Required fields are shown with yellow backgrounds and asterisks.

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

File No.* SR - 2018 - * 56

Amendment No. (req. for Amendments *) 1

Filing by Nasdaq ISE, LLC

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) * ☐

Rule

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

▣ 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

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

Section 806(e)(1) * ☐	Section 806(e)(2) * ☐	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 Exchange rules related to Complex Orders.

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 *	Angela	Last Name *	Dunn

Title *	Principal Associate General Counsel

E-mail *	Angela.Dunn@nasdaq.com

Telephone *	(215) 496-5692	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	10/01/2018
By	Edward S. Knight

(Name *)

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 EFFS 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

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Exhibit Sent As Paper Document
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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

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

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.

Partial Amendment No. 1 to SR-ISE-2018-56

At this time, ISE hereby submits this Partial Amendment No. 1 to SR-ISE-2018-56. With this Partial Amendment No. 1, the Exchange is including an Exhibit 4, which reflects changes to the text of the proposed rule change pursuant to this Partial Amendment No. 1, and a new Exhibit 5, which reflects the changes to the current rule text that are proposed in this proposal, as modified by this Partial Amendment No 1.

Specifically, Partial Amendment No. 1 clarifies Rule 722 with respect to Complex Order Execution, Legging, Price Limits for Complex Orders and Quotes, Trade Value Allowance, Concurrent Auctions, Trading Halts, Stock Venue Processing and Complex QCC Order Increments. The Exchange specifically proposes a change to its current practice within this Partial Amendment regarding Complex Orders. Today, the Exchange offers Reserve Complex Orders. The Exchange proposes to no longer offer the Reserve Complex Order type as further explained below. The Exchange proposes the following amendments:

Complex Reserve Orders

1)   The Exchange proposes to remove: (i) text on page 8 of the 19b-4 and page 73 of the Exhibit 1 at section numbered "(4)" relating to Reserve Complex Order description, including footnote 7; (ii) carry over text on page 12 of the 19b-4 and within the first full paragraph at page 77 of the Exhibit 1;[1] (iii) carry over text on pages 15-16 of the 19b-4

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[1]   The specific text to be deleted is "The Exchange also proposes to indicate that a legging order is only generated from the displayed portion of a Complex Options order that is designated as a Reserve Complex Order. The non-displayed portion of such orders are not eligible to create legging orders as generation of a legging order would indicate to market participants that there is additional undisplayed size on the Complex Order Book even though the member entering such Reserve Complex Order has determined not to display that interest."

and page 81 of the Exhibit 1, including footnote 13;[2] (iv) text which begins on page 43 of

the 19b-4 and continues on page 44 and second full paragraph on page 109 of the Exhibit

1;[3] (v) text within the last paragraph on page 51 of the 19b-4 and second full paragraph

on page 117 of the Exhibit 1;[4] (vi) the following text phrase, "and the non-displayed

portion of Reserve Complex Orders" of the penultimate sentence of the first full

paragraph on page 52 of the 19b-4 and third full paragraph on page 117 of the Exhibit 1;

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[2]   The specific text to be deleted is "Finally, the Exchange proposes in Proposed
        Rule 722(c)(2)(iv) to add a new reference to the treatment of Reserve Orders that
        clarifies that a complex strategy may be executed at a net credit or debit price
        with one other Member without giving priority to the non-displayed portion of
        Reserve Orders on the bids or offers on the Exchange for the individual legs of
        the complex strategy. The non-displayed portion of a Reserve Order has no
        priority on the book because it is hidden from other market participants, and is
        therefore only available for execution after all displayed interest has been
        executed.[13] Furthermore, to the extent that members entering orders in the regular
        market wish to have their orders protected they can use a number of order types
        that are displayed to the market and therefore retain their regular priority on the
        order book. Thus, complex strategies may be executed without giving priority to
        the non-displayed portion of such interest in the regular market. While this is
        consistent with the general treatment of non-displayed interest in the regular
        market, the Exchange believes that it is important to add this reference here for
        additional clarity."

[3]   The specific text to be deleted is "…except the non-displayed portion of Reserve
        Complex Orders. The non-displayed portion of a Reserve Complex Order is
        contingent, non-displayed interest, and therefore not eligible for the Complex
        Opening Process. Allowing only the displayed portion of Reserve Complex
        Orders to participate in the Complex Opening Price Determination encourages
        members to enter displayed interest to participate in the opening auction, and
        ensures that the price discovery that occurs in the Complex Opening Price
        Determination is not skewed by interest that is not displayed to market
        participants. The non-displayed portion of a Reserve Complex Order may
        participate in the Complex Uncrossing Process pursuant to Proposed
        Supplementary Material .12(b) and thereby receive an execution during the
        Complex Opening Process."

[4]   The specific text to be deleted is "Proposed Supplementary Material .11(vi) to
        Rule 722 provides that the system will refresh Reserve Complex Orders pursuant
        to Rule 722(b)(4)(iv) following the execution of the displayed portion of Reserve
        Complex Orders in the process described above."

(vii) the following text phrase in the last sentence of the carry over paragraph on page 56

of the 19b-4 and page 122 of the Exhibit 1 "…, and that a Reserve Complex Order will

only generate a legging order from its displayed quantity to avoid exposing non-displayed

size to market participants."; and (viii) the second and third sentences of the second full

paragraph on pages 57 which carries over to page 58 and first full paragraph on page 123

which carries over onto page 124 of Exhibit 1.[5] The Exchange also proposes to amend

the last sentence of the carryover paragraph on page 4 of the 19b-4 and the first full

paragraph on page 69 to provide, "No changes to the process are being contemplated by

this rule change filing, other than the discontinuation of Complex Reserve Orders."

The Exchange proposes to add a new section prior to the Statutory Basis on page

55 of the 19b-4 and page 121 of the Exhibit 1 and add a title as well. The proposed text

is as follows,

Reserve Complex Orders

Today, the Exchange offers market participants the ability to submit
Reserve Complex Orders on ISE. The Exchange notes that, today, a Limit
Complex Order may be designated as a Reserve Order that contains both a
displayed portion and a non-displayed portion. Both the displayed and
non-displayed portions of a Reserve Complex Order are available for
potential execution against incoming marketable orders or quotes. A non-
marketable Reserve Complex Order rests on the Complex Order Book.
Further, the displayed portion of a Reserve Complex Order is ranked at the
specified limit price and the time of order entry. When the displayed

---

[5]   The specific text is, "The Exchange also believes that it is consistent with the
protection of investors and the public interest to add language in Proposed Rule
722(c)(2)(iv) that explains that complex strategies may be executed on the
Complex Order Book without giving priority to the non-displayed portion of
Reserve Orders on the bids or offers for the individual legs of the complex
strategy. As explained in the purpose section of this proposed rule change,
complex strategies may be executed without giving priority to the non-displayed
portion of a Reserve Order in the regular market as this non-displayed interest has
no priority on the book, and is only available for execution after all displayed
interest has been executed."

portion of a Reserve Complex Order is decremented, either in full or in part, it is refreshed from the non-displayed portion of the resting Reserve Complex Order. If the displayed portion is refreshed in part, the new displayed portion would include the previously displayed portion. Upon any refresh, the entire displayed portion is ranked at the specified limit price and obtain a new time stamp, i.e., the time that the new displayed portion of the order was refreshed. The initial non-displayed portion of a Reserve Complex Order rests on the Complex Order Book and is ranked based on the specified limit price and time of order entry. Thereafter, non-displayed portions, if any, always obtain the same time stamp as that of the new displayed portion. The non-displayed portion of any Reserve Complex Order is available for execution only after all displayed interest on the Complex Order Book has been executed. Only the displayed portion of a Reserve Complex Order is eligible to be exposed for price improvement.

The Exchange proposes to add another new paragraph after the aforementioned

paragraph as follows,

Today, a legging order is only generated from the displayed portion of a Complex Options order that is designated as a Reserve Complex Order. The non-displayed portion of such orders are not eligible to create legging orders as generation of a legging order would indicate to market participants that there is additional non-displayed size on the Complex Order Book even though the member entering such Reserve Complex Order has determined not to display that interest. With respect to Reserve Orders, today, a complex strategy may be executed at a net credit or debit price with one other Member without giving priority to the non-displayed portion of Reserve Orders on the bids or offers on the Exchange for the individual legs of the complex strategy. The non-displayed portion of a Reserve Order has no priority on the book because it is hidden from other market participants, and is therefore only available for execution after all displayed interest has been executed as noted in Rule 715(g)(5). The non-displayed portion of a Reserve Complex Order is contingent, non-displayed interest, and therefore not eligible today for the Complex Opening Process. Allowing only the displayed portion of Reserve Complex Orders to participate in the Complex Opening Price Determination encourages Members to enter displayed interest to participate in the opening auction, and ensures that the price discovery that occurs in the Complex Opening Price Determination is not skewed by interest that is not displayed to market participants. The non-displayed portion of a Reserve Complex Order may participate in the Complex Uncrossing Process and thereby receive an execution during the Complex Opening Process. In addition, only interest on the Complex Order Book is considered for the Complex Opening Price Determination as this part of

the process is designed to promote price discovery for the complex
strategy, and therefore bids and offers for the individual legs of the
Complex Strategy are not eligible to participate in the Complex Opening
Price Determination but will participate in the Complex Uncrossing
Process.

The Exchange proposes a new third paragraph in this section which would

provide,

> At this time, the Exchange proposes to discontinue offering Reserve
> Complex Orders on ISE. The Exchange proposes to discontinue this order
> type in Q4 of 2018. The Exchange would issue an Options Trader Alert to
> Members indicating the exact date when the order type would no longer be
> offered. ISE would continue to offer Reserve Orders in the single leg
> order book. The Exchange does not receive a high volume of Reserve
> Complex Orders. The Exchange notes that other options exchanges do not
> offer Complex Reserve Orders. The Exchange does not believe that it is
> necessary to offer these order types for complex orders as there is no great
> demand for this order type. Also, the Exchange offers a variety of order
> types to its market participants and does not believe that discontinuing this
> particular order type will disadvantage market participants when
> submitting Complex Orders.

With respect to the Exhibit 5 rule text, the Exchange proposes to remove

the last sentence of proposed Rule 715(k)(1) which provides, "A Reserve

Complex Order will only generate a legging order from its displayed quantity."

The Exchange proposes to remove the description of a Reserve Complex Order at

proposed Rule 722(b)(4). The Exchange proposes to reserve that section of the

rule within the new rule text. The Exchange proposes to remove rule text at

proposed Rule 722(c)(2)(iv) which provides, "Notwithstanding Rule 722(c)(2)(i)-

(iii) above, a complex strategy may be executed at a net credit or debit price with

one other Member without giving priority to the non-displayed portion of Reserve

Orders on the bids or offers on the Exchange for the individual legs of the

complex strategy." The Exchange proposes to remove the rule text within

proposed Supplementary Material .11(b) of Rule 722 which provides "…except

the non-displayed portion of Reserve Complex Orders." The Exchange proposes

to remove proposed Supplementary Material .11(d)(vi) of Rule 722 which

provides, "Reserve Complex Orders. Following the execution of the displayed

portion of Reserve Complex Orders in the process described above, the system

will refresh Reserve Complex Orders pursuant to Rule 722(b)(4)(iv)." The

Exchange proposes to delete the phrase "…and the non-displayed portion of

Reserve Complex Orders,…" within proposed Supplementary Material .11(d)(vii)

of Rule 722. The Exchange proposes to renumber Supplementary Material

.11(d)(vii) of Rule 722 as Supplementary Material .11(d)(vi) of Rule 722. This

numbering would apply to any reference in the 19b-4 as well. The Exchange

proposes to amend Rule 722(d)(2) as follows,

> 'Complex strategies will be executed at the best net price available from
> Complex Order Exposure pursuant Supplementary Material .01 to Rule
> 722, executable Complex Orders and quotes on the Complex Order Book,
> and bids and offers for the individual options series; provided that at each
> price, executable complex strategies will be automatically executed first
> against executable bids and offers on the Complex Order book prior to
> legging into the single leg order book. Notwithstanding the foregoing,
> executable complex strategies will execute against Priority Customer
> interest on the single leg book at the same price before executing against
> the Complex Order Book. The Exchange may designate on a class basis
> whether bids and offers at the same price on the Complex Order Book will
> be executed:'

2.)   The Exchange proposes to add a paragraph before the Burden on

Competition on page 66 of the 19b-4 and page 132 of the Exhibit 1 as follows,

> Reserve Complex Orders
>
> The Exchange's proposal to discontinue to offer Reserve Complex Orders
> is consistent with the Act because the Exchange offers various order types
> on its market to permit market participants to enter orders as they desire to
> execute trades. The Exchange continues to offer a variety of order types,
> notwithstanding the discontinuation of the Reserve Complex Order. The

Exchange notes that this order type is not widely used today and that other options markets that offer Complex Order functionality do not offer this order type today. The Exchange is providing notice to Members in October of the anticipated discontinuation in 2018.

The Exchange also proposes to add the below paragraph at the end of the

Burden on Competition section in the 19b-4 on page 66 of the 19b-4 and page 132

of the Exhibit 1:

Reserve Complex Orders

The Exchange's proposes to discontinue to offer Reserve Complex Orders does not create an undue burden on competition because the Exchange will not offer any Member the ability to utilize this order type and also Members will be provided ample notice of the discontinuation of this functionality. The Exchange notes that no other options markets offer this order type today so there is no inter-market burden on competition.

Complex Order Book Priority

3.)   The Exchange proposes to amend the 19b-4 and Exhibit 1 to add further

explanation of the manner in which Complex Orders are prioritized against the single leg

order book. Specifically, the Exchange proposes to amend page 58 of the 19b-4 and page

124 of the Exhibit 1 after the carry-over paragraph to provide,

ISE's Complex Order book is unique in that it prioritizes Complex Orders ahead of Non-Priority Customer single leg orders where prices are the same. ISE is the only options market with such prioritization rules. ISE notes that Complex Orders offer market participants certain benefits such as the ability to efficiently hedge transactions at potentially lower execution costs. Complex Orders also provide investors with predictability of outcome in terms of minimum and maximum losses and gains for a strategy. In addition, Complex Orders allow investors to execute certain strategies and hedging transactions in the options market with a single trade rather than attempting to execute these strategies or hedges using multiple individual single leg orders. ISE notes that at the same price Priority Customer leg market interest will always execute ahead of any Complex Order including any single leg non-Priority Customer order. In addition, the Exchange notes that on ISE, market participants that submit single leg orders receive executions when they

trade against other single leg orders and also against Complex Orders
which leg into the single order book.

Complex Order Execution

4)   Footnote 14 on page 16 of the 19b-4 and page 82 of the Exhibit 1 contains an

example that illustrates the prices at which a Complex Order may be considered

executable based on prices for the individual component legs. The Exchange proposes to

add additional detail to this example by deleting the current language and replacing with

the following: "For example, assume the ISE BBO for series A is $1.00 x $1.10 and the

ISE BBO for series B is $0.95 x $1.05. A resting Complex Order to sell series A and sell

series B at a net price of $2.16 is not executable because it is outside of the derived net

best bid/offer on ISE for the strategy ($1.95 - $2.15). See ISE Rule 722(c)(2)(i). If there

were no Priority Customer orders on ISE to sell series A and/or series B at the ISE best

offer, the Complex Order could trade at $2.15. If there were Priority Customer orders on

ISE to sell series A and/or series B at the ISE best offer, one of the legs of the Complex

Order would need to be executed at a price that is below the best offer available for the

individual series (e.g., $1.10 for series A and $1.04 for series B; or $1.09 for series A and

$1.05 for series B), for a net price of $2.14. See Rule 722(c)(2)(i)."

Legging

5)   Footnote 17, which begins on page 17 of the 19b-4 and page 83 of the Exhibit 1,

contains language that provides that: "The Exchange will continue to manage and curtail

attempts to trade against the individual options legs so as to not negatively impact system

capacity and performance. See Securities Exchange Act Release No. 66234 (January 24,

2012), 77 FR 4852 (January 31, 2012) (SR-ISE-2011-82) (Approval Order). The

Exchange will curtail the number of legging orders on an objective basis, such as limiting

the number of orders generated in a particular class. The Exchange will not limit the

generation of legging orders on the basis of the entering participant or the participant

category of the order (e.g., Priority Customer, Professional Order, etc.). See id." The

Exchange does not believe that this language is necessary and therefore proposes to

delete it. While the Exchange does have logic to curtail the number of legging orders on

an objective basis, as described in SR-ISE-2011-82, this logic only applies to the use of

legging orders and not the Exchange's normal functionality for trading with the bids and

offers for the individual legs of a complex strategy.

