

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 26	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2017 - * 58	Amendment No. (req. for Amendments *)
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Filing by Nasdaq ISE, LLC
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

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

Proposal to amend ISE Rule 715(b)(3) to specify an exception to the manner in which Immediate-or-Cancel Orders will be handled by the System when entered through the Specialized Quote Feed protocol.

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 * Senior Associate General Counsel

E-mail * Adrian.Griffiths@nasdaq.com

Telephone * (212) 231-5176 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.

(Title *)

Date 06/19/2017

By Edward S. Knight

Executive Vice President and General Counsel

edward.knight@nasdaq.com

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.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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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 *

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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 *

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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

Add Remove View

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

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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

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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

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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

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) Nasdaq ISE, LLC (“ISE” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend ISE Rule 715(b)(3) to specify an exception to the manner in which Immediate-or-Cancel Orders will be handled by the System when entered through the Specialized Quote Feed³ (“SQF”) protocol.

The Exchange requests that the Commission waive the 30-day operative delay period contained in Exchange Act Rule 19b-4(f)(6)(iii).⁴

A notice of the proposed rule change for publication in the Federal Register is attached as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors (the “Board”) on August 15, 2016. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ SQF is an interface that allows Market Makers to connect and send quotes, Immediate-or-Cancel Orders and auction responses into ISE.

⁴ 17 CFR 240.19b-4(f)(6)(iii).

Questions and comments on the proposed rule change may be directed to:

Adrian Griffiths
Senior Associate General Counsel
Nasdaq, Inc.
212-231-5176

Angela Saccomandi Dunn
Principal Associate General Counsel
Nasdaq, Inc.
215-496-5692

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

a. Purpose

The Exchange is proposing to amend ISE Rule 715(b)(3) to specify the manner in which an Immediate-or-Cancel Order will interact with certain order protections when entered through SQF. An Immediate-or-Cancel Order is defined as a limit order that is to be executed in whole or in part upon receipt. Any portion not so executed is to be treated as cancelled.⁵ SQF is an interface that is being introduced with the technology migration to a Nasdaq, Inc. (“Nasdaq”) supported architecture.⁶ Today, Members may enter orders through FIX, DTI or Nasdaq Precise on ISE. After the migration to the INET architecture, Members will continue to be able to submit orders through FIX or Nasdaq

⁵ See ISE Rule 715(b)(3). Immediate-or Cancel Orders do not route.

⁶ See Securities Exchange Act Release No. 80432 (April 11, 2017 (SR-ISE-2017-03) (Order Approving Proposed Rule Change, as Modified by Amendment No. 1, to Amend Various Rules in Connection with a System Migration to Nasdaq INET Technology). INET is the proprietary core technology utilized across Nasdaq’s global markets and utilized on The NASDAQ Options Market LLC (“NOM”), NASDAQ PHLX LLC (“Phlx”) and NASDAQ BX, Inc. (“BX”) (collectively, “Nasdaq Exchanges”). The migration of ISE to the Nasdaq INET architecture would result in higher performance, scalability, and more robust architecture. With this system migration, the Exchange intends to adopt certain trading functionality currently utilized at Nasdaq Exchanges. The functionality being adopted is described in this filing.

Precise, as is the case today, and OTTO will also be available to enter orders. SQF will be available for Market Makers⁷ to enter quotes and also Immediate-or-Cancel Orders. DTI will no longer be available.

With the introduction of SQF, the Exchange proposes to amend ISE Rule 715(b)(3) to state that an Immediate-or-Cancel order entered by a Market Maker through SQF will not be subject to the (i) Limit Order Price Protection and Size Limitation Protection as defined in ISE Rule 714(b)(2) and (3); or (ii) Limit Order Price Protection as defined in Supplementary Material .07(d) to ISE Rule 722. All other Immediate-or-Cancel Orders entered through FIX, OTTO or Nasdaq Precise will continue to be subject to these protections.

