| OMB APPROVAL |
|---|
| OMB Number: 3235-0045<br>Estimated average burden<br>hours per response............38 |

*Required fields are shown with yellow backgrounds and asterisks.*



SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2015 - * 03
Amendment No. (req. for Amendments *)

Filing by International Securities Exchange

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

| Initial * | Amendment * | Withdrawal | Section 19(b)(2) * | Section 19(b)(3)(A) * | Section 19(b)(3)(B) * |
|---|---|---|---|---|---|
| ☑ | ☐ | ☐ | ☐ | ☑ | ☐ |

| Pilot | Extension of Time Period for Commission Action * | Date Expires * |
|---|---|---|
| ☐ | ☐ | |

Rule

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|---|---|
| ☐ 19b-4(f)(1) | ☐ 19b-4(f)(4) |
| ☑ 19b-4(f)(2) | ☐ 19b-4(f)(5) |
| ☐ 19b-4(f)(3) | ☐ 19b-4(f)(6) |

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposal to amend the Schedule of Fees.

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Adrian
Last Name * Griffiths
Title * Assistant General Counsel
E-mail * agriffiths@ise.com
Telephone * (212) 897-0367
Fax

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 01/08/2015

By Michael Simon
(Name *)

(Title *)
Secretary and General Counsel

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Persona Not Validated - 1412616495941,

*Required fields are shown with yellow backgrounds and asterisks.*

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

| | |
|---|---|
| **Form 19b-4 Information *** <br> Add Remove View | The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act. |
| **Exhibit 1 - Notice of Proposed Rule Change *** <br> Add Remove View | The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3) |
| **Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *** <br> Add Remove View | The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3) |
| **Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications** <br> Add Remove View <br> Exhibit Sent As Paper Document ☐ | Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G. |
| **Exhibit 3 - Form, Report, or Questionnaire** <br> Add Remove View <br> Exhibit Sent As Paper Document ☐ | Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change. |
| **Exhibit 4 - Marked Copies** <br> Add Remove View | The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working. |
| **Exhibit 5 - Proposed Rule Text** <br> Add Remove View | The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change. |
| **Partial Amendment** <br> Add Remove View | If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions. |

1. Text of the Proposed Rule Change

(a) The International Securities Exchange, LLC (the "Exchange" or "ISE") proposes to amend the Schedule of Fees to (1) increase the route-out fee applicable to Priority Customer orders routed to away markets, (2) adopt a stock handling fee for stock-option orders executed against other stock-option orders in the complex order book, (3) increase the Crossing Fee Cap subject to a discount for members that agree in advance to pay the full amount regardless of actual trading volume, and (4) remove certain obsolete text related to PrecISE fees.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The Exchange staff approved this proposed rule change pursuant to authority delegated to it by the Exchange's Board of Directors. This action constitutes the requisite approval under the Exchange's Certificate of Formation, Operating Agreement and Constitution.

3. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

(a) Purpose – The Exchange proposes to amend the Schedule of Fees (1) increase the route-out fee applicable to Priority Customer orders routed to away markets, (2) adopt a stock handling fee for stock-option orders executed against other stock-option orders in the complex order book, (3) increase the Crossing Fee Cap subject to a discount for members that agree in advance to pay the full amount regardless of actual trading volume, and (4) remove certain obsolete text related to PrecISE fees. Each of the proposed changes is described in more detail below. The Exchange's Schedule of Fees has separate fees applicable to Standard Options and Mini Options. The Exchange notes that while the discussion below relates to fees for Standard Options, the fees for Mini Options, which are not discussed below, are and shall continue to be 1/10th of the fees for Standard Options.

I. Route-Out Fees

The Exchange presently charges a route-out fee applicable to orders routed to away markets pursuant to the Options Order Protection and Locked/Crossed Market Plan (the "Plan"). For Market Maker,[1] Non-ISE Market Maker,[2] and Firm Proprietary[3] /

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

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

Broker-Dealer,[4] and Professional Customer[5] orders the route-out fee is $0.55 per contract in Select Symbols,[6] and $0.95 per contract in Non-Select Symbols.[7] For Priority Customer[8] orders in both Select and Non-Select Symbols the route-out fee is $0.45 per contract. The Exchange now proposes to increase the route-out fee to $0.48 per contract for Priority Customer orders in all symbols. The route-out fee for all other market participant types will remain at their current rates described above.

