

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-84373; File No. SR-ISE-2018-56)

October 5, 2018

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, to Amend Its Rules Relating to Complex Orders

I. Introduction

On June 22, 2018, Nasdaq ISE, LLC (“ISE” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to provide additional detail to its rules governing the trading of Complex Orders. The proposed rule change was published for comment in the Federal Register on July 9, 2018.³ The Commission received no comments regarding the proposal. On August 10, 2018, pursuant to Section 19(b)(2) of the Act,⁴ the Commission extended the time for Commission action on the proposal until October 5, 2018.⁵ ISE filed Amendment No. 1 to the proposal on October 1, 2018.⁶ The Commission is

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 83576 (July 2, 2018), 83 FR 31783 (“Notice”).

⁴ 15 U.S.C. 78s(b)(2).

⁵ See Securities Exchange Act Release No. 83818 (August 10, 2018), 83 FR 40800 (August 16, 2018).

⁶ Amendment No. 1 revises the proposal to: (1) discontinue Reserve Complex Orders; (2) indicate in proposed ISE Rule 722(c)(2) that complex strategies will not be executed at prices inferior to the best net price achievable from the best net price on ISE for the individual legs of the strategy; (3) indicate in proposed ISE Rule 722(d)(2) that complex strategies will execute against Priority Customer interest on the single leg book at the same price before executing against interest on the Complex Order Book; (4) indicate in proposed ISE Rule 722, Supplementary Material .01(b)(ii) that an exposure period will end immediately when a Complex Order for the same complex strategy on either side of the market becomes marketable against interest on the Complex Order Book or bids and

publishing this notice to solicit comment on Amendment No. 1 to the proposed rule change from interested persons and is approving the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

II. Description of the Proposed Rule Change, as Modified by Amendment No. 1

As described more fully in the Notice, the proposal modifies ISE's rules to provide additional detail regarding the trading of Complex Orders on ISE.

A. Definitions

offers in the leg market; (5) revise proposed ISE Rules 722, Supplementary Material .01(b)(iii) and .08(c)(4)(vi) to describe the sequence of executions when an incoming Complex Order causes the early termination of a complex exposure auction and an auction for one of the component legs of the complex strategy; (6) revise proposed ISE Rule 722, Supplementary Material .01(c) to indicate that at the end of the exposure period, the interest against which the exposed order executes includes bids and offers on the Complex Order Book and for the individual legs that arrived during the exposure period; (7) revise proposed ISE Rule 722, Supplementary Material .01(d) to indicate that an exposure process will terminate immediately without an execution if a trading halt is initiated in any series underlying the Complex Order being exposed; (8) clarify the description of the execution of Stock-Option and Stock Complex Orders in proposed ISE Rule 722, Supplementary Material .02; (9) revise proposed ISE Rule 722, Supplementary Material .08(e) to indicate that Complex QCC Orders may be entered in \$0.01 increments; (10) delete provisions in ISE Rule 722 indicating that ISE will recommence the functionality that permits concurrent auctions for the same complex strategy by April 17, 2019, and add proposed ISE Rule 722, Supplementary Material .08(g) to indicate the auctions for the same complex strategy will not operate concurrently; (11) add proposed ISE Rule 722, Supplementary Material .08(h) to indicate that an auction for a complex strategy and an auction for a component leg of the complex strategy may operate concurrently; (12) indicate in proposed ISE Rule 722, Supplementary Material .13 to indicate that the stock leg of a stock-option order must be marked "buy," "sell," "sell short," or "sell short exempt," in compliance with Regulation SHO under the Act; (13) provide a new example illustrating customer priority and the execution of a Complex Order; (14) indicate that ISE does not manage and curtail its functionality for executing a complex strategy against leg market interest; (15) add references to the NBBO and the underlying stock in proposed ISE Rule 722, Supplementary Material .07(a); (16) provide additional discussion of the rationale for permitting a Trade Value Allowance of any amount when a Complex Order executes in an auction and does not trade solely with its contra-side order; and (17) make several technical corrections to the proposal. Amendment No. 1 is available at <https://www.sec.gov/comments/sr-ise-2018-56/srise201856-4467038-175833.pdf>.

The proposal revises ISE Rule 722(a) to add new defined terms and modify existing defined terms relating to Complex Orders. The proposal defines “Complex Order” to include Complex Options Orders, Stock-Option Orders, and Stock-Complex Orders.⁷ Complex Options Orders, Stock-Option Orders, and Stock-Complex Orders refer to orders for a Complex Options Strategy,⁸ a Stock-Option Strategy,⁹ and a Stock-Complex Strategy,¹⁰ respectively.¹¹ The term

⁷ See proposed ISE Rule 722(a)(5).

⁸ A Complex Options Strategy is the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy. Only those Complex Options Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing. See proposed ISE Rule 722(a)(1). ISE will determine the applicable number of legs for Complex Options Strategies and Stock-Complex Strategies on a class-by-class basis. See Notice, 83 FR at 31784. ISE notes that, by definition, Stock-Option Strategies will have only one option leg and one stock leg. See id. at 31784, n.3.

⁹ A Stock-Option Strategy is the purchase or sale of a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of options contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option leg to the total number of units of the underlying stock or convertible security in the stock leg. See proposed Rule 722(a)(2).

¹⁰ A Stock-Complex Strategy is the purchase or sale of a stated number of units of an underlying stock or a security convertible into the underlying stock (“convertible security”) coupled with the purchase or sale of a Complex Options Strategy on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option legs to the total number of units of the underlying stock or convertible security in the stock leg. Only those Stock-Complex Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing. See proposed ISE Rule 722(a)(3).

¹¹ See proposed ISE Rule 722(a)(5).

“complex strategy” includes Complex Options Strategies, Stock-Option Strategies, and Stock-Complex Strategies.¹² ISE believes that the definitions will help to clarify whether provisions in its rules apply only to Complex Options Strategies, only to Stock-Option Strategies, only to Stock-Complex Strategies, or to all three.¹³ The proposal deletes from ISE Rule 722 the definition of SSF-option order. ISE states that single stock futures have not gained sufficient popularity among investors to support a SSF-option product, and that ISE has never received a SSF-option order.¹⁴

B. Order Types

New ISE Rule 722(b)¹⁵ identifies the following order types and designations that are available for Complex Orders: Market Complex Order;¹⁶ Limit Complex Order;¹⁷ All-or-None Complex Order;¹⁸ Attributable Complex Order;¹⁹ Customer Cross Complex Order;²⁰ Qualified

¹² See proposed ISE Rule 722(a)(4).

¹³ See Notice, 83 FR at 31784.

¹⁴ See *id.* ISE also proposes to delete current ISE Rule 722, Supplementary Material .01, which references SSF-option orders and includes outdated language relating to Stock-Option and Stock-Complex Orders. ISE will file a proposed rule change with the Commission if it decides to offer SSF-option orders in the future. See *id.*

¹⁵ The proposal renumbers current ISE Rule 722(b) as ISE Rule 722(c).

¹⁶ A Market Complex Order is a Complex Order to buy or sell a complex strategy that is to be executed at the best price obtainable. If not executable upon entry, such orders will rest on the Complex Order Book unless designated as fill-or-kill or immediate-or-cancel. See proposed ISE Rule 722(b)(1).

¹⁷ A Limit Complex Order is a Complex Order to buy or sell a complex strategy that is entered with a limit price expressed as a net purchase or sale price for the components of the order. See proposed ISE Rule 722(b)(2).

¹⁸ A Complex Order may be designated as an All-or-None Order that is to be executed in its entirety or not at all. An All-Or-None Order may only be entered as an Immediate-or-Cancel Order. See proposed ISE Rule 722(b)(3).

¹⁹ A Market or Limit Complex Order may be designated as an Attributable Order as provided in Rule 715(h). See proposed ISE Rule 722(b)(5).

Contingent Cross Complex Order;²¹ Day Complex Order;²² Fill-or-Kill Complex Order;²³ Immediate-or-Cancel Complex Order;²⁴ Opening Only Complex Order;²⁵ Good-Till-Date Complex Order;²⁶ Good-Till-Cancel Complex Order;²⁷ Exposure Complex Order;²⁸ Exposure

²⁰ A Customer Cross Complex Order is comprised of a Priority Customer Complex Order to buy and a Priority Customer Complex Order to sell at the same price and for the same quantity. Such orders will trade in accordance with Supplementary Material .08(d) to this Rule 722. See proposed ISE Rule 722(b)(6).

²¹ A Complex Options Order may be entered as a Qualified Contingent Cross Order, as defined in Rule 715(j). Qualified Contingent Cross Complex Orders will trade in accordance with Supplementary Material .08(e) to this Rule 722. See proposed ISE Rule 722(b)(7).

²² A Complex Order may be designated as a Day Order that if not executed, expires at the end of the day on which it was entered. See proposed ISE Rule 722(b)(8).

²³ A Complex Order may be designated as a Fill-or-Kill Order that is to be executed in its entirety as soon as it is received and, if not so executed, cancelled. See proposed ISE Rule 722(b)(9).

²⁴ A Complex Order may be designated as an Immediate-or-Cancel Order that is to be executed in whole or in part upon receipt. Any portion not so executed is cancelled. See proposed ISE Rule 722(b)(10).

²⁵ An Opening Only Complex Order is a Limit Complex Order that may be entered for execution during the Complex Opening Process described in Supplementary Material .10 to Rule 722. Any portion of the order that is not executed during the Complex Opening Process is cancelled. See proposed ISE Rule 722(b)(11).

²⁶ A Good-Till-Date Complex Order is an order to buy or sell which, if not executed, will be cancelled at the sooner of the end of the expiration date assigned to the Complex Order, or the expiration of any individual series comprising the order. See proposed ISE Rule 722(b)(12).

²⁷ A Good-Till-Cancel Complex Order is an order to buy or sell that remains in force until the order is filled, canceled or any series of the order expires; provided, however, that a Good-Till-Cancel Complex Order will be cancelled in the event of a corporate action that results in an adjustment to the terms of any series underlying the Complex Order. See proposed ISE Rule 722(b)(13).

²⁸ An Exposure Complex Order is an order that will be exposed upon entry as provided in Supplementary Material .01 to Rule 722 if eligible, or entered on the complex order book if not eligible. Any unexecuted balance of an Exposure Complex Order remaining upon the completion of the exposure process will be entered on the complex order book. See proposed ISE Rule 722(b)(14).

Only Complex Order;²⁹ and Complex QCC with Stock Order.³⁰ The order types and designations for Complex Orders in proposed ISE Rule 722(b) are based on order types and designations currently provided in ISE Rule 715 for regular orders.³¹ The proposal also amends ISE Rule 715(k) to indicate that legging orders are generated only for Complex Options Orders.

ISE originally proposed to include Reserve Complex Orders in the order types available for Complex Orders.³² In Amendment No. 1, ISE proposes to discontinue offering Reserve

²⁹ An Exposure Only Complex Order is an order that will be exposed upon entry as provided in Supplementary Material .01 to Rule 722 if eligible, or cancelled if not eligible. Any unexecuted balance of an Exposure Only Complex Order remaining upon the completion of the exposure process will be cancelled. See proposed ISE Rule 722(b)(15).

³⁰ A Complex QCC with Stock Order is a Qualified Contingent Cross Complex Order, as defined in Rule 722(b)(7), entered with a stock component to be communicated to a designated broker-dealer for execution pursuant to Supplementary Material .08(f) to Rule 722. See proposed ISE Rule 722(b)(16).

³¹ See Notice, 83 FR at 31785.

