared by another market; and 3) permit days to be excluded from its ADV calculations where the Exchange is technically open for the entire trading day, but has instructed members to route

away due to a systems or other error that ultimately does not impact trading on the Exchange. The Exchange also notes, however, that if it has a systems issue in the morning before the market opens, it may instruct members to route away to other markets. If the systems issue continues into trading hours, the Exchange is permitted to exclude the day for all members that would have a lower ADV with the day included. If, however, the systems issue is resolved prior to the opening of trading, the Exchange is not permitted to exclude the day from its ADV calculations. This is the case regardless of the fact that many members would have already made arrangements to route away in accordance with the Exchange's instructions. To prevent this undesirable result, and preserve the Exchange's intent behind adopting volume-based pricing, the Exchange proposes to allow days to be excluded from its ADV calculation whenever all members are instructed, in writing, to route their orders to other markets.

Because the days the Exchange proposes to exclude from its ADV calculation generally have artificially lower trading volume, the Exchange believes that it is reasonable and equitable to not include such days in determining fee and rebate tiers. If the Exchange did not have the ability to exclude aberrant low volume days when calculating ADV for the month, as a result of the decreased trading volume, the numerator for the calculation (e.g., trading volume) would be correspondingly lower, but the denominator for the threshold calculations (e.g., the number of trading days) would not be decreased. This could result in an unintended cost increase. Absent the authority to exclude days that the market is not open for the entire trading day, members will experience an effective decrease in rebates. The artificially low volumes of trading on such days could reduce the trading activity of members both daily and monthly. Accordingly, excluding such days from the monthly calculation will diminish the likelihood of an effective increase in the cost of trading on the Exchange, a result that is unintended and undesirable to the Exchange

and its members.

The Exchange notes that the fees charged to Non-ISE Mercury Market Maker, Firm Proprietary / Broker Dealer and Professional Customer in Penny and Non-Penny Symbols are the same as the current fees charged, regardless of the tier level reached. However, the tiered fees and rebates for both Priority Customers and Market Makers have changed. The proposed fees and rebates for each tier and participant type are as follows:

Penny Symbol Fees and Rebates (per contract)			
Tier	Priority Customer	Market Maker	Firm Proprietary, B/D, FarMM & Professional Customer
Tier 1	(\$0.05)	\$0.25	\$0.47
Tier 2	(\$0.10)	\$0.22	\$0.47
Tier 3	(\$0.15)	\$0.18	\$0.47
Tier 4	(\$0.21)	\$0.15	\$0.47
Tier 5	(\$0.24)	\$0.10	\$0.47

Non-Penny Symbol Fees and Rebates (per contract)			
Tier	Priority Customer	Market Maker	Firm Proprietary, B/D, FarMM & Professional Customer
Tier 1	(\$0.05)	\$0.25	\$0.90
Tier 2	(\$0.10)	\$0.22	\$0.90
Tier 3	(\$0.15)	\$0.18	\$0.90
Tier 4	(\$0.21)	\$0.15	\$0.90
Tier 5	(\$0.24)	\$0.10	\$0.90

Crossing Orders

The Exchange proposes Penny and Non-Penny Symbol fees for Crossing Orders. The Exchange currently charges a fee of \$0.20 per contract for Crossing Orders¹³ in all symbols traded on the Exchange for all market participants, except Priority Customers who are charged

¹³ These fees apply to both originating and contra orders.

\$0.00 per contract for Crossing Orders. A Crossing Order is an order executed in the Exchange's Facilitation Mechanism, Solicited Order Mechanism, PIM, or submitted as a Qualified Contingent Cross order. Orders executed in the Block Order Mechanism are also considered Crossing Orders. The fees for Crossing Orders, except for PIM Orders of 500 or Fewer Contracts, in both Penny and Non-Penny Symbols have not changed from current levels.

As an exception to the fees charged for Crossing Orders, the Exchange charges a fee of \$0.05 per contract for PIM Orders of 500 or Fewer Contracts in all symbols traded on the Exchange for all market participants, except that Priority Customer orders on the originating side of a PIM auction receive a rebate of (\$0.13) per contract. Priority Customer orders on the contra-side of a PIM auction pay no fee and receive no rebate. PIM orders greater than 500 contracts pay the Crossing Order fee, described above. The Exchange now proposes to offer tiered fees and rebates based on Priority Customer volume, as described above, for PIM Orders of 500 or Fewer Contracts. The Exchange notes that the fees for Non-Priority Customer orders have not changed from current levels, but the fees for Priority Customer orders have changed as described in the table, below.