II. Stock Handling Fee for Stock-Option Orders

When an ISE member enters a stock-option order,[9] the Exchange electronically communicates the stock leg of the order to one or more broker-dealers for execution pursuant to Supplementary Material .02 to Rule 722. Currently, the Exchange provides this stock routing functionality as a free service to members, and simply passes-through fees charged by the broker-dealer.[10] The Exchange now proposes to introduce a stock handling fee of $0.0010 per share for the stock leg of stock-option orders executed against other stock-option orders in the complex order book.[11] This amount will include any fees charged by the stock venue that prints the trade, and an amount intended to compensate the Exchange for matching these stock-option orders against other stock-option orders on the complex order book. A maximum of $50 per trade will be assessed under this fee in order to ensure that market participants do not pay extremely large fees for the execution of the stock legs of stock-option orders. The Exchange will continue to bill pass-through fees for the stock leg of stock-option orders that trade against liquidity on the stock venue, instead of being matched in the complex order book.

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

[4] A Broker-Dealer order is an order submitted by a Member for a non-Member broker-dealer account.

[5] A Professional Customer is a person who is not a broker/dealer and is not a Priority Customer.

[6] "Select Symbols" are options overlying all symbols listed on the ISE that are in the Penny Pilot Program.

[7] "Non-Select Symbols" are options overlying all symbols excluding Select Symbols.

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

[9] See ISE Rule 722(a)(2).

[10] The Exchange charges for execution of the options leg(s) of stock-option orders.

[11] The Exchange notes that this stock handling fee, which is for the stock leg of stock-option orders and is therefore charged per share rather than per contract, is the same regardless of whether the options leg(s) is for Standard or Mini Option contracts.

III. Crossing Fee Cap

The Exchange currently has a Crossing Fee Cap of $65,000 per month which applies to Firm Proprietary and Non-ISE Market Maker transactions that are part of the originating or contra side of a Crossing Order[12] executed by a member or its affiliate, provided there is at least 75% common ownership between the firms as reflected on each firm's Form BD, Schedule A.[13] The Exchange now proposes to increase the Crossing Fee Cap to $75,000 per month; provided, however, that members that commit in advance to paying the full Crossing Fee Cap at the end of each month will instead have these fees capped at the current $65,000 per month. Members that commit to the discounted Crossing Fee Cap must indicate their desire to do so prior to the start of the month in a form determined by the Exchange. By committing to the Crossing Fee Cap, members agree to pay the full $65,000 per month regardless of actual trading volume.

IV. PrecISE Fee Waiver: Obsolete Text

On October 15, 2014 the Exchange filed an immediately effective proposed rule change that adopted a limited waiver of PrecISE Trade® ("PrecISE") fees for Electronic Access Members ("EAMs") and sponsored customers that execute a high volume of Crossing Orders in a given month.[14] As the proposed rule change was filed in the middle of a calendar month, the PrecISE waiver for the first billing cycle was based on a prorated volume threshold for crossing volume executed from October 16, 2014 to October 31, 2014. As the first billing cycle has now passed, the Exchange proposes to remove this outdated reference from the Schedule of Fees.

(b) Basis – The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,[15] in general, and Section 6(b)(4) of the Act,[16] in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities.

I. Route-Out Fees

The Exchange believes the proposed route-out fees are reasonable and equitable as they offset costs incurred by the Exchange in connection with using unaffiliated broker-dealers ("Linkage Handlers") to access other exchanges for linkage executions pursuant to Supplementary Material .03 to Rule 1901. Due to increasing taker fees for accessing liquidity on other markets, the Exchange must periodically raise its route-out fees to recoup the higher costs associated with executing orders on away markets. Other

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[12] Crossing Orders are contracts that are submitted as part of a Facilitation, Solicitation, PIM, Block or QCC order.

[13] Fees for Responses to Crossing Orders and surcharge fees for licensed products are not included in the calculation of the monthly fee cap.

[14] See Securities Exchange Act Release No. 73440 (October 27, 2014), 79 FR 64857 (October 31, 2014) (SR-ISE-2014-48).

[15] 15 U.S.C. 78f.

[16] 15 U.S.C. 78f(b)(4).

exchanges currently charge a variety of routing related fees associated with orders that are subject to linkage handling. The route-out fees proposed herein are within the range of fees charged by these competitor exchanges. Furthermore, the Exchange believes that the proposed fees are not unfairly discriminatory because these fees would be uniformly applied to all Priority Customer orders routed to away markets. As has historically been the case, Priority Customer orders will continue to pay lower route-out fees than orders from other market participants, including Professional Customers. The Exchange believes that it is equitable and not unfairly discriminatory to charge lower fees for Priority Customer orders as a Priority Customer is by definition not a broker or dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). This limitation does not apply to participants whose behavior is substantially similar to that of market professionals, including, Professional Customers, who will generally submit a higher number of orders (many of which do not result in executions) than Priority Customers. Moreover, the Exchange notes that Priority Customer orders are often charged lower taker fees on other options exchanges, meaning that the execution costs to the Exchange for routing these orders is correspondingly lower. As such, the Exchange believes that it is equitable and not unfairly discriminatory to pass on this cost savings to the firms entering these orders.

II. Stock Handling Fee for Stock-Option Orders

The Exchange believes the proposed stock handling fee for stock-option orders is reasonable and equitable as the proposed fee will cover the costs of developing and maintaining the systems that allow for the matching and processing of the stock legs of stock-option orders executed in the complex order book, and fees assessed to the Exchange by broker-dealers contracted to provide stock execution services. The Exchange notes that the Chicago Board Options Exchange, Inc. ("CBOE") also charges a similar stock handling fee of $0.0010 per share (capped at $50 per order).[17] The Exchange believes that it is reasonable and equitable to charge a similar fee for the execution of stock-option orders on the ISE. In addition, the Exchange believes that the proposed fee is not unfairly discriminatory as it will be uniformly applied to all members that execute stock-option orders on the Exchange.

III. Crossing Fee Cap

The Exchange believes that it is reasonable and equitable to increase the Crossing Fee Cap, and introduce a discount for members that agree to pay the full Crossing Fee Cap at the end of each month, as these changes are intended to incentivize members to bring Crossing Order flow to the Exchange. Members that do not elect to pay the discounted rate in full at the end of each month will remain eligible to have their fees capped at $75,000 – the level previously available on the Exchange before the Crossing Fee Cap was lowered to its current level in August 2014 – while also retaining the current benefit of a waived service fee for the execution of orders above the cap.[18] At the same

[17] See Securities Exchange Act Release No. 67383 (July 10, 2012), 77 FR 41841 (July 16, 2012) (SR-CBOE-2012-063).

[18] See Securities Exchange Act Release No. 72817 (August 12, 2014), 79 FR 48801 (August 18, 2014) (SR-ISE-2014-39).

time, members that commit to their Crossing Order fees in advance will receive a discounted rate, which will encourage members to bring their Crossing Order flow to the ISE, to the benefit of all members and investors that trade on the Exchange. Furthermore, the Exchange believes that the proposed changes to the Crossing Fee Cap are not unfairly discriminatory because all members will have the option to make the required commitment in order to qualify for the discounted Crossing Fee Cap. The Crossing Fee Cap will be uniformly applied to members based on their election.

IV. PrecISE Fee Waiver: Obsolete Text

The Exchange believes that it is reasonable, equitable, and not unfairly discriminatory to remove text in the Schedule of Fees related to PrecISE fees for the billing period that ended on November 15, 2014 as this date has passed. Removing the obsolete text will increase the clarity of the Schedule of Fees to the benefit of members and investors that trade on the ISE.

The Exchange notes that it has determined to charge fees and provide rebates in Mini Options at a rate that is 1/10th the rate of fees and rebates the Exchange provides for trading in Standard Options. The Exchange believes it is reasonable and equitable and not unfairly discriminatory to assess lower fees and rebates to provide market participants an incentive to trade Mini Options on the Exchange. The Exchange believes the proposed fees and rebates are reasonable and equitable in light of the fact that Mini Options have a smaller exercise and assignment value, specifically 1/10th that of a standard option contract, and, as such, is providing fees and rebates for Mini Options that are 1/10th of those applicable to Standard Options.

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

In accordance with Section 6(b)(8) of the Act,[19] the Exchange does not believe that the proposed rule change will impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed fees are similar to – and within the range of – fees charged by the Exchange’s competitors. The Exchange operates in a highly competitive market in which market participants can readily direct their order flow to competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees and rebates to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed fee changes reflect this competitive environment.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

[19] 15 U.S.C. 78f(b)(8).

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Pursuant to Section 19(b)(3)(A)(ii) of the Act,[20] the Exchange has designated this proposal as establishing or changing a due, fee or other charge imposed on any person, whether or not the person is a member of a self-regulatory organization, which renders the proposed rule change effective upon filing.

8. Proposed Rule change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advanced Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1 – Form of Notice of Proposed Rule Change for Publication in the Federal Register.

Exhibit 5 – Text of the Proposed Rule Change.

[20] 15 U.S.C. 78s(b)(3)(A)(ii).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-ISE-2015-03)

[Date]

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on January 8, 2015, the International Securities Exchange, LLC (the "Exchange" or the "ISE") filed with the Securities and Exchange Commission the proposed rule change, as described in Items I, II, and III below, which items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The ISE proposes to amend the Schedule of Fees to (1) increase the route-out fee applicable to Priority Customer orders routed to away markets, (2) adopt a stock handling fee for stock-option orders executed against other stock-option orders in the complex order book, (3) increase the Crossing Fee Cap subject to a discount for members that agree in advance to pay the full amount regardless of actual trading volume, and (4) remove certain obsolete text related to PrecISE fees. The text of the proposed rule change is available on the Exchange's Web site (http://www.ise.com), at the principal office of the Exchange, and at the Commission's Public Reference Room.

[1] 15 U.S.C. 78s(b)(1).
[2] 17 CFR 240.19b-4.

## II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

#### 1. Purpose

The Exchange proposes to amend the Schedule of Fees (1) increase the route-out fee applicable to Priority Customer orders routed to away markets, (2) adopt a stock handling fee for stock-option orders executed against other stock-option orders in the complex order book, (3) increase the Crossing Fee Cap subject to a discount for members that agree in advance to pay the full amount regardless of actual trading volume, and (4) remove certain obsolete text related to PrecISE fees. Each of the proposed changes is described in more detail below. The Exchange's Schedule of Fees has separate fees applicable to Standard Options and Mini Options. The Exchange notes that while the discussion below relates to fees for Standard Options, the fees for Mini Options, which are not discussed below, are and shall continue to be 1/10th of the fees for Standard Options.

#### I. Route-Out Fees

The Exchange presently charges a route-out fee applicable to orders routed to away markets pursuant to the Options Order Protection and Locked/Crossed Market Plan (the “Plan”). For Market Maker,[3] Non-ISE Market Maker,[4] and Firm Proprietary[5] / Broker-Dealer,[6] and Professional Customer[7] orders the route-out fee is $0.55 per contract in Select Symbols,[8] and $0.95 per contract in Non-Select Symbols.[9] For Priority Customer[10] orders in both Select and Non-Select Symbols the route-out fee is $0.45 per contract. The Exchange now proposes to increase the route-out fee to $0.48 per contract for Priority Customer orders in all symbols. The route-out fee for all other market participant types will remain at their current rates described above.

II. Stock Handling Fee for Stock-Option Orders

When an ISE member enters a stock-option order,[11] the Exchange electronically communicates the stock leg of the order to one or more broker-dealers for execution pursuant to Supplementary Material .02 to Rule 722. Currently, the Exchange provides this stock routing functionality as a free service to members, and simply passes-through fees charged by the broker-dealer.[12] The Exchange now proposes to introduce a stock

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[3] The term “Market Makers” refers to “Competitive Market Makers” and “Primary Market Makers” collectively. See ISE Rule 100(a)(25).

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

[5] A “Firm Proprietary” order is an order submitted by a member for its own proprietary account.

[6] A Broker-Dealer order is an order submitted by a Member for a non-Member broker-dealer account.

[7] A Professional Customer is a person who is not a broker/dealer and is not a Priority Customer.

[8] “Select Symbols” are options overlying all symbols listed on the ISE that are in the Penny Pilot Program.

[9] “Non-Select Symbols” are options overlying all symbols excluding Select Symbols.

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

[11] See ISE Rule 722(a)(2).