³² Proposed ISE Rule 722(b)(4) provided that: A Limit Complex Order may be designated as a Reserve Order that contains both a displayed portion and a non-displayed portion. (i) Both the displayed and non-displayed portions of a Reserve Complex Order are available for potential execution against incoming marketable orders or quotes. A non-marketable Reserve Complex Order will rest on the complex order book. (ii) The displayed portion of a Reserve Complex Order shall be ranked at the specified limit price and the time of order entry. (iii) The displayed portion of a Reserve Complex Order will trade in accordance with Rule 722(d). (iv) When the displayed portion of a Reserve Complex Order is decremented, either in full or in part, it shall be refreshed from the non-displayed portion of the resting Reserve Complex Order. If the displayed portion is refreshed in part, the new displayed portion shall include the previously displayed portion. Upon any refresh, the entire displayed portion shall be ranked at the specified limit price and obtain a new time stamp, i.e., the time that the new displayed portion of the order was refreshed. The new displayed portion will trade in accordance with Rule 722(d). (v) The initial non-displayed portion of a Reserve Complex Order rests on the complex order book and is ranked based on the specified limit price and time of order entry. Thereafter, non-displayed portions, if any, always obtain the same time stamp as that of the new displayed portion in subparagraph (iv) above. The non-displayed portion of any Reserve Complex Order is available for execution only after all displayed interest on the complex order book has been executed. Thereafter, the non-displayed portion of any Reserve Complex Order will trade in accordance with Rule 722(d). (vi) Only the displayed

Complex Orders in the fourth quarter of 2018.³³ ISE will continue to offer Reserve Orders in the single leg order book.³⁴ ISE states that it does not receive a high volume of Reserve Complex Orders and believes that it is not necessary to offer Reserve Complex Orders because there is no great demand for this order type.³⁵ ISE notes that it offers a variety of order types to its market participants and does not believe that discontinuing Reserve Complex Orders will disadvantage market participants when they submit Complex Orders.³⁶ In addition, ISE states that other options exchanges do not offer Reserve Complex Orders.³⁷ ISE will issue an Options Trader Alert to members indicating the date when Reserve Complex Orders will no longer be offered.³⁸

C. Trading of Complex Orders and Quotes

Proposed ISE Rule 722(c) (formerly ISE Rule 722(b)) states that complex strategies will be subject to all other ISE rules that pertain to orders and quotes generally, except as otherwise provided in ISE Rule 722.

1. Minimum Increments

Bids and offers for Complex Options Strategies may be expressed in \$0.01 increments, and the option(s) legs of Complex Options Strategies, Stock-Option Strategies, and Stock-

portion of a Reserve Complex Order is eligible to be exposed for price improvement pursuant to Rule 722(d)(1) and Supplementary Material .01 to Rule 722.

³³ See Amendment No. 1. In connection with this change, the proposal deletes references to Reserve Complex Orders in the following proposed rules: proposed ISE Rule 722(b)(4); proposed ISE Rule 722(c)(2)(iv); proposed ISE Rule 722, Supplementary Material .11(vi); and proposed ISE Rule 722, Supplementary Material .12(b).

³⁴ See id.

³⁵ See id.

³⁶ See id.

³⁷ See id.

³⁸ ISE states that it will notify members in October of the anticipated discontinuation of Reserve Complex Orders in 2018. See id.

Complex Strategies may be executed in \$0.01 increments, regardless of the minimum increments otherwise applicable to the individual options legs of the order.³⁹ Bids and offers for Stock-Option Strategies or Stock-Complex Strategies may be expressed in any decimal price determined by ISE, and the stock leg of a Stock-Option Strategy or Stock-Complex Strategy may be executed in any decimal price permitted in the equity market.⁴⁰ ISE states that smaller minimum increments are appropriate for Complex Orders that contain a stock component because the stock component may trade at finer decimal increments permitted by the equity market.⁴¹ ISE notes that even with the flexibility provided in proposed ISE Rule 722(c)(1), the individual options and stock legs of a Complex Order must trade in increments allowed by the Commission in the options and equities markets.⁴²

2. Complex Order Priority

The proposal revises the Complex Order priority provisions in current ISE Rule 722(b)(2) (renumbered ISE Rule 722(c)(2)) to make several non-substantive clarifying changes, including

³⁹ See proposed ISE Rule 722(c)(1).

⁴⁰ See id. ISE will communicate the minimum increment for Stock-Option Strategies and Stock-Complex Strategies to members via Options Trader Alert. See Notice, 83 FR at 31786, n. 10.

⁴¹ See Notice, 83 FR at 31786.

⁴² See id. The proposal makes corresponding changes to ISE Rule 722, Supplementary Material .07(b). ISE Rule 722, Supplementary Material .07(b), as proposed to be amended, states that the System will reject orders and quotes for a complex strategy where all legs are to buy if entered at a price that is less than the minimum net price, which is calculated as the sum of the ratio on each leg of the complex strategy multiplied by the minimum increment applicable to that leg pursuant to Rule 722(c)(1). ISE notes that the revised rule reflects that the stock leg(s) of a Stock-Option or Stock-Complex Strategy may be entered in any decimal price determined by ISE. For example, an order to buy a share of stock and two call options would have a minimum price of \$0.0201—i.e., \$0.02 for two options legs and \$0.0001 for the stock leg. See Notice, 83 FR at 31786. The proposal also amends ISE Rule 710 to reference the quoting and trading increments for Complex Strategies specified in proposed ISE Rule 722(c)(1).

re-formatting the rule into three paragraphs and incorporating new defined terms into the rule text.⁴³ As described more fully in the Notice, under proposed ISE Rule 722(c)(2), the legs of a complex strategy with multiple options legs (i.e., Complex Options Strategies and Stock-Complex Strategies with more than one options component) may be executed at the same price as bids and offers on ISE for the individual series so long as there are no Priority Customer Orders on ISE at those prices.⁴⁴ If one options leg of such a strategy improves upon the best price available on the Exchange, then the other leg(s) of the complex strategy may trade at the same price as Priority Customer interest.⁴⁵ The option leg of a Stock-Option Strategy may be executed at the same price as bids and offers on ISE for the individual series established by Professional Orders and market maker quotes, but not at the same price as Priority Customer Orders for the individual series.⁴⁶ Proposed ISE Rule 722(c)(2) also states that complex strategies will not be executed at prices inferior to the best net price achievable from the best ISE bids and offers for the individual legs.⁴⁷

3. Complex Order Executions

The proposal renumbers ISE Rule 722(b)(3) as ISE Rule 722(d) and, for clarity, states that complex strategies are not executable unless all of the terms of the strategy can be satisfied and the options legs can be executed at prices that comply with the provisions of proposed ISE

⁴³ See Notice, 83 FR at 31786-7.

⁴⁴ See Notice, 83 FR at 31786. Pursuant to ISE Rules 100(a)(49) and (50), a Priority Customer Order is an order for the account of a person or entity that (i) is not a broker or dealer in securities; and (ii) does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See id. at 3178 6, n. 12.

⁴⁵ See Notice, 83 FR at 31786 and proposed ISE Rule 722(c)(2).

⁴⁶ See id. at 31786-7 and proposed ISE Rule 722(c)(2).

⁴⁷ See Amendment No. 1.

Rule 722(c)(2).⁴⁸ In addition, proposed ISE Rule 722(d) more clearly reflects the sequence in which complex strategies are processed. First, eligible Complex Orders are exposed for price improvement for a period of up to one second as provided in ISE Rule 722, Supplementary Material .01.⁴⁹ Second, Complex Orders are matched against other interest in the Complex Order Book, if possible.⁵⁰ However, executable Complex Orders will execute against Priority Customer interest on the single leg book at the same price before executing against the Complex Order Book.⁵¹ Thus, Priority Customer Orders on the single leg order book will retain priority and will execute prior to any other Complex Order or non-Priority Customer single leg interest at the same price.⁵² Third, Complex Orders are executed against bids and offers on ISE for the individual series, if possible.⁵³

The proposal also adds new ISE Rule 722(d)(4), which indicates that, similar to the treatment of orders in the regular market, complex strategies that are not executable may rest on the Complex Order Book until they become executable.⁵⁴ The proposal retains, without substantive changes, provisions in current ISE Rule 722(b)(3) that specify the manner in which bids and offers at the same price on the Complex Order Book may be allocated and certain restrictions on Complex Order executions against leg market interest.⁵⁵

4. Complex Order Exposure Process

⁴⁸ See Amendment No. 1.

⁴⁹ See proposed ISE Rule 722(d)(1).

⁵⁰ See proposed ISE Rule 722(d)(2).

⁵¹ See id. and Amendment No. 1.

⁵² See id.

⁵³ See proposed ISE Rule 722(d)(2).

⁵⁴ See Notice, 83 FR at 31787.

⁵⁵ See proposed ISE Rules 722(d)(2) and (3).

Current ISE Rule 722(b)(3)(iii) provides that Complex Orders marked for price improvement Complex orders will be exposed on the Complex Order Book for a period of up to one second before being automatically executed against pre-existing interest to provide an opportunity for market participants to enter contra-side Complex Orders that provide price improvement. At the end of the display period, contra-side orders are executed in price priority and in time priority at the same price. The proposal replaces this provision with proposed ISE Rule 722, Supplementary Material .01, which describes an auction process for Complex Orders. Under proposed ISE Rule 722, Supplementary Material .01, a member may designate for exposure a Complex Order that improves upon the best price for the same complex strategy on the Complex Order Book.⁵⁶ Market participants may enter Exposure Complex Orders or Exposure Only Complex Orders.⁵⁷ Upon entry of an eligible Complex Order, ISE will send a broadcast message that includes net price or at market, size, and side, and Members will be able to enter Responses with the prices and sizes at which they are willing to participate in the execution of the Complex Order.⁵⁸ During the exposure period, ISE will broadcast the best Response price and the aggregate size of Responses available at that price.⁵⁹ The exposure period will end immediately upon receipt of certain unrelated Complex Orders for the same

⁵⁶ See proposed ISE Rule 722, Supplementary Material .01(a). Incoming orders will not be eligible to be exposed if there are market orders on the Complex Order Book on the same side of the market for the same complex strategy. See id.

⁵⁷ See notes 28 and 29, supra.

⁵⁸ See proposed ISE Rule 722, Supplementary Material .01(b). Responses are only executable against the Complex Order with respect to which they are entered, can be modified or withdrawn at any time prior to the end of the exposure period, and will be considered up to the size of the Complex Order being exposed. At the conclusion of the exposure period, any unexecuted balance of a Response will be cancelled automatically. See proposed ISE Rule 722, Supplementary Material .01(b)(i).

⁵⁹ See id.

complex strategy,⁶⁰ or if a trading halt is initiated in any series underlying the Complex Order during the exposure period.⁶¹ At the end of the exposure period, if the Complex Order still improves upon the best price for the complex strategy on the same side of the market, the Complex Order will be automatically executed to the greatest extent possible pursuant to proposed ISE Rule 722(d)(2)-(3), taking into consideration: (i) bids and offers on the Complex Order Book, including interest received during the exposure period, (ii) bids and offers on ISE for the individual options series, including interest received during the exposure period, and (iii) Responses received during the exposure period, provided that when allocating pursuant to proposed ISE Rule 722(d)(2)(iii), Responses are allocated pro-rata based on size.⁶² Any unexecuted balance will be placed on the Complex Order Book (or cancelled in the case of an Exposure Only Complex Order).⁶³

5. Trade Value Allowance

The Trade Value Allowance provided in proposed ISE Rule 722, Supplementary Material .09 is a functionality that allows Stock-Option Strategies and Stock-Complex Strategies to trade outside of their expected notional trade value by a specified amount (the “Trade Value

⁶⁰ The exposure period for a Complex Order will end immediately: (A) upon the receipt of a Complex Order or quote for the same complex strategy on either side of the market that is marketable against the Complex Order Book or bids and offers for the individual legs; (B) upon the receipt of a non-marketable Complex Order or quote for the same complex strategy on the same side of the market that would cause the price of the exposed Complex Order to be outside of the best bid or offer for the same complex strategy on the Complex Order Book; or (C) when a resting Complex Order for the same complex strategy becomes marketable against interest on the Complex Order Book or bids and offers for individual legs of the same complex strategy.

⁶¹ See proposed ISE Rule 722, Supplementary Material. 01(d).

⁶² See proposed ISE Rule 722, Supplementary Material. 01(c) and Amendment No. 1.

⁶³ See id.