All Symbols Fee/Rebate for PIM Orders of 500 or Fewer Contracts			
Tier	Priority Customer	Market Maker	Firm Proprietary, B/D, FarMM & Professional Customer
Tier 1	(\$0.11)	\$0.05	\$0.05
Tier 2	(\$0.11)	\$0.05	\$0.05
Tier 3	(\$0.13)	\$0.05	\$0.05
Tier 4	(\$0.13)	\$0.05	\$0.05
Tier 5	(\$0.13)	\$0.05	\$0.05

Responses to Crossing Orders

The Exchange proposes Penny and Non-Penny Symbol fees for Responses to Crossing Orders. A Response to a Crossing Order is any contra-side interest (i.e., orders and quotes)

submitted after the commencement of an auction in the Exchange's Facilitation Mechanism, Solicited Order Mechanism, Block Order Mechanism, or PIM. Currently, the Exchange charges a fee of (1) \$0.20 per contract for Market Maker orders and (2) \$0.50 per contract for Non-ISE Mercury Market Maker, Firm Proprietary / Broker-Dealer, Professional Customer, and Priority Customer orders in all symbols. For Responses to Crossing Orders in Penny Symbols, the Exchange proposes to charge Market Makers the corresponding tiered fees in the chart titled Penny Symbol Fees and Rebates, above. For Non-ISE Mercury Market Maker, Firm Proprietary / Broker-Dealer, Professional Customer, and Priority Customer orders in Penny Symbols, the fees have not changed from current levels. For Responses to Crossing Orders in Non-Penny Symbols, the Exchange proposes to charge Market Makers the corresponding tiered fees in the chart titled Non-Penny Symbol Fees and Rebates, above. For Non-ISE Mercury Market Maker, Firm Proprietary / Broker-Dealer, Professional Customer, and Priority Customer orders in Non-Penny Symbols, the Exchange proposes to charge a fee of \$0.95 per contract.

With respect to the proposed MVP, described above, the Exchange notes that the fees and rebates currently being paid on ISE Mercury are in the range of fees and rebates in the new structure. During the initial rollout of symbols on ISE Mercury, the Exchange did not adopt the proposed tiered structure due to the difficulty of calculating appropriate ADV thresholds for each tier when symbols were being listed on the Exchange each week. The Exchange, therefore, opted to provide attractive introductory rates and Priority Customer order rebates in order to attract Priority Customer orders to the Exchange during the initial rollout phase. By adopting the proposed tiered structure now, the Exchange seeks to incentivize members to send additional order flow to the Exchange in order to qualify for lower fees and higher rebates.

Market Maker Discount

The Exchange is also proposing a \$0.05 per contract discount to Market Maker fees when the Market Maker trades against Non-Priority Customer orders. We believe this will incentivize Market Makers to provide competitive markets. This discount does not apply to Crossing Orders.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,¹⁴ in general, and Section 6(b)(4) of the Act,¹⁵ in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities.

The Exchange believes the fees proposed for transactions on ISE Mercury are reasonable. ISE Mercury will operate within a highly competitive market in which market participants can readily send order flow to any of the thirteen other competing venues if they deem fees at a particular venue to be excessive. The proposed MVP is intended to attract order flow to ISE Mercury by offering certain market participants incentives to submit their orders to ISE Mercury.

Member Volume Program

The Exchange believes the proposed fees and rebates in the MVP are reasonable and equitably allocated because ISE Mercury has already established fees for members trading on the Exchange, and is merely proposing to adopt volume-based tiers designed to incentivize members to send additional Priority Customer order flow to the Exchange. Further, the language permitting aggregation of volume amongst corporate affiliates for purposes of the ADV calculation is intended to avoid disparate treatment of firms that have divided their various business activities between separate corporate entities as compared to firms that operate those

¹⁴ 15 U.S.C. 78f.