Price Limits for Complex Orders and Quotes

6)   Page 38 of the 19b-4 and page 104 of the Exhibit 1 contains a section that

describes the Exchange's price limits for Complex Orders and quotes. The Exchange

proposes to add a footnote to the section heading that re-iterates that complex quoting is

subject to delayed implementation as described in page 22 of the 19b-4 and page 87 of

the Exhibit 1: "Currently, the Exchange's price limits apply only to Complex Orders as

complex quoting functionality was delayed in conjunction with Rule 722 at

Supplementary Material .07(a) Exchange's recent transition to the Nasdaq INET

platform." The Exchange proposes to amend Rule 722 at Supplementary Material

.07(a)(ii) to replace the current text with "…(ii) a percentage of the NBBO not to exceed

500%, as determined by the Exchange on a class, series or underlying basis. A Member

can also include an instruction on a Complex Order that each leg of the Complex Order is

to be executed only at a price that is equal to or better than the NBBO for the options

series or any stock component, as applicable." The amendments expand this provision to

be more complete and utilize a defined term, "NBBO." The Exchange proposes to

amend Rule 722 at Supplementary Material .07(a) to replace the words "national best bid or offer" to "NBBO" in the third sentence. The Exchange also proposes to eliminate the proposed last sentence in that rule which currently provides, "Unless the applicable rule states otherwise, when calculating the best net price achievable from the best ISE bids and offers for the individual legs, the price of the stock leg is the national best bid or offer price as modified by this Supplementary Material .07(a) to Rule 722." The Exchange believes that this proposed rule change is unnecessary because it could cause confusion with respect to the intended operation of the rule. The Exchange also proposes to amend page 39 of the 19b-4 and page 105 of the Exhibit 1 to amend the first full paragraph to state, "The Exchange also proposes to amend its rules for the Limit Order Price Protection pursuant to Supplementary Material .07(d) to Rule 722 to clarify that the national best bid or offer price is used for any stock leg. The Exchange believes that these two changes will increase transparency about the prices used by the Exchange for various purposes where the Exchange must derive a best bid or offer price from the prices available in the regular market."

Trade Value Allowance

7)   The Exchange proposes to amend the Exhibit 5 at Supplementary Material .09 to Rule 722 to provide,

> *'Trade Value Allowance*. To facilitate the execution of the stock leg and options leg(s) of Stock-Option Strategies and Stock Complex Strategies at valid increments pursuant to Rule 722(c)(1), Stock-Option Strategies and Stock-Complex Strategies may trade outside of their expected notional trade value by a specified amount (the "Trade Value Allowance"). The Trade Value Allowance is the percentage difference between the expected notional value of a trade and the actual notional value of the trade. The amount of Trade Value Allowance permitted may be determined by the member, or a default value determined by the Exchange and announced to members; provided that any amount of Trade Value Allowance is

permitted in mechanisms pursuant to Supplementary Material .08 to Rule
722 when auction orders do not trade solely with their contra-side order.'

Also, the last sentence of the first paragraph on page 64 of the 19b-4 and page 130

of the Exhibit 1 explains the Exchange's rationale for not limiting the amount of Trade

Value Allowance permitted for auction orders pursuant to Supplementary Material .08 to

Rule 722 that do not trade solely with their contra-side order. Specifically, this language

provides that: "Permitting any amount of Trade Value Allowance in these limited

circumstances ensures that an auction order that cannot trade with its contra-side order

due to better priced Responses or interest on the Exchange's order books is not thereafter

prohibited from executing due to an economically insignificant amount of trade value

difference." The Exchange proposes to add additional language following this sentence

that provides that: "The Exchange's auction mechanisms provide an opportunity for

market participants to respond with better priced interest, which may be eligible to trade

with the agency side of an auction pursuant to the rules described in Supplementary

Material .08 to Rule 722. In the interest of maintaining a fair and competitive market, the

Exchange believes that it is appropriate to ensure that crosses that are broken up due to

better priced interest are actually executed against such better priced interest, and are not

restricted from trading to due to the Trade Value Allowance settings of one or more

members. Otherwise, the agency side of such auctions may be forced to forgo a

guaranteed execution with the negotiated contra-side party without the benefit of trading

at a better price with other market participants. Since Trade Value Allowance is the result

of a rounding error, the Exchange believes that any amount of error allowed in these

circumstances would be miniscule compared to the value of the trade."

Concurrent Auctions

8)   The Exchange proposes several amendments with respect to concurrent auctions.

Each amendment will be discussed in more detail below. First, the Exchange proposes

amendments to the terminology. Specifically, the Exchange proposes to rename

"Simultaneous Auctions" on page 37 of the 19b-4 and page 102 of the Exhibit 1 as

"Concurrent Auctions." The Exchange will modify other proposed references to

"simultaneous auctions" to "concurrent auctions." Furthermore, the Exchange proposes

to amend various rules in the Exhibit 5 that mention concurrent auctions in a like manner.

9)   Second, the Exchange proposes to remove rule text related to delayed

implementation. The second paragraph of Rule 722 on page 138 of the Exhibit 5

provides that concurrent Complex Order auctions are currently subject to delayed

implementation in connection with the recent transition to the Nasdaq INET platform.

The Exchange has no immediate plans to offer concurrent Complex Order auctions, and

therefore proposes to delete the language about recommencing this functionality by

removing the last sentence of this paragraph in the Exhibit 5 which states: "The Exchange

will recommence concurrent Complex Order auctions on or before April 17, 2019, to be

announced in a separate Options Trader Alert."

        The Exchange previously filed[6] a rule change which delayed functionality

permitting concurrent complex auctions in conjunction with a migration to the INET[7]

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[6]   See Securities and Exchange Act Release No. 80525 (April 25, 2017), 82 FR
        20405 (May 1, 2017) (SR-ISE-2017-33) ("April 2017 Rule Change").

[7]   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

platform. The April 2017 Rule Change provided that with the delay, a Complex Order

auction in a particular complex strategy would not be initiated if another Complex Order

auction is already ongoing in that complex strategy. In conjunction with the April 2017

Rule Change, the Exchange issued an Options Trader Alert notifying Members that

concurrent complex auctions would not be offered at this time.[8] When the Exchange

initially delayed the implementation of this functionality, the Exchange noted in the April

2017 Rule Change that it would reintroduce concurrent Complex Order auctions in the

same complex strategy at a later date within one year of date of the filing. The Exchange

subsequently requested an additional one year delay to extend the implementation

timeframe for this functionality to April 17, 2019.[9] The Exchange requested these delays

because it planned to implement this functionality after the replatform. The Exchange

has determined at this time not to implement this functionality.

The Exchange notes that it has not offered concurrent Complex Order auctions

since 2017. The Exchange believes that the impact on members of not reintroducing this

functionality will be insignificant. If a member has auction eligible interest to execute

when another Complex Order auction is ongoing, the member can either re-submit that

order to the Exchange after the auction has concluded, or submit it to another options

market that provides similar auction functionality. In this regard, the Exchange notes that

its market data feeds provide information to members about when a Complex Order

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migration of ISE to the Nasdaq INET architecture resulted in higher performance, scalability, and more robust architecture.

[8]   See Options Trader Alert #2017–35.

[9]   See Securities and Exchange Act Release No.83101 (April 25, 2018), 83 FR 19130 (May 1, 2018) (SR-ISE-2018-40).

auction is ongoing, and members can therefore use this information to make appropriate routing decisions based on applicable market conditions. Further, concurrent Complex Order auctions in a complex strategy were rare. Also, the Exchange decreased its auction timers to 100 milliseconds over time. Past history demonstrates that concurrent Complex Order auctions in a strategy only occurred approximately 0.5% of the time that an auction ran on the Exchange. Finally, no member has complained or expressed concern about the absence of this functionality.

The Exchange proposes to add the following new paragraph to page 66 of the 19b-4 and page 132 of the Exhibit 1 after the carry-over language and before the Reserve Complex Orders section, "Concurrent Complex Order auctions in a complex strategy are rare, and therefore the vast majority of the time members would be able to enter a Complex Order auction. With respect to Exposure auctions, in the case where another Complex Order auction in the same strategy has already been initiated, the Exchange proposes to allow the Complex Order to continue to be processed without an auction in the same manner as Complex Orders that are not marked for price improvement. If the member has marked the Complex Order to be cancelled after the exposure period, however, the Exchange would cancel the order back to the member consistent with that instruction. If the member is not able to initiate a Complex Order auction because another Complex Order auction in the same strategy has been initiated, the member may either re-initiate the auction after the auction concludes or submit the order to another options market that offers similar functionality. Thus, members will be able to continue to express their trading intent. Today, other options markets do not offer concurrent Complex Order auctions in a strategy. Nasdaq Phlx, LLC ("Phlx"), for example, does not

allow the initiation of a Complex Order Live Auction ("COLA") when there is already a

Price Improvement XL ("PIXL") auction already ongoing in the strategy pursuant to Rule

1098(e)(2). Similarly, Miami International Securities Exchange LLC ("MIAX") has the

ability to limit the frequency of Complex Auctions by establishing a minimum time

period between such auctions, and permits only one Complex Auction per strategy to be

in progress at any particular time pursuant to Rule 518(d)(2). The Exchange proposes to

eliminate the following rule text from Rule 722, language that indicates that such

functionality will be implemented on or before April 17, 2019 and will be processed as a

Complex Order that is not marked for price improvement, unless the member requested

the order to be cancelled after the exposure period, in which case the Complex Order will

be cancelled back to the member. The Exchange will recommence concurrent Complex

Order auctions on or before April 17, 2019, to be announced in a separate Options Trader

Alert. In the event that the Exchange wishes to implement concurrent Complex Order

auctions in the future, it will file a proposed rule change with the Commission to do so.

The Exchange proposes to add the following new paragraphs to page 55 of the

19b-4 and page 121 of the Exhibit 1 after the carry-over language, "The Exchange

believes that not permitting multiple Complex Order auctions to be ongoing in a complex

strategy will not have any meaningful impact with respect to members' ability to execute

Complex Order auctions. With the proposed change, only one Complex Order auction

may be ongoing at any given time in a complex strategy, and such auctions will not

queue or overlap in any manner. In the case where a Complex Order auction has already

been initiated in a complex strategy, an exposure auction for an order for that strategy

will not be initiated and the order will be processed as a Complex Order that is not

marked for price improvement, instead of rejecting the Complex Order. If the member

requested the order to be cancelled after the exposure period, then the Complex Order

will be cancelled back to the member upon receipt."

10)   Third, in connection with the change to concurrent Complex Order auctions, the

Exchange proposes to amend Exhibit 5 at page 157 to add a new Supplementary Material

.08(g) and (h) to add language to make clear that manner in which auctions will be

processed. The Exchange proposes to re-letter current Supplementary Material .08(g) to

Rule 722 as "(i)." The Exchange proposes to add the following rule text to new

Supplementary Material .08(g) and (h) to Rule 722,

> (g) **Limitation on Concurrent Complex Strategy Auctions**. Only one
> Exposure Auction, Complex Price Improvement Mechanism auction,
> Complex Facilitation Mechanism auction, or Complex Solicited Order
> Mechanism auction, pursuant to Rules 722, Supplementary Material .01 or
> .08(a), (b), or (c), respectively, will be ongoing at any given time in a
> Complex Strategy, and such auctions will not queue or overlap in any
> manner. The Exchange will not initiate an Exposure Auction, Complex
> Price Improvement Mechanism auction, Complex Facilitation Mechanism
> auction, or Complex Solicited Order Mechanism auction in a Complex
> Strategy while another Exposure Auction, Complex Price Improvement
> Mechanism auction, Complex Facilitation Mechanism auction, or
> Complex Solicited Order Mechanism auction in that Complex Strategy is
> ongoing. If a Complex Price Improvement Mechanism auction, Complex
> Facilitation Mechanism auction, or Complex Solicited Order Mechanism
> auction for a Complex Strategy has been initiated, an Exposure Auction
> for that Complex Strategy will not be initiated, and an Exposure Only
> Complex Order for the Complex Strategy will be cancelled back to the
> member. An Exposure Order for the Complex Strategy will be processed
> as an order that is not marked for price improvement.

> (h) **Concurrent Complex Order and single leg auctions**. An auction in
> the Block Order Mechanism, Facilitation Mechanism, Solicited Order
> Mechanism, or Price Improvement Mechanism, as provided in Rules
> 716(b), (c), (d), (e), or 723, respectively, or an exposure period as
> provided in Supplementary Material .02 to Rule 1901, for an option series
> may occur concurrently with a Complex Order Exposure Auction,
> Complex Facilitation auction, Complex Solicited Order auction, or
> Complex Price Improvement Mechanism auction, as provided in Rules

722, Supplementary Material .01, and .08(a), (b), or (c), respectively, for a Complex Order that includes that series. To the extent that there are concurrent Complex Order and single leg auctions involving a specific option series, each auction will be processed sequentially based on the time the auction commenced. At the time an auction concludes, including when it concludes early, the auction will be processed pursuant to Rules 716(b), (c), (d) or (e), or 723 or Supplementary Material .02 to Rule 1901, as applicable, for the single option, or pursuant to Rules 722, Supplementary Material .01, or .08(a), (b), or (c), as applicable, for the Complex Order, except as provided for at Supplementary Material .08(c)(4)(vi) to Rule 722.

This proposed new rule text makes clear that the Exchange will not permit multiple Complex Order auctions to be ongoing in a complex strategy, but will permit concurrent Complex Order strategy auctions to be ongoing with single leg auctions as explicitly noted in the new rule text.

11)   Fourth, the Exchange proposes to add new rule text to specifically address early terminable auctions which are ongoing in both a complex strategy and the component legs of that complex strategy. The Complex Order Exposure and Price Improvement Mechanisms are eligible for termination before the end of the exposure period pursuant to Supplementary Material .01(b)(ii) and .08(c)(4)(v) to Rule 722. The Exchange proposes to amend Supplementary Material .01(b)(ii)(C) to provide, "The exposure period for a Complex Order will end immediately…(C) when a resting Complex Order for the same complex strategy on either side of the market becomes marketable against interest on the Complex Order Book or bids and offers for the same individual legs of the complex strategy." The Exchange therefore proposes to add language to Proposed Supplementary Material .01(b)(iii) to Rule 722, which states

'A Complex Order Exposure in a complex strategy may be ongoing at the same time as a Price Improvement Auction pursuant to Rule 723 or an

exposure period pursuant to Supplementary Material .02 to Rule 1901 in a component leg(s) of such complex strategy. If a Complex Order Exposure is early terminated pursuant to paragraph (ii) above, and the incoming Complex Order that causes the early termination in the complex strategy is also marketable against a component leg(s) of the complex strategy that is the subject of a concurrent ongoing Price Improvement Auction pursuant to Rule 723 or an exposure period pursuant to Supplementary Material .02 to Rule 1901, then the concurrent Complex Order and component leg auction(s) are processed in the following sequence: (1) the Complex Order exposure is early terminated; (2) the component leg auction(s) are early terminated and processed; and (3) legging of residual incoming Complex Order interest occurs.'

The Exchange proposes to amend Supplementary Material .01(c) to Rule 722 to more explicitly provide rule text to indicate that interest received during the exposure period will be taken into consideration. The proposed rule text is as follows,

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

The Exchange also proposes to add language to Supplementary Material .08(c)(4)(vi) to Rule 722 regarding the early termination of such auctions, which states,

'A Complex Price Improvement Mechanism in a complex strategy may be ongoing at the same time as a Price Improvement Auction pursuant to Rule 723 or during an exposure period pursuant to Supplementary Material .02 to Rule 1901 in a component leg(s) of such complex strategy. If a Complex Price Improvement Mechanism is early terminated pursuant to paragraph (iv) above, and the incoming Complex Order that causes the

early termination in the complex strategy is also marketable against a component leg(s) of the complex strategy that is the subject of a concurrent ongoing Price Improvement Auction pursuant to Rule 723 or an exposure period pursuant to Supplementary Material .02 to Rule 1901, then the concurrent Complex Price Improvement Mechanism and component leg auction(s) are processed in the following sequence: (1) the Complex Price Improvement Mechanism is early terminated; (2) the component leg auction(s), which are early terminated and processed; and (3) legging of residual incoming Complex Order interest occurs.'

Specifically, these auctions are subject to early termination on the receipt of a Complex Order or quote for the same complex strategy on either side of the market that is marketable against the Complex Order book or bids and offers for the individual legs (including when the System receives a marketable Complex Order though the Complex Uncrossing Process described in Supplementary Material .12 to Rule 722); or the receipt of a non-marketable Complex Order or quote for the same complex strategy on the same side of the market that would cause the price of the Complex Order being auctioned to be outside of the best bid or offer for the same complex strategy on the Complex Order book. In the event one of these auctions is early terminated, and the early termination condition occurs on a component leg of the complex strategy, the component leg auctions are early terminated and processed before legging occurs. If the event also affects a complex strategy, then the complex auction early terminates followed by the simple auction termination and then legging of residual incoming Complex Order interest occurs. Eligible interest remaining on the regular order book after an auction trades may trade with subsequent auctions, including any Complex Order auction, as those are processed. The Exchange notes that except as provided in Supplementary Material .08(a)(2), (b)(2) to Rule 722 with respect to trading halts, the Complex Facilitation Mechanism and Complex Solicitation Mechanism do

not terminate prior to the end of the period given for the entry of Responses.

Additionally, current Supplementary .08(g) to Rule 722 would be re-lettered as

("i").