Allowance”).⁶⁴ ISE states that after calculating the appropriate options match price for a Stock-Option or Stock-Complex Order expressed in a valid one cent increment, its trading system calculates the corresponding stock match price rounded to the increment supported by the equity market.⁶⁵ In a small subset of cases, this rounding may result in a small difference between the expected notional value of the trade and the actual trade value.⁶⁶ ISE states that its members generally prefer not to forgo an execution for their Stock-Option Strategies and Stock Complex Strategies when there is a Trade Value Allowance because the amount of the rounding is miniscule compared to the total value of the trade.⁶⁷ Members may opt out of the Trade Value Allowance if they do not want their orders to be executed when there is a Trade Value Allowance of any amount.⁶⁸ In those cases, ISE will strictly enforce the net price marked on the order.⁶⁹

The amount of Trade Value Allowance permitted may be determined by the member, or a default value determined by ISE and announced to members.⁷⁰ However, any amount of Trade Value Allowance is permitted for an order executed in an auction pursuant to ISE Rule 722, Supplementary Material .08 that does not trade solely with its contra-side order.⁷¹ ISE notes that its auction mechanisms provide an opportunity for market participants to respond with better

⁶⁴ The Trade Value Allowance is the percentage difference between the expected notional value of a trade and the actual notional value of the trade. See proposed ISE Rule 722, Supplementary Material .09.

⁶⁵ See Notice, 83 FR at 31793.

⁶⁶ See id.

⁶⁷ See id.

⁶⁸ See id.

⁶⁹ See id.

⁷⁰ See proposed ISE Rule 722, Supplementary Material .09.

⁷¹ See id.

priced interest that could execute against an Agency Order.⁷² In the interest of maintaining a fair and competitive market, ISE believes that it is appropriate to ensure that crosses entered into an auction mechanism that are broken up due to better priced interest are actually executed against such better priced interest, and are not restricted from trading to due to the Trade Value Allowance settings of one or more members.⁷³ Otherwise, an Agency Order in an auction mechanism could be forced to forgo a guaranteed execution with the negotiated contra-side party without the benefit of trading at a better price with other market participants.⁷⁴ Because the Trade Value Allowance is the result of a rounding error, ISE believes that any amount of error allowed in these circumstances would be miniscule compared to the value of the trade.⁷⁵

D. Complex Opening and Re-Opening Process and Complex Uncrossing Process

After each of the individual component legs have opened, or reopened following a trading halt, Complex Options Strategies will be opened pursuant to the Complex Opening Price Determination described in proposed ISE Rule 722, Supplementary Material .11, and Stock-Option Strategies and Stock-Complex Strategies will be opened pursuant to the Complex Uncrossing Process described in proposed ISE Rule 722, Supplementary Material .12(b).⁷⁶

1. Complex Opening and Re-Opening Process

ISE opens Complex Options Strategies in an opening process that attempts to execute Complex Orders and quotes on the Complex Order Book at a single price that is within

⁷² See Amendment No. 1.

⁷³ See id.

⁷⁴ See id.

⁷⁵ See id.

⁷⁶ See proposed ISE Rule 722, Supplementary Material .10. The Complex Opening Process is described in greater detail in the Notice, 83 FR at 31793-5.

Boundary Prices that are constrained by the NBBO for the individual legs.⁷⁷ Bids and offers for the individual legs of a complex strategy are not eligible to participate in the Complex Opening Price Determination, although they may participate in the Complex Uncrossing Process.⁷⁸ If the best bid for a complex strategy does not lock or cross the best offer, there will be no trade in the Complex Opening Price Determination and the complex strategy will open pursuant to the Complex Uncrossing Process described in ISE Rule 722, Supplementary Material .12(b).⁷⁹

If the best bid for a complex strategy locks or crosses the best offer, the system will calculate the Potential Opening Price by identifying the price(s) at which the maximum number of contracts can trade (“maximum quantity criterion”) taking into consideration all eligible interest.⁸⁰ The proposal also provides a method for determining the Potential Opening Price when two or more Potential Opening Prices would satisfy the maximum quantity criterion.⁸¹ If

⁷⁷ See Notice, 83 FR at 31793. The system calculates Boundary Prices at or within which Complex Orders and quotes may be executed during the Complex Opening Price Determination based on the NBBO for the individual legs; provided that, if the NBBO for any leg includes a Priority Customer order on the Exchange, the system adjusts the Boundary Prices according to proposed ISE Rule 722(c)(2). See proposed ISE Rule 722, Supplementary Material .11(d)(i).

⁷⁸ See proposed ISE Rule 722, Supplementary Material .11(b) and (d)(vi). ISE states that the Complex Opening Price Determination considers only interest on the Complex Order Book because the process is designed to promote price discovery for the complex strategy. See Notice, 83 FR at 31794.

⁷⁹ See proposed ISE Rule 722, Supplementary Material .11(c).

⁸⁰ See proposed ISE Rule 722, Supplementary Material .11(d)(ii). Eligible interest during the Complex Opening Price Determination includes Complex Orders and quotes on the Complex Order Book. See proposed ISE Rule 722, Supplementary Material .11(b).

⁸¹ When two or more Potential Opening Prices would satisfy the maximum quantity criterion: (A) without leaving unexecuted contracts on the bid or offer side of the market of Complex Orders and quotes to be traded at those prices, the system takes the highest and lowest of those prices and takes the mid-point; provided that (1) if the highest and/or lowest price described above is through the price of a bid or offer that is priced to not allocate in the Complex Opening Price Determination, the highest and/or lowest price will be rounded to the price of such bid or offer that is priced to not allocate before taking

the Potential Opening Price is at or within the Boundary Prices, the Potential Opening Price becomes the Opening Price.⁸² If the Potential Opening Price is not at or within the Boundary Prices, the Opening Price will be the price closest to the Potential Opening Price that satisfies the maximum quantity criteria without leaving unexecuted contracts on the bid or offer side of the market at that price and is at or within the Boundary Prices.⁸³ If the bid Boundary Price is higher than the offer Boundary Price, or if no valid Opening Price can be found at or within the Boundary Prices, there will be no trade in the Complex Opening Price Determination and the complex strategy will open pursuant to the Complex Uncrossing Process described in proposed Supplementary Material .12(b) to Rule 722.⁸⁴

When an execution is possible during the Complex Opening Price Determination, the system gives priority first to Market Complex Orders, then to resting Limit Complex Orders and quotes on the Complex Order Book, with priority given to better priced interest.⁸⁵ The allocation

the mid-point, and (2) if the mid-point is not expressed as a permitted minimum trading increment, it will be rounded down to the nearest permissible minimum trading increment; or (B) leaving unexecuted contracts on the bid (offer) side of the market of Complex Orders and quotes to be traded at those prices, the Potential Opening Price is the highest (lowest) executable bid (offer) price. Notwithstanding the foregoing: (C) if there are Market Complex Orders on the bid (offer) side of the market that would equal the full quantity of Complex Orders and quotes on offer (bid) side of the market, the limit price of the highest (lowest) priced Limit Complex Order or quote is the Potential Opening Price; and (D) if there are only Market Complex Orders on both sides of the market, or if there are Market Complex Orders on the bid (offer) side of the market for greater than the total size of Complex Orders and quotes on the offer (bid) side of the market, there will be no trade in the Complex Opening Price Determination and the complex strategy will open pursuant to the Complex Uncrossing Process described in Supplementary Material .12(b) to Rule 722. See proposed ISE Rule 722, Supplementary Material .11(d)(iii).

⁸² See proposed ISE Rule 722, Supplementary Material .12(d)(iv).

⁸³ See id.

⁸⁴ See id.

⁸⁵ See proposed ISE Rule 722, Supplementary Material .12(d)(v).

provisions of proposed ISE Rule 722(d)(2) apply with respect to Complex Orders and quotes at the same price.⁸⁶

If the Complex Order Book remains locked or crossed following the process described in proposed ISE Rule 722, Supplementary Material .12(d)(i) - (v), the system will process any remaining Complex Orders and quotes, including Opening Only Complex Orders, in accordance with the Complex Uncrossing Process described in proposed ISE Rule 722, Supplementary Material .12(b).⁸⁷ ISE believes that it is appropriate to open with a Complex Uncrossing Process when the Complex Order Book is not executable in the Complex Opening Price Determination because the Complex Uncrossing Process supports the trading of additional interest and will thereby provide another opportunity for Complex Orders and quotes to be executed in the Complex Opening Process.⁸⁸ ISE notes that there may be additional interest on the Complex Order Book that could trade, for example, by legging to access liquidity on the regular order book.⁸⁹ In addition, ISE notes that trades during the Complex Uncrossing Process are not constrained by the NBBO for the individual legs and can instead trade at prices permitted under ISE Rule 722, Supplementary Material .07, which allows the legs of a complex strategy to trade through the NBBO for the individual legs by a configurable amount.⁹⁰ ISE therefore continues the opening process by performing an uncrossing if the Complex Opening Price Determination fails to discover an appropriate execution price (for example, if no valid Opening Price can be found at or within the Boundary Prices) or where there continues to be interest that is locked or

⁸⁶ See id.

⁸⁷ See proposed ISE Rule 722, Supplementary Material .12(d)(vi).

⁸⁸ See Notice, 83 FR at 31794.

⁸⁹ See id.

⁹⁰ See id.

crossed after Complex Orders and quotes are executed in the Complex Opening Price Determination.⁹¹

2. Complex Uncrossing Process

The Complex Uncrossing Process is used during the Complex Opening Process, as described above, and during regular trading when a resting Complex Order or quote that is locked or crossed with other interest becomes executable.⁹² During the Complex Uncrossing Process, ISE's system identifies the oldest Complex Order or quote among the best priced bids and offers on the Complex Order Book and matches that order or quote pursuant to proposed ISE Rule 722(d)(2)-(3) with resting contra-side interest on the Complex Order Book and, for Complex Orders, bids and offers for the individual legs of the complex strategy.⁹³ This process is repeated until the Complex Order Book is no longer executable.⁹⁴

ISE states that the Complex Uncrossing Process provides an efficient and fair way of determining how to execute Complex Orders and quotes when interest that is locked or crossed becomes executable during regular trading.⁹⁵ ISE notes that during the trading day there may be Complex Orders and quotes on the Complex Order Book that are locked or crossed with other interest but that are not executable, for example, because the legs cannot be printed at

⁹¹ See id.

⁹² See id.

⁹³ See proposed ISE Rule 722, Supplementary Material .12(b)(i) and (ii). A Complex Order entered with an instruction that it must be executed at a price that is equal to or better than the NBBO is considered based on its actual limit or market price and not the price of the NBBO for the component legs. See proposed ISE Rule 722, Supplementary Material .12(b)(i).

⁹⁴ See proposed ISE Rule 722, Supplementary Material .12(b)(iii).

⁹⁵ See Notice, 83 FR at 31796.

permissible prices.⁹⁶ When market conditions change (e.g., the leg markets update) and these Complex Orders or quotes become executable, the Exchange uses the Complex Uncrossing Process to execute Complex Orders or quotes against resting contra-side interest.⁹⁷ ISE believes that describing this process in its rules is helpful to members and other market participants because it provides additional information about how Complex Orders and quotes are executed when the Complex Order Book becomes executable.⁹⁸

E. Internalization and Crossing

For clarity, ISE proposes to amend ISE Rule 722 to specify that the requirements of ISE Rules 722(d) and (e) apply to Complex Orders.⁹⁹ Proposed ISE Rule 722(c)(3) states that Complex Orders represented as agent may be executed (i) as principal as provided in ISE Rule 717(d), or (ii) against orders solicited from Members and non-member broker-dealers as provided in ISE Rule 717(e). The rule further provides that exposure requirements of ISE Rules 717(d) or (e) must be met on the Complex Order Book unless the order is executed in one of the

⁹⁶ See id.

⁹⁷ See id. at 31796 and 31799.

⁹⁸ See id. at 31799.