¹⁵ 15 U.S.C. 78f(b)(4).

business activities within a single corporate entity. For example, many firms that are members of the Exchange operate several different business lines within the same corporate entity. In contrast, other firms may be part of a corporate structure that separates those business lines into different corporate affiliates, either for business, compliance, or historical reasons. Those corporate affiliates, in turn, are required to maintain separate memberships with the Exchange in order to access the Exchange. The Exchange believes that corporate affiliates should continue to be aggregated and is clarifying when members will be considered affiliated. The Exchange notes that the proposed definition of “affiliate” to be used to aggregate affiliated member ADV is consistent with definitions used by other options exchanges, including MIAX.¹⁶

The Exchange believes that it is equitable and reasonable to permit the Exchange to eliminate from the calculation days on which the market is not open the entire trading day, either due to a holiday or trading halt, because it preserves the Exchange’s intent behind adopting volume-based pricing. The proposed change is non-discriminatory because it applies equally to all members and to all volume tiers. Additionally, the Exchange believes that it is reasonable and equitable to exclude a day from its ADV calculations when members are instructed to route their orders to other markets as this preserves the Exchange’s intent behind adopting volume-based pricing, and avoids penalizing members that follow this instruction. Without this change, members that route away in accordance with the Exchange’s instructions may be negatively impacted, resulting in an effective cost increase for those members. The Exchange further believes that the proposed rule change is not unfairly discriminatory because it applies equally to all members and ADV calculations. As is the Exchange’s current practice, the Exchange will

¹⁶ See MIAX Fee Schedule, 1) Transaction Fees, a) Exchange Fees, iii) Priority Customer Rebate Program at https://www.miaxoptions.com/sites/default/files/MIAX_Options_Fee_Schedule_02012016B.pdf.

inform members of any day to be excluded from its ADV calculations by sending members a notice and posting such notice on the Exchange's website.

The Exchange further believes that its proposal to provide rebates for Priority Customer orders is reasonable and equitable because the proposed rebates are competitive with the rebates offered by other exchanges employing similar tiered rebate structures based on Priority Customer volume. For example, MIAX Options Exchange ("MIAX") and NASDAQ OMX PHLX ("PHLX") have Priority Customer, tiered rebate programs.¹⁷ MIAX offers a per contract rebate of \$0.00 for its base tier and a per contract rebate of \$0.24 for its highest rebate tier in select symbols. Similarly, PHLX offers a per contract rebate of \$0.00 for its base tier and a per contract rebate of \$0.21 for its highest tier in customer simple orders.¹⁸ As proposed, ISE Mercury's Priority Customer order rebates are not unfairly discriminatory because they would apply uniformly to all similarly situated market participants and they are competitive with the rebates offered by MIAX's and PHLX's Priority Customer rebate programs.

The Exchange believes that providing higher rebates for Priority Customer orders, and creating ADV thresholds specifically for members that send such orders to ISE Mercury, attracts that order flow to the Exchange and thereby creates liquidity to the benefit of all market participants who trade on the Exchange. Further, the Exchange believes that it is equitable and not unfairly discriminatory to provide higher rebates to Priority Customer orders than to Professional Customer orders. A Priority Customer is by definition not a broker or dealer in

¹⁷ See MIAX Fee Schedule, 1) Transaction Fees, a) Exchange Fees, iii) Priority Customer Rebate Program at https://www.miaxoptions.com/sites/default/files/MIAX_Options_Fee_Schedule_03012016.pdf and PHLX Fee Schedule, B. Customer Rebate Program at <http://www.nasdaqtrader.com/Micro.aspx?id=phlxpricing>.

¹⁸ PHLX Fee Schedule, B. Customer Rebate Program, Category A at <http://www.nasdaqtrader.com/Micro.aspx?id=phlxpricing>.

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). This limitation does not apply to participants on the Exchange whose behavior is substantially similar to that of market professionals, including Professional Customers, who will generally submit a higher number of orders (many of which do not result in executions) than Priority Customers. Further, Professional Customers engage in trading activity similar to that conducted by Market Makers and proprietary traders.