Page 37 of the 19b-4 and page 102 of the Exhibit 1 begin a section that describes

the processing of concurrent auctions. Based on the changes to the rule text described

above, the Exchange proposes to delete the language contained under that heading and

replace it with the following "With respect to Complex Order Exposure auctions which

are early terminated pursuant to newly proposed Supplementary Material .01(b)(ii) to

Rule 722, the Exchange provides that early termination condition may occur on a

component leg of the complex strategy, and the component leg auctions that are early

terminated would be processed before legging occurs. This situation would occur if a

Complex Order, which caused the early termination in a Complex Exposure Auction,

would not be fully executed and a remainder would leg into the single leg market thus

causing an early termination of a single leg auction. In this case, the Exchange is making

clear that in this scenario, the Complex Exposure Auction and the single leg auction

would each early terminate and legging would occur after the single leg auction is

processed." This same behavior is also true of PIM auctions and a similar amendment is

being made to Supplementary .08 to Rule 722. The Exchange also proposes to add the

following paragraph on page 61 of the 19b-4 and page 127 of the Exhibit 1 before the

first full paragraph, "The Exchange will not operate multiple concurrent auctions for a

complex strategy. Specifically, only one Exposure Auction, Complex Price Improvement

Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited

Order Mechanism auction, pursuant to Rules 722, Supplementary Material .01 or .08(a),

(b), or (c), respectively, will be ongoing at any given time in a Complex Strategy, and

such auctions will not queue or overlap in any manner." The Exchange does however

propose that an auction in the Block Order Mechanism, Facilitation Mechanism, Solicited

Order Mechanism, or Price Improvement Mechanism, as provided in Rules 716(b), (c),

(d), (e), or 723, respectively, for an option series may occur concurrently with a Complex

Order Exposure Auction, Complex Facilitation auction, Complex Solicited Order auction,

or Complex Price Improvement Mechanism auction, as provided in Rule 722 at

Supplementary Material .01, and .08(a), (b), or (c), respectively, for a Complex Order

that includes that series.   The Exchange believes that permitting single leg auctions as

described above to occur at the same time as a Complex Order auction as specified above

would encourage participants to utilize the single leg order auction mechanisms as well

as the Complex Order mechanism and, thereby remove impediments to, and perfect the

mechanism of, a free and open market and national market system. With respect to early

termination of auctions, the Exchange makes clear at the time an auction concludes,

including when it concludes early, the auction will be processed pursuant to Rules

716(b), (c), (d), (e), or 723, as applicable, for the single option, or pursuant to Rules 722,

Supplementary Material .01, or .08(a), (b), or (c), as applicable, for the Complex Order,

except as provided for at Supplementary Material .01(b)(iii) and .08(c)(4)(vi) to Rule

722. The Exchange will continue to handle orders sequentially in accordance with

Supplementary Material .08(c)(4)(vi) to Rule 722. The Exchange's proposed rules make

clear how orders processed in concurrent auctions would be handled. The Exchange

believes that the proposed amendment to specify this processing has previously been

considered by the Commission and therefore does not raise any new or novel regulatory

issues."[10]

Trading Halts

12)   Supplementary Material .01(d) to Rule 722 on page 146 of the Exhibit 5 and

footnote 26 on page 20 of the 19b-4 and page 86 of the Exhibit 1 provides that: "If a

trading halt is initiated during the exposure period, the Complex Order exposure process

will be automatically terminated without execution." The Exchange proposes to replace

that language with the following: "If a trading halt is initiated during the exposure period

in any series underlying the Complex Order, the Complex Order exposure process will be

automatically terminated without execution."

Execution Price of Complex Orders

13)   Rule 722(c)(2) on page 142 of the Exhibit 5 explains the Exchange's process for

allocating interest between the complex and regular order books. Specifically, with an

exception related to Priority Customer orders in the regular market that are afforded

special priority, complex strategies may be executed on the Complex Order book without

giving priority to bids and offers for the individual component legs that are priced no

better than such complex strategy. For additional clarity, the Exchange proposes to add

language to this rule that explicitly provides that complex strategies will not be executed

at prices inferior to the best net price achievable from the best ISE bids and offers for the

individual legs. While the Exchange believes this is implied by the current rule, which

describes when the Exchange executes complex strategies *at the same or better price* as

interest in the regular market*,* adding this reference here will ensure that this requirement

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[10]   See Securities Exchange Act Release No. 83384 (June 5, 2018), 83 FR
          27061(June 11, 2018) (SR-NYSEAMER-2018-05).

is clearly spelled out in the rule. With the proposed changes, Rule 722(c)(2) will begin as

follows: "*Complex Order Priority.* Complex strategies will not be executed at prices

inferior to the best net price achievable from the best ISE bids and offers for the

individual legs. Notwithstanding the provisions of Rule 713:"

Furthermore, the Exchange proposes to amend page 15 of the 19b-4 and page 80

of the Exhibit 1 to describe the change above. Specifically, the Exchange proposes to add

the following sentence prior to the discussion of SSF-option orders in the middle of the

page: "Furthermore, for additional clarity, the Exchange proposes to amend this rule to

explicitly provide that complex strategies will not be executed at prices inferior to the

best net price achievable from the best ISE bids and offers for the individual legs. The

Exchange obeys the priority of better priced interest on the regular order book, and

therefore will not execute complex strategies at prices that are inferior to those available

in the regular market. While the Exchange believes this is implied by the current rule,

which describes when the Exchange executes complex strategies *at the same or better*

price as interest in the regular market, adding this reference here will ensure that this

requirement is clearly spelled out in the rule."

Stock Venue Processing

14)   The last sentence of Supplementary Material .02 to Rule 722 on page 146 of the

Exhibit 5 provides that: "The full size of Stock-Option Orders and Stock-Complex Orders

that are being processed by the stock execution venue will be unavailable for trading

while the order is being processed." For additional clarity, the Exchange proposes to

delete this and replace it with the following: "When a Stock-Option Order or Stock-

Complex Order has been matched with another Stock-Option Order or Stock-Complex

Order that is for less than the full size of the Stock-Option Order or Stock-Complex

Order, the full size of the Stock-Option Order or Stock Complex Order being processed

by the stock execution venue will be unavailable for trading while the order is being

processed."

Complex QCC Order Increments

15)   The second to last sentence of Supplementary Material .08(e) to Rule 722 on page

157 of the Exhibit 5 provides that: "Complex Qualified Contingent Cross Orders may

only be entered in the regular trading increments applicable pursuant to Rule 722(c)(1)."

Rule 722(c)(1), in turn, provides that Complex Options Orders trade in one cent

increments regardless of the minimum increments otherwise applicable to the individual

options legs of the order. The Exchange therefore proposes to amend the rule to directly

reference the allowable one cent increments instead of using a cross reference to the

minimum increment rule. As such, the Exchange proposes to delete the language

referenced above and replace it with the following: "Complex Qualified Contingent

Cross Orders may be entered in one cent increments." The Exchange also proposes to

make a corresponding change to page 34 of the 19b-4 and page 100 of the Exhibit 1.

Specifically, the last sentence in the only full paragraph included on that page provides

that: "… Complex Qualified Contingent Cross Orders may only be entered in the regular

trading increments applicable pursuant to Rule 722(c)(1)..." Consistent with the change

proposed above, the Exchange proposes to modify this language to state that: "…

Complex Qualified Contingent Cross Orders may be entered in one cent increments..."

16)   The Exchange proposes to add the following text to the end of the carry-over

paragraph on page 63 and the carry-over paragraph on page 129 of the Exhibit 1, "The

Exchange believes that it is consistent with the protection of investors and the public

interest to update its rules to adopt the rule text in Supplementary Material .13 to Rule

722 to make clear that Members may only submit Complex Orders and quotes in Stock-

Option Strategies and Stock-Complex Strategies if such Complex Orders and quotes

comply with the QCT exemption. The Exchange believes that explaining this in its rules

will increase transparency around the operation of the Exchange to the benefit of

Members and other market participants that trade on the Exchange. The Exchange notes

that today Members are obligated to comply with Rule 611(a)." The Exchange also

proposes to amend Supplementary Material .13 to Rule 722 to add the following

language, "In addition, the stock leg of a stock-option order must be marked "buy,"

"sell," "sell short," or "sell short exempt" in compliance with Regulation SHO under the

Exchange Act." The Exchange proposes to amend the carry-over sentence of page 63 of

the 19b-4 and page 129 of the Exhibit 1 to state, "The Exchange proposes to provide the

marking requirements that are required of Members submitting stock legs of stock-

options orders. Specifically, the Exchange requires that such orders be marked as either

"sell," "sell short," or "sell short exempt" in compliance with Regulation SHO under the

Exchange Act. The addition of rule language within Supplementary Material .13 to Rule

722 will make clear this requirement to the benefit of Members submitting such orders.

Technical Corrections

17)   The Exchange proposes to amend Rule 702(d)(2) in the Exhibit 5 to change

references to "complex Market Orders" to "Market Complex Orders." Also, the

Exchange proposes to amend Supplementary Material .01 to Rule 710 to change "June

30, 2018" to "December 31, 2018" and also to change "January 1, 2018" to "July 1,

2018."

18.) The Exchange proposes to amend proposed Supplementary Material .08(c)(5)(iii) to amend the first sentence to state, "In the case where the Counter-Side Complex Order is at the same net price as Professional interest and market maker quotes on the Complex Order Book in [(3)](ii) <u>above</u>, the Counter-Side Complex Order will be allocated the greater of one (1) contract or forty percent (40%) (or such lower percentage requested by the member) of the initial size of the Agency Complex Order before other Professional interest and market maker quotes on the Complex Order Book are executed."

19.) The Exchange is amending a citation within the Exhibit 5 at Supplementary Material .01(c) to Rule 722 which refers to Rule 722(d)(2)(ii). That reference should be to Rule 722(d)(2)(iii).

20.) The Exchange proposes to amend footnote 9 in the 19b-4 and the Exhibit 1 to "See e.g., Commentary .01 to NYSE American Rule 980NY."

21.) The Exchange proposes to amend footnote 11 in the 19b-4 and the Exhibit 1 to "<u>See</u> "NYSE Arca Options Commentary .01 to Rule 6.91-O."

22.) The Exchange proposes to amend footnote 17 in the 19b-4 and the Exhibit 1 to change the citation from "<u>See</u> Securities Exchange Act Release No. 66234 (January 24, 2012), 77 FR 4852 (January 31, 2012) (SR-ISE-2011-82)" to <u>See</u> Securities Exchange Act Release No. 66234 (January 25, 2012), 77 FR 4852 (January 31, 2012) (SR-ISE-2011-82)."

23.) The Exchange proposes to amend footnote 18 in the 19b-4 and the Exhibit 1 to amend "(renumbered Rule 722(d)(3)" to "(renumbered Rule 722(b)(3)".

24.) The Exchange proposes to amend footnote 20 in the 19b-4 and the Exhibit 1 from "CBOE Rule 6.53(d)" to "CBOE Rule 6.53C(d)".

25.)   The Exchange proposes to amend footnote 22 in the 19b-4 and the Exhibit 1 to

change "(e.g., Rule 722(d)(2) to "(e.g., Rule 722(d)(1)".

26.)   The Exchange proposes to amend footnote 41 in the 19b-4 and the Exhibit 1 to

place an "or" between the words "product price" within (ii).

27.)   The Exchange proposes to amend footnote 68 in the 19b-4 and the Exhibit 1 to

amend the citation to "See Securities Exchange Act Release No. 80613 (May 5, 2017), 82

FR 22022 (May 11, 2017) (SR-ISE-2017-37)."

28.)   Any references within Exhibit 5 to "complex order" shall be amended to

"Complex Order" and any references to "complex order book" shall be amended to

"Complex Order Book."

* * * * *

The Exchange requests that the Commission find good cause to grant accelerated

approval of SR-ISE-2018-56, as amended by this Amendment No. 1, pursuant to Section

19(b)(2) of the Act. On June 22, 2018, Nasdaq ISE, LLC ("ISE" or "Exchange") filed

with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule

change ("Proposal") to amend Exchange rules related to Complex Orders. The SEC

published the Proposal in the Federal Register for notice and comment on July 9, 2018

("Original Filing").[11] No comments were received. Accelerated approval would allow

the Exchange to implement, without delay, the proposed modifications at the same time

that the Original Filing goes into effect. This would provide additional clarity and reduce

any potential ambiguity regarding ISE's Complex Order functionality. Where applicable,

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[11]   See Securities Exchange Act Release No. 83576 (July 2, 2018), 83 FR 31783
        (July 9, 2017) (SR-ISE-2018-56).

the Amendment provides additional details and clarifies the text of the proposed rules,

thereby helping to assure the accuracy of the proposed rules.

With respect to the Reserve Complex Orders, the Exchange proposes to

discontinue this order type. The Exchange believes that granting accelerated approval for

the discontinuation of the order type will permit the Exchange to modify its rules to

account for the elimination of the Reserve Complex Order type. The Exchange's rules

have been modified to eliminate the order type and present the operation of the Rulebook

without accounting for that particular order type. ISE would continue to offer Reserve

Orders in the single leg order book. The Exchange does not receive a high volume of

Reserve Complex Orders. The Exchange notes that other options exchanges do not offer

Complex Reserve Orders. The Exchange does not believe that it is necessary to offer

these order types for complex orders as there is no great demand for this order type.

Also, the Exchange offers a variety of order types to its market participants and does not

believe that discontinuing this particular order type will disadvantage market participants

when submitting Complex Orders.

The Exchange notes that Amendment No. 1 makes clear the priority of the single

leg book in relation to the Complex Order Book.

With respect to Trade Value Allowance, accelerated approval for this Amendment

No. 1 will permit the Exchange to further clarify the rule text and provide notice to

members on limiting the amount of Trade Value allowance permitted for orders that

execute within an auction.

With respect to the removal of concurrent Complex Order auctions the Exchange,

as explained herein, will not be offering this functionality. The Exchange has not offered

this functionality since 2017 and has received no complaints from members. The

Exchange believes that granting accelerated approval will clarify the status of this

offering. Also, the addition of rule text will further clarify which auctions may continue

to be concurrent on ISE and provides specificity as to the manner in which concurrent

auctions will be processed.

The Exchange also proposes new rule text addressing early terminable auctions.

The Exchange's Amendment No. 1 should be granted accelerated approval because the

Exchange details the early termination of Complex Order Exposure and Price

Improvement Mechanisms and the manner in which the early terminations occur. This

information will detail for market participants the situations in which this could occur and

the sequence for processing. This information brings greater transparency to the

Exchange's rules.

The Exchange's Amendment No. 1 also adds clarity to the execution prices for

Complex Orders, as well as other clarifying and technical amendments which are

consistent with the Act and the protection of investors in that the specificity is intended to

provide more granular detail to the handling of Complex Orders. The Exchange further

believes that there is good cause to grant accelerated approval of this Amendment No. 1

because it would promote transparency and clarity in Exchange rules.

EXHIBIT 4

Exhibit 4 shows the changes proposed in this Partial Amendment No. 1, with the proposed changes in the original filing shown as if adopted. Proposed additions in this Partial Amendment No. 1 appear underlined; proposed deletions appear in brackets.

Nasdaq ISE Rules

* * * * *

Rule 702. Trading Halts

(a) – (c) No change.

(d) This paragraph shall be in effect during a pilot period to coincide with the pilot period for the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS, as it may be amended from time to time ("LULD Plan"). Capitalized terms used in this paragraph shall have the same meaning as provided for in the LULD Plan. During a Limit State and Straddle State in the Underlying NMS stock:

(1) No change.

(2) Provided the Exchange has opened an affected option for trading, the Exchange shall reject Market Orders, as defined in Rule 715(a), and Market Complex Orders as defined in Rule 722(b), (including Market Complex Orders) and shall notify Members of the reason for such rejection. The Exchange shall cancel Complex Orders that are Market Orders residing in the System, if the [complex]Market Complex Order becomes marketable while the affected underlying is in a Limit or Straddle State. Market Orders exposed at the NBBO pursuant to Supplementary Material. 02 to ISE Rule 1901 or [complex] Market Complex Orders exposed for price improvement pursuant to Supplementary Material .01 to Rule 722, pending in the System, will continue to be processed. If at the end of the exposure period the affected underlying is in a Limit or Straddle State, the Market Order or the [complex] Market Complex Order will be cancelled. If the affected underlying is no longer in a Limit or Straddle State after the exposure period, the Market Order or the [complex] Market Complex Order will be processed with normal handling.

(3) – (4) No change.

Supplementary Material to Rule 702

No change.

* * * * *

Rule 710. Minimum Trading Increments

(a) – (c) No change.

Supplementary Material to Rule 710

.01 Notwithstanding any other provision of this Rule 710, the Exchange will operate a pilot program, scheduled to expire on [June 30, 2018]December 31, 2018, to permit options classes to be quoted and traded in increments as low as one cent ($0.01). The Exchange will specify which options trade in such pilot, and in what increments, in Options Trader Alerts distributed to Members.

The Exchange may replace any penny pilot issues that have been delisted with the next most actively traded multiply listed options classes that are not yet included in the penny pilot, based on trading activity in the previous six months. The replacement issues may be added to the penny pilot on the second trading day following [January 1, 2018]July 1, 2018.

.02 Notwithstanding any other provision of this Rule 710, the Exchange will permit foreign currency options and options on a Foreign Currency Index to be quoted and traded in one-cent increments.

.03 Notwithstanding any other provision of this Rule 710, the minimum trading increment for Mini Options shall be determined in accordance with Supplementary Material .13(d) to Nasdaq ISE Rule 504.

.04 Notwithstanding any other provision of this Rule 710, complex strategies may be quoted and traded in the increments described in Rule 722(c)(1).

* * * * *

Rule 715. Types of Orders

   (a) – (j) No change.

   (k) *Legging Orders.* A legging order is a limit order on the regular limit order book that represents one side of a Complex Options Order that is to buy or sell an equal quantity of two options series resting on the Exchange's [c]Complex [o]Order [b]Book. Legging orders are firm orders that are included in the Exchange's displayed best bid or offer.