⁹⁹ ISE Rule 717(d) states that Electronic Access Members (“EAMs”) may not execute as principal orders they represent as agent unless (i) agency orders are first exposed on the Exchange for at least one (1) second, (ii) the EAM has been bidding or offering on the Exchange for at least one (1) second prior to receiving an agency order that is executable against such bid or offer, or (iii) the Member utilizes the Facilitation Mechanism pursuant to Rule 716(d), or (iv) the Member utilizes the Price Improvement Mechanism for Crossing Transactions pursuant to Rule 723. ISE 717(e) states that EAMs may not execute orders they represent as agent on the Exchange against orders solicited from Members and non-member broker-dealers to transact with such orders unless (i) the unsolicited order is first exposed on the Exchange for at least one (1) second, (ii) the Member utilizes the Solicited Order Mechanism pursuant to Rule 716(e), (iii) the Member utilizes the Facilitation Mechanism pursuant to Rule 716(d) or (iv) the Member utilizes the Price Improvement Mechanism for Crossing Transactions pursuant to Rule 723.

mechanisms described in proposed Supplementary Material .08 to ISE Rule 722.¹⁰⁰ ISE notes that it has consistently applied the exposure requirement in ISE Rules 717(d) and (e) to the execution of Complex Orders on the Complex Order Book, and that it has provided for the execution of Complex Orders using the Facilitation Mechanism, the Solicited Order Mechanism, and the Price Improvement Mechanism (“PIM”).¹⁰¹ The proposal replaces current ISE Rules 716, Supplementary Material .08 (describing the execution of Complex Orders in the Facilitation and Solicited Order Mechanisms) and 723, Supplementary Material .09 (describing the execution of Complex Orders in the PIM), with proposed ISE Rules 722, Supplementary Material .08(a), (b), and (c), which describe the execution of Complex Orders in these mechanisms in greater detail.

1. Complex Facilitation Mechanism and Complex Solicited Order Mechanism

Proposed ISE Rule 722, Supplementary Material .08(a) provides that an Electronic Access Member (“EAM”) may use the Complex Facilitation Mechanism to facilitate a block-size Complex Order it represents as agent, and/or a transaction in which the EAM has solicited interest to execute against a block-size Complex Order it represents as agent. Each options leg of a Complex Order entered into the Complex Facilitation Mechanism must meet the minimum contract size requirement in ISE Rule 716(d) (i.e., at least 50 contracts).¹⁰² An EAM must be willing to execute the entire size of Complex Orders entered into the Complex Facilitation Mechanism.¹⁰³

¹⁰⁰ See proposed ISE Rule 722(c)(3).

¹⁰¹ See Notice, 83 FR at 31789.

¹⁰² See proposed ISE Rule 722, Supplementary Material .08(a).

¹⁰³ See *id.*

The Complex Solicited Order Mechanism allows an EAM to attempt to execute a Complex Order it represents as agent (the “Agency Complex Order”) against contra orders that it solicited according to ISE Rule 716(e). Each Complex Order entered into the Solicited Order Mechanism must be designated as all-or-none, and each options leg must meet the minimum contract size requirement contained in ISE Rule 716(e) (i.e., 500 or more contracts).¹⁰⁴ The Complex Facilitation Mechanism and the Complex Solicited Order Mechanism operate in a similar manner, as described below.

Complex Orders must be entered into the Complex Facilitation Mechanism or into the Complex Solicited Order Mechanism at a price that is (A) equal to or better than the best bid or offer on the Complex Order Book on the same side of the market as the Agency Order; and (B) equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs on the same side of the market as the Agency Order; provided that, if there is a Priority Customer order on the best bid or offer for any leg, the order must be entered at an improved price consistent with ISE Rule 722(c)(2).¹⁰⁵ A Complex Order that does not meet these requirements is not eligible for the Complex Facilitation Mechanism or the Complex Solicited Order Mechanism and will be rejected.¹⁰⁶

¹⁰⁴ See proposed ISE Rule 722, Supplementary Material .08(b). Prior to entering Agency Orders into the Complex Solicited Order Mechanism on behalf of a customer, EAMs must deliver to the customer a written notification informing the customer that its order may be executed using Nasdaq ISE’s Solicited Order Mechanism. Such written notification must disclose the terms and conditions contained in ISE Rule 722, Supplementary Material .08(b) and must be in a form approved by the Exchange. See proposed ISE Rule 722, Supplementary Material .08(5).

¹⁰⁵ See proposed ISE Rule 722, Supplementary Material .08(a)(1)(i) and (ii) and .08(b).

¹⁰⁶ See proposed ISE Rules 722, Supplementary Material .08(a)(1) and .08(b)(1). In addition, a Complex Order entered into the Complex Facilitation Mechanism or Complex Solicited Order Mechanism will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex

Upon the entry of a Complex Order into the Complex Facilitation Mechanism or the Complex Solicited Order Mechanism, ISE will send a broadcast message that includes the net price, side, and size of the Agency Complex Order, and Members will have an opportunity to enter Responses with the net prices and sizes at which they want to participate in the facilitation of the Agency Complex Order.¹⁰⁷ The time given to enter Responses, which ISE will designate via Options Trader Alert, will be no less than 100 milliseconds and no more than one second.¹⁰⁸ Responses are only executable against the Complex Order with respect to which they are entered, and will only be considered up to the size of the Complex Order to be facilitated.¹⁰⁹ Responses must be entered in the increments provided in proposed ISE Rule 722(c)(1) at the facilitation price or the proposed net execution price, as applicable, or at a price that is at least one cent better for the Agency Order.¹¹⁰ Responses will not be visible to other auction participants and can be modified or deleted before the exposure period has ended.¹¹¹

At the end of the period given for the entry of Responses in the Complex Facilitation Mechanism, a facilitation order will be automatically executed as provided in the proposed

Order. If a trading halt is initiated after the order is entered into the Complex Facilitation Mechanism, the auction will be automatically terminated without execution. See proposed ISE Rules 722, Supplementary Material .08(a)(1) and .08(b)(1). The priority rules in proposed ISE Rule 722(c)(2) also may prevent the execution of a Complex Order entered into the Facilitation Mechanism, in which case the transaction will be cancelled. See proposed ISE Rule 722, Supplementary Material .08(a)(5)(iv). Similarly, an Agency Complex Order entered into the Solicited Order Mechanism may execute against the solicited Complex Order only if, among other things, there are no Priority Customer Complex Orders or Responses that are priced equal to the proposed execution price. See proposed ISE Rule 722, Supplementary Material .08(b)(4)(i)(D).

¹⁰⁷ See proposed ISE Rules 722, Supplementary Material .08(a)(3) and .08(b)(3).

¹⁰⁸ See id.

¹⁰⁹ See proposed ISE Rules 722, Supplementary Material .08(a)(4) and .08(b)(3).

¹¹⁰ See id.

¹¹¹ See proposed ISE Rules 722, Supplementary Material .08(a)(5) and .08(b)(4).

rule.¹¹² The proposal also provides a guaranteed allocation for the facilitating EAM,¹¹³ and allows the facilitating EAM to elect to automatically match the net price and size of Complex Orders, Responses, and quotes received during the exposure period up to a specified limit price or without specifying a limit price.¹¹⁴

¹¹² See proposed ISE Rule 722, Supplementary Material .08(a)(5). If an improved net price for the Complex Order being executed can be achieved from Complex Orders, Responses, and quotes on the Complex Order Book and, for Complex Options Orders, the ISE best bids and offers on the individual legs, the facilitation order will be executed against such interest. See proposed ISE Rule 722, Supplementary Material .08(a)(5)(iv). If there is insufficient size to execute the entire facilitation order at a better net price, Priority Customer Complex Orders and Responses to buy (sell) at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at the facilitation price. Professional Complex Orders and Responses, and quotes to buy (sell) at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at their stated price, thereby providing the Complex Order being facilitated a better price for the number of contracts associated with such higher bids (lower offers). See proposed ISE Rule 722, Supplementary Material .08(a)(5)(i).

¹¹³ Proposed ISE Rule 722, Supplementary Material .08(a)(5)(ii) provides that the facilitating EAM will execute at least forty percent (40%) (or such lower percentage requested by the member) of the original size of the facilitation order, but only after better-priced Responses, Complex Orders and quotes, as well as Priority Customer Complex Orders and Responses at the facilitation price, are executed in full. Thereafter, Professional Complex Orders and Responses, and quotes at the facilitation price will participate in the execution of the facilitation order based upon the percentage of the total number of contracts available at the facilitation price that is represented by the size of the Professional Complex Order or Response, or quote.

¹¹⁴ Proposed ISE Rule 722, Supplementary Material .08(a)(5)(iii) provides that a facilitating EAM may elect to automatically match the net price and size of Complex Orders, Responses and quotes received during the exposure period up to a specified limit price or without specifying a limit price. This election will also automatically match the net price available from the ISE best bids and offers on the individual legs for the full size of the order; provided that with notice to members the Exchange may determine whether to offer this option only for Complex Options Orders, Stock-Option Orders, and/or Stock Complex Orders. If a member elects to auto-match, the facilitating EAM will be allocated its full size at each price point, or at each price point within its limit price if a limit is specified, until a price point is reached where the balance of the order can be fully executed. At such price point, the facilitating EAM will be allocated at least 40% (or such lower percentage requested by the member) of the original size of the facilitation order, but only after Priority Customer Orders and Responses at such price point.

At the end of the period given for the entry of Responses in the Solicited Order Mechanism, an Agency Complex Order will be automatically executed in full pursuant to proposed ISE Rule 722, Supplementary Material .08(b)(4)(i)-(iv), or cancelled.¹¹⁵ The Agency Complex Order will execute against the Solicited Complex Order or against other interest depending on whether there is insufficient size to execute the Agency Order at an improved net price(s),¹¹⁶ sufficient Priority Customer interest to execute the entire Agency Complex order at the proposed net execution price,¹¹⁷ or sufficient size to execute the entire Agency Complex

Thereafter, Professional Complex Orders and Responses, and quotes at the price point will participate in the execution of the facilitation order based upon the percentage of the total number of contracts available at the facilitation price that is represented by the size of the Professional Complex Order or Response, or quote. An election to automatically match better prices cannot be cancelled or altered during the exposure period.

¹¹⁵ See proposed ISE Rule 722, Supplementary Material .08(b)(4).

¹¹⁶ If at the time of execution there is insufficient size to execute the entire Agency Complex Order at an improved net price(s) pursuant to ISE Rule 722, Supplementary Material .08(b)(4)(iii), the Agency Complex Order will be executed against the solicited Complex Order at the proposed execution net price so long as, at the time of execution: (A) the execution net price is equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs, (B) the Complex Order can be executed in accordance with ISE Rule 722(c)(2) with respect to the individual legs, (C) the execution net price is equal to or better than the best bid or offer on the Complex Order Book, and (D) there are no Priority Customer Complex Orders or Responses that are priced equal to the proposed execution price. See proposed ISE Rule 722, Supplementary Material .08(b)(4)(i).

¹¹⁷ If there are Priority Customer Complex Orders or Responses on the opposite side of the Agency Complex Order at the proposed execution net price and there is sufficient size to execute the entire size of the Agency Complex Order, the Agency Complex Order will be executed against such interest, and the solicited Complex Order will be cancelled, provided that: (A) the execution net price is equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs, and (B) the Complex Order can be executed in accordance with ISE Rule 722(c)(2) with respect to the individual legs. The aggregate size of all Complex Orders, Responses and quotes and, for Complex Options Orders, the aggregate size available from the best bids and offers for the individual legs, will be used to determine whether the entire Agency Complex Order can be executed pursuant to this paragraph. See proposed ISE Rule 722, Supplementary Material .08(b)(4)(ii).

Order at an improved net price(s).¹¹⁸ The proposed rule also specifies the allocation of interest when the Agency Complex Order executes against interest other than the solicited Complex Order.¹¹⁹

2. Complex PIM

The Complex PIM allows an EAM to seek price improvement for a transaction in which an EAM is facilitating a Complex Order it represents as agent, and/or a transaction in which the EAM has solicited interest to execute against a Complex Order it represents as agent (a “Crossing Transaction”).¹²⁰ A Crossing Transaction is comprised of the order the EAM represents as agent (the “Agency Order”) and a counter-side order for the full size of the Agency Order (the “Counter-Side Order”).¹²¹ A Complex Order must be entered into the Complex PIM

¹¹⁸ If at the time of execution there is sufficient size to execute the entire Agency Complex Order at an improved net price(s), the Agency Complex Order will be executed at the improved net price(s), and the solicited Complex Order will be cancelled, provided that: (A) the execution net price is equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs, and (B) the Complex Order can be executed in accordance with ISE Rule 722(c)(2) with respect to the individual legs. The aggregate size of all Complex Orders, Responses, and quotes, and the aggregate size available from the best bids and offers for the individual legs for a Complex Options Order, will be used to determine whether the entire Agency Complex Order can be executed at an improved net price(s). See proposed ISE Rule 722, Supplementary Material .08(b)(4)(iii).