[12] The Exchange charges for execution of the options leg(s) of stock-option orders.

handling fee of $0.0010 per share for the stock leg of stock-option orders executed against other stock-option orders in the complex order book.[13] This amount will include any fees charged by the stock venue that prints the trade, and an amount intended to compensate the Exchange for matching these stock-option orders against other stock-option orders on the complex order book. A maximum of $50 per trade will be assessed under this fee in order to ensure that market participants do not pay extremely large fees for the execution of the stock legs of stock-option orders. The Exchange will continue to bill pass-through fees for the stock leg of stock-option orders that trade against liquidity on the stock venue, instead of being matched in the complex order book.

III. Crossing Fee Cap

The Exchange currently has a Crossing Fee Cap of $65,000 per month which applies to Firm Proprietary and Non-ISE Market Maker transactions that are part of the originating or contra side of a Crossing Order[14] executed by a member or its affiliate, provided there is at least 75% common ownership between the firms as reflected on each firm's Form BD, Schedule A.[15] The Exchange now proposes to increase the Crossing Fee Cap to $75,000 per month; provided, however, that members that commit in advance to paying the full Crossing Fee Cap at the end of each month will instead have these fees capped at the current $65,000 per month. Members that commit to the discounted Crossing Fee Cap must indicate their desire to do so prior to the start of the month in a

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[13] The Exchange notes that this stock handling fee, which is for the stock leg of stock-option orders and is therefore charged per share rather than per contract, is the same regardless of whether the options leg(s) is for Standard or Mini Option contracts.

[14] Crossing Orders are contracts that are submitted as part of a Facilitation, Solicitation, PIM, Block or QCC order.

[15] Fees for Responses to Crossing Orders and surcharge fees for licensed products are not included in the calculation of the monthly fee cap.

form determined by the Exchange. By committing to the Crossing Fee Cap, members agree to pay the full $65,000 per month regardless of actual trading volume.

IV. PrecISE Fee Waiver: Obsolete Text

On October 15, 2014 the Exchange filed an immediately effective proposed rule change that adopted a limited waiver of PrecISE Trade® ("PrecISE") fees for Electronic Access Members ("EAMs") and sponsored customers that execute a high volume of Crossing Orders in a given month.[16] As the proposed rule change was filed in the middle of a calendar month, the PrecISE waiver for the first billing cycle was based on a prorated volume threshold for crossing volume executed from October 16, 2014 to October 31, 2014. As the first billing cycle has now passed, the Exchange proposes to remove this outdated reference from the Schedule of Fees.

2. Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,[17] in general, and Section 6(b)(4) of the Act,[18] in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities.

I. Route-Out Fees

The Exchange believes the proposed route-out fees are reasonable and equitable as they offset costs incurred by the Exchange in connection with using unaffiliated broker-dealers ("Linkage Handlers") to access other exchanges for linkage executions pursuant to Supplementary Material .03 to Rule 1901. Due to increasing taker fees for

[16] See Securities Exchange Act Release No. 73440 (October 27, 2014), 79 FR 64857 (October 31, 2014) (SR-ISE-2014-48).
[17] 15 U.S.C. 78f.
[18] 15 U.S.C. 78f(b)(4).

accessing liquidity on other markets, the Exchange must periodically raise its route-out fees to recoup the higher costs associated with executing orders on away markets. Other exchanges currently charge a variety of routing related fees associated with orders that are subject to linkage handling. The route-out fees proposed herein are within the range of fees charged by these competitor exchanges. Furthermore, the Exchange believes that the proposed fees are not unfairly discriminatory because these fees would be uniformly applied to all Priority Customer orders routed to away markets. As has historically been the case, Priority Customer orders will continue to pay lower route-out fees than orders from other market participants, including Professional Customers. The Exchange believes that it is equitable and not unfairly discriminatory to charge lower fees for Priority Customer orders as a Priority Customer is by definition not a broker or dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). This limitation does not apply to participants whose behavior is substantially similar to that of market professionals, including, Professional Customers, who will generally submit a higher number of orders (many of which do not result in executions) than Priority Customers. Moreover, the Exchange notes that Priority Customer orders are often charged lower taker fees on other options exchanges, meaning that the execution costs to the Exchange for routing these orders is correspondingly lower. As such, the Exchange believes that it is equitable and not unfairly discriminatory to pass on this cost savings to the firms entering these orders.

II. <u>Stock Handling Fee for Stock-Option Orders</u>

The Exchange believes the proposed stock handling fee for stock-option orders is reasonable and equitable as the proposed fee will cover the costs of developing and maintaining the systems that allow for the matching and processing of the stock legs of stock-option orders executed in the complex order book, and fees assessed to the Exchange by broker-dealers contracted to provide stock execution services. The Exchange notes that the Chicago Board Options Exchange, Inc. ("CBOE") also charges a similar stock handling fee of $0.0010 per share (capped at $50 per order).[19] The Exchange believes that it is reasonable and equitable to charge a similar fee for the execution of stock-option orders on the ISE. In addition, the Exchange believes that the proposed fee is not unfairly discriminatory as it will be uniformly applied to all members that execute stock-option orders on the Exchange.

III. Crossing Fee Cap

The Exchange believes that it is reasonable and equitable to increase the Crossing Fee Cap, and introduce a discount for members that agree to pay the full Crossing Fee Cap at the end of each month, as these changes are intended to incentivize members to bring Crossing Order flow to the Exchange. Members that do not elect to pay the discounted rate in full at the end of each month will remain eligible to have their fees capped at $75,000 – the level previously available on the Exchange before the Crossing Fee Cap was lowered to its current level in August 2014 – while also retaining the current benefit of a waived service fee for the execution of orders above the cap.[20] At the same time, members that commit to their Crossing Order fees in advance will receive a discounted rate, which will encourage members to bring their Crossing Order flow to the ISE, to the benefit of all members and investors that trade on the Exchange. Furthermore, the Exchange believes that the proposed changes to the Crossing Fee Cap are not unfairly discriminatory because all members will have the option to make the required

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[19] See Securities Exchange Act Release No. 67383 (July 10, 2012), 77 FR 41841 (July 16, 2012) (SR-CBOE-2012-063).

[20] See Securities Exchange Act Release No. 72817 (August 12, 2014), 79 FR 48801 (August 18, 2014) (SR-ISE-2014-39).

commitment in order to qualify for the discounted Crossing Fee Cap. The Crossing Fee Cap will be uniformly applied to members based on their election.

IV. PrecISE Fee Waiver: Obsolete Text

The Exchange believes that it is reasonable, equitable, and not unfairly discriminatory to remove text in the Schedule of Fees related to PrecISE fees for the billing period that ended on November 15, 2014 as this date has passed. Removing the obsolete text will increase the clarity of the Schedule of Fees to the benefit of members and investors that trade on the ISE.

The Exchange notes that it has determined to charge fees and provide rebates in Mini Options at a rate that is 1/10th the rate of fees and rebates the Exchange provides for trading in Standard Options. The Exchange believes it is reasonable and equitable and not unfairly discriminatory to assess lower fees and rebates to provide market participants an incentive to trade Mini Options on the Exchange. The Exchange believes the proposed fees and rebates are reasonable and equitable in light of the fact that Mini Options have a smaller exercise and assignment value, specifically 1/10th that of a standard option contract, and, as such, is providing fees and rebates for Mini Options that are 1/10th of those applicable to Standard Options.

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

In accordance with Section 6(b)(8) of the Act,[21] the Exchange does not believe that the proposed rule change will impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed fees are similar to – and within the range of – fees charged by the Exchange's competitors. The Exchange operates in a highly competitive market in which

[21] 15 U.S.C. 78f(b)(8).

market participants can readily direct their order flow to competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees and rebates to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed fee changes reflect this competitive environment.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act[22] and subparagraph (f)(2) of Rule 19b-4 thereunder,[23] because it establishes a due, fee, or other charge imposed by ISE.

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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[22] 15 U.S.C. 78s(b)(3)(A)(ii).
[23] 17 CFR 240.19b-4(f)(2).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form http://www.sec.gov/rules/sro.shtml); or
- Send an E-mail to rule-comments@sec.gov. Please include File No. SR-ISE-2015-03 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-ISE-2015-03. 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 Commissions Internet Web site (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 Web site viewing and printing in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of the ISE. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ISE-2015-03 and should be submitted by [insert date 21 days from the date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[24]

Secretary

[24] 17 CFR 200.30-3(a)(12).

Exhibit 5 - Text of the Proposed Rule Change
Underlining indicates additions; [Brackets] indicate deletion

* * *

**II. Complex Order Fees and Rebates for Standard Options**

* * *

12. The Exchange will charge a stock handling fee of $0.0010 per share (capped at $50 per trade) for the stock leg of stock-option orders executed against other stock-option orders in the complex order book.

* * *

**IV. Complex Order Fees and Rebates for Mini Options**

* * *

10. The Exchange will charge a stock handling fee of $0.0010 per share (capped at $50 per trade) for the stock leg of stock-option orders executed against other stock-option orders in the complex order book.

* * *

**VI. Other Options Fees and Rebates**

* * *

**F. Route-Out Fees[1]**

| Market Participant | Select Symbols in Standard Options | Select Symbols in Mini Options | Non-Select Symbols in Standard Options | Non-Select Symbols in Mini Options |
|---|---|---|---|---|
| Market Maker | $0.55 | $0.055 | $0.95 | $0.095 |
| Non-ISE Market Maker (FarMM) | $0.55 | $0.055 | $0.95 | $0.095 |
| Firm Proprietary / Broker-Dealer | $0.55 | $0.055 | $0.95 | $0.095 |
| Professional Customer | $0.55 | $0.055 | $0.95 | $0.095 |
| Priority Customer | [$0.45]<br>$0.48 | [$0.045]<br>$0.048 | [$0.45]<br>$0.48 | [$0.045]<br>$0.048 |

1. Fee applies to executions of orders in all symbols that are routed to one or more exchanges in connection with the Options Order Protection and Locked/Crossed Market Plan.

* * *

**H. Crossing Fee Cap**

Fees are capped at [$65,000] $75,000 per month per member on all Firm Proprietary and Non-ISE Market Maker transactions that are part of the originating or contra side of a Crossing Order. Members that elect prior to the start of the month to pay $65,000 per month will have these crossing fees capped at that level instead. Crossing Orders are contracts that are submitted as part of a Facilitation, Solicitation, PIM, Block or QCC order. All eligible volume from affiliated Members will be aggregated for purposes of the Crossing Fee Cap, provided there is at least 75% common ownership between the Members as reflected on each Member's Form BD, Schedule A. Fees charged by the Exchange for Responses to Crossing Orders are not included in the calculation of the monthly fee cap. Surcharge fees charged by the Exchange for licensed products are not included in the calculation of the monthly fee cap. A service fee of $0.00 per side for Standard Options ($0.000 per side for Mini Options) will apply to all order types that are eligible for the fee cap. The service fee shall apply once a member reaches the fee cap level and shall apply to every contract side above the fee cap. A member who does not reach the monthly fee cap will not be charged the service fee. Once the fee cap is reached, the service fee shall apply to eligible Firm Proprietary and Non-ISE market Maker orders in all ISE products. The service fee is not calculated in reaching the cap.

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**VII. Trading Application Software**

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**B. Software License & Maintenance**

1. PrecISE Trade® Terminal Fee – This fee is waived for the first two months for all new users.
   $350 per logged-in user per month, for the first 10 users.*
   $100 per logged-in user per month, for each subsequent user.

2. PrecISE Trade® Terminal Sponsored Customer Fee - This fee is waived for the first two months for all new users of a sponsored customer. This fee applies only to sponsored customers of non-affiliated firms.
   $350 per logged-in user per month, for the first 10 users.*
   $100 per logged-in user per month, for each subsequent user.

3. Intermediate Routing Destination ("IRD"). A $20 fee is charged to an IRD for each PrecISE Trade terminal that is authorized to send such IRD orders. An IRD is an ISE member that receives orders from another ISE member via a PrecISE Trade terminal and routes those orders to other options exchanges.

* PrecISE Trade® fee waived for first five (5) users if the EAM or sponsored customer executes a minimum of 1.5 million crossing contracts during the prior calendar month. [For the billing period from October 16, 2014 to November 15, 2014 only, the PrecISE Trade® fee will be waived for the first five (5) users if the EAM or sponsored customer executes a minimum of 750,000 crossing contracts from October 16, 2014 to October 31, 2014.] Free users will count towards the first ten (10) users otherwise subject to the higher $350 per user fee.

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