      (1) A legging order may be automatically generated for one leg of a Complex Options Order at a price: (i) that matches or improves upon the best displayed bid or offer on the regular limit order book; and (ii) at which the net price can be achieved when the other leg is executed against the best displayed bid or offer on the regular limit order book. A legging order will not be created at a price that locks or crosses the best bid or offer of another exchange. [A Reserve Complex Order will only generate a legging order from its displayed quantity.]

      (2) A legging order is executed only after all other executable orders (including any non-displayed size) and quotes at the same price are executed in full. When a

legging order is executed, the other portion of the Complex Options Order will be automatically executed against the displayed best bid or offer on the Exchange.

(3) A legging order is automatically removed from the regular limit order book if: (i) the price of the legging order is no longer at the displayed best bid or offer on the regular limit order book, (ii) execution of the legging order would no longer achieve the net price of the Complex Options Order when the other leg is executed against the best displayed bid or offer on the regular limit order book, (iii) the Complex Options Order is executed in full or in part on the [c]Complex [o]Order [b]Book, or (iv) the Complex Options Order is cancelled or modified.

(l) – (u) No change.

Supplementary Material to Rule 715

No change.

Rule 716. Block Trades

(a) – (e) No change.

Supplementary Material to Rule 716

.01 - .07 No change.

.08 Reserved.

.09 No change.

<center>* * * * *</center>

Rule 722. Complex Orders and Quotes

Stock-Option Orders will not be automatically executed against bids and offers on the Exchange for the individual legs ("legging") pursuant to subparagraphs (d)(1) and (d)(3) of Rule 722 and Supplementary Material .01 and .02 to Rule 722. Stock-Option Orders will continue to execute against other Stock-Option Orders in the [c]Complex [o]Order [b]Book. The Exchange will recommence legging for Stock-Option Orders on ISE on or before March 21, 2019. The Exchange will issue an Options Trader Alert notifying Members when this functionality will be available.

Only one [c]Complex [o]Order auction pursuant to Supplementary Material .01 and Supplementary Material .08(a) - (c) to Rule 722 may be ongoing at any given time in a complex strategy. Such [c]Complex [o]Order auctions will not queue or overlap in any manner. The Exchange will reject a [c]Complex [o]Order auction of the same or different auction type submitted pursuant to Supplementary Material .08(a) –(c) to Rule 722 while another [c]Complex [o]Order auction is ongoing in that complex strategy. When there is

an ongoing auction in a complex strategy, a subsequent [c]Complex [o]Order for that strategy will not initiate an auction pursuant to Supplementary Material .01 to Rule 722 and will be processed as a [c]Complex [o]Order that is not marked for price improvement, unless the member requested the order to be cancelled after the exposure period, in which case the [c]Complex [o]Order will be cancelled back to the member. [The Exchange will recommence concurrent complex order auctions on or before April 17, 2019, to be announced in a separate Options Trader Alert.]

(a) Definitions.

(1) *Complex Options Strategy*. A Complex Options Strategy is the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy. Only those Complex Options Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing.

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

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

(4) The term "complex strategy" includes Complex Options Strategies, Stock-Option Strategies, and Stock-Complex Strategies.

(5) The terms "Complex Options Order," "Stock-Option Order," and "Stock-Complex Order" refer to orders for a Complex Options Strategy, Stock-Option Strategy, and Stock-

Complex Strategy, respectively. The term "Complex Order" includes Complex Options Orders, Stock-Option Orders, and Stock-Complex Orders.

(b) *Types of Complex Orders.* Unless otherwise specified, the definitions used below have the same meaning contained in Rule 715. Complex Orders may be entered using the following orders or designations:

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

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

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

(4) Reserved. [Reserve Complex Order. A Limit Complex Order may be designated as a Reserve Order that contains both a displayed portion and a non-displayed portion.

(i) Both the displayed and non-displayed portions of a Reserve Complex Order are available for potential execution against incoming marketable orders or quotes. A non-marketable Reserve Complex Order will rest on the Complex Order Book.

(ii) The displayed portion of a Reserve Complex Order shall be ranked at the specified limit price and the time of order entry.

(iii) The displayed portion of a Reserve Complex Order will trade in accordance with Rule 722(d).

(iv) When the displayed portion of a Reserve Complex Order is decremented, either in full or in part, it shall be refreshed from the non-displayed portion of the resting Reserve Complex Order. If the displayed portion is refreshed in part, the new displayed portion shall include the previously displayed portion. Upon any refresh, the entire displayed portion shall be ranked at the specified limit price and obtain a new time stamp, i.e., the time that the new displayed portion of the order was refreshed. The new displayed portion will trade in accordance with Rule 722(d).

(v) The initial non-displayed portion of a Reserve Complex Order rests on the Complex Order Book and is ranked based on the specified limit price and time of order entry. Thereafter, non-displayed portions, if any, always obtain the same time stamp as that of the new displayed portion in subparagraph (iv) above. The non-displayed portion of any Reserve Complex Order is available for execution only after all displayed interest on the

ComplexOrder Book has been executed. Thereafter, the non-displayed portion of any Reserve Complex Order will trade in accordance with Rule 722(d).

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

(5) Attributable Complex Order. A Market or Limit Complex Order may be designated as an Attributable Order as provided in Rule 715(h).

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

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

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

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

(10) Immediate-or-Cancel Complex Orders. A Complex Order may be designated as an Immediate-or-Cancel Order that is to be executed in whole or in part upon receipt. Any portion not so executed is cancelled.

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

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

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

(14) Exposure Complex Order. An Exposure Complex Order is an order that will be exposed upon entry as provided in Supplementary Material .01 to this Rule 722 if eligible, or entered on the [c]Complex [o]Order [b]Book if not eligible. Any unexecuted balance of an Exposure Complex Order remaining upon the completion of the exposure process will be entered on the [c]Complex [o]Order [b]Book.

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

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

(c) *Applicability of Exchange Rules*. Except as otherwise provided in this Rule 722, complex strategies shall be subject to all other Exchange Rules that pertain to orders and quotes generally.

(1) *Minimum Increments*. Bids and offers for Complex Options Strategies may be expressed in one cent ($0.01) increments, and the options leg of Complex Options Strategies may be executed in one cent ($0.01) increments, regardless of the minimum increments otherwise applicable to the individual options legs of the order. Bids and offers for Stock-Option Strategies or Stock-Complex Strategies may be expressed in any decimal price determined by the Exchange, and the stock leg of a Stock-Option Strategy or Stock-Complex Strategy may be executed in any decimal price permitted in the equity market. The options leg of a Stock-Option Strategy or Stock-Complex Strategy may be executed in one cent ($0.01) increments, regardless of the minimum increments otherwise applicable to the individual options legs of the order.

(2) *Complex Order Priority*. Complex strategies will not be executed at prices inferior to the best net price achievable from the best ISE bids and offers for the individual legs. Notwithstanding the provisions of Rule 713:

(i) a Complex Options Strategies may be executed at a total credit or debit price with one other Member without giving priority to bids or offers established on the Exchange that are no better than the bids or offers in the individual options series comprising such total credit or debit; provided, however, that if any of the bids or offers established on the Exchange consist of a Priority Customer Order, the price of at least one leg of the complex strategy must trade at a price that is better than the corresponding bid or offer on the Exchange by at least one minimum trading increment for the series as defined in Rule 710.

(ii) The option leg of a Stock-Option Strategy has priority over bids and offers for the individual options series established on the Exchange by Professional Orders and market

maker quotes that are no better than the price of the options leg, but not over such bids and offers established by Priority Customer Orders.

(iii) The options legs of a Stock-Complex Strategy are executed in accordance with subparagraph (c)(2)(i) above.

[(iv) Notwithstanding Rule 722(c)(2)(i)-(iii) above, a complex strategy may be executed at a net credit or debit price with one other Member without giving priority to the non-displayed portion of Reserve Orders on the bids or offers on the Exchange for the individual legs of the complex strategy.]

(3) *Internalization*. Complex Orders represented as agent may be executed (i) as principal as provided in Rule 717(d), or (ii) against orders solicited from Members and non-member broker-dealers as provided in Rule 717(e). The exposure requirements of Rules 717(d) or (e) must be met on the [c]Complex [o]Order [b]Book unless the order is executed in one of the mechanisms described in Supplementary Material .08 to this Rule 722.

(d) *Execution of Complex Strategies*. Complex strategies will be executed without consideration of any prices that might be available on other exchanges trading the same options contracts. Complex strategies are not executable unless all of the terms of the strategy can be satisfied and the options legs can be executed at prices that comply with the provisions of paragraph (c)(2) above. Complex strategies, other than those that are executed as crossing transactions pursuant to Supplementary Material .08 to this Rule 722, are automatically executed as follows:

  (1) Each Complex Order must specify upon entry whether it should be exposed upon entry if eligible, or whether such Complex Order should be processed without being exposed. Eligible incoming Complex Orders that are designated for exposure will be exposed for price improvement pursuant to Supplementary Material .01 to this Rule 722.

  (2) Complex strategies will be executed at the best net price available from Complex Order Exposure pursuant to Supplementary Material .01 to Rule 722, executable Complex Orders and quotes on the [c]Complex [o]Order [b]Book, and bids and offers for the individual options series; provided that at each price, executable complex strategies will be automatically executed first against executable bids and offers on the [c]Complex [o]Order book[in price priority] prior to legging into the single leg order book. Notwithstanding the foregoing, executable complex strategies will execute against Priority Customer interest on the single leg book at the same price before executing against the Complex Order Book The Exchange may designate on a class basis whether bids and offers at the same price on the [c]Complex [o]Order [b]Book will be executed:

  (i) in time priority;

(ii) pursuant to Nasdaq ISE Rule 713(e) and Supplementary Material .01(a) to Nasdaq ISE Rule 713 except that there shall be no participation rights for the Primary Market Maker as provided in Supplementary Material to Rule 713, paragraph .01(b) and (c); or

(iii) pro-rata based on size.

(3) If there is no executable contra-side complex interest on the [c]Complex [o]Order [b]Book book at a particular price, executable Complex Options Orders up to a maximum number of legs (determined by the Exchange on a class basis as either two legs, three legs or four legs) and the options leg(s) of executable Stock-Option Orders or executable Stock-Complex Orders with up to a maximum number of options legs (determined by the Exchange as either two legs, three legs or four legs) may be automatically executed against bids and offers on the Exchange for the individual options series provided the Complex Order can be executed in full or in a permissible ratio by such bids and offers. Legging orders may be automatically generated on behalf of Complex Options Orders so that they are represented at the best bid and/or offer on the Exchange for the individual legs of the Complex Options Order as provided in Rule 715(k). Notwithstanding the foregoing:

(A) Complex Orders with 2 option legs where both legs are buying or both legs are selling and both legs are calls or both legs are puts may only trade against other Complex Orders in the [c]Complex [o]Order [b]Book. The trading system will not generate legging orders for these Complex Orders.

(B) Complex Orders with 3 or 4 option legs where all legs are buying or all legs are selling may only trade against other Complex Orders in the [c]Complex [o]Order [b]Book.

(4) Complex strategies that are not executable may rest on the [c]Complex [o]Order [b]Book until they become executable.

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.01 Complex Order Exposure. If designated by a member for exposure, eligible Complex Orders are exposed upon entry for a period of up to one (1) second pursuant to Rule 722(d)(1) as follows:

(a) A Complex Order that improves upon the best price for the same complex strategy on the [c]Complex [o]Order [b]Book (i.e., a limit order to buy priced higher than the best bid, a limit order to sell priced lower than the best offer, and a market order to buy or sell) is eligible to be exposed upon entry for a period of up to one (1) second as provided in Supplementary Material .01 to this Rule 722. Incoming orders will not be eligible to be exposed if there are market orders on the [c]Complex [o]Order [b]Book on the same side of the market for the same complex strategy.

(b) Upon entry of an eligible Complex Order, a broadcast message that includes net price or at market, size, and side will be sent and Members will be given an opportunity to enter Responses with the prices and sizes at which they are willing to participate in the execution of the Complex Order.

(i) Responses are only executable against the Complex Order with respect to which they are entered, can be modified or withdrawn at any time prior to the end of the exposure period, and will be considered up to the size of the Complex Order being exposed. During the exposure period, the Exchange will broadcast the best Response price, and the aggregate size of Responses available at that price. At the conclusion of the exposure period, any unexecuted balance of a Response is automatically cancelled.

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

(iii) A Complex Order Exposure in a complex strategy may be ongoing at the same time[as an early terminable auction] as a Price Improvement Auction pursuant to Rule 723 or an exposure period pursuant to Supplementary Material .02 to Rule 1901 in a component leg(s) of such complex strategy. If a Complex Order Exposure is early terminated pursuant to paragraph (ii) above, and [the early termination condition occurs on a component leg of the complex strategy, the component leg auctions are early terminated and processed before legging occurs]the incoming Complex Order that causes the early termination in the complex strategy is also marketable against a component leg(s) of the complex strategy that is the subject of a concurrent ongoing Price Improvement Auction pursuant to Rule 723 or an exposure period pursuant to Supplementary Material .02 to Rule 1901, then the concurrent Complex Order and component leg auction(s) are processed in the following sequence: (1) the Complex Order exposure is early terminated; (2) the component leg auction(s) are early terminated and processed; and (3) legging of residual incoming Complex Order interest occurs. [If a Complex Order Exposure is early terminated pursuant to paragraph (ii) above, and multiple early terminable complex auctions (i.e., Complex Order Exposure or Complex Price Improvement Mechanism) are ongoing in the complex strategy, all such auctions will be early terminated and

processed in the sequence in which they were started. If the early termination condition occurs on a component leg of a complex strategy, the component leg auctions are early terminated and processed first.]

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

(d) [If a trading halt is initiated during the exposure period, the Complex Order exposure process will be automatically terminated without execution.] If a trading halt is initiated during the exposure period in any series underlying the Complex Order, the Complex Order exposure process will be automatically terminated without execution.

.02 Stock-Option and Stock-Complex Orders. The Exchange will electronically communicate the stock leg of an executable Stock-Option Order and Stock-Complex Order to a broker-dealer for execution. To execute Stock-Option Orders and Stock-Complex Orders on the Exchange, Members must enter into a brokerage agreement with a broker-dealer designated by the Exchange. The Member may also enter into a brokerage agreement with one or more other broker-dealers to which the Exchange is able to route stock orders. The Exchange will automatically transmit the stock leg of a trade to one-or-more broker-dealer(s) with which a Member has an agreement for execution on behalf of the Member using routing logic that takes into consideration objective factors such as execution cost, speed of execution and fill-rates. The Exchange will have no financial arrangements with the brokers with respect to routing stock orders to them. Members may also indicate preferred execution brokers, and such preferences will determine order routing priority whenever possible. A trade of a Stock-Option Order or a Stock-Complex Order will be automatically cancelled if market conditions prevent the execution of the stock or option leg(s) at the prices necessary to achieve the agreed upon net price. [The full size of Stock-Option Orders and Stock-Complex Orders that are being processed by the stock execution venue will be unavailable for trading while the order is being processed.] When a Stock-Option Order or Stock-Complex Order has been matched with another Stock-Option Order or Stock-Complex Order that is for less than the full size of the Stock-Option Order or Stock-Complex Order, the full size of the Stock-Option Order or Stock Complex Order being processed by the stock execution venue will be unavailable for trading while the order is being processed.

.03 *Market Maker Quotes.*

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Market makers may enter quotes for complex strategies on the [c]Complex [o]Order [b]Book in their appointed options classes. The Exchange will announce via Options Trader Alert which options classes are available for quoting on the [c]Complex [o]Order [b]Book. Market Maker quotes for complex strategies are executed in the same manner as orders as provided in paragraph (d)(2) above, but will not be automatically executed against bids and offers on the Exchange for the individual legs as provided in paragraph (d)(3) nor can they be marked for price improvement as provided in paragraph (d)(1). Market makers are not required to enter quotes on the [c]Complex [o]Order [b]Book. Quotes for complex strategies are not subject to any quotation requirements that are applicable to market maker quotes in the regular market for individual options series or classes, nor is any volume executed in complex strategies taken into consideration when determining whether market makers are meeting quotation obligations applicable to market maker quotes in the regular market for individual options series.

.04 *Automated Spread Quotation Adjustments.* A market maker quoting Complex Options Strategies must provide parameters by which the Exchange will automatically remove a market maker's quotations in all Complex Option Strategies in an options class. The Exchange will automatically remove a market maker's quotation when, during a time period established by the market maker, the market maker exceeds in execution of quotes in Complex Option Strategies: (i) the specified number of total contracts in the class, (ii) the specified percentage of the total size of the market maker's quotes in the class, (iii) the specified absolute value of the net between contracts bought and contracts sold in the class, or (iv) the specified absolute value of the net between (a) calls purchased plus puts sold in the class, and (b) calls sold plus puts purchased in the class.

.05 *Preferencing.* For options allocated pursuant to subparagraph (d)(2)(ii), a market maker with a quote at the best price on the [c]Complex [o]Order [b]Book that is designated as a "Preferred Market Maker" by the Electronic Access Member entering the Complex Order will receive an enhanced allocation (after all Priority Customer Orders on the [c]Complex [o]Order [b]Book at the same price have been executed in full) that is equal to the greater of:

(i) the proportion of the total size at the best price represented by the size of its quote, or

(ii) sixty percent (60%) of the contracts to be allocated if there is only one (1) other Professional Order or market maker quotation at the best price and forty percent (40%) if there are two (2) or more other Professional Orders and/or market maker quotes at the best price.