¹¹⁹ Proposed ISE Rule 722, Supplementary Material .08(b)(4)(iv) provides that when executing the Agency Complex Order against other interest in accordance with proposed ISE Rule 722, Supplementary Material .08(b)(ii) and (iii), Priority Customer Complex Orders and Responses will be executed first. Professional Complex Orders and Responses, and market maker quotes participate next in the execution of the Agency Complex Order based upon the percentage of the total number of contracts available at the best price that is represented by the size of the Professional Complex Order or Response, or market maker quote. Finally, for Complex Options Orders, bids and offers for the individual legs will be executed pursuant to Rule 713 and the Supplementary Material thereto.

¹²⁰ See proposed ISE Rule 722, Supplementary Material .08(c).

¹²¹ The Counter-Side Order may represent interest for the Member’s own account or interest

at a price that is better than the best net price (i) available on the Complex Order Book on both sides of the market; and (ii) achievable from the best ISE bids and offers for the individual legs on both sides of the market (an “improved net price”).¹²² A Complex Order that does not satisfy this requirement will be rejected.¹²³

Upon entry of a Complex Order into the Complex PIM, ISE will broadcast to members a message that includes the net price, side and size of the Agency Complex Order.¹²⁴ ISE will designate via Options Trader Alert a time of no less than 100 milliseconds and no more than one second for members to indicate the size and net price at which they want to participate in the execution of the Agency Complex Order (“Improvement Complex Orders”).¹²⁵ All members may enter Improvement Complex Orders for their own account or for the account of a Public Customer.¹²⁶

the Member has solicited from one or more other parties, or a combination of both. See proposed ISE Rule 722, Supplementary Material .08(c)(1).

¹²² See proposed ISE Rule 722, Supplementary Material .08(c)(2).

¹²³ See id. In addition, a Complex Order entered into the Complex PIM will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex Order. If a trading halt is initiated after the order is entered into the Complex PIM, the auction will be automatically terminated without an execution. See ISE Rule 722, Supplementary Material .08(c)(3).

¹²⁴ See proposed ISE Rule 722, Supplementary Material .08(c)(4).

¹²⁵ See proposed ISE Rule 722, Supplementary Material .08(c)(4).

¹²⁶ See proposed ISE Rule 722, Supplementary Material .08(c)(4)(i). An Improvement Complex Order, which is only executable against the Complex Order with respect to which it is entered and will only be considered up to the size of the Agency Complex Order, must be entered in the increments provided in proposed ISE Rule 722(c)(1) at the same price as the Crossing Transaction or at a price that is at least one cent better for the Agency Complex Order. An Improvement Complex Order may not be canceled, but it may be modified to (1) increase the size at the same price, or (2) improve the price of the Improvement Complex Order for any size. Improvement Complex Orders will not be visible to other auction participants. See proposed ISE Rules 722, Supplementary Material .08(c)(4)(i)-(iii).

The exposure period for a Complex PIM will automatically terminate (A) at the end of the time period designated by ISE pursuant to ISE Rule 722, Supplementary Material .08(c)(4)(i), (B) upon the receipt of a Complex Order or quote in the same complex strategy on either side of the market that is marketable against the Complex Order Book or bids and offers for the individual legs, or (C) upon the receipt of a non-marketable Complex Order or quote in the same complex strategy on the same side of the market as the Agency Complex Order that would cause the execution of the Agency Complex Order to be outside of the best bid or offer on the Complex Order Book.¹²⁷ Although only one Complex PIM may be ongoing at any time for a particular complex strategy, a PIM in a component leg of a complex strategy may run concurrently with a Complex PIM for that strategy.¹²⁸

At the end of the exposure period, the Agency Complex Order will be executed in full at the best prices available, taking into consideration Complex Orders and quotes in the Complex

¹²⁷ See proposed ISE Rule 722, Supplementary Material .08(c)(4)(iv). When a marketable Complex Order on the opposite side of the Agency Complex Order ends the exposure period, it will participate in the execution of the Agency Complex Order at the price that is mid-way between the best counter-side interest and the same side best bid or offer on the Complex Order Book or net price from ISE best bid or offer on individual legs, whichever is better, so that both the marketable Complex Order and the Agency Complex Order receive price improvement. See proposed ISE Rule 722, Supplementary Material .04(c)(5)(iv).

¹²⁸ See proposed ISE Rule 722, Supplementary Material .08(c)(4)(v). A Complex PIM for a complex strategy may be ongoing at the same time as a PIM pursuant to ISE Rule 723 or during an exposure period pursuant to Supplementary Material .02 to ISE Rule 1901 in a component leg(s) of such complex strategy. If a Complex PIM is early terminated pursuant to ISE Rule 722, Supplementary Material .08(c)(4)(iv), and the incoming Complex Order that causes the early termination in the complex strategy is also marketable against a component leg(s) of the complex strategy that is the subject of a concurrent ongoing PIM pursuant to ISE Rule 723 or an exposure period pursuant to Supplementary Material .02 to ISE Rule 1901, then the concurrent Complex PIM and component leg auction(s) are processed in the following sequence: (1) the Complex PIM is early terminated; (2) the component leg auction(s) are early terminated and processed; and (3) legging of residual incoming Complex Order interest occurs. See proposed ISE Rule 722, Supplementary Material .08(c)(4)(vi) and Amendment No. 1.

Order Book, Improvement Complex Orders, the Counter-Side Order, and, for Complex Options Orders, the ISE best bids and offers on the individual legs.¹²⁹ The Agency Complex Order will receive executions at multiple price levels if there is insufficient size to execute the entire order at the best price.¹³⁰ At any net price, Priority Customer interest on the Complex Order Book (i.e., Priority Customer Complex Orders and Improvement Complex Orders) is executed in full before Professional interest (i.e., Professional Complex Orders and Improvement Complex Orders) and market maker quotes on the Complex Order Book.¹³¹ After Priority Customer interest on the Complex Order Book at a given net price, Professional interest and market maker quotes on the Complex Order Book will participate in the execution of the Agency Complex Order based on the percentage of the total number of contracts available at the price represented by the size of that interest.¹³² When the Counter-Side Complex Order is at the same net price as Professional interest and market maker quotes on the Complex Order Book, the Counter-Side Complex Order will be allocated the greater of one contract or 40% (or such lower percentage requested by the member) of the initial size of the Agency Complex Order before other Professional interest and market maker quotes on the Complex Order Book are executed.¹³³

¹²⁹ See proposed ISE Rule 722, Supplementary Material .08(c)(5). If an improved net price for the Complex Order being executed can be achieved from Complex Orders, Improvement Complex Orders, and quotes on the Complex Order Book and, for Complex Options Orders, the ISE best bids and offers on the individual legs, the Agency Complex Order will be executed against such interest. In addition, the priority provisions in ISE Rule 722(c)(2) will continue to apply and may prevent the execution of a Complex Order entered into the Complex PIM, in which case the transaction will be cancelled. See ISE Rule 722, Supplementary Material .08(c)(5)(v).

¹³⁰ See proposed ISE Rule 722, Supplementary Material .08(c)(5).

¹³¹ See proposed ISE Rule 722, Supplementary Material .08(c)(5)(i).

¹³² See proposed ISE Rule 722, Supplementary Material .08(c)(5)(ii).

¹³³ See proposed ISE Rule 722, Supplementary Material .08(c)(5)(iii). Upon entry of Counter-Side Complex Orders, Members can elect to automatically match the price and

3. Complex Customer Cross Orders

ISE notes that ISE Rules 717(d) and (e) apply when a member seeks to execute an order it represents as agent against a proprietary order (i.e., a facilitation transaction) or an order the member has solicited from another broker-dealer (i.e., a solicited transaction).¹³⁴ Transactions where neither side is for the account of a broker-dealer are not within the scope of ISE Rule 717(d) and (e), and members can enter the buy and sell orders on the limit order book nearly simultaneously.¹³⁵ To make the execution of such customer orders more efficient, the ISE

size of Complex Orders, Improvement Complex Orders and quotes received on the Complex Order Book during the exposure period up to a specified limit net price or without specifying a limit net price. This election will also automatically match the net price available from the ISE best bids and offers on the individual legs for the full size of the order; provided that with notice to members the Exchange may determine whether to offer this option only for Complex Options Orders, Stock-Option Orders, and/or Stock Complex Orders. If a member elects to auto-match, the Counter-Side Complex Order will be allocated its full size at each price point, or at each price point within its limit net price if a limit is specified, until a price point is reached where the balance of the order can be fully executed. At such price point, the Counter-Side Complex Order shall be allocated the greater of one contract or 40% (or such lower percentage requested by the member) of the original size of the Agency Complex Order, but only after Priority Customer Complex Orders and Improvement Complex Orders at such price point are executed in full. Thereafter, all Professional Complex Orders and Improvement Complex Orders, and quotes at the price point will participate in the execution of the Agency Complex Order based upon the percentage of the total number of contracts available at the price that is represented by the size of the Professional Complex Order or Improvement Complex Order, or quote on the complex order book. See id.

¹³⁴ See Notice, 83 FR at 31790.

¹³⁵ See id. ISE notes that ISE Rule 717, Supplementary Material .01 prohibits members from entering into arrangements designed to circumvent the exposure requirements for facilitation transactions. Accordingly, it would be a violation of ISE Rule 717(d) for a member to effectively facilitate an order by providing an opportunity for a customer or other person (including affiliates) to regularly execute against agency orders handled by the member immediately upon their entry on the Exchange. See id. at n. 35.

developed Customer Cross Orders as a way to enter opposing customer orders using a single order type.¹³⁶

Proposed ISE Rule 722, Supplementary Material .08(d) addresses the application of Customer Cross Orders to Complex Orders.¹³⁷ Proposed ISE Rule 722, Supplementary Material .08(d) states that Complex Customer Cross Orders will be automatically executed upon entry so long as: (i) the price of the transaction is at or within the best bid and offer for the same complex strategy on the Complex Order Book; (ii) there are no Priority Customer Complex Orders for the same strategy at the same price on the Complex Order Book; and (iii) the options legs can be executed at prices that comply with the provisions of ISE Rule 722(c)(2). The proposed rule further states that Complex Customer Cross Orders will be rejected if they cannot be executed, and that ISE Rule 717, Supplementary Material .01 applies to Complex Customer Cross Orders.¹³⁸

4. Complex Qualified Contingent Cross Orders

Proposed ISE Rule 722, Supplementary Material .08(e) states that Complex Options Orders may be entered as Qualified Contingent Cross Orders, as defined in ISE Rule 715(j).¹³⁹

¹³⁶ See Notice, 83 FR at 31790. See also Securities Exchange Act Release No. 60253 (July 7, 2009), 74 FR 34063 (July 14, 2009) (notice of filing and immediate effectiveness of File No. SR-ISE-2009-34).

¹³⁷ See Notice, 83 FR at 31790.

¹³⁸ See footnote 135, *supra*.