ISE Rule 714, entitled “Automatic Execution of Orders,” contains a section (b)(2) and (3) which applies to order protections that are automatically enforced by the System. The Limit Order Price Protection sets a limit on the amount by which incoming limit orders to buy may be priced above the Exchange’s best offer and by which incoming limit orders to sell may be priced below the Exchange’s best bid. Limit orders that exceed the pricing limit are rejected.⁸ Immediate-or-Cancel Orders entered through SQF will not be subject to the Limit Order Price Protection provided in ISE Rule 714(b)(2).

ISE Rule 714(b)(3) provides a protection for size limitation. The System limits the number of contracts an incoming order may specify. Orders that exceed the

⁷ The term “market makers” refers to “Competitive Market Makers” and “Primary Market Makers” collectively. See ISE Rule 100(a)(25).

⁸ The limit is established by the Exchange from time-to-time for orders to buy (sell) as the greater of the Exchange’s best offer (bid) plus (minus): (i) an absolute amount not to exceed \$2.00, or (ii) a percentage of the Exchange’s best bid/offer not to exceed 10%. See ISE Rule 714(b)(2).

maximum number of contracts are rejected.⁹ Immediate-or-Cancel Orders entered through SQF will not be subject to this size limitation protection provided in ISE Rule 714(b)(3).¹⁰

Supplementary Material .07(d) to ISE Rule 722 provides for a Limit Order Price Protection for Complex Orders. This protection limits the amount by which the net price of an incoming complex limit order to buy may exceed the net price available from the individual options series on the Exchange and by which the net price of an incoming complex limit order to sell may be below the net price available from the individual options series on the Exchange. Limit orders that exceed the pricing limit are rejected.¹¹ Immediate-or-Cancel Orders entered through SQF will not be subject to the Limit Order Protection provided in Supplementary Material .07(d) to ISE Rule 722.

Implementation

The Exchange intends to begin implementation of the proposed rule change in Q2 2017. The ISE migration will be on a symbol by symbol basis as specified in alert to Members that was issued by the Exchange in the form of an Options Trader Alert.¹² The alert provides the dates that symbols will migrate to INET.

⁹ The maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time. See ISE Rule 714(b)(3).

¹⁰ The Exchange notes that the protection for size limitation will be applied to Complex Immediate-or-Cancel Orders that are entered through SQF.

¹¹ The limit is established by the Exchange from time-to-time for complex orders to buy (sell) as the greater of the net price available from the individual options series on the Exchange plus (minus): (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 not to exceed 10%. This limit order price protection applies only to orders and does not apply to quotes.

¹² See Options Trader Alert # 2017-40.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹³ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁴ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

With the adoption of the SQF protocol on INET, the Exchange will offer Market Makers the ability to expeditiously submit Immediate-or-Cancel orders through SQF, without having to involve a different protocol and method of entry such as FIX, OTTO or Nasdaq Precise. With the ability for Market Makers to utilize the SQF protocol to enter Immediate-or-Cancel Orders, in addition to having the ability to enter Immediate-or-Cancel Orders on FIX, OTTO or Nasdaq Precise, similar to other market participants, Market Makers may submit Immediate-or-Cancel Orders into SQF allowing them to manage risk utilizing a single protocol, SQF.

Unlike other market participants, Market Makers are required to provide liquidity to the market and are subject to certain obligations, including a requirement to provide continuous two-sided quotes on a daily basis.¹⁵ Market Makers use Immediate-or-Cancel Orders to trade out of accumulated positions and manage their risk when providing liquidity on the Exchange. Proper risk management, including using these Immediate-or-Cancel Orders to offload risk, is vital for Market Makers, and allows them to maintain

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(5).

¹⁵ See ISE Rule 804(e).

tight markets and meet their quoting and other obligations to the market. The Exchange believes that allowing Market Makers to submit Immediate-or-Cancel Orders through their preferred protocol will increase their efficiency in submitting such orders and thereby allow them to maintain quality markets to the benefit of all market participants that trade on the Exchange.