Preferred Market Makers on the [c]Complex [o]Order [b]Book must satisfy their quotation obligations in the options class in the regular market, including the requirements in Rule 804(e)(2)(ii) applicable to Competitive Market Makers that receive Preferenced Orders.

.06 If any leg of a complex strategy is a Mini Option contract as provided in Supplementary Material .13 to Rule 504, all options legs of such complex strategy must also be Mini Option contracts.

.07 Price limits for Complex Orders and quotes.

(a) As provided in paragraph (d) above, the legs of a complex strategy may be executed at prices that are inferior to the prices available on other exchanges trading the same options series. Notwithstanding, the System will not permit any leg of a complex strategy to trade through the NBBO for the series or any stock component by a configurable amount calculated as the lesser of (i) an absolute amount not to exceed $0.10, and (ii) a percentage of the NBBO not to exceed 500%, as determined by the Exchange on a class, series or [series]underlying basis. A Member can also include an instruction on a Complex Order that each leg of the Complex Order is to be executed only at a price that is equal to or better than the [national best bid or offer]NBBO for the options series or any stock component, as applicable. [Unless the applicable rule states otherwise, when calculating the best net price achievable from the best ISE bids and offers for the individual legs, the price of the stock leg is the national best bid or offer price as modified by this Supplementary Material .07(a) to Rule 722.]

(b) The System will reject orders and quotes for a complex strategy where all legs are to buy if entered at a price that is less than the minimum net price, which is calculated as the sum of the ratio on each leg of the complex strategy multiplied by the minimum increment applicable to that leg pursuant to Rule 722(c)(1).

(c) Other than for Complex Orders entered pursuant to Supplementary Material .08 to this Rule 722, the System will:

(1) reject a vertical spread order or quote (i.e., an order or quote to buy a call (put) option and to sell another call (put) option in the same security with the same expiration but at a higher (lower) strike price) when entered with a net price of less than zero (minus a pre-set value), and will prevent the execution of a vertical spread order at a price that is less than zero (minus a pre-set value) when entered as a market order to sell.

(2) reject a vertical spread order or quote when entered with a net price greater than the value of the higher strike price minus the lower strike price (plus a pre-set value), and will prevent the execution of a vertical spread order at a price that is greater than the value of the higher strike price minus the lower strike price (plus a pre-set value) when entered as a market order to buy. The pre-set value is the lesser of an absolute amount and a percentage of the difference between the strike prices.

(3) reject a calendar spread order or quote (i.e., an order or quote to buy a call (put) option with a longer expiration and to sell another call (put) option with a shorter expiration in the same security at the same strike price) when entered with a net price of less than zero (minus a pre-set value), and will prevent the execution of a calendar spread

order at a price that is less than zero (minus a pre-set value) when entered as a market order to sell.

(4)(i) For purposes of the price protections set forth in paragraphs (c)(1) and (c)(3), the Exchange will set a pre-set value not to exceed $1.00 to be applied uniformly across all classes.

(ii) For purposes of the price protections set forth in paragraph (c)(2), the Exchange will set common pre-set values of (1) an amount not to exceed $1.00 and (2) a percentage of the difference between strike prices not to exceed 10% to be applied uniformly across all classes.

(5) The Exchange may change the pre-set values established in paragraph (c)(4) in accordance with the parameters set forth therein from time to time uniformly across all classes.

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

(e) Size Limitation. There is a limit on the number of contracts (and shares in the case of a Stock-Option Strategy or Stock-Complex Strategy) any single leg of an incoming Complex Order or quote may specify. Orders or quotes that exceed the maximum number of contracts (or shares) are rejected. The maximum number of contracts (or shares), which shall not be less than 10,000 (or 100,000 shares), is established by the Exchange from time-to-time.

.08 Complex Orders Crossing Transactions.

(a) *Complex Facilitation Mechanism.* Electronic Access Members may use the Facilitation Mechanism according to paragraph (d) of Rule 716 to execute block-size Complex Orders at a net price. Each options leg of a Complex Order entered into the Complex Facilitation Mechanism must meet the minimum contract size requirement contained in paragraph (d) of Rule 716. The Complex Facilitation Mechanism is a process by which an Electronic Access Member can execute a transaction wherein the Electronic Access Member seeks to facilitate a block-size Complex Order it represents as

agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against a block-size Complex Order it represents as agent. Electronic Access Members must be willing to execute the entire size of Complex Orders entered into the Complex Facilitation Mechanism.

(1) Complex Orders entered into the Complex Facilitation Mechanism must be priced within the parameters described below. Complex Orders that do not meet these requirements are not eligible for the Complex Facilitation Mechanism and will be rejected.

(i) Complex Options Orders must be entered into the Complex Facilitation Mechanism at a price that is (A) equal to or better than the best bid or offer on the [c]Complex [o]Order [b]Book on the same side of the market as the Agency Order; and (B) equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs on the same side of the market as the Agency Order; provided that, if there is a Priority Customer order on the best bid or offer for any leg, the order must be entered at an improved price consistent with Rule 722(c)(2).

(ii) Stock-Option Orders and Stock-Complex Orders must be entered into the Complex Facilitation Mechanism at a price that is (A) equal to or better than the best bid or offer on the [c]Complex [o]Order [b]Book on the same side of the market as the Agency Order; and (B) equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs on both sides of the market; provided that, if there is a Priority Customer order on the best bid or offer for any leg, the order must be entered at an improved price consistent with Rule 722(c)(2).

(2) A Complex Order entered into the Complex Facilitation Mechanism will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex Order. If a trading halt is initiated after the order is entered into the Complex Facilitation Mechanism, such auction will be automatically terminated without execution.

(3) Upon the entry of a Complex Order into the Complex Facilitation Mechanism, a broadcast message that includes the net price, side and size of the Agency Complex Order will be sent and Members will be given an opportunity to enter Responses with the net prices and sizes at which they want to participate in the facilitation of the Agency Complex Order. The time given to Members to enter Responses shall be designated by the Exchange via Options Trader Alert, but will be no less than 100 milliseconds and no more than 1 second.

(4) Responses are only executable against the Complex Order with respect to which they are entered, and will only be considered up to the size of the Complex Order to be facilitated. Responses must be entered in the increments provided in Rule 722(c)(1) at the facilitation price or at a price that is at least one cent better for the Agency Order.

(5) Responses submitted by Members shall not be visible to other auction participants during the exposure period and can be modified or deleted before the exposure period has ended. At the end of the period given for the entry of Responses, the facilitation order will be automatically executed.

(i) Unless there is sufficient size to execute the entire facilitation order at a better net price, Priority Customer Complex Orders and Responses to buy (sell) at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at the facilitation price. Professional Complex Orders and Responses, and quotes to buy (sell) at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at their stated price, thereby providing the Complex Order being facilitated a better price for the number of contracts associated with such higher bids (lower offers).

(ii) The facilitating Electronic Access Member will execute at least forty percent (40%) (or such lower percentage requested by the member) of the original size of the facilitation order, but only after better-priced Responses, Complex Orders and quotes, as well as Priority Customer Complex Orders and Responses at the facilitation price, are executed in full. Thereafter, Professional Complex Orders and Responses, and quotes at the facilitation price will participate in the execution of the facilitation order based upon the percentage of the total number of contracts available at the facilitation price that is represented by the size of the Professional Complex Order or Response, or quote.

(iii) Upon entry of a Complex Order into the Complex Facilitation Mechanism, the facilitating Electronic Access Member can elect to automatically match the net price and size of Complex Orders, Responses and quotes received during the exposure period up to a specified limit price or without specifying a limit price. This election will also automatically match the net price available from the ISE best bids and offers on the individual legs for the full size of the order; provided that with notice to members the Exchange may determine whether to offer this option only for Complex Options Orders, Stock-Option Orders, and/or Stock Complex Orders. If a member elects to auto-match, the facilitating Electronic Access Member will be allocated its full size at each price point, or at each price point within its limit price if a limit is specified, until a price point is reached where the balance of the order can be fully executed. At such price point, the facilitating Member will be allocated at least forty percent (40%) (or such lower percentage requested by the member) of the original size of the facilitation order, but only after Priority Customer Orders and Responses at such price point. Thereafter, Professional Complex Orders and Responses, and quotes at the price point will participate in the execution of the facilitation order based upon the percentage of the total number of contracts available at the facilitation price that is represented by the size of the Professional Complex Order or Response, or quote. An election to automatically match better prices cannot be cancelled or altered during the exposure period.

(iv) With respect to bids and offers for the individual legs of a Complex Order entered into the Complex Facilitation Mechanism, the priority rules applicable to the execution of Complex Orders contained in Rule 722(c)(2) will continue to be applicable and may

prevent the execution of a Complex Order entered into the Facilitation Mechanism, in which case the transaction will be cancelled. If an improved net price for the Complex Order being executed can be achieved from Complex Orders, Responses, and quotes on the [c]Complex [o]Order [b]Book and, for Complex Options Orders, the ISE best bids and offers on the individual legs, the facilitation order will be executed against such interest.

(b) Complex Solicited Order Mechanism. The Complex Solicited Order Mechanism is a process by which an Electronic Access Member can attempt to execute Complex Orders it represents as agent (the "Agency Complex Order") against contra orders that it solicited according to paragraph (e) of Rule 716. Each Complex Order entered into the Solicited Order Mechanism shall be designated as all-or-none, and each options leg must meet the minimum contract size requirement contained in paragraph (e) of Rule 716.

(1) Complex Orders must be entered into the Complex Solicited Order Mechanism at a price that is (A) equal to or better than the best bid or offer on the [c]Complex [o]Order [b]Book on both sides of the market; and (B) equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs on both sides of the market; provided that, if there is a Priority Customer order on the best bid or offer for any leg, the order must be entered at an improved price consistent with Rule 722(c)(2). Complex Orders that do not meet these requirements are not eligible for the Complex Solicited Order Mechanism and will be rejected.

(2) A Complex Order entered into the Complex Solicited Order Mechanism will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex Order. If a trading halt is initiated after the order is entered into the Complex Solicited Order Mechanism, such auction will be automatically terminated without execution.

(3) Upon entry of both orders into the Complex Solicited Order Mechanism at a proposed execution net price, a broadcast message that includes the net price, side and size of the Agency Complex Order will be sent and Members will be given an opportunity to enter Responses with the net prices and sizes at which they would be willing to participate in the execution of the Agency Complex Order. The time given to Members to enter Responses shall be designated by the Exchange via Options Trader Alert, but will be no less than 100 milliseconds and no more than 1 second. Responses are only executable against the Complex Order with respect to which they are entered, and will only be considered up to the size of the Agency Complex Order. Responses must be entered in the increments provided in Rule 722(c)(1) at the proposed execution net price or at a price that is at least one cent better for the Agency Order.

(4) Responses submitted by Members shall not be visible to other auction participants during the exposure period and can be modified or deleted before the exposure period has ended. At the end of the period given for the entry of Responses, the Agency Complex Order will be automatically executed in full pursuant to paragraphs (i) through (iv) below, or cancelled.

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

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

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

(iv) When executing the Agency Complex Order against other interest in accordance with paragraphs (b)(2)(ii)-(iii) above, Priority Customer Complex Orders and Responses will be executed first. Professional Complex Orders and Responses, and market maker quotes participate next in the execution of the Agency Complex Order based upon the percentage of the total number of contracts available at the best price that is represented by the size of the Professional Complex Order or Response, or market maker quote. Finally, for Complex Options Orders, bids and offers for the individual legs will be executed pursuant to Rule 713 and the Supplementary Material thereto.

(5) Prior to entering Agency Orders into the Complex Solicited Order Mechanism on behalf of a customer, EAMs must deliver to the customer a written notification informing the customer that its order may be executed using Nasdaq ISE's Solicited Order

Mechanism. Such written notification must disclose the terms and conditions contained in this Rule and must be in a form approved by the Exchange.

(c) Complex Price Improvement Mechanism. Electronic Access Members may use the Price Improvement Mechanism according to Rule 723 to execute Complex Orders at a net price. The Complex Price Improvement Mechanism is a process by which an Electronic Access Member can provide price improvement opportunities for a transaction wherein the Electronic Access Member seeks to facilitate a Complex Order it represents as agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against a Complex Order it represents as agent (a "Crossing Transaction").

(1) Crossing Transaction Entry. A Crossing Transaction is comprised of the order the Electronic Access Member represents as agent (the "Agency Order") and a counter-side order for the full size of the Agency Order (the "Counter-Side Order"). The Counter-Side Order may represent interest for the Member's own account, or interest the Member has solicited from one or more other parties, or a combination of both.

(2) Complex Orders must be entered into the Complex Price Improvement Mechanism at a price that is better than the best net price (i) available on the [c]Complex [o]Order [b]Book on both sides of the market; and (ii) achievable from the best ISE bids and offers for the individual legs on both sides of the market (an "improved net price"). Complex Orders will be rejected unless they are entered at an improved net price.

(3) A Complex Order entered into the Complex Price Improvement Mechanism will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex Order. If a trading halt is initiated after the order is entered into the Complex Price Improvement Mechanism, such auction will be automatically terminated without an execution.

(4) Exposure Period. Upon entry of a Complex Order into the Complex Price Improvement Mechanism, a broadcast message that includes the net price, side and size of the Agency Complex Order will be sent to Members.

(i) The Exchange will designate via Options Trader Alert a time of no less than 100 milliseconds and no more than 1 second for Members to indicate the size and net price at which they want to participate in the execution of the Agency Complex Order ("Improvement Complex Orders"). Improvement Complex Orders may be entered by all Members for their own account or for the account of a Public Customer. Improvement Complex Orders are only executable against the Complex Order with respect to which they are entered, and will only be considered up to the size of the Agency Complex Order. Improvement Complex Orders must be entered in the increments provided in Rule 722(c)(1) at the same price as the Crossing Transaction or at a price that is at least one cent better for the Agency Complex Order.

(ii) During the exposure period, Improvement Complex Orders may not be canceled, but may be modified to (1) increase the size at the same price, or (2) improve the price of the Improvement Complex Order for any size.

(iii) During the exposure period, responses (including the Counter-Side Order, Improvement Complex Orders, and any changes to either) submitted by Members shall not be visible to other auction participants.

(iv) The exposure period will automatically terminate (A) at the end of the time period designated by the Exchange pursuant to Supplementary Material .08(c)(4)(i) to Rule 722 above, (B) upon the receipt of a Complex Order or quote in the same complex strategy on either side of the market that is marketable against the [c]Complex [o]Order [b]Book or bids and offers for the individual legs, or (C) upon the receipt of a non-marketable Complex Order or quote in the same complex strategy on the same side of the market as the Agency Complex Order that would cause the execution of the Agency Complex Order to be outside of the best bid or offer on the [c]Complex [o]Order [b]Book.

(v) Pursuant to Supplementary Material .04 to Rule 723, only one Complex Price Improvement Mechanism may be ongoing at any given time in a given complex strategy. However, a price improvement auction may be ongoing [simultaneously]concurrently in series of individual legs of a complex strategy.

(vi) A Complex Price Improvement Mechanism in a complex strategy may be ongoing at the same time as [an early terminable auction] a Price Improvement Auction pursuant to Rule 723 or during an exposure period pursuant to Supplementary Material .02 to Rule 1901 in a component leg(s) of such complex strategy. If a Complex Price Improvement Mechanism is early terminated pursuant to paragraph (iv) above, and the incoming Complex Order that causes the early termination in the complex strategy is also marketable against a component leg(s) of the complex strategy that is the subject of a concurrent ongoing Price Improvement Auction pursuant to Rule 723 or an exposure period pursuant to Supplementary Material .02 to Rule 1901, then the concurrent Complex Price Improvement Mechanism and component leg auction(s) are processed in the following sequence: (1) the Complex Price Improvement Mechanism is early terminated; (2) the component leg auction(s) are early terminated and processed; and (3) legging of residual incoming Complex Order interest occurs. [A Complex Price Improvement Mechanism may be ongoing in a complex strategy at the same time as an early terminable auction in a component leg of such complex strategy. If a Complex Price Improvement Mechanism is early terminated pursuant to paragraphs (iv)(B) or (C) above, and multiple early terminable complex auctions (i.e., Complex Order Exposure or Complex Price Improvement Mechanism) are ongoing in the complex strategy, all such auctions will be early terminated and processed in the sequence in which they were started. If the early termination condition occurs on a component leg of a complex strategy, the component leg auctions are early terminated and processed first.]

(5) Execution. At the end of the exposure period the Agency Complex Order will be executed in full at the best prices available, taking into consideration Complex Orders

and quotes in the [c]Complex [o]Order [b]Book, Improvement Complex Orders, the Counter-Side Order, and, for Complex Options Orders, the ISE best bids and offers on the individual legs. The Agency Complex Order will receive executions at multiple price levels if there is insufficient size to execute the entire order at the best price.

(i) At a given net price, Priority Customer interest on the [c]Complex [o]Order [b]Book (i.e., Priority Customer Complex Orders and Improvement Complex Orders) is executed in full before Professional interest (i.e., Professional Complex Orders and Improvement Complex Orders) and market maker quotes on the [c]Complex [o]Order [b]Book.