¹³⁹ ISE Rule 715(j) defines a Qualified Contingent Cross Order as an order comprised of an originating order to buy or sell at least 1,000 contracts that is identified as being part of a qualified contingent trade, as that term is defined in ISE Rule 715, Supplementary Material .01, coupled with a contra-side order or orders totaling an equal number of contracts. ISE Rule 715, Supplementary Material .01 states that a qualified contingent trade is a transaction consisting of two or more component orders, executed as agent or principal, where: (a) at least one component is an NMS Stock, as defined in Rule 600 of Regulation NMS under the Exchange Act; (b) all components are effected with a product

Proposed ISE Rule 722, Supplementary Material .08(e) states that Complex Qualified Contingent Cross Orders (“Complex QCC Orders”) will be automatically executed upon entry so long as: (i) the price of the transaction is at or within the best bid and offer for the same complex options strategy on the Complex Order Book; (ii) there are no Priority Customer Complex Options Orders for the same strategy at the same price on the Complex Order Book; and (iii) the options legs can be executed at prices that (A) are at or between the NBBO for the individual series, and (B) comply with the provisions of ISE Rule 722(c)(2)(i), provided that no legs of the Complex Options Order can be executed at the same price as a Priority Customer Order on the Exchange in the individual options series. Proposed ISE Rule 722, Supplementary Material .08(e) further provides that Complex QCC Orders will be rejected if they cannot be executed, that they may be entered in one cent increments, and that each leg of a Complex Options Order must meet the 1,000 contract minimum size requirement for Qualified Contingent Cross Orders. ISE notes that in executing Complex QCC Orders, Priority Customer Orders on the Complex Order Book and Priority Customer Orders on ISE for the individual options series are protected.¹⁴⁰

5. Complex QCC with Stock Orders

or price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principal or agent; (c) the execution of one component is contingent upon the execution of all other components at or near the same time; (d) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined by the time the contingent order is placed; (e) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and (f) the transaction is fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade.

¹⁴⁰ See Notice, 83 FR at 31791.

Proposed ISE Rule 722, Supplementary Material .08(f) describes the processing of Complex QCC with Stock Orders.¹⁴¹ ISE notes that because a Complex QCC Order represents one component of a qualified contingent trade, each Complex QCC Order must be paired with a stock transaction.¹⁴² ISE further notes that members must separately execute the stock component of a regular Complex QCC Order.¹⁴³ By contrast, when a member enters a Complex QCC with Stock Order, ISE will attempt to facilitate the execution of the stock component in addition to the options component.¹⁴⁴ When a member enters a Complex QCC with Stock Order, a Complex QCC Order is entered ISE.¹⁴⁵ If the Complex QCC Order is executed, ISE will automatically communicate the stock component to the member's designated broker-dealer for execution.¹⁴⁶ If the Complex QCC Order cannot be executed, the entire Complex QCC with Stock Order, including both the stock and options components, is cancelled.¹⁴⁷ ISE Rules 721, Supplementary Material .01-.03 apply to the entry and execution of Complex QCC with Stock Orders.¹⁴⁸ ISE states that Complex QCC with Stock Orders assist members in maintaining compliance with Exchange rules regarding the execution of the stock component of qualified

¹⁴¹ As noted above, a Complex QCC with Stock Order is a Complex QCC Order, as defined in Rule 722(b)(7), entered with a stock component to be communicated to a designated broker-dealer for execution pursuant to proposed ISE Rule 722, Supplementary Material .08. See proposed ISE Rule 722(b)(16).

¹⁴² See Notice, 83 FR at 31792.

¹⁴³ See id.

¹⁴⁴ See id.

¹⁴⁵ See proposed ISE Rule 722, Supplementary Material .08(f)(1).

¹⁴⁶ See proposed ISE Rule 722, Supplementary Material .08(f)(2).

¹⁴⁷ See proposed ISE Rule 722, Supplementary Material .08(f)(3).

¹⁴⁸ See proposed ISE Rule 722, Supplementary Material .08(f)(4).

contingent trades, and help maintain an audit trail for surveillance of members for compliance with such rules.¹⁴⁹

F. Concurrent Auctions

1. Concurrent Complex Order and Single Leg Auctions

Proposed ISE Rule 722, Supplementary Material .08(h) provides that an auction in the Block Order Mechanism, Facilitation Mechanism, Solicited Order Mechanism, or PIM, or an exposure period as provided in ISE Rule 1901, Supplementary Material .02, for an option series may occur concurrently with a Complex Order Exposure Auction, Complex Facilitation auction, Complex Solicited Order auction, or Complex PIM for a Complex Order that includes that series.¹⁵⁰ To the extent that there are concurrent Complex Order and single leg auctions involving a specific option series, each auction will be processed sequentially based on the time the auction commenced.¹⁵¹

2. Limitation on Concurrent Complex Strategy Auctions

In conjunction with ISE's migration to the INET platform, ISE filed a proposal in 2017 to delay the re-introduction of functionality on ISE that permitted concurrent Complex Order

¹⁴⁹ See Notice, 83 FR at 31792. 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. See ISE Rule 721, Supplementary Material .03.

¹⁵⁰ See Amendment No. 1.

¹⁵¹ See Amendment No. 1. At the time an auction concludes, including when it concludes early, the auction will be processed pursuant to ISE Rules 716(b), (c), (d), or (e), or 723 or Supplementary Material .02 to Rule 1901, as applicable, for the single option, or pursuant to proposed ISE Rules 722, Supplementary Material .01, or .08(a), (b), or (c), as applicable, for the Complex Order, except as provided for in proposed Supplementary Material .08(c)(4)(vi) to ISE Rule 722. See id.

auctions in the same complex strategy.¹⁵² ISE subsequently extended its delay of the re-introduction of this functionality for an additional year, until April 17, 2019.¹⁵³ ISE states that it has no immediate plans to re-introduce the functionality.¹⁵⁴ Accordingly, ISE proposes to delete from ISE Rule 722 language indicating that ISE will recommence concurrent Complex Order auctions or before April 17, 2019.¹⁵⁵ In addition, ISE proposes to adopt ISE Rule 722, Supplementary Material .08(g), which provides that only one Exposure Auction, Complex PIM, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction will be ongoing at any given time in a complex strategy, and states that such auctions will not queue or overlap in any manner.¹⁵⁶

ISE states that it has not offered concurrent auctions in the same complex order strategy since 2017, and notes that no member has complained or expressed concern about the absence of

¹⁵² INET is the proprietary core technology utilized across Nasdaq’s global markets and utilized on The Nasdaq Options Market LLC, Nasdaq PHLX LLC, and Nasdaq BX, Inc. See Amendment No. 1. See also Securities and Exchange Act Release No. 80525 (April 25, 2017), 82 FR 20405 (May 1, 2017) (notice of filing and immediate effectiveness of SR-ISE-2017-33).

¹⁵³ See Amendment No. 1. See also Securities and Exchange Act Release No. 83101 (April 25, 2018), 83 FR 19130 (May 1, 2018) (notice of filing and immediate effectiveness of SR-ISE-2018-40) (“April 2018 Notice”).

¹⁵⁴ See Amendment No. 1.

¹⁵⁵ See id. In the event that ISE wishes to implement concurrent Complex Order auctions in the future, it will file a proposed rule change with the Commission to do so. See id.

¹⁵⁶ See Amendment No. 1. Proposed ISE Rule 722, Supplementary Material .08(g) states that ISE will not initiate an Exposure Auction, Complex PIM, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction in a complex strategy while another Exposure Auction, Complex PIM, or Complex Solicited Order Mechanism auction in that Complex Strategy is ongoing. If a Complex PIM auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction for a Complex Strategy has been initiated, an Exposure Auction for that Complex Strategy will not be initiated, and an Exposure Only Complex Order for the Complex Strategy will be cancelled back to the member. An Exposure Order for the Complex Strategy will be processed as an order that is not marked for price improvement.

the functionality.¹⁵⁷ In the April 2018 Notice, ISE stated that it was rare for multiple auctions in a complex strategy to be ongoing at a particular time, particularly due to the decrease in ISE's auction timers to 100 milliseconds.¹⁵⁸ ISE stated that prior to the migration to the INET platform concurrent auctions in a complex options strategy only occurred approximately 0.5% of the time that an auction ran on the Exchange.¹⁵⁹ ISE believes that the absence of the concurrent Complex Order functionality will have an insignificant impact on members.¹⁶⁰ ISE states that a member that has auction-eligible interest to execute when another Complex Order auction is ongoing can either re-submit that order to the Exchange after the auction has concluded, or submit the order to another options market that provides similar auction functionality.¹⁶¹ In this regard, ISE notes that its market data feeds provide information to members about when a Complex Order auction is ongoing, and members can therefore use this information to make appropriate routing decisions based on applicable market conditions.¹⁶² ISE notes that other options markets do not offer concurrent Complex Order auctions in a strategy.¹⁶³

¹⁵⁷ See Amendment No. 1.

¹⁵⁸ See April Notice, 82 FR at n. 10 (citing Securities Exchange Act Release No. 79733 (January 4, 2017), 82 FR 3055 (January 10, 2017) (SR-ISE-2016-26) (permitting the Exchange to determine auction timers for PIM, Facilitation, and Solicitation within a range of 100 milliseconds and one second)). ISE noted that each of these auction timers, as well as the auction timer for exposure auctions, was currently set to 100 milliseconds. See also Amendment No. 1.

¹⁵⁹ See April Notice, 82 FR at 19131. See also Amendment No. 1.

¹⁶⁰ See Amendment No. 1.

¹⁶¹ See id.

¹⁶² See id.

¹⁶³ ISE states that Nasdaq Phlx, LLC does not allow the initiation of a Complex Order Live Auction when there is a Price Improvement XL auction already ongoing in the strategy pursuant to Phlx Rule 1098(e)(2). Similarly, Miami International Securities Exchange LLC has the ability to limit the frequency of Complex Auctions by establishing a minimum time period between such auctions pursuant to MIAX Rule 518(d)(2). See id.

G. Stock-Option and Stock-Complex Orders

Proposed ISE Rule 722, Supplementary Material .13 provides requirements for Stock-Option and Stock-Complex Orders. The proposed rule allows members to submit only Stock-Option and Stock-Complex Orders and quotes that comply with the QCT Exemption from Rule 611(a) of Regulation NMS, and members submitting these orders and quotes represent that they comply with the QCT Exemption. In addition, proposed ISE Rule 722, Supplementary Material .13 requires that the stock leg of a Stock-Option Order be marked “buy,” “sell,” “sell short,” or “sell short exempt” in compliance with Regulation SHO under the Exchange Act.

H. Additional Changes

1. Market Maker Quotes

As part of the transition to the INET platform, ISE has delayed until April 26, 2019, the re-introduction of the functionality that allows market makers to enter quotes in certain symbols for complex strategies on the Complex Order Book.¹⁶⁴ ISE states that prior to the INET transition, quoting in the Complex Order Book was available in a subset of the options classes.¹⁶⁵ Accordingly, ISE proposes to amend ISE Rule 722, Supplementary Material .03 to indicate that complex quoting will be available only in options classes selected by the Exchange and announced to members via Options Trader Alert.¹⁶⁶ ISE notes that market makers that quote in the Complex Order Book must enter certain risk parameters pursuant to ISE Rule 722,

¹⁶⁴ See ISE Rule 722, Supplementary Material .03. See also Securities Exchange Act Release Number 83001 (April 5, 2018), 83 FR 15653 (April 11, 2018) (notice of filing and immediate effectiveness of File No. SR-ISE-2018-29).

¹⁶⁵ See Notice, 83 FR at 31788.

¹⁶⁶ See id.

Supplementary Material .04 (“Market Maker Speed Bump”).¹⁶⁷ In connection with proposed changes to the defined terms relating to Complex Orders, as described above, ISE proposes to amend ISE Rule 722, Supplementary Material .04 to clarify that the Market Maker Speed Bump applies to Complex Options Strategies and not to Stock-Option Strategies or Stock-Complex Strategies.¹⁶⁸

2. Price Limits for Complex Orders and Quotes

ISE Rule 722, Supplementary Material .07(a) establishes a risk protection that limits the amount by which the legs of a complex strategy may be executed at prices inferior to the prices available on other exchanges trading the same options series. ISE proposes to amend ISE Rule 722, Supplementary Material .07(a) to include a reference to the stock leg of Stock-Option Strategies and Stock-Complex Strategies.¹⁶⁹ Proposed ISE Rule 722, Supplementary Material .07(a) will state, in part, that the System will not permit the legs of a complex strategy to trade through the NBBO for the series or any stock component by a configurable amount calculated as the lesser of (i) an absolute amount not to exceed \$0.10, and (ii) a percentage of the NBBO not to exceed 500%, as determined by the Exchange on a class, series, or underlying basis. Similarly, ISE proposes to add a reference to the national best bid or offer for the stock leg to the Limit Order Price Protection in ISE Rule 722, Supplementary Material .07(d).¹⁷⁰ ISE believes that

¹⁶⁷ See id.

¹⁶⁸ See id. ISE notes that because the Market Maker Speed Bump is based exclusively on options contracts traded, it applies only to Complex Options Strategies and not to complex strategies that have a stock component. See id. at 31797.

¹⁶⁹ See Notice, 83 FR at 31792. See id. at 31792-3.

¹⁷⁰ See id. at 31792-3. Proposed ISE Rule 722, Supplementary Material .07(d) states: There is a limit on the amount by which the net price of an incoming Limit Complex Order to buy may exceed the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg, and by which the net price

these changes will increase transparency with respect to the prices ISE uses when ISE must derive a best bid or offer from the prices available in the regular market.¹⁷¹ In addition, ISE Rule 722, Supplementary Material .07(d) currently describes the application of the Limit Order Price Protection to Limit Complex Orders to buy. The proposal revises ISE Rule 722, Supplementary Material .07(d) to describe the application of the price protection to Limit Complex Orders to sell.¹⁷²

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.¹⁷³ In particular, for the reasons discussed below, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹⁷⁴ which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free

of an incoming Limit Complex Order to sell may be below the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg. Limit Complex Orders that exceed the pricing limit are rejected. The limit is established by the Exchange from time-to-time for Limit Complex Orders to buy (sell) as the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg plus (minus) the greater of: (i) an absolute amount not to exceed \$2.00, or (ii) a percentage of the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg not to exceed 10%. This limit order price protection applies only to orders and does not apply to quotes.

¹⁷¹ See id.

¹⁷² See id. at 31793.

¹⁷³ In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁷⁴ 15 U.S.C. 78f(b)(5).

and open market and a national market system, and, in general, to protect investors and the public interest. This order approves the proposed rule change in its entirety, although only certain more significant aspects of the proposed rules are discussed below.

A. Definitions and Order Types

The proposal revises ISE's current definitions relating to Complex Orders by creating the new defined terms Complex Options Strategy, Stock-Option Strategy, and Stock-Complex Strategy, as well as the corresponding orders for each of these strategies. The new defined terms should help to clarify ISE's rules by indicating more precisely which ISE rules apply to these orders and strategies.¹⁷⁵ The Commission believes that the Complex Order types in proposed ISE Rule 722(b), including Market Complex Orders, Limit Complex Orders, All-or-None Complex Orders, Attributable Complex Orders, Day Complex Orders, Fill-or-Kill Complex Orders, Immediate-or-Cancel Complex Orders, Opening Only Complex Orders, Good-Till-Date Complex Orders, Good-Till-Cancel Complex Orders, Exposure Complex Orders, and Exposure Only Complex Orders provide market participants with flexibility and control over the trading of Complex Orders.¹⁷⁶ The Commission notes that ISE currently permits each of these order types (other than Exposure Complex Orders and Exposure Only Complex Orders) for orders for a single option series.¹⁷⁷

The proposal deletes from ISE Rule 722 the definition of SSF-option order. As noted above, ISE states that single stock futures have not gained sufficient popularity among investors

¹⁷⁵ For example, the proposal revises ISE Rule 715(k) to indicate that legging orders are generated only for Complex Options Orders.

¹⁷⁶ Complex Customer Cross Orders and Complex QCC Orders are discussed in Section III.F(3), infra.

¹⁷⁷ See ISE Rule 715.

to support a SSF-option product, and ISE has never received a SSF-option order.¹⁷⁸ In light of the lack of interest in trading SSF-option orders, the Commission believes that ISE's elimination of SSF-option orders will not negatively impact investors or other market participants.¹⁷⁹

ISE also proposes to discontinue Reserve Complex Orders in the fourth quarter of 2018.¹⁸⁰ As noted above, ISE states that it does not receive a high volume of Reserve Complex Orders, that there is no great demand for this order type, and that other options exchanges do not offer this order type.¹⁸¹ ISE will issue an Options Trader Alert to members indicating the date when Reserve Complex Orders will no longer be offered.¹⁸² The Commission notes that under ISE's procedures for executing Reserve Complex Orders, the non-displayed portion of a Reserve Complex Order is available for execution before displayed interest on the regular order book at the same price.¹⁸³ The Commission believes that the discontinuation of Reserve Complex Orders will protect investors and the public interest by assuring that all displayed interest on the Complex Order book and the regular book executes before non-displayed interest at the same price.¹⁸⁴

B. Trading of Complex Orders and Quotes

The Commission notes that proposed ISE Rule 722(c)(2) is designed to protect established leg market interest by providing that if any of the bids or offers established in the

¹⁷⁸ See note 14, *supra*, and accompanying text.

¹⁷⁹ ISE will file a proposed rule change with the Commission if ISE determines to offer SSF-option orders in the future. See Notice, 83 FR at 31784.

¹⁸⁰ See Amendment No. 1.

¹⁸¹ See *id.*

¹⁸² See *id.*

¹⁸³ See Notice, 83 FR at 31785, n.7.

¹⁸⁴ ISE will continue to offer Reserve Orders on the single leg book. See Amendment No. 1.

marketplace consist of a Priority Customer Order, at least one leg of a Complex Options Order or the options legs of a Stock-Complex Order must trade at a price that is better than the corresponding bid or offer in the marketplace by at least a \$0.01 increment.¹⁸⁵ Similarly, the option leg of a Stock-Option Order has priority over leg market interest in the series established by Professional Orders and market maker quotes at the same price, but not over Priority Customer interest in the series.¹⁸⁶ The Commission notes that other options exchanges have similar provisions requiring one leg of a complex order to trade at a better price than the derived leg market price when the established interest in the leg market price includes customer interest.¹⁸⁷ ISE's rules further protect Priority Customer interest by providing that executable Complex Orders will execute against Priority Customer interest on the single leg book at the same price before executing against the Complex Order book.¹⁸⁸ Thus, Priority Customer Orders on the single leg order book will retain priority and will execute prior to any other Complex Order or non-Priority Customer single leg interest at the same price.¹⁸⁹ In addition, ISE, like other exchanges, does not allow Complex Orders to be executed at prices inferior to the best net price achievable from the best bids and offers on the Exchange for the individual legs.¹⁹⁰

¹⁸⁵ See proposed ISE Rules 722(c)(2)(i) and (iii). A Complex Order that does not satisfy the requirements of proposed ISE Rule 722(c)(2) is not executable. See proposed ISE Rule 722(d).

¹⁸⁶ See proposed ISE Rule 722(c)(2)(ii).

¹⁸⁷ See, e.g., Phlx Rule 1098(c)(iii); EDGX Rule 21.20(c)(1)(B) and (C); and MIAX Rule 518(c)(3).

¹⁸⁸ See proposed ISE Rule 722(d)(2) and Amendment No. 1.

¹⁸⁹ See id.

¹⁹⁰ See proposed ISE ISE Rule 722(c)(2) and Amendment No. 1. See also EDGX Rule 21.20(c)(2)(E); and MIAX Rule 518(c)(2)(ii).

ISE allows Complex Orders to execute against bids and offers on ISE for the individual legs of the Complex Order if there is no executable contra-side complex interest on the Complex Order Book at a particular price.¹⁹¹ The Commission believes that allowing Complex Orders to execute against leg market interest could benefit investors by providing additional execution opportunities for both Complex Orders and interest in the regular market. In addition, the Commission believes that executing Complex Orders against interest in the regular market could facilitate interaction between the Complex Order book and the regular market, potentially resulting in a more competitive and efficient market, and better executions for investors. The Commission notes that other exchanges also allow Complex Orders to execute against leg market interest.¹⁹²

As described more fully above, the Trade Value Allowance is a functionality that allows Stock-Option Strategies and Stock-Complex Strategies to trade outside of their expected notional value by a specified amount. The amount of Trade Value Allowance may be determined by a member or set at a default value determined by ISE and announced to members, although any amount of Trade Value Allowance is permitted for orders entered into the auction mechanisms in proposed ISE Rule 722, Supplementary Material .08 that do not trade solely with their contra-side order.¹⁹³ Members may opt out of the Trade Value Allowance if they do not want their orders to be executed when there is a Trade Value Allowance of any amount and, in those cases, ISE will strictly enforce the net price marked on the order.¹⁹⁴ The Commission believes that the Trade Value Allowance will provide members with the flexibility to obtain a desired execution

¹⁹¹ See proposed ISE Rule 722(d)(3).

¹⁹² See, e.g., EDGX Rule 21.20(c)(2)(F); and MIAX Rule 518(c)(2)(iii).

¹⁹³ See proposed ISE Rule 722, Supplementary Material .09.

¹⁹⁴ See Notice, 83 FR at 31793.

of a Stock-Option or Stock-Complex Order when their order trades at a value outside of the expected notional value of the trade due to rounding. The Commission notes that members are not obligated to use the Trade Value Allowance and may choose to have their orders executed at the net price marked on the order.

D. Complex Opening Process and Complex Uncrossing Process

The Commission believes that the Complex Opening Process is designed to provide for the orderly opening of Complex Orders on ISE by matching as much interest in a complex strategy as possible at a price determined through an objective process set forth in ISE's rules. As described more fully above, the Complex Opening Process allows interest residing on the Complex Order Book to trade at a single price within Boundary Prices that are constrained by the NBBO for the individual legs.¹⁹⁵ If the Complex Opening Process fails to discover an appropriate execution price (e.g., there is no valid Opening Price at or within the Boundary Prices), ISE continues the Complex Opening Process by performing an uncrossing, which provides additional execution opportunities by allowing Complex Orders to execute against leg market interest.¹⁹⁶

ISE states that the Complex Uncrossing Process, when used during regular trading, provides a fair and efficient means for executing Complex Orders or quotes when interest that is locked or crossed becomes executable.¹⁹⁷ As described more fully above, when Complex Orders or quotes become executable, the Complex Uncrossing Process identifies the oldest interest on

¹⁹⁵ See id. at 31796.

¹⁹⁶ ISE also performs an uncrossing if there is interest that is locked or crossed after Complex Orders and quotes are executed in the Complex Opening Price Determination. See id.

¹⁹⁷ See id.

the Complex Order Book and matches it pursuant to proposed ISE Rule 722(d)(2)-(3) with resting contra-side interest.¹⁹⁸ This process is repeated until the Complex Order Book is no longer executable.¹⁹⁹ The Commission believes that the Complex Uncrossing Process is designed to provide for the execution in accordance with ISE's rules of Complex Orders and other interest on ISE that becomes executable during regular trading or as part of the Complex Opening Process.

E. Complex Order Exposure Process

The Complex Order exposure auction process will allow members to expose eligible Complex Orders for price improvement. ISE notes that the exposure process will not interrupt the processing of Complex Orders because the exposure period for a Complex Order will end immediately upon the receipt of a Complex Order or quote for the same complex strategy on either side of the market that is marketable against the complex order book or bids and offers for the individual legs, thereby assuring that incoming orders are not delayed by the exposure process.²⁰⁰ In addition, the exposure period will be terminated upon the receipt of a nonmarketable Complex Order or quote for the same complex strategy on the same side of the market that would cause the price of the Complex Order to be outside of the best bid or offer for the same complex strategy on the complex order book, which protects the Complex Order being exposed from missing an execution opportunity.²⁰¹ ISE notes that no market participants are

¹⁹⁸ See proposed ISE Rule 722, Supplementary Material .12(b).

¹⁹⁹ See proposed ISE Rule 722, Supplementary Material .12(b)(iii).

²⁰⁰ See Notice, 83 FR at 31797. See also proposed ISE Rule 722, Supplementary Material .01(b)(ii).

²⁰¹ See Notice, 83 FR at 31797.

excluded from initiating or participating in a Complex Order exposure auction.²⁰² The Commission believes that the exposure auction process may provide additional opportunities for Complex Orders to receive price improvement. The Commission notes that other options exchanges provide similar auctions for complex orders.²⁰³

F. Internalization and Crossing

1. Complex Facilitation Mechanism and Complex Solicited Order Mechanism

The Commission believes that the Complex Facilitation Mechanism and the Complex Solicited Order Mechanism may provide opportunities for Complex Orders to receive price improvement. ISE members may submit a customer Complex Order and matching contra-side interest into the Complex Facilitation Mechanism or the Complex Solicited Order Mechanism for price improvement. Upon entry of a Complex Order into one of the mechanisms, ISE sends member a broadcast message that includes the net price, side, and size of the Agency Complex Order, and members may enter Responses with the net prices and sizes at which they wish to participate in the execution of the Agency Complex Order.²⁰⁴ At the conclusion of the auction, a Complex Order entered into the Complex Facilitation Mechanism or the Complex Solicited Order Mechanism receives an execution at the best price available and, at a minimum, is executed in full against the matching contra-side interest. Thus, a Complex Order entered into the Complex Facilitation Mechanism or the Complex Solicited Order Mechanism is guaranteed an execution at the conclusion of the auction and may be executed at an improved price.²⁰⁵ The

²⁰² See id.

²⁰³ See, e.g., Cboe Rule 6.53C(d); and EDGX Rule 21.20(d).

²⁰⁴ See proposed ISE Rules 722, Supplementary Material .08(a)(3) and (b)(3).

²⁰⁵ See proposed ISE Rules 722, Supplementary Material .08(a)(1)(iv) and (b)(4)(iii).

Commission notes that ISE also operates Facilitation Mechanism and Solicited Order Mechanism auctions for orders for a single option series.²⁰⁶

2. Complex PIM

The Commission believes that the Complex PIM may provide opportunities for Complex Orders to receive price improvement. A Complex Order entered into Complex PIM auction must be stopped at a price that is better than the best net price (i) available on the Complex Order book on both sides of the market; and (ii) achievable from the best ISE bids and offers for the individual legs on both sides of the market (an “improved net price”).²⁰⁷ A member enters an Agency Complex Order into the Complex PIM against principal or solicited interest for execution.²⁰⁸ At the conclusion of the exposure period, the Agency Complex Order will be executed in full at the best prices available, taking into consideration Complex Orders and quotes in the Complex Order book, Improvement Complex Orders, the Counter-Side Order, and, for Complex Options Orders, the ISE best bids and offers on the individual legs.²⁰⁹ Thus, a Complex Order entered into a Complex PIM auction would receive an execution at the best price available at the conclusion of the auction and, at a minimum, would be executed in full at the improved net price. The Commission notes that other options exchanges have adopted similar rules to permit the entry of complex orders into an electronic price improvement auction process.²¹⁰ In addition, the Commission notes that ISE operates a PIM auction for orders for a single option series.²¹¹

²⁰⁶ See ISE Rule 716(d) and (e).

²⁰⁷ See proposed ISE Rule 722, Supplementary Material .08(c)(2).

²⁰⁸ See proposed ISE Rule 722, Supplementary Material .08(c)(1).

²⁰⁹ See proposed ISE Rule 722, Supplementary Material .08(c)(5).

²¹⁰ See, e.g., BOX Rule 7245; Cboe Rule 6.74A; MIAX Rule 515A, Interpretation and

3. Complex Customer Cross Orders, Complex QCC Orders, and Complex QCC with Stock Orders

ISE's proposed Customer Cross Complex Orders allow for the crossing of Priority Customer Complex Orders in a manner similar to other customer crossing rules that the Commission has previously approved for another options exchange.²¹² The Commission believes that ISE's proposed Customer Cross Complex Orders are consistent with the Act and do not raise any novel or significant issues.

ISE's proposed Complex QCC rules permit Complex Orders to participate in a clean cross of the options leg of a subset of qualified contingent trades in a similar manner as Qualified Contingent Cross Orders already permitted on ISE.²¹³ The Commission notes that, under the proposal (1) a Complex QCC Order must be part of a qualified contingent trade under Regulation NMS;²¹⁴ (2) each options leg of a Complex QCC Order must be for 1,000 contracts; and (3) the options legs of the Complex QCC Order must be executed at prices that (A) are at or between the NBBO for the individual series, and (B) comply with the provisions of proposed ISE Rule 722(c)(2)(i), provided that no options leg of a Complex QCC Order can be executed at the

Policy .12; and NYSE American Rule 971.2NY.

²¹¹ See ISE Rule 723.

²¹² See MIAX Rule 518(h)(3). See also Cboe Rule 6.74A, Interpretation and Policy .08(b).

²¹³ See ISE Rule 721(b). See also Securities Exchange Act Release Nos. 64653 (June 13, 2011), 76 FR 35491 (June 17, 2011) (order approving File No. SR-CBOE-2011-41); and 63955 (February 24, 2011), 76 FR 11533 (March 2, 2011) (order approving File No. SR-ISE-2010-73). The Commission has granted an exemption for qualified contingent trades that meet certain requirements from Rule 611(a) of Regulation NMS, 17 CFR 242.611(a) (the "NMS QCT Exemption"). See Securities Exchange Act Release No. 57620 (April 4, 2008), 73 FR 19271 (April 9, 2008) (which supersedes a release initially granting the NMS QCT Exemption, Securities Exchange Act Release No. 54389 (August 31, 2006), 71 FR 52829 (September 7, 2006)).

²¹⁴ See note 139, *supra*.

same price as a Priority Customer Order on ISE in the individual options series. The Commission believes that these requirements establish a limited exception to the general principle of exposure and retain the general principle of customer priority in the options markets. In addition, the requirement that a Complex QCC Order be part of a qualified contingent trade by satisfying each of the six underlying requirements of the NMS QCT Exemption, and the requirement that each options leg of a Complex QCC Order be for a minimum size of 1,000 contracts, provide another limit to the use of Complex QCC Orders by ensuring that only transactions of significant size may avail themselves of this order type. The Commission notes that ISE's proposed rules for Complex QCC Orders are similar to the rules of another options exchange.²¹⁵

The Commission believes that ISE's proposed Complex QCC with Stock Orders could help ISE members comply with the requirement to execute the stock component of a qualified contingent trade. The Commission notes that the requirements of ISE Rule 721, Supplementary Material .01-.03 apply to the entry and execution of Complex QCC with Stock Orders.²¹⁶ The Commission further notes that a member that executes the options component of a qualified contingent trade entered as a Complex QCC with Stock Order remains responsible for the execution of the stock component if it does not receive an execution from its designated broker-dealer.²¹⁷

G. Concurrent Auctions

²¹⁵ See MIAX Rule 515(h)(4).

²¹⁶ See proposed ISE Rule 722, Supplementary Material .08(f)(4).

²¹⁷ See ISE Rule 721, Supplementary Material .03.

ISE proposes to permit certain auctions for complex strategies to operate concurrently with auctions for a single option series that is a component of the complex strategy.²¹⁸ The Commission believes that ISE's proposed rule provides for the orderly processing of concurrent complex and single leg auctions. The Commission notes that another options exchange has adopted similar rules.²¹⁹

In addition, ISE proposes to delete from ISE Rule 722 language indicating that ISE will recommence concurrent Complex Order auctions in or before April 17, 2019, and to adopt a rule indicating that only one auction in a complex strategy will be ongoing at any given time.²²⁰ As noted above, ISE states that no member has complained or expressed concern about the absence of the concurrent auction functionality, which has not operated on ISE since 2017.²²¹ ISE further states that, prior to the migration to the INET platform, concurrent auctions in a complex strategy occurred rarely, approximately 0.5% of the time that an auction ran on the Exchange.²²² Because concurrent auctions for a complex strategy occurred infrequently, the Commission does not believe that the elimination of the concurrent auction functionality for complex strategies will significantly affect investors or other market participants. In addition, in the absence of the concurrent auction functionality, a market participant with auction-eligible interest that wished to initiate an auction on ISE could wait for an ongoing auction to conclude or submit its interest to

²¹⁸ See proposed ISE Rule 722, Supplementary Material .08(h).

²¹⁹ See NYSE American Rules 971.1NY, Commentary .01, and 971.2NY, Commentary .03.

²²⁰ See proposed ISE Rule 722, Supplementary Material .08(g) and Amendment No. 1.

²²¹ See Amendment No. 1.

²²² See April Notice, 82 FR at 19131. See also Amendment No. 1.

another exchange. The Commission notes that another options market does not permit concurrent auctions for the same complex strategy.²²³

H. Stock-Option and Stock-Complex Orders

Proposed ISE Rule 722, Supplementary Material .13 allows members to submit only Stock-Option and Stock-Complex Orders and quotes that comply with the QCT Exemption from Rule 611(a) of Regulation NMS. The proposed rule further requires that the stock leg of a Stock-Option Order be marked “buy,” “sell,” “sell short,” or “sell short exempt” in compliance with Regulation SHO under the Exchange Act. The Commission notes that other options exchanges have adopted similar rules.²²⁴ Accordingly, the Commission does not believe that proposed ISE Rule 722, Supplementary Material .13 raises novel regulatory issues.

I. Additional Changes

The Commission believes that the proposed change to ISE Rules 722, Supplementary Material .03 makes clear that the market maker quoting functionality for Complex Orders will be available only in classes selected by ISE, consistent with ISE’s practice prior to the transition to the INET platform.²²⁵ In addition, the proposed changes to ISE Rule 722, Supplementary Material .04 make clear that the Market Maker Speed Bump applies only to Complex Options Strategies. The Commission believes that the changes to ISE Rule 722, Supplementary Material

²²³ See Phlx Rule 1098(e)(2). In addition, MIAX has the ability to limit the frequency of Complex Auctions by establishing a minimum time period between auctions. See MIAX Rule 518(d).

²²⁴ See, e.g., Cboe Rule 6.53C, Interpretation and Policy .06(a) and (e); MIAX Rule 518, Interpretation and Policy .01.

²²⁵ See Notice, 83 FR at 31788. ISE intends to continue this practice after the complex quoting functionality has been re-enabled on the INET platform. See *id.* at 31797. ISE notes that market makers can enter Complex Orders in all classes regardless of whether quoting is permitted. See *id.*

.03 and .04 will help to assure that the rules accurately describe the availability and operation of their respective functionalities.

The Commission believes that the proposed change to ISE Rule 722, Supplementary Material .07(a) to incorporate references to the stock leg of a Stock-Option or Stock-Complex Order revises the rule to reflect the manner in which Supplementary Material .07(a) applies to Complex Orders with a stock component. The Commission notes that the proposed changes to ISE Rule 722, Supplementary Material .07(d) include a similar clarification and also describe the application of the limit order price protection in Supplementary Material .07(d) to Limit Complex Orders to sell. The Commission believes that this change will assure that ISE Rule 722, Supplementary Material .07(d) accurately reflects the manner in which the limit order price protection applies to Limit Complex Orders to sell.

IV. Solicitation of Comments on Amendment No. 1

Interested persons are invited to submit written data, views, and arguments concerning whether Amendment No. 1 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-2018-56 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-ISE-2018-56. 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.

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-2018-56, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

V. Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1

The Commission finds good cause to approve the proposed rule change, as modified by Amendment No. 1, prior to the thirtieth day after the date of publication of the notice of Amendment No. 1 in the Federal Register. In Amendment No. 1, ISE revises its original proposal to make the changes discussed in detail above. Notably, in Amendment No. 1, ISE revises the proposal to discontinue offering Reserve Complex Orders. The Commission believes that eliminating Reserve Complex Orders will assure that all displayed interest on the Complex Order Book and on the regular book executes before non-displayed interest. Amendment No. 1

also provides that ISE will not re-introduce the auction functionality that permits concurrent auctions for the same complex strategy. For the reasons discussed above, the Commission does not believe that the elimination of this functionality will significantly affect investors or other market participants on ISE. Amendment No. 1 clarifies and provides additional detail to the text of the proposed rules, makes technical corrections, and provides additional analysis of the certain proposed changes, thus facilitating the Commission's ability to make the findings set forth above to approve the proposal. Accordingly, the Commission finds good cause for approving the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

VI. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,²²⁶ that the proposed rule change (SR-ISE-2018-56), as modified by Amendment No. 1, is approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²²⁷

Eduardo A. Aleman
Assistant Secretary

²²⁶ 15 U.S.C. 78s(b)(2).

²²⁷ 17 CFR 200.30-3(a)(12).