

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-81108; File No. SR-ISE-2017-65)

July 10, 2017

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Priority Customer Taker Fees for Regular Orders in Select Symbols

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 June 30, 2017, 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 its Schedule of Fees, as described further below.

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 amend the Schedule of Fees to make changes to the Priority Customer³ taker fees for regular orders in Select Symbols,⁴ as described in more detail below.

Currently, the Exchange charges a taker fee for regular orders in Select Symbols that is \$0.44 per contract for Market Maker⁵ orders, \$0.45 per contract for Non-Nasdaq ISE Market Maker,⁶ Firm Proprietary,⁷ Broker-Dealer,⁸ and Professional Customer⁹ orders, and \$0.40 per contract for Priority Customer orders. In addition, the Exchange charges a reduced Priority Customer taker fee of \$0.35 per contract for regular orders in SPY, which is the most actively traded name on the Exchange.

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), as defined in Nasdaq ISE Rule 100(a)(37A).

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

⁵ The term "Market Makers" refers to "Competitive Market Makers" and "Primary Market Makers" collectively. See ISE Rule 100(a)(25).

⁶ A "Non-Nasdaq ISE Market Maker" is a market maker as defined in Section 3(a)(38) of the Securities Exchange Act of 1934, as amended, registered in the same options class on another options exchange

⁷ A "Firm Proprietary" order is an order submitted by a member for its own proprietary account.

⁸ A "Broker-Dealer" order is an order submitted by a member for a broker-dealer account that is not its own proprietary account.

⁹ A "Professional Customer" is a person or entity that is not a broker/dealer and is not a Priority Customer.

The Exchange now proposes to further reduce the Priority Customer taker fee for regular orders in SPY from \$0.35 per contract to \$0.30 per contract. The Exchange also proposes to reduce the Priority Customer taker fee for QQQ, IWM and VXX from \$0.40 per contract to \$0.35 per contract. SPY, QQQ, IWM and VXX are some of the most actively traded names on the Exchange. As such, the Exchange believes that this reduction in fees will attract Priority Customer orders in those symbols to ISE. Finally, the Exchange proposes to increase the Priority Customer taker fee for regular orders in all other Select Symbols from \$0.40 per contract to \$0.44 per contract.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,¹⁰ in general, and Section 6(b)(4) of the Act,¹¹ 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 that it is reasonable and equitable to reduce the Priority Customer taker fee for regular orders in SPY, QQQ, IWM and VXX as the proposed fees are more favorable than those currently offered on the Exchange. The Exchange is targeting SPY, QQQ, IWM and VXX for this change as these are some of the most actively traded symbols on ISE. With this change, the Exchange will charge lower taker fees for Priority Customer orders in SPY, QQQ, IWM and VXX, thereby attracting additional order flow in these symbols to the benefit of all members that trade on the Exchange. Furthermore, the Exchange believes that it is equitable and not unfairly discriminatory to only offer this reduced taker fee to Priority Customer orders. A Priority Customer is by definition not a broker or dealer in securities, and does not

¹⁰ 15 U.S.C. 78f.

¹¹ 15 U.S.C. 78f(b)(4).

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 than Priority Customers.

The Exchange believes that it is reasonable and equitable to increase the Priority Customer taker fee for regular orders in all other Select Symbols because the proposed fees will remain lower or be equal to other market participants that remove liquidity on the Exchange. In addition, the proposed increase will be offset by the lower taker fees proposed for Priority Customer orders in SPY, QQQ, IWM and VXX, which as noted above are some of the most actively traded names on ISE. The Exchange also notes that the increased fees proposed herein are still lower than the level of fees charged by one of the Exchange's competitors.¹² In addition, the Exchange believes that the proposed fee changes are equitable and not unfairly discriminatory because the increased Priority Customer taker fees will apply equally to all similarly-situated market participants.

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

In accordance with Section 6(b)(8) of the Act,¹³ the Exchange does not believe that the proposed rule change will impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed fees remain competitive with those on other options markets, and will continue to attract order flow to the Exchange. The Exchange operates in a highly competitive market in which market participants can readily direct their order flow to competing venues. In such an

¹² See C2 Options Exchange, Inc.'s Fee Schedule, Section 1:
<http://www.cboe.com/publish/C2FeeSchedule/C2FeeSchedule.pdf>.

¹³ 15 U.S.C. 78f(b)(8).

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

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,¹⁴ and Rule 19b-4(f)(2)¹⁵ 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.

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-2017-65 on the subject line.

¹⁴ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁵ 17 CFR 240.19b-4(f)(2).

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-2017-65. 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-2017-65 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

Jill M. Peterson
Assistant Secretary

¹⁶ 17 CFR 200.30-3(a)(12).