The Exchange believes that its proposal to assess a per contract fee for Market Maker orders is reasonable and equitable because the proposed fees are within the range of fees assessed by other exchanges employing similar tiered rebate structures such as MIAX, which offers tiered fees for Market Makers. In Penny Symbols, MIAX generally charges Market Makers a per contract fee as high as \$0.25 for its base tier and a per contract fee of \$0.05 for its highest tier.¹⁹ In Non-Penny Symbols, MIAX charges a per contract fee of \$0.29 for its base tier and a per contract fee of \$0.09 for its highest tier.²⁰ Thus, MIAX's tiered Market Maker fees are competitive with ISE Mercury's fees. The Exchange believes that the price differentiation between Market Makers and other Non-Priority Customers is appropriate and not unfairly discriminatory because Market Makers have different requirements and obligations to the Exchange that other market participants do not (such as quoting requirements). The Exchange believes that it is equitable and not unfairly discriminatory to provide lower fees to Market Makers because they would apply uniformly to similarly situated market participants.

Crossing Orders

¹⁹ See MIAX Fee Schedule, 1) Transaction Fees, a) Exchange Fees, i) Market Maker Transaction Fees, Market Maker Sliding Scale at https://www.miaxoptions.com/sites/default/files/MIAX_Options_Fee_Schedule_03012016.pdf.

²⁰ Id.

The Exchange believes the proposed rebates for PIM Orders of 500 or Fewer Contracts²¹ are reasonable and equitably allocated because the proposed fees are within the range of fees assessed by other exchanges such as MIAX, which offers a rebate for PRIME Agency orders.²² For example, MIAX offers a per contract rebate of \$0.10 for each Priority Customer order and also offers an additional per contract rebate of \$0.02 for members that qualify for MIAX's Priority Customer Rebate Program's volume tiers 3 and 4.²³ While ISE Mercury's tiered rebate is specifically targeted towards Priority Customer orders, the Exchange does not believe that this is unfairly discriminatory. As discussed above, Priority Customer orders on the Exchange are generally entitled to lower fees and higher rebates, and the Exchange believes that attracting more liquidity from Priority Customers will benefit all market participants that trade on ISE Mercury. Further, the Exchange believes that it is equitable and not unfairly discriminatory to provide lower fees to Priority Customers because they would apply uniformly to similarly situated market participants.

Responses to Crossing Orders

The Exchange's proposal to assess Penny and Non-Penny Symbol fees for Responses to Crossing Orders is reasonable and equitably allocated because they are within the range of fees assessed by other exchanges. Specifically, the Exchange proposes to keep fees for Responses to Crossing Orders in Penny Symbols the same and to increase fees for Responses to Crossing Orders in Non-Penny Symbols so that these fees are competitive with similar fees charged on

²¹ The level is set at 500 or fewer contracts because Priority Customer orders are typically less than 500 contracts.

²² See MIAX Fee Schedule, 1) Transaction Fees, a) Exchange Fees, iii) Priority Customer Rebate Program at https://www.miaxoptions.com/sites/default/files/MIAX_Options_Fee_Schedule_03012016.pdf.

²³ Id.

other exchanges. For example, ISE Gemini's Fees for Responses to Crossing Orders²⁴ in both Penny and Non-Penny Symbols are competitive with those proposed by ISE Mercury. Further, the Exchange believes the proposed Fees for Responses to Crossing Orders are not unfairly discriminatory because they would uniformly apply to all similarly situated market participants.

With respect to the Responses to Crossing Orders' tiered fees for Market Maker orders, the Exchange believes that the proposed fees are fair, equitable, and not unfairly discriminatory because the proposed fees are consistent with the fees charged at other exchanges. For example, ISE Gemini charges Market Makers a Fee for Responses to Crossing Orders of \$0.49 per contract in Penny Symbols and \$0.89 per contract in Non-Penny Symbols. Similarly, ISE Mercury's proposal would charge per contract fees ranging from \$0.50 (Tier 1 fee plus Marketing Fee) to \$0.35 (Tier 5 fee plus Marketing Fee) in Penny Symbols and per contract fees ranging from \$0.95 (Tier 1 fee plus Marketing Fee) to \$0.80 (Tier 5 fee plus marketing fee) in Non-Penny Symbols. As discussed above, the Exchange believes that the price differentiation between Market Makers and the other market participants is appropriate and not unfairly discriminatory because they have requirements and obligations to the Exchange that the other market participants do not. Market Makers also incur Marketing Fees, which the other market participants do not. Thus, the Exchange believes that it is equitable and not unfairly discriminatory to assess a higher fee to certain market participants that do not have such requirements and obligations that Exchange Market Makers do.

Market Maker Discount

The Exchange believes the proposed Market Maker discount is reasonable, equitable, and

²⁴ See ISE Gemini Fee Schedule, I. Regular Order Fees and Rebates, Fee for Crossing Orders at http://www.ise.com/assets/gemini/documents/OptionsExchange/legal/fee/Gemini_Fee_Schedule.pdf.

not unfairly discriminatory because Market Makers have different requirements and obligations to the Exchange that other market participants do not and they incur Marketing Fees. The Exchange notes that when trading against a Priority Customer the exchange pays a rebate for Priority Customer orders, but the Exchange charges a fee for executions of Non-Priority Customer orders. The Exchange believes that offering a discount on the fees charged to Market Makers will encourage Market Maker to make better markets and execute more trades. Furthermore, charging Market Makers lower fees for trading against a Non-Priority Customer order is not a new concept in the industry. For example, BOX Options Exchange, in Non-Penny Pilot Symbols, charges Market Makers a maker fee of \$0.85 per contract for trading against a Priority Customer order and a maker fee of \$0.00 for trading against a Professional Customer / Broker Dealer order.²⁵ Finally, [sic]

The Exchange notes that the proposed rule filing is intended to further establish ISE Mercury as an attractive venue for market participants to direct their order flow as the proposed fees and rebates are competitive with those established by other exchanges. The Exchange operates in a highly competitive market in which market participants can readily direct order flow to another exchange if they deem rebates at a particular exchange to be too low. For the reasons noted above, the Exchange believes that the proposed rebates are fair, equitable and not unfairly discriminatory.

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

In accordance with Section 6(b)(8) of the Act,²⁶ the Exchange does not believe that the proposed rule change will impose any burden on intermarket or intramarket competition that is

²⁵ See BOX Options Exchange Fee Schedule, Section I. Exchange Fees, A. Non-Auction Transactions at <http://boxexchange.com/assets/BOX-Exchange-Fee-Schedule-as-of-February-26-2016.pdf>

²⁶ 15 U.S.C. 78f(b)(8).

not necessary or appropriate in furtherance of the purposes of the Act. The tiered rebate structure that the Exchange proposes to adopt is similar to those currently in effect on other options exchanges such as MIAX and PHLX, and will increase competition between ISE Mercury and these markets.

In establishing the MVP, the Exchange is not imposing any burden on competition. The established volume tiers are transparent and offer members a simple way to reach different levels of fees and rebates on the exchange, similar to levels and differentials these same participants are familiar with on several other exchanges. Volume tiers are not new to the options industry and generally reward members for submitting additional volume to the Exchange, with ISE Mercury now seeking to introduce a similar structure. The Exchange also notes that other exchanges have substantially similar requirements for aggregating affiliated member ADV in determining applicable tiered rebates.

Finally, in establishing a Market Maker discount for Market Makers trading against Non-Priority Customer orders, the Exchange is not imposing any burden on competition not necessary or appropriate in furtherance of the purposes of the Act because other exchanges offer lower fees to Market Makers trading against Non-Priority Customers. Additionally, the Exchange notes that when trading against a Priority Customer the exchange pays a rebate for Priority Customer orders, but the Exchange charges a fee for executions of Non-Priority Customer orders. The Exchange believes that offering a discount on the fees charged to Market Makers will encourage Market Maker to make better markets and execute more trades.

The Exchange operates in a highly competitive market in which market participants can readily direct their order flow to competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees and rebates 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)(ii) of the Act,²⁷ and subparagraph (f)(2) of Rule 19b-4 thereunder,²⁸ because it establishes a due, fee, or other charge imposed by ISE Mercury.

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if 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 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:

²⁷ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁸ 17 CFR 240.19b-4(f)(2).

- 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-ISEMercury-2016-05 on the subject line.

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-ISEMercury-2016-05. 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 such 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-ISEMercury-2016-05, 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.²⁹

Brent J. Fields
Secretary

²⁹ 17 CFR 200.30-3(a)(12).