

SECURITIES AND EXCHANGE COMMISSION
(Release 34-82961; File No. SR-ISE-2018-21)

March 28, 2018

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Extend the Delay for Re-introduction of Legging Functionality for Stock-Option Orders on INET by an Additional Year

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 March 16, 2018, Nasdaq ISE, LLC (“ISE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to extend the delay for re-introduction of legging functionality for Stock-Option Orders on INET by an additional year.

The text of the proposed rule change is available on the Exchange’s website at <http://ise.cchwallstreet.com/>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of the proposed rule change is to extend the delay for re-introduction of legging functionality for Stock-Option Orders on INET by an additional year. With the recent re-platform of the Exchange's trading system to INET, the Exchange delayed the re-introduction of legging functionality for Stock-Option Orders.³ As such, Stock-Option Orders entered on the Exchange today are not automatically executed against bids and offers on the Exchange for the individual legs pursuant to Rule 722(b)(3)(ii)-(iii) and Supplementary Material .02 to Rule 722. The Exchange proposes to extend the delay of implementation of legging functionality for Stock-Option Orders by an additional year. Stock-Option Orders will continue to execute against other Stock-Option Orders in the complex order book, thereby providing an opportunity for Members to have their Stock-Option Orders executed on the Exchange.

When the Exchange initially delayed legging functionality for Stock-Option Orders, the Exchange noted that it would re-introduce legging for Stock-Option Orders within one year from the date of that filing. The Exchange filed the initial rule change on March 21, 2017, and the additional one year delay would therefore extend the implementation timeline for this functionality to March 21, 2019. The extended delay would provide the Exchange additional time to develop and test this functionality on INET. The Exchange will issue an Options Trader Alert notifying Members when this functionality will be available. Furthermore, in connection

³ See Securities Exchange Act Release No. 80316 (March 27, 2017) 82 FR 16084 (March 31, 2017) (SR-ISE-2017-28).

with this change, the Exchange also proposes to amend Rule 722 to remove language about the migration of symbols to INET as this migration has been completed and all symbols listed by the Exchange are currently trading on the INET platform.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁵ 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. In particular, the Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest as it would provide additional time to develop and test legging functionality for Stock-Option Orders on INET. Although the Exchange is now fully operating on the INET platform, additional time is necessary to re-implement this functionality to ensure a quality experience for Members. Members are already aware that this functionality has been delayed, and the Exchange will provide Members notice of the date when the functionality will be available. While the Exchange is proposing to extend the delay of legging functionality for these Stock-Option Orders, Members can continue to submit these orders to the Exchange where they can be executed against other Stock-Option Orders on the complex order book. No Members have notified the Exchange of significant impact on execution quality as a result of the delayed implementation of legging functionality for Stock-Option Orders, and therefore the Exchange does not believe that extending the delay will have a significant impact on market participants. This functionality will be available on or before March 21, 2019. Furthermore, the other

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

proposed changes merely update this rule to reflect the fact that all symbols listed by ISE are currently traded on the INET platform.

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. Specifically, the Exchange does not believe that the proposed one year delay will impose any significant burden on intra-market competition because legging for Stock-Option Orders will be uniformly delayed for all Members. Similarly, the Exchange does not believe that the proposed delay will impose any significant burden on inter-market competition as it does not impact the ability of other markets to offer or not offer competing functionality. The Exchange believes that providing an additional year to develop and test this functionality will be beneficial to members.

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 Act⁶ and subparagraph (f)(6) of Rule 19b-4 thereunder.⁷

⁶ 15 U.S.C. 78s(b)(3)(A)(iii).

⁷ 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.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days after the date of the filing. However, Rule 19b-4(f)(6)(iii)⁸ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. In its filing, ISE requests that the Commission waive the 30-day operative delay to allow the proposed one-year extension of the time for re-introducing the legging functionality for Stock-Option Orders to begin at the conclusion of the current delay period, which was scheduled to end on March 21, 2018. As noted above, ISE states that extending the delay for re-introducing the legging functionality for Stock-Option Orders will provide ISE with additional time to develop and test the legging functionality on INET. ISE further states that no Members have notified ISE of a significant impact on execution quality as a result of the delayed implementation of the legging functionality for Stock-Option Orders and, accordingly, the Exchange does not believe that extending the delay will have a significant impact on market participants. The Commission believes that waiving the operative delay is consistent with the protection of investors and the public interest because it will provide ISE with additional time to develop and test the legging functionality for Stock-Option Orders. Accordingly, the Commission waives the 30-day operative delay and designates the proposed rule change operative upon filing.⁹

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,

⁸ 17 CFR 240.19b-4(f)(6)(iii).

⁹ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-2018-21 on the subject line.

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-2018-21. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m.

and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ISE-2018-21, 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.¹⁰

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Assistant Secretary

¹⁰ 17 CFR 200.30-3(a)(12) and (59).