Miami International Securities Exchange LLC (“MIAX”) utilizes its MIAX Express Interface (MEI), a quoting interface, for market makers to enter immediate-or-cancel orders.¹⁶ Specifically, MIAX noted in its Application for Registration as a National Securities Exchange, “...MIAX would allow market makers to use a variety of quote types, some of which would have a specific time in force and would be analogous to orders (MIAX refers to such order types as “eQuotes,” and market makers would be able to enter these orders through their quotation infrastructure).”¹⁷ Furthermore, MIAX’s Price Protection on Non-Market Maker Orders is not available for orders submitted by a Market Maker.¹⁸ The Price Protection on Non-Market Maker Orders prevents an order from being executed at a price beyond the price designated in the order’s price protection instructions, and is a similar protection to the Exchange’s Limit Order Price Protection. The Exchange similarly believes that it is consistent with the Act

¹⁶ MIAX offers an eQuote, which is a quote with a specific time in force that does not automatically cancel and replace a previous Standard quote or eQuote. An eQuote can be cancelled by the Market Maker at any time, or can be replaced by another eQuote that contains specific instructions to cancel an existing eQuote. See MIAX Rule 517(a)(2).

¹⁷ See Securities Exchange Release Act No. 68341 (December 3, 2012), 77 FR 73065 (December 7, 2012) (File No. 10-207) (In the Matter of the Application of Miami International Securities Exchange, LLC for Registration as a National Securities Exchange: Findings, Opinion, and Order of the Commission).

¹⁸ See MIAX Rule 515(c)(1).

to not apply certain protections to Market Maker Immediate-or-Cancel Orders submitted through SQF.

Market Makers handle a large amount of risk when quoting on ISE and in addition to the risk protections required by the Exchange, Market-Makers utilize their own risk management parameters when entering orders, minimizing the likelihood of a Market Maker order resulting from an error from being entered. The Exchange believes that Market Makers, unlike other market participants, have the ability to manage their risk when submitting Immediate-or-Cancel Orders through SQF and should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants. If Market Makers desire the Limit Order Protections for single leg and complex orders and the Size Limitation Protections for single leg orders, they may utilize the FIX, OTTO or Nasdaq Precise protocols for entering their orders. The Exchange notes that market makers on NASDAQ Phlx LLC (“Phlx”) may enter Immediate-or-Cancel Orders through SQF and are similarly not subject to certain risk protections today.¹⁹ The Exchange represents that it will continue to assess the risk protections that are applied to orders, including Market Maker Immediate-or-Cancel Orders submitted through SQF, to ensure that adequate risk protections are available to members that trade on the Exchange. The Exchange will file to adopt additional risk protections in the event

¹⁹ See Securities and Exchange Release No. 76295 (October 29, 2015), 80 FR 68338 at 68339 (November 4, 2015) (SR-Phlx-2015-83) (Phlx noted in footnote 8 that while SQF permits the receipt of quotes, sweeps are not included for purposes of the Percentage Based risk protection in Rule 1095(i)). Phlx Rule 1080(c)(iii)(B) provides that, “...Market Sweeps are processed on an immediate-or-cancel basis, may not be routed, may be entered only at a single price, and may not trade through away markets.”

that the Exchange determines that such additional protections are appropriate in the interest of maintaining a fair and orderly market.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Market Makers handle a large amount of risk when quoting on ISE and in addition to the risk protections required by the Exchange, Market-Makers utilize their own risk management parameters when entering orders, minimizing the likelihood of a Market Maker order resulting from an error from being entered. Market Makers also transact a large amount of orders on the Exchange and bring liquidity to the market. Market Makers should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these members that are not applicable to other market participants. The Exchange therefore believes that this rule change will not impose an undue burden on competition.

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

No written comments were either solicited or received.

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)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)²⁰ of the Act and Rule 19b-4(f)(6) thereunder²¹ in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange believes that it is consistent with the protection of investors and public interest to offer Market Makers the ability to expeditiously submit Immediate-or-Cancel orders through SQF without having to involve a different protocol and method of entry such as FIX, OTTO or Nasdaq Precise, and without certain risk protections. Specifically, the Exchange believes that this functionality is appropriate given the unique obligations placed on these Market Makers and their need to utilize Immediate-or-Cancel Orders to mitigate risk. Market Makers should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these members. The Exchange does not believe that the proposed rule change will impose a significant burden on competition as other market participants do not share the same obligations as Market Makers.

Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that

²⁰ 15 U.S.C. 78s(b)(3)(A)(iii).

²¹ 17 CFR 240.19b-4(f)(6).

subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) so that the Exchange may amend Rule 715(b)(3) to indicate specifically when a Market Maker utilizes SQF to enter an Immediate-or-Cancel Order, certain risk protections will not apply. The Exchange currently offers Phlx market makers the ability to enter immediate-or-cancel orders on Phlx through SQF, without certain risk protections in order to quickly enter such orders and manage risk through one order entry protocol. The Exchange desires to offer similar functionality to Market Makers on ISE with the transition to INET. Market Makers would have the ability to utilize other order entry protocols such as FIX, OTTO or Nasdaq Precise if they desired the Limit Order Price Protections in ISE Rule 714(b)(2) (single leg orders) or Supplementary Material .07(d) to ISE Rule 722 (complex orders) or the Size Limitation Protection in ISE Rule 714(b)(3) (single leg orders). Unlike other

market participants, Market Makers have the ability to manage their risk when submitting Immediate-or-Cancel Orders through SQF and should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants. The Exchange intends to begin implementation of the proposed rule change in Q2 2017. The migration will be on a symbol by symbol basis,²² as announced to Member in the form of an Options Trader Alert. The Exchange is requesting the waiver so that this functionality will be available to Market Makers with the start of the INET migration. The Exchange represents that it will continue to assess the risk protections that are applied to orders, including Market Maker Immediate-or-Cancel Orders submitted through SQF, to ensure that adequate risk protections are available to members that trade on the Exchange. The Exchange will file to adopt additional risk protections in the event that the Exchange determines that such additional protections are appropriate in the interest of maintaining a fair and orderly market.

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

The proposed rule change is based, in part, on the rules of MIAX. MIAX offers an eQuote, which is a quote with a specific time in force that does not automatically cancel and replace a previous Standard quote or eQuote. An eQuote can be cancelled by the Market Maker at any time, or can be replaced by another eQuote that contains specific instructions to cancel an existing eQuote.²³ MIAX permits market makers to enter immediate-or-cancel orders (eQuotes) through a quoting protocol. Furthermore, MIAX's

²² See note 12 above.

²³ See MIAX Rule 517(a)(2).

Price Protection for Non-Market Maker Orders is not available for orders submitted by a Market Maker, similar to ISE's proposal which limits protections offers to Immediate-or-Cancel Orders entered through SQF.²⁴

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act
Not applicable.
10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act
Not applicable.
11. Exhibits
 1. Notice of Proposed Rule Change for publication in the Federal Register.
 5. Text of the proposed rule change.

²⁴ See notes 17 and 18 above.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-ISE-2017-58)

June __, 2017

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Specify an Exception to the Manner in which Market Maker Immediate-or-Cancel Orders will be handled

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 19, 2017, Nasdaq ISE, LLC (“ISE” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend ISE Rule 715(b)(3) to specify an exception to the manner in which Immediate-or-Cancel Orders will be handled by the System when entered through the Specialized Quote Feed³ (“SQF”) protocol.

The text of the proposed rule change is available on the Exchange’s Website at www.ise.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ SQF is an interface that allows Market Makers to connect and send quotes, Immediate-or-Cancel Orders and auction responses into ISE.

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

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

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

1. Purpose

The Exchange is proposing to amend ISE Rule 715(b)(3) to specify the manner in which an Immediate-or-Cancel Order will interact with certain order protections when entered through SQF. An Immediate-or-Cancel Order is defined as a limit order that is to be executed in whole or in part upon receipt. Any portion not so executed is to be treated as cancelled.⁴ SQF is an interface that is being introduced with the technology migration to a Nasdaq, Inc. ("Nasdaq") supported architecture.⁵ Today, Members may enter orders through FIX, DTI or Nasdaq Precise on ISE. After the migration to the INET

⁴ See ISE Rule 715(b)(3). Immediate-or Cancel Orders do not route.

⁵ See Securities Exchange Act Release No. 80432 (April 11, 2017 (SR-ISE-2017-03) (Order Approving Proposed Rule Change, as Modified by Amendment No. 1, to Amend Various Rules in Connection with a System Migration to Nasdaq INET Technology). INET is the proprietary core technology utilized across Nasdaq's global markets and utilized on The NASDAQ Options Market LLC ("NOM"), NASDAQ PHLX LLC ("Phlx") and NASDAQ BX, Inc. ("BX") (collectively, "Nasdaq Exchanges"). The migration of ISE to the Nasdaq INET architecture would result in higher performance, scalability, and more robust architecture. With this system migration, the Exchange intends to adopt certain trading functionality currently utilized at Nasdaq Exchanges. The functionality being adopted is described in this filing.

architecture, Members will continue to be able to submit orders through FIX or Nasdaq Precise, as is the case today, and OTTO will also be available to enter orders. SQF will be available for Market Makers⁶ to enter quotes and also Immediate-or-Cancel Orders. DTI will no longer be available.

With the introduction of SQF, the Exchange proposes to amend ISE Rule 715(b)(3) to state that an Immediate-or-Cancel order entered by a Market Maker through SQF will not be subject to the (i) Limit Order Price Protection and Size Limitation Protection as defined in ISE Rule 714(b)(2) and (3); or (ii) Limit Order Price Protection as defined in Supplementary Material .07(d) to ISE Rule 722. All other Immediate-or-Cancel Orders entered through FIX, OTTO or Nasdaq Precise will continue to be subject to these protections.

ISE Rule 714, entitled “Automatic Execution of Orders,” contains a section (b)(2) and (3) which applies to order protections that are automatically enforced by the System. The Limit Order Price Protection sets a limit on the amount by which incoming limit orders to buy may be priced above the Exchange’s best offer and by which incoming limit orders to sell may be priced below the Exchange’s best bid. Limit orders that exceed the pricing limit are rejected.⁷ Immediate-or-Cancel Orders entered through SQF will not be subject to the Limit Order Price Protection provided in ISE Rule 714(b)(2).

⁶ The term “market makers” refers to “Competitive Market Makers” and “Primary Market Makers” collectively. See ISE Rule 100(a)(25).

⁷ The limit is established by the Exchange from time-to-time for orders to buy (sell) as the greater of the Exchange’s best offer (bid) plus (minus): (i) an absolute amount not to exceed \$2.00, or (ii) a percentage of the Exchange’s best bid/offer not to exceed 10%. See ISE Rule 714(b)(2).

ISE Rule 714(b)(3) provides a protection for size limitation. The System limits the number of contracts an incoming order may specify. Orders that exceed the maximum number of contracts are rejected.⁸ Immediate-or-Cancel Orders entered through SQF will not be subject to this size limitation protection provided in ISE Rule 714(b)(3).⁹

Supplementary Material .07(d) to ISE Rule 722 provides for a Limit Order Price Protection for Complex Orders. This protection limits the amount by which the net price of an incoming complex limit order to buy may exceed the net price available from the individual options series on the Exchange and by which the net price of an incoming complex limit order to sell may be below the net price available from the individual options series on the Exchange. Limit orders that exceed the pricing limit are rejected.¹⁰ Immediate-or-Cancel Orders entered through SQF will not be subject to the Limit Order Protection provided in Supplementary Material .07(d) to ISE Rule 722.

Implementation

The Exchange intends to begin implementation of the proposed rule change in Q2 2017. The ISE migration will be on a symbol by symbol basis as specified in alert to

⁸ The maximum number of contracts, which shall not be less than 10,000, is established by the Exchange from time-to-time. See ISE Rule 714(b)(3).

⁹ The Exchange notes that the protection for size limitation will be applied to Complex Immediate-or-Cancel Orders that are entered through SQF.

¹⁰ The limit is established by the Exchange from time-to-time for complex orders to buy (sell) as the greater of the net price available from the individual options series on the Exchange plus (minus): (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 not to exceed 10%. This limit order price protection applies only to orders and does not apply to quotes.

Members that was issued by the Exchange in the form of an Options Trader Alert.¹¹ The alert provides the dates that symbols will migrate to INET.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹² in general, and furthers the objectives of Section 6(b)(5) of the Act,¹³ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

With the adoption of the SQF protocol on INET, the Exchange will offer Market Makers the ability to expeditiously submit Immediate-or-Cancel orders through SQF, without having to involve a different protocol and method of entry such as FIX, OTTO or Nasdaq Precise. With the ability for Market Makers to utilize the SQF protocol to enter Immediate-or-Cancel Orders, in addition to having the ability to enter Immediate-or-Cancel Orders on FIX, OTTO or Nasdaq Precise, similar to other market participants, Market Makers may submit Immediate-or-Cancel Orders into SQF allowing them to manage risk utilizing a single protocol, SQF.

Unlike other market participants, Market Makers are required to provide liquidity to the market and are subject to certain obligations, including a requirement to provide continuous two-sided quotes on a daily basis.¹⁴ Market Makers use Immediate-or-Cancel

¹¹ See Options Trader Alert # 2017-40.

¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(5).

¹⁴ See ISE Rule 804(e).

Orders to trade out of accumulated positions and manage their risk when providing liquidity on the Exchange. Proper risk management, including using these Immediate-or-Cancel Orders to offload risk, is vital for Market Makers, and allows them to maintain tight markets and meet their quoting and other obligations to the market. The Exchange believes that allowing Market Makers to submit Immediate-or-Cancel Orders through their preferred protocol will increase their efficiency in submitting such orders and thereby allow them to maintain quality markets to the benefit of all market participants that trade on the Exchange.

Miami International Securities Exchange LLC (“MIAX”) utilizes its MIAX Express Interface (MEI), a quoting interface, for market makers to enter immediate-or-cancel orders.¹⁵ Specifically, MIAX noted in its Application for Registration as a National Securities Exchange, “...MIAX would allow market makers to use a variety of quote types, some of which would have a specific time in force and would be analogous to orders (MIAX refers to such order types as “eQuotes,” and market makers would be able to enter these orders through their quotation infrastructure).”¹⁶ Furthermore, MIAX’s Price Protection on Non-Market Maker Orders is not available for orders submitted by a Market Maker.¹⁷ The Price Protection on Non-Market Maker Orders

¹⁵ MIAX offers an eQuote, which is a quote with a specific time in force that does not automatically cancel and replace a previous Standard quote or eQuote. An eQuote can be cancelled by the Market Maker at any time, or can be replaced by another eQuote that contains specific instructions to cancel an existing eQuote. See MIAX Rule 517(a)(2).

¹⁶ See Securities Exchange Release Act No. 68341 (December 3, 2012), 77 FR 73065 (December 7, 2012) (File No. 10-207) (In the Matter of the Application of Miami International Securities Exchange, LLC for Registration as a National Securities Exchange: Findings, Opinion, and Order of the Commission).

¹⁷ See MIAX Rule 515(c)(1).

prevents an order from being executed at a price beyond the price designated in the order's price protection instructions, and is a similar protection to the Exchange's Limit Order Price Protection. The Exchange similarly believes that it is consistent with the Act to not apply certain protections to Market Maker Immediate-or-Cancel Orders submitted through SQF.

Market Makers handle a large amount of risk when quoting on ISE and in addition to the risk protections required by the Exchange, Market-Makers utilize their own risk management parameters when entering orders, minimizing the likelihood of a Market Maker order resulting from an error from being entered. The Exchange believes that Market Makers, unlike other market participants, have the ability to manage their risk when submitting Immediate-or-Cancel Orders through SQF and should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these participants. If Market Makers desire the Limit Order Protections for single leg and complex orders and the Size Limitation Protections for single leg orders, they may utilize the FIX, OTTO or Nasdaq Precise protocols for entering their orders. The Exchange notes that market makers on NASDAQ Phlx LLC ("Phlx") may enter Immediate-or-Cancel Orders through SQF and are similarly not subject to certain risk protections today.¹⁸ The Exchange represents that it will continue to assess the risk protections that

¹⁸ See Securities and Exchange Release No. 76295 (October 29, 2015), 80 FR 68338 at 68339 (November 4, 2015) (SR-Phlx-2015-83) (Phlx noted in footnote 8 that while SQF permits the receipt of quotes, sweeps are not included for purposes of the Percentage Based risk protection in Rule 1095(i)). Phlx Rule 1080(c)(iii)(B) provides that, "...Market Sweeps are processed on an immediate-or-cancel basis, may not be routed, may be entered only at a single price, and may not trade through away markets."

are applied to orders, including Market Maker Immediate-or-Cancel Orders submitted through SQF, to ensure that adequate risk protections are available to members that trade on the Exchange. The Exchange will file to adopt additional risk protections in the event that the Exchange determines that such additional protections are appropriate in the interest of maintaining a fair and orderly market.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Market Makers handle a large amount of risk when quoting on ISE and in addition to the risk protections required by the Exchange, Market-Makers utilize their own risk management parameters when entering orders, minimizing the likelihood of a Market Maker order resulting from an error from being entered. Market Makers also transact a large amount of orders on the Exchange and bring liquidity to the market. Market Makers should be permitted to elect this method of order entry to obtain efficiency and speed of order entry, particularly in light of the continuous quoting obligations the Exchange imposes on these members that are not applicable to other market participants. The Exchange therefore believes that this rule change will not impose an undue burden on competition.

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on

competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act¹⁹ and subparagraph (f)(6) of Rule 19b-4 thereunder.²⁰

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

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-ISE-2017-58 on the subject line.

¹⁹ 15 U.S.C. 78s(b)(3)(A)(iii).

²⁰ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

Paper comments:

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

All submissions should refer to File Number SR-ISE-2017-58. 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 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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-ISE-2017-58 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²¹

Eduardo A. Aleman
Assistant Secretary

²¹ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Deleted text is [bracketed]. New text is underlined.

**NASDAQ ISE, LLC
RULES**

* * * * *

Rule 715. Types of Orders

(a) No change.

(b) *Limit Orders*. A limit order is an order to buy or sell a stated number of options contracts at a specified price or better.

* * * * *

(3) *Immediate-or-Cancel Orders*. An immediate-or-cancel order is a limit order that is to be executed in whole or in part upon receipt. Any portion not so executed is to be treated as cancelled. An immediate-or-cancel order entered by a Market Maker through the Specialized Quote Feed protocol will not be subject to the (i) Limit Order Price Protection and Size Limitation Protection as defined in ISE Rule 714(b)(2) and (3); or (ii) Limit Order Price Protection as defined in Supplementary Material .07(d) to ISE Rule 722.

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