(ii) After Priority Customer interest on the [c]Complex [o]Order [b]Book at a given net price, Professional interest and market maker quotes on the [c]Complex [o]Order [b]Book will participate in the execution of the Agency Complex Order based upon the percentage of the total number of contracts available at the price that is represented by the size of such interest.

(iii) In the case where the Counter-Side Complex Order is at the same net price as Professional interest and market maker quotes on the [c]Complex [o]Order [b]Book in [(3)](ii) above, the Counter-Side Complex Order will be allocated the greater of one (1) contract or forty percent (40%) (or such lower percentage requested by the member) of the initial size of the Agency Complex Order before other Professional interest and market maker quotes on the [c]Complex [o]Order [b]Book are executed. Upon entry of Counter-Side Complex Orders, Members can elect to automatically match the price and size of Complex Orders, Improvement Complex Orders and quotes received on the comp[c]Complex [o]Order [b]Book during the exposure period up to a specified limit net price or without specifying a limit net price. This election will also automatically match the net price available from the ISE best bids and offers on the individual legs for the full size of the order; provided that with notice to members the Exchange may determine whether to offer this option only for Complex Options Orders, Stock-Option Orders, and/or Stock Complex Orders. If a member elects to auto-match, the Counter-Side Complex Order will be allocated its full size at each price point, or at each price point within its limit net price if a limit is specified, until a price point is reached where the balance of the order can be fully executed. At such price point, the Counter-Side Complex Order shall be allocated the greater of one contract or forty percent (40%) (or such lower percentage requested by the member) of the original size of the Agency Complex Order, but only after Priority Customer Complex Orders and Improvement Complex Orders at such price point are executed in full. Thereafter, all Professional Complex Orders and Improvement Complex Orders, and quotes at the price point will participate in the execution of the Agency Complex Order based upon the percentage of the total number of contracts available at the price that is represented by the size of the Professional Complex Order or Improvement Complex Order, or quote on the [c]Complex [o]Order [b]Book.

(iv) When a marketable Complex Order on the opposite side of the Agency Complex Order ends the exposure period, it will participate in the execution of the Agency Complex Order at the price that is mid-way between the best counter-side interest and the

same side best bid or offer on the [c]Complex [o]Order [b]Book or net price from ISE best bid or offer on individual legs, whichever is better, so that both the marketable Complex Order and the Agency Complex Order receive price improvement.

(v) With respect to bids and offers for the individual legs of a Complex Order entered into the Complex Price Improvement Mechanism, the priority rules applicable to the execution of Complex Orders contained in Rule 722(c)(2) will continue to be applicable and may prevent the execution of a Complex Order entered into the Complex Price Improvement Mechanism, in which case the transaction will be cancelled. If an improved net price for the Complex Order being executed can be achieved from Complex Orders, Improvement Complex Orders, and quotes on the [c]Complex [o]Order [b]Book and, for Complex Options Orders, the ISE best bids and offers on the individual legs, the Agency Complex Order will be executed against such interest.

(d) Complex Customer Cross Orders. Complex Orders may be entered as Customer Cross Orders, as defined in Rule 715(i). Such orders will be automatically executed upon entry so long as: (i) the price of the transaction is at or within the best bid and offer for the same complex strategy on the [c]Complex [o]Order [b]Book; (ii) there are no Priority Customer Complex Orders for the same strategy at the same price on the [c]Complex [o]Order [b]Book; and (iii) the options legs can be executed at prices that comply with the provisions of paragraph (c)(2) of this Rule 722. Complex Customer Cross Orders will be rejected if they cannot be executed. Supplementary Material .01 to Rule 717 applies to Complex Customer Cross Orders.

(e) Complex Qualified Contingent Cross Orders. Complex Options Orders may be entered as Qualified Contingent Cross Orders, as defined in Rule 715(j). Such orders will be automatically executed upon entry so long as: (i) the price of the transaction is at or within the best bid and offer for the same complex options strategy on the [c]Complex [o]Order [b]Book; (ii) there are no Priority Customer Complex Options Orders for the same strategy at the same price on the [c]Complex [o]Order [b]Book; and (iii) the options legs can be executed at prices that (A) are at or between the NBBO for the individual series, and (B) comply with the provisions of paragraph (c)(2)(i) of this Rule 722, provided that no legs of the Complex Options Order can be executed at the same price as a Priority Customer Order on the Exchange in the individual options series. Complex Qualified Contingent Cross Orders will be rejected if they cannot be executed. [Complex Qualified Contingent Cross Orders may only be entered in the regular trading increments applicable pursuant to Rule 722(c)(1).] Complex Qualified Contingent Cross Orders may be entered in one cent increments. Each leg of a Complex Options Order must meet the 1,000 contract minimum size requirement for Qualified Contingent Cross Orders.

(f) Complex QCC with Stock Orders are processed as follows:

(1) When a member enters a Complex QCC with Stock Order, a Qualified Contingent Cross Complex Order is entered on the Exchange pursuant to Supplementary Material .08(e) to Rule 722.

(2) If the Qualified Contingent Cross Complex Order is executed, the Exchange will automatically communicate the stock component to the member's designated broker-dealer for execution.

(3) If the Qualified Contingent Cross Complex Order cannot be executed, the entire Complex QCC with Stock Order, including both the stock and options components, is cancelled.

(4) Supplementary Material .01 – .03 to Rule 721 apply to the entry and execution of Complex QCC with Stock Orders.

(g) Limitation on Concurrent Complex Strategy Auctions. Only one Exposure Auction, Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction, pursuant to Rules 722, Supplementary Material .01 or .08(a), (b), or (c), respectively, will be ongoing at any given time in a Complex Strategy, and such auctions will not queue or overlap in any manner. The Exchange will not initiate an Exposure Auction, Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction in a Complex Strategy while another Exposure Auction, Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction in that Complex Strategy is ongoing. If a Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction for a Complex Strategy has been initiated, an Exposure Auction for that Complex Strategy will not be initiated, and an Exposure Only Complex Order for the Complex Strategy will be cancelled back to the member. An Exposure Order for the Complex Strategy will be processed as an order that is not marked for price improvement.

(h) Concurrent Complex Order and single leg auctions. An auction in the Block Order Mechanism, Facilitation Mechanism, Solicited Order Mechanism, or Price Improvement Mechanism, as provided in Rules 716(b), (c), (d), (e), or 723, respectively, or an exposure period as provided in Supplementary Material .02 to Rule 1901, for an option series may occur concurrently with a Complex Order Exposure Auction, Complex Facilitation auction, Complex Solicited Order auction, or Complex Price Improvement Mechanism auction, as provided in Rules 722, Supplementary Material .01, and .08(a), (b), or (c), respectively, for a Complex Order that includes that series. To the extent that there are concurrent Complex Order and single leg auctions involving a specific option series, each auction will be processed sequentially based on the time the auction commenced. At the time an auction concludes, including when it concludes early, the auction will be processed pursuant to Rules 716(b), (c), (d) or (e), or 723 or Supplementary Material .02 to Rule 1901, as applicable, for the single option, or pursuant to Rules 722, Supplementary Material .01, or .08(a), (b), or (c), as applicable, for the Complex Order, except as provided for at Supplementary Material .08(c)(4)(vi) to Rule 722.

([g]i) The minimum contract threshold shall be adjusted for Mini Options by a multiple of ten (10) and shall be as follows: (i) each leg of a Complex Options Order executed in

the Complex Facilitation Mechanism must be for 500 or more Mini Option contracts; (ii) each leg of a Complex Options Order executed in the Complex Solicited Order Mechanism must be for 5,000 or more Mini Option contracts; and (iii) each leg of a Complex Qualified Contingent Cross Order must be for 10,000 or more Mini Option contracts coupled with a contra-side order or orders totaling an equal number of Mini Option contracts.

.09 *Trade Value Allowance*. To facilitate the execution of the stock leg and options leg(s) of Stock-Option Strategies and Stock Complex Strategies at valid increments pursuant to Rule 722(c)(1), Stock-Option Strategies and Stock-Complex Strategies may trade outside of their expected notional trade value by a specified amount (the "Trade Value Allowance"). The Trade Value Allowance is the percentage difference between the expected notional value of a trade and the actual notional value of the trade. The amount of Trade Value Allowance permitted may be determined by the member, or a default value determined by the Exchange and announced to members; provided that any amount of Trade Value Allowance is permitted in mechanisms pursuant to Supplementary Material .08 to Rule 722 when auction orders do not trade solely with their contra-side order.

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

.11 *Complex Opening Price Determination*.

(a) *Definitions*.

(i) "Boundary Price" is described herein in paragraph (d)(i).

(ii) "Opening Price" is described herein in paragraph (d)(iv).

(iii) "Potential Opening Price" is described herein in paragraph (d)(ii).

(b) *Eligible Interest*. Eligible interest during the Complex Opening Price Determination includes Complex Orders and quotes on the [c]Complex [o]Order [b]Book[except the non-displayed portion of Reserve Complex Orders]. Bids and offers for the individual legs of the complex strategy are not eligible to participate in the Complex Opening Price Determination.

(c) If the best bid for a complex strategy does not lock or cross the best offer, there will be no trade in the Complex Opening Price Determination and the complex strategy will open pursuant to the Complex Uncrossing Process described in Supplementary Material .12(b) to Rule 722.

(d) If the best bid for a complex strategy locks or crosses the best offer, the system will open the complex strategy as follows:

(i) *Boundary Prices*. The system calculates Boundary Prices at or within which Complex Orders and quotes may be executed during the Complex Opening Price Determination based on the NBBO for the individual legs; provided that, if the NBBO for any leg includes a Priority Customer order on the Exchange, the system adjusts the Boundary Prices according to Rule 722(c)(2).

(ii) *Potential Opening Price*. The system will calculate the Potential Opening Price by identifying the price(s) at which the maximum number of contracts can trade ("maximum quantity criterion") taking into consideration all eligible interest pursuant to Supplementary Material .11(b) to Rule 722.

(iii) *More Than One Potential Opening Price*. When two or more Potential Opening Prices would satisfy the maximum quantity criterion: (A) without leaving unexecuted contracts on the bid or offer side of the market of Complex Orders and quotes to be traded at those prices, the system takes the highest and lowest of those prices and takes the mid-point; provided that (1) if the highest and/or lowest price described above is through the price of a bid or offer that is priced to not allocate in the Complex Opening Price Determination, the highest and/or lowest price will be rounded to the price of such bid or offer that is priced to not allocate before taking the mid-point, and (2) if the mid-point is not expressed as a permitted minimum trading increment, it will be rounded down to the nearest permissible minimum trading increment; or (B) leaving unexecuted contracts on the bid (offer) side of the market of Complex Orders and quotes to be traded at those prices, the Potential Opening Price is the highest (lowest) executable bid (offer) price. Notwithstanding the foregoing: (C) if there are Market Complex Orders on the bid (offer) side of the market that would equal the full quantity of Complex Orders and quotes on offer (bid) side of the market, the limit price of the highest (lowest) priced Limit Complex Order or quote is the Potential Opening Price; and (D) if there are only Market Complex Orders on both sides of the market, or if there are Market Complex Orders on the bid (offer) side of the market for greater than the total size of Complex Orders and quotes on the offer (bid) side of the market, there will be no trade in the Complex Opening Price Determination and the complex strategy will open pursuant to the Complex Uncrossing Process described in Supplementary Material .12(b) to Rule 722.

(iv) *Opening Price*. If the Potential Opening Price is at or within the Boundary Prices, the Potential Opening Price becomes the Opening Price. If the Potential Opening Price is not at or within the Boundary Prices, the Opening Price will be the price closest to the Potential Opening Price that satisfies the maximum quantity criteria without leaving unexecuted contracts on the bid or offer side of the market at that price and is at or within the Boundary Prices. If the bid Boundary Price is higher than the offer Boundary Price, or if no valid Opening Price can be found at or within the Boundary Prices, there will be no trade in the Complex Opening Price Determination and the complex strategy will open

pursuant to the Complex Uncrossing Process described in Supplementary Material .12(b) to Rule 722.

(v) *Allocation*. During the Complex Opening Price Determination, where there is an execution possible, the system will give priority to Market Complex Orders first, then to resting Limit Complex Orders and quotes on the [c]Complex [o]Order [b]Book. The allocation provisions of Rule 722(d)(2) apply with respect to Complex Orders and quotes with the same price with priority given first to better priced interest.

[(vi) *Reserve Complex Orders*. Following the execution of the displayed portion of Reserve Complex Orders in the process described above, the system will refresh Reserve Complex Orders pursuant to Rule 722(b)(4)(iv).]

(vi[i]) *Uncrossing*. If the [c]Complex [o]Order [b]Book remains locked or crossed following paragraphs (d)(i) - (vi), the system will process any remaining Complex Orders and quotes, including Opening Only Complex Orders[and the non-displayed portion of Reserve Complex Orders,] in accordance with the Complex Uncrossing Process described in Supplementary Material .12(b) to Rule 722. Bids and offers for the individual legs of the complex strategy will also be eligible to trade in the Complex Uncrossing Process.

.12 *Complex Uncrossing Process*.

(a) The [c]Complex [o]Order [b]Book will be uncrossed using the Complex Uncrossing Process described in Supplementary Material .12(b) to Rule 722 if a resting Complex Order or quote that is locked or crossed with other interest becomes executable during regular trading or as part of the Complex Opening Process.

(b) Complex Strategies are uncrossed using the following procedure:

(i) The system identifies the oldest Complex Order or quote among the best priced bids and offers on the [c]Complex [o]Order [b]Book. A Complex Order entered with an instruction that it must be executed at a price that is equal to or better than the national best bid or offer pursuant to Supplementary Material .07(a) to Rule 722 is considered based on its actual limit or market price and not the price of the national best bid or offer for the component legs.

(ii) The selected Complex Order or quote is matched pursuant to Rule 722(d)(2)-(3) with resting contra-side interest on the [c]Complex [o]Order [b]Book and, for Complex Orders, bids and offers for the individual legs of the complex strategy.

(iii) The process described in (i) through (ii) is repeated until the [c]Complex [o]Order [b]Book is no longer executable.

.13 Members may only submit Complex Orders and quotes in Stock-Option Strategies and Stock-Complex Strategies if such Complex Orders and quotes comply with the

Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS under the Exchange Act. Members submitting Complex Orders and quotes in Stock-Option Strategies and Stock-Complex Strategies represent that they comply with the Qualified Contingent Trade Exemption. In addition, the stock leg of a stock-option order must be marked "buy," "sell," "sell short," or "sell short exempt" in compliance with Regulation SHO under the Exchange Act.

Rule 723. Price Improvement Mechanism for Crossing Transactions

(a) – (d) No change.

Supplementary Material to Rule 723

.01 - .08 No change.

.09 Reserved.

.10 PIM ISO Order. A PIM ISO order (PIM ISO) is the transmission of two orders for crossing pursuant to Rule 723 without regard for better priced Protected Bids or Protected Offers (as defined in Rule 1900) because the Member transmitting the PIM ISO to the Exchange has, simultaneously with the routing of the PIM ISO, routed one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid or Protected Offer that is superior to the starting PIM auction price and has swept all interest in the Exchange's book priced better than the proposed auction starting price. Any execution(s) resulting from such sweeps shall accrue to the PIM order.

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EXHIBIT 5

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

Nasdaq ISE Rules

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Rule 702. Trading Halts

(a) – (c) No change.

(d) This paragraph shall be in effect during a pilot period to coincide with the pilot period for the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS, as it may be amended from time to time ("LULD Plan"). Capitalized terms used in this paragraph shall have the same meaning as provided for in the LULD Plan. During a Limit State and Straddle State in the Underlying NMS stock:

(1) No change.

(2) Provided the Exchange has opened an affected option for trading, the Exchange shall reject Market Orders, as defined in Rule 715(a), and Market Complex Orders as defined in Rule 722(b), [(including [complex] Market Complex Orders)] and shall notify Members of the reason for such rejection. The Exchange shall cancel [c]Complex [o]Orders that are Market Orders residing in the System, if the [complex] Market Complex Order becomes marketable while the affected underlying is in a Limit or Straddle State. Market Orders exposed at the NBBO pursuant to Supplementary Material. 02 to ISE Rule 1901 or [complex] Market Complex Orders exposed for price improvement pursuant to [ISE Rule 722(b)(3)(iii)]Supplementary Material .01 to Rule 722, pending in the System, will continue to be processed. If at the end of the exposure period the affected underlying is in a Limit or Straddle State, the Market Order or the [complex] Market Complex Order will be cancelled. If the affected underlying is no longer in a Limit or Straddle State after the exposure period, the Market Order or the [complex] Market Complex Order will be processed with normal handling.

(3) – (4) No change.

Supplementary Material to Rule 702

No change.

* * * * *

Rule 710. Minimum Trading Increments

(a) – (c) No change.

Supplementary Material to Rule 710

.01 Notwithstanding any other provision of this Rule 710, the Exchange will operate a pilot program, scheduled to expire on [June 30, 2018]December 31, 2018, to permit options classes to be quoted and traded in increments as low as one cent ($0.01). The Exchange will specify which options trade in such pilot, and in what increments, in [Market Information Circulars]Options Trader Alerts distributed to Members.

The Exchange may replace any penny pilot issues that have been delisted with the next most actively traded multiply listed options classes that are not yet included in the penny pilot, based on trading activity in the previous six months. The replacement issues may be added to the penny pilot on the second trading day following [January 1, 2018]July 1, 2018.

.02 Notwithstanding any other provision of this Rule 710, the Exchange will permit foreign currency options and options on a Foreign Currency Index to be quoted and traded in one-cent increments.

.03 Notwithstanding any other provision of this Rule 710, the minimum trading increment for Mini Options shall be determined in accordance with Supplementary Material .13(d) to Nasdaq ISE Rule 504.

.04 Notwithstanding any other provision of this Rule 710, complex strategies may be quoted and traded in the increments described in Rule 722(c)(1).

* * * * *

Rule 715. Types of Orders

   (a) – (j) No change.

   (k) *Legging Orders.* A legging order is a limit order on the regular limit order book that represents one side of a [complex order]Complex Options Order that is to buy or sell an equal quantity of two options series resting on the Exchange's [c]Complex [o]Order [b]Book. Legging orders are firm orders that are included in the Exchange's displayed best bid or offer.

      (1) A legging order may be automatically generated for one leg of a [complex order]Complex Options Order at a price: (i) that matches or improves upon the best displayed bid or offer on the regular limit order book; and (ii) at which the net price can be achieved when the other leg is executed against the best displayed bid or offer on the regular limit order book. A legging order will not be created at a price that locks or crosses the best bid or offer of another exchange.

      (2) A legging order is executed only after all other executable orders (including any non-displayed size) and quotes at the same price are executed in full. When a legging order is executed, the other portion of the [complex order]Complex Options Order will be automatically executed against the displayed best bid or offer on the Exchange.

(3) A legging order is automatically removed from the regular limit order book if: (i) the price of the legging order is no longer at the displayed best bid or offer on the regular limit order book, (ii) execution of the legging order would no longer achieve the net price of the [complex order]Complex Options Order when the other leg is executed against the best displayed bid or offer on the regular limit order book, (iii) the [complex order]Complex Options Order is executed in full or in part [against another complex order]on the [c]Complex [o]Order [b]Book, or (iv) the [complex order]Complex Options Order is cancelled or modified.

(l) – (u) No change.

Supplementary Material to Rule 715

No change.

Rule 716. Block Trades

(a) – (e) No change.

Supplementary Material to Rule 716

.01 - .07 No change.

.08 Reserved[Complex Orders. Electronic Access Members may use the Facilitation Mechanism and the Solicited Order Mechanism according to paragraphs (d) and (e) of this Rule 716 to execute block-size complex orders (as defined in Rule 722) at a net price. Members may enter Responses for complex orders at net prices, and bids and offers for complex orders will participate in the execution of an order being executed as provided in paragraphs (d) and (e) of this Rule 716. With respect to bids and offers for the individual legs of a complex order entered into the mechanisms, the priority rules for complex orders contained in Rule 722(b)(2) will continue to be applicable. If an improved net price for the complex order being executed can be achieved from bids and offers for the individual legs of the complex order in the Exchange's auction market, the order being executed will receive an execution at the better net price, except that for complex orders listed in Rule 722(b)(3)(ii)(A) and (B), if an improved net price for such complex orders being executed can be achieved from bids and offers for the individual legs of the complex order, the auction will be cancelled at the end of the exposure period].

.09 No change.

<div align="center">* * * * *</div>

Rule 722. Complex Orders and Quotes

Stock-Option Orders will not be automatically executed against bids and offers on the Exchange for the individual legs ("legging") pursuant to subparagraphs (d)(1)

and (d)(3) of Rule 722[(b)(3)(ii)-(iii)] and Supplementary Material .01 and .02 to Rule 722. Stock-Option Orders will continue to execute against other Stock-Option Orders in the [c]Complex [o]Order [b]Book. The Exchange will recommence legging for Stock-Option Orders on ISE on or before March 21, 2019. The Exchange will issue an Options Trader Alert notifying Members when this functionality will be available.

Only one [c]Complex [o]Order auction pursuant to Supplementary Material .01 and Supplementary Material .08(a) - (c) to Rule 722[.08 to Rule 716, Rule 722(b)(3)(iii), and Supplementary Material .09 to Rule 723] may be ongoing at any given time in a complex strategy. Such [c]Complex [o]Order auctions will not queue or overlap in any manner. The Exchange will reject a [c]Complex [o]Order auction of the same or different auction type submitted pursuant to Supplementary Material .08(a) –(c) to Rule 722[to Rule 716 or Supplementary Material .09 to Rule 723] while another [c]Complex [o]Order auction is ongoing in that complex strategy. When there is an ongoing auction in a complex strategy, a subsequent [c]Complex [o]Order for that strategy will not initiate an auction pursuant to Supplementary Material .01 to Rule 722[Rule 722(b)(3)(iii)] and will be processed as a [c]Complex [o]Order that is not marked for price improvement, unless the member requested the order to be cancelled after the exposure period, in which case the [c]Complex [o]Order will be cancelled back to the member. [The Exchange will recommence concurrent complex order auctions on or before April 17, 2019, to be announced in a separate Options Trader Alert.]

(**a**) Definitions.

(**1**) *Complex Options[Order] Strategy*. A [complex order]Complex Options Strategy is [any order involving]the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy. Only those Complex Options Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing.

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

(3) *Stock-Complex Strategy.* A Stock-Complex Strategy is the purchase or sale of a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of a Complex Options Strategy on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option legs to the total number of units of the underlying stock or convertible security in the stock leg. Only those Stock-Complex Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing.[*SSF-Option Order.* A SSF-option order is an order to buy or sell a stated number of units of a single stock future or a security convertible into a single stock future ("convertible SSF") coupled with either (A) the purchase or sale of option contracts(s) on the opposite side of the market representing either the same number of units of stock underlying the single stock future or convertible SSF, or the number of units of stock underlying the single stock future or convertible SSF necessary to create a delta neutral position; or (B) the purchase or sale of an equal number of put and call option contracts, each having the same exercise price, expiration date, and each representing the same number of units of underlying stock, as and on the opposite side of the market from, the stock underlying the single stock future or convertible SSF portion of the order.]

(4) The term "complex strategy" includes Complex Options Strategies, Stock-Option Strategies, and Stock-Complex Strategies.

(5) The terms "Complex Options Order," "Stock-Option Order," and "Stock-Complex Order" refer to orders for a Complex Options Strategy, Stock-Option Strategy, and Stock-Complex Strategy, respectively. The term "Complex Order" includes Complex Options Orders, Stock-Option Orders, and Stock-Complex Orders.

(b) *Types of Complex Orders.* Unless otherwise specified, the definitions used below have the same meaning contained in Rule 715. Complex Orders may be entered using the following orders or designations:

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

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

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

(4) Reserved.

(5) Attributable Complex Order. A Market or Limit Complex Order may be designated as an Attributable Order as provided in Rule 715(h).

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

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

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

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

(10) Immediate-or-Cancel Complex Orders. A Complex Order may be designated as an Immediate-or-Cancel Order that is to be executed in whole or in part upon receipt. Any portion not so executed is cancelled.

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

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

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

(14) Exposure Complex Order. An Exposure Complex Order is an order that will be exposed upon entry as provided in Supplementary Material .01 to this Rule 722 if eligible, or entered on the Complex Order Book if not eligible. Any unexecuted balance

of an Exposure Complex Order remaining upon the completion of the exposure process will be entered on the Complex Order Book.

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

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

[(**b**)](**c**) *Applicability of Exchange Rules*. Except as otherwise provided in this Rule 722, [complex orders]complex strategies shall be subject to all other Exchange Rules that pertain to orders and quotes generally.

(1) *Minimum Increments*. Bids and offers [on complex orders]for Complex Options Strategies may be expressed in [any decimal price]one cent ($0.01) increments, and the options leg[(s)] of [a complex order]Complex Options Strategies may be executed in one cent ($0.01) increments, regardless of the minimum increments otherwise applicable to the individual options legs of the order. Bids and offers for Stock-Option Strategies or Stock-Complex Strategies may be expressed in any decimal price determined by the Exchange, and the stock leg of a Stock-Option Strategy or Stock-Complex Strategy may be executed in any decimal price permitted in the equity market. The options leg of a Stock-Option Strategy or Stock-Complex Strategy may be executed in one cent ($0.01) increments, regardless of the minimum increments otherwise applicable to the individual options legs of the order.

(2) *Complex Order*. Complex strategies will not be executed at prices inferior to the best net price achievable from the best ISE bids and offers for the individual legs. Notwithstanding the provisions of Rule 713[,]:

(i) a [complex order, as defined in paragraph (a)(1) of this Rule,]Complex Options Strategies may be executed at a total credit or debit price with one other Member without giving priority to bids or offers established [in the marketplace]on the Exchange that are no better than the bids or offers in the individual options series comprising such total credit or debit; provided, however, that if any of the bids or offers established [in the marketplace]on the Exchange consist of a Priority Customer Order, the price of at least one leg of the complex [order]strategy must trade at a price that is better than the corresponding bid or offer [in the marketplace]on the Exchange by at least one minimum trading increment for the series as defined in Rule 710.

(ii) [Under the circumstances described above, if a stock-option order, as defined in subparagraph (a)(2) of this Rule, or SSF-option order as defined in subparagraph (a)(3) of this Rule,]The option leg of a Stock-Option Strategy [has one option leg, such option leg

]has priority over bids and offers for the individual options series established [in the marketplace]on the Exchange by Professional Orders and market maker quotes that are no better than the price of the options leg, but not over such bids and offers established by Priority Customer Orders.

(iii) The options legs of[If] a Stock-Complex Strategy[stock-option order as defined in subparagraph - (a)(2), or SSF-option order as defined in subparagraph (a)(3), consisting of a combination order with stock or single stock futures, as the case may be, has more than one option leg, such option legs may be] are executed in accordance with [the first sentence of this]subparagraph [(b)(2)](c)(2)(i) above.

(3) *Internalization*. Complex Orders represented as agent may be executed (i) as principal as provided in Rule 717(d), or (ii) against orders solicited from Members and non-member broker-dealers as provided in Rule 717(e). The exposure requirements of Rules 717(d) or (e) must be met on the Complex Order Book unless the order is executed in one of the mechanisms described in Supplementary Material .08 to this Rule 722.

[**(3)**](d) *Execution of [Orders]Complex Strategies*. Complex [orders]strategies will be executed without consideration of any prices that might be available on other exchanges trading the same options contracts. Complex strategies are not executable unless all of the terms of the strategy can be satisfied and the options legs can be executed at prices that comply with the provisions of paragraph (c)(2) above. Complex strategies, other than those that are executed as crossing transactions pursuant to Supplementary Material .08 to this Rule 722, are automatically executed as follows:

   (1) Each Complex Order must specify upon entry whether it should be exposed upon entry if eligible, or whether such Complex Order should be processed without being exposed. Eligible incoming Complex Orders that are designated for exposure will be exposed for price improvement pursuant to Supplementary Material .01 to this Rule 722.

   [(i)](2) Complex strategies will be executed at the best net price available from Complex Order Exposure pursuant to Supplementary Material .01 to Rule 722, executable Complex Orders and quotes on the Complex Order Book, and bids and offers for the individual options series; provided that at each price, executable c[C]omplex [orders]strategies will be automatically executed first against executable bids and offers on the [c]Complex [o]Order book [in price priority] prior to legging in the single leg order book. Notwithstanding the foregoing, executable complex strategies will execute against Priority Customer interest on the single leg book at the same price before executing against the Complex Order Book. Thus, Priority Customer Orders on the single leg order book shall retain priority and will execute prior to any other Complex Order or non-Priority Customer single leg interest at the same price. The Exchange may designate on a class basis whether bids and offers at the same price on the [c]Complex [o]Order [b]Book will be executed:

      [(A)](i) in time priority;

[(B)](ii) pursuant to Nasdaq ISE Rule 713(e) and Supplementary Material .01(a) to Nasdaq ISE Rule 713 except that there shall be no participation rights for the Primary Market Maker as provided in Supplementary Material to Rule 713, paragraph .01(b) and (c); or

[(C)](iii) pro-rata based on size.

[(ii)](3) If there is no executable contra-side complex interest on the Complex Order Book at a particular price, executable Complex Options O[o]rders up to a maximum number of legs (determined by the Exchange on a class basis as either two legs, three legs or four legs) and the options leg(s) of executable Stock-Option Orders or executable Stock-Complex Orders with up to a maximum number of options legs (determined by the Exchange as either two legs, three legs or four legs) [will]may be automatically executed against bids and offers on the Exchange for the individual options series[legs of the complex order] provided the [c]Complex [o]Order can be executed in full or in a permissible ratio by such bids and offers. Legging orders may be automatically generated on behalf of [c]Complex Options O[o]rders so that they are represented at the best bid and/or offer on the Exchange for the individual legs of the Complex Options Order as provided in Rule 715(k). Notwithstanding the foregoing:

(A) Complex [o]Orders with 2 option legs where both legs are buying or both legs are selling and both legs are calls or both legs are puts may only trade against other [c]Complex [o]Orders in the [c]Complex [o]Order [b]Book. The trading system will not generate legging orders for these [c]Complex [o]Orders.

(B) Complex [o]Orders with 3 or 4 option legs where all legs are buying or all legs are selling may only trade against other [c]Complex [o]Orders in the [c]Complex [o]Order [b]Book.

[(iii) Complex orders may be marked for price improvement. If so marked, a complex order that is executable upon entry will be exposed on the complex order book for a period of up to one-second before being automatically executed against pre-existing complex orders, or bids and offers for the individual legs, to provide an opportunity for market participants to enter contra-side complex orders that provide price improvement. At the end of the display period, contra-side orders will be executed in price priority and in time priority at the same price.]

(4) Complex strategies that are not executable may rest on the Complex Order Book until they become executable.

[(**4**) *Types of Complex Orders*. Complex orders may be entered as fill-or-kill or immediate-or-cancel orders, as defined in Rule 715(b), or as all-or-none orders, which are resting limit orders to be executed in their entirety or not at all.]

Supplementary Material to Rule 722

[.01 A bid or offer made as part of a stock-option order (as defined in (a)(2) above) or a SSF-option order (as defined in (a)(3) above) is made and accepted subject to the following conditions: (1) the order must disclose all legs of the order and must identify the security (which in the case of a single stock future requires sufficient identification to determine the market(s) on which the single stock future trades) and the price at which the non-option leg(s) of the order is to be filled; and (2) with respect to a SSF-option order, concurrent with the execution of the options leg of the order, the initiating member and each member that agrees to be a contra-party on the non-option leg(s) of the order must take steps immediately to transmit the non-option leg(s) to a non-Exchange market(s) for execution. Failure to observe these requirements will be considered conduct inconsistent with just and equitable principles of trade and a violation of Rule 400.

A trade representing the execution of the options leg of a SSF-option order may be cancelled at the request of any member that is a party to that trade only if market conditions in any of the non-Exchange market(s) prevent the execution of the non- option leg(s) at the price(s) agreed upon.]

.01 Complex Order Exposure. If designated by a member for exposure, eligible Complex Orders are exposed upon entry for a period of up to one (1) second pursuant to Rule 722(d)(1) as follows:

(a) A Complex Order that improves upon the best price for the same complex strategy on the Complex Order Book (i.e., a limit order to buy priced higher than the best bid, a limit order to sell priced lower than the best offer, and a market order to buy or sell) is eligible to be exposed upon entry for a period of up to one (1) second as provided in Supplementary Material .01 to this Rule 722. Incoming orders will not be eligible to be exposed if there are market orders on the Complex Order Book on the same side of the market for the same complex strategy.

(b) Upon entry of an eligible Complex Order, a broadcast message that includes net price or at market, size, and side will be sent and Members will be given an opportunity to enter Responses with the prices and sizes at which they are willing to participate in the execution of the Complex Order.

> (i) Responses are only executable against the Complex Order with respect to which they are entered, can be modified or withdrawn at any time prior to the end of the exposure period, and will be considered up to the size of the Complex Order being exposed. During the exposure period, the Exchange will broadcast the best Response price, and the aggregate size of Responses available at that price. At the conclusion of the exposure period, any unexecuted balance of a Response is automatically cancelled.

> (ii) The exposure period for a Complex Order will end immediately: (A) upon the receipt of a Complex Order or quote for the same complex strategy on either side

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

(iii) A Complex Order Exposure in a complex strategy may be ongoing in a complex strategy at the same time as a Price Improvement Auction pursuant to Rule 723 or during an exposure period pursuant to Supplementary Material .02 to Rule 1901 in a component leg(s) of such complex strategy. If a Complex Order Exposure is early terminated pursuant to paragraph (ii) above, and the incoming Complex Order that causes the early termination in the complex strategy is also marketable against a component leg(s) of the complex strategy that is the subject of a concurrent ongoing Price Improvement Auction pursuant to Rule 723 or an exposure period pursuant to Supplementary Material .02 to Rule 1901, then the concurrent Complex Order and component leg auction(s) are processed in the following sequence: (1) the Complex Order exposure is early terminated; (2) the component leg auction(s), which are early terminated and processed; and (3) legging of residual incoming Complex Order interest occurs.

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

(d) If a trading halt is initiated during the exposure period in any series underlying the Complex Order, the Complex Order exposure process will be automatically terminated without execution.

.02 [Automated]Stock[ ]-Option and Stock-Complex Orders. The Exchange will electronically communicate the stock leg[(s)] of [a stock-option order]an executable Stock-Option Order and Stock-Complex Order to a broker-dealer for execution. To execute [stock-options orders]Stock-Option Orders and Stock-Complex Orders on the Exchange, Members must enter into a brokerage agreement with a broker-dealer designated by the Exchange. The Member may also enter into a brokerage agreement with one or more other broker-dealers to which the Exchange is able to route stock orders. The Exchange will automatically transmit the stock leg[(s)] of a trade to one-or-

more broker-dealer(s) with which a Member has an agreement for execution on behalf of the Member using routing logic that takes into consideration objective factors such as execution cost, speed of execution and fill-rates. The Exchange will have no financial arrangements with the brokers with respect to routing stock orders to them. Members may also indicate preferred execution brokers, and such preferences will determine order routing priority whenever possible. A trade of a [stock-option order]Stock-Option Order or a Stock-Complex Order will be automatically cancelled if market conditions prevent the execution of the stock or option leg(s) at the prices necessary to achieve the agreed upon net price. When a Stock-Option Order or Stock-Complex Order has been matched with another Stock-Option Order or Stock-Complex Order that is for less than the full size of the Stock-Option Order or Stock-Complex Order, the full size of the Stock-Option Order or Stock Complex Order being processed by the stock execution venue will be unavailable for trading while the order is being processed

.03 *Market Maker Quotes.*

* * * * *

Market makers may enter quotes for complex [order] strategies on the [c]Complex [o]Order [b]Book in their appointed options classes. The Exchange will announce via Options Trader Alert which options classes are available for quoting on the Complex Order Book. Market Maker quotes for complex [order]strategies are executed in the same manner as orders as provided in paragraph [(b)(3)(i)](d)(2) above, but will not be automatically executed against bids and offers on the Exchange for the individual legs as provided in paragraph [(b)(3)(ii)](d)(3) nor can they be marked for price improvement as provided in paragraph [(b)(3)(iii)](d)(1). Market makers are not required to enter quotes on the [c]Complex [o]Order [b]Book. Quotes for complex [orders]strategies are not subject to any quotation requirements that are applicable to market maker quotes in the regular market for individual options series or classes, nor is any volume executed in complex [orders]strategies taken into consideration when determining whether market makers are meeting quotation obligations applicable to market maker quotes in the regular market for individual options series.

.04 *Automated Spread Quotation Adjustments.* A market maker quoting Complex Options Strategies must provide parameters by which the Exchange will automatically remove a market maker's quotations in all [complex order strategies]Complex Option Strategies in an options class. The Exchange will automatically remove a market maker's quotation when, during a time period established by the market maker, the market maker exceeds in execution of quotes in Complex Option Strategies: (i) the specified number of total contracts in the class, (ii) the specified percentage of the total size of the market maker's quotes in the class, (iii) the specified absolute value of the net between contracts bought and contracts sold in the class, or (iv) the specified absolute value of the net between (a) calls purchased plus puts sold in the class, and (b) calls sold plus puts purchased in the class.

.05 *Preferencing.* For options allocated pursuant to [(b)(3)(i)(B)]subparagraph (d)(2)(ii), a market maker with a quote at the best price on the [c]Complex [o]Order [b]Book that is

designated as a "Preferred Market Maker" by the Electronic Access Member entering the [c]Complex [o]Order will receive an enhanced allocation (after all Priority Customer Orders on the [c]Complex [o]Order [b]Book at the same price have been executed in full) that is equal to the greater of:

(i) the proportion of the total size at the best price represented by the size of its quote, or

(ii) sixty percent (60%) of the contracts to be allocated if there is only one (1) other Professional Order or market maker quotation at the best price and forty percent (40%) if there are two (2) or more other Professional Orders and/or market maker quotes at the best price.

Preferred Market Makers on the [c]Complex [o]Order [b]Book book must satisfy their quotation obligations in the options class in the regular market, including the requirements in Rule 804(e)(2)(ii) applicable to Competitive Market Makers that receive Preferenced Orders.

.06 If any leg of a complex strategy[complex order or stock-option order] is a Mini Option contract as provided in Supplementary Material .13 to Rule 504, all options legs of such [order] complex strategy must also be Mini Option contracts.

.07 Price limits for [c]Complex [o]Orders and quotes.

(a) As provided in paragraph [(b)(3)](d) above, the legs of a complex [order]strategy may be executed at prices that are inferior to the prices available on other exchanges trading the same options series. Notwithstanding, the System will not permit any leg of a complex [order]strategy to trade through the NBBO for the series or any stock component by a configurable amount calculated as the lesser of (i) an absolute amount not to exceed $0.10, and (ii) a percentage of the NBBO not to exceed 500%, as determined by the Exchange on a class, series or [series] underlying basis. A Member can also include an instruction on a Complex Order[complex order entered on the complex order book] that each leg of the [c]Complex [o]Order is to be executed only at a price that is equal to or better than the [national best bid or offer]NBBO for the options series or any stock component, as applicable.

(b) The System will reject [any complex order strategy]orders and quotes for a complex strategy where all legs are to buy if [it is]entered at a price that is less than the minimum net price, which is calculated as the sum of the ratio on each leg of the complex [order]strategy multiplied by the minimum increment applicable to that leg pursuant to Rule 722(c)(1)[$0.01 per leg (e.g., an order to buy 2 calls and buy 1 put would have a minimum price of $0.03)].

(c) Other than for [c]Complex [o]Orders entered pursuant to Supplementary Material .08 to this Rule 722[executed in the Facilitation Mechanism, Solicited Order Mechanism and Price Improvement Mechanism], the System will:

(1) reject a vertical spread order or quote (i.e., an order or quote to buy a call (put) option and to sell another call (put) option in the same security with the same expiration but at a higher (lower) strike price) when entered with a net price of less than zero (minus a pre-set value), and will prevent the execution of a vertical spread order at a price that is less than zero (minus a pre-set value) when entered as a market order to sell.

(2) reject a vertical spread order or quote when entered with a net price greater than the value of the higher strike price minus the lower strike price (plus a pre-set value), and will prevent the execution of a vertical spread order at a price that is greater than the value of the higher strike price minus the lower strike price (plus a pre-set value) when entered as a market order to buy. The pre-set value is the lesser of an absolute amount and a percentage of the difference between the strike prices.

(3) reject a calendar spread order or quote (i.e., an order or quote to buy a call (put) option with a longer expiration and to sell another call (put) option with a shorter expiration in the same security at the same strike price) when entered with a net price of less than zero (minus a pre-set value), and will prevent the execution of a calendar spread order at a price that is less than zero (minus a pre-set value) when entered as a market order to sell.

(4)(i) For purposes of the price protections set forth in paragraphs (c)(1) and (c)(3), the Exchange will set a [common]pre-set value not to exceed $1.00 to be applied uniformly across all classes.

(ii) For purposes of the price protections set forth in paragraph (c)(2), the Exchange will set common pre-set values of (1) an amount not to exceed $1.00 and (2) a percentage of the difference between strike prices not to exceed 10% to be applied uniformly across all classes.

(5) The Exchange may change the pre-set values established in paragraph (c)(4) in accordance with the parameters set forth therein from time to time uniformly across all classes.

(d) Limit Order Price Protection. There is a limit on the amount by which the net price of an incoming Limit Complex Order[complex limit order] to buy may exceed the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg, and by which the net price of an incoming Limit Complex Order[complex limit order] to sell may be below the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg. Limit Complex O[o]rders that exceed the pricing limit are rejected. The limit is established by the Exchange from time-to-time for Limit C[c]omplex O[o]rders to buy (sell) as the [greater of the]net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg plus (minus) the greater of: (i) an absolute amount not to exceed $2.00, or (ii) a percentage of the net price available from the individual options series on the Exchange and the national best bid or offer for

any stock leg not to exceed 10%. This limit order price protection applies only to orders and does not apply to quotes.

(e) Size Limitation. There is a limit on the number of contracts (and shares in the case of a [s]Stock-[o]Option Strategy[order] or Stock-Complex Strategy) any single leg of an incoming [c]Complex [o]Order or quote may specify. Orders or quotes that exceed the maximum number of contracts (or shares) are rejected. The maximum number of contracts (or shares), which shall not be less than 10,000 (or 100,000 shares), is established by the Exchange from time-to-time.

.08 Complex Orders Crossing Transactions.

(a) *Complex Facilitation Mechanism.* Electronic Access Members may use the Facilitation Mechanism according to paragraph (d) of Rule 716 to execute block-size Complex Orders at a net price. Each options leg of a Complex Order entered into the Complex Facilitation Mechanism must meet the minimum contract size requirement contained in paragraph (d) of Rule 716. The Complex Facilitation Mechanism is a process by which an Electronic Access Member can execute a transaction wherein the Electronic Access Member seeks to facilitate a block-size Complex Order it represents as agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against a block-size Complex Order it represents as agent. Electronic Access Members must be willing to execute the entire size of Complex Orders entered into the Complex Facilitation Mechanism.

(1) Complex Orders entered into the Complex Facilitation Mechanism must be priced within the parameters described below. Complex Orders that do not meet these requirements are not eligible for the Complex Facilitation Mechanism and will be rejected.

(i) Complex Options Orders must be entered into the Complex Facilitation Mechanism at a price that is (A) equal to or better than the best bid or offer on the Complex Order Book on the same side of the market as the Agency Order; and (B) equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs on the same side of the market as the Agency Order; provided that, if there is a Priority Customer order on the best bid or offer for any leg, the order must be entered at an improved price consistent with Rule 722(c)(2).

(ii) Stock-Option Orders and Stock-Complex Orders must be entered into the Complex Facilitation Mechanism at a price that is (A) equal to or better than the best bid or offer on the Complex Order Book on the same side of the market as the Agency Order; and (B) equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs on both sides of the market; provided that, if there is a Priority Customer order on the best bid or offer for any leg, the order must be entered at an improved price consistent with Rule 722(c)(2).

(2) A Complex Order entered into the Complex Facilitation Mechanism will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex Order. If a trading halt is initiated after the order is entered into the Complex Facilitation Mechanism, such auction will be automatically terminated without execution.

(3) Upon the entry of a Complex Order into the Complex Facilitation Mechanism, a broadcast message that includes the net price, side and size of the Agency Complex Order will be sent and Members will be given an opportunity to enter Responses with the net prices and sizes at which they want to participate in the facilitation of the Agency Complex Order. The time given to Members to enter Responses shall be designated by the Exchange via Options Trader Alert, but will be no less than 100 milliseconds and no more than 1 second.

(4) Responses are only executable against the Complex Order with respect to which they are entered, and will only be considered up to the size of the Complex Order to be facilitated. Responses must be entered in the increments provided in Rule 722(c)(1) at the facilitation price or at a price that is at least one cent better for the Agency Order.

(5) Responses submitted by Members shall not be visible to other auction participants during the exposure period and can be modified or deleted before the exposure period has ended. At the end of the period given for the entry of Responses, the facilitation order will be automatically executed.

(i) Unless there is sufficient size to execute the entire facilitation order at a better net price, Priority Customer Complex Orders and Responses to buy (sell) at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at the facilitation price. Professional Complex Orders and Responses, and quotes to buy (sell) at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at their stated price, thereby providing the Complex Order being facilitated a better price for the number of contracts associated with such higher bids (lower offers).

(ii) The facilitating Electronic Access Member will execute at least forty percent (40%) (or such lower percentage requested by the member) of the original size of the facilitation order, but only after better-priced Responses, Complex Orders and quotes, as well as Priority Customer Complex Orders and Responses at the facilitation price, are executed in full. Thereafter, Professional Complex Orders and Responses, and quotes at the facilitation price will participate in the execution of the facilitation order based upon the percentage of the total number of contracts available at the facilitation price that is represented by the size of the Professional Complex Order or Response, or quote.

(iii) Upon entry of a Complex Order into the Complex Facilitation Mechanism, the facilitating Electronic Access Member can elect to automatically match the net price and size of Complex Orders, Responses and quotes received during the exposure period up to a specified limit price or without specifying a limit price. This election will also

automatically match the net price available from the ISE best bids and offers on the individual legs for the full size of the order; provided that with notice to members the Exchange may determine whether to offer this option only for Complex Options Orders, Stock-Option Orders, and/or Stock Complex Orders. If a member elects to auto-match, the facilitating Electronic Access Member will be allocated its full size at each price point, or at each price point within its limit price if a limit is specified, until a price point is reached where the balance of the order can be fully executed. At such price point, the facilitating Member will be allocated at least forty percent (40%) (or such lower percentage requested by the member) of the original size of the facilitation order, but only after Priority Customer Orders and Responses at such price point. Thereafter, Professional Complex Orders and Responses, and quotes at the price point will participate in the execution of the facilitation order based upon the percentage of the total number of contracts available at the facilitation price that is represented by the size of the Professional Complex Order or Response, or quote. An election to automatically match better prices cannot be cancelled or altered during the exposure period.

(iv) With respect to bids and offers for the individual legs of a Complex Order entered into the Complex Facilitation Mechanism, the priority rules applicable to the execution of Complex Orders contained in Rule 722(c)(2) will continue to be applicable and may prevent the execution of a Complex Order entered into the Facilitation Mechanism, in which case the transaction will be cancelled. If an improved net price for the Complex Order being executed can be achieved from Complex Orders, Responses, and quotes on the Complex Order Book and, for Complex Options Orders, the ISE best bids and offers on the individual legs, the facilitation order will be executed against such interest.

(b) *Complex Solicited Order Mechanism.* The Complex Solicited Order Mechanism is a process by which an Electronic Access Member can attempt to execute Complex Orders it represents as agent (the "Agency Complex Order") against contra orders that it solicited according to paragraph (e) of Rule 716. Each Complex Order entered into the Solicited Order Mechanism shall be designated as all-or-none, and each options leg must meet the minimum contract size requirement contained in paragraph (e) of Rule 716.

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

(2) A Complex Order entered into the Complex Solicited Order Mechanism will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex Order. If a trading halt is initiated after the order is entered into the Complex Solicited Order Mechanism, such auction will be automatically terminated without execution.

(3) Upon entry of both orders into the Complex Solicited Order Mechanism at a proposed execution net price, a broadcast message that includes the net price, side and size of the Agency Complex Order will be sent and Members will be given an opportunity to enter Responses with the net prices and sizes at which they would be willing to participate in the execution of the Agency Complex Order. The time given to Members to enter Responses shall be designated by the Exchange via Options Trader Alert, but will be no less than 100 milliseconds and no more than 1 second. Responses are only executable against the Complex Order with respect to which they are entered, and will only be considered up to the size of the Agency Complex Order. Responses must be entered in the increments provided in Rule 722(c)(1) at the proposed execution net price or at a price that is at least one cent better for the Agency Order.

(4) Responses submitted by Members shall not be visible to other auction participants during the exposure period and can be modified or deleted before the exposure period has ended. At the end of the period given for the entry of Responses, the Agency Complex Order will be automatically executed in full pursuant to paragraphs (i) through (iv) below, or cancelled.

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

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

(iii) If at the time of execution there is sufficient size to execute the entire Agency Complex Order at an improved net price(s), the Agency Complex Order will be executed at the improved net price(s), and the solicited Complex Order will be cancelled, provided that: (A) the execution net price is equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs, and (B) the Complex Order can

be executed in accordance with Rule 722(c)(2) with respect to the individual legs. The aggregate size of all Complex Orders, Responses, and quotes, and the aggregate size available from the best bids and offers for the individual legs for a Complex Options Order, will be used to determine whether the entire Agency Complex Order can be executed at an improved net price(s).

(iv) When executing the Agency Complex Order against other interest in accordance with paragraphs (b)(2)(ii)-(iii) above, Priority Customer Complex Orders and Responses will be executed first. Professional Complex Orders and Responses, and market maker quotes participate next in the execution of the Agency Complex Order based upon the percentage of the total number of contracts available at the best price that is represented by the size of the Professional Complex Order or Response, or market maker quote. Finally, for Complex Options Orders, bids and offers for the individual legs will be executed pursuant to Rule 713 and the Supplementary Material thereto.

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

(c) *Complex Price Improvement Mechanism*. Electronic Access Members may use the Price Improvement Mechanism according to Rule 723 to execute Complex Orders at a net price. The Complex Price Improvement Mechanism is a process by which an Electronic Access Member can provide price improvement opportunities for a transaction wherein the Electronic Access Member seeks to facilitate a Complex Order it represents as agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against a Complex Order it represents as agent (a "Crossing Transaction").

(1) Crossing Transaction Entry. A Crossing Transaction is comprised of the order the Electronic Access Member represents as agent (the "Agency Order") and a counter-side order for the full size of the Agency Order (the "Counter-Side Order"). The Counter-Side Order may represent interest for the Member's own account, or interest the Member has solicited from one or more other parties, or a combination of both.

(2) Complex Orders must be entered into the Complex Price Improvement Mechanism at a price that is better than the best net price (i) available on the Complex Order Book on both sides of the market; and (ii) achievable from the best ISE bids and offers for the individual legs on both sides of the market (an "improved net price"). Complex Orders will be rejected unless they are entered at an improved net price.

(3) A Complex Order entered into the Complex Price Improvement Mechanism will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex Order. If a trading halt is initiated after the order is entered into the Complex Price Improvement Mechanism, such auction will be automatically terminated without an execution.

(4) Exposure Period. Upon entry of a Complex Order into the Complex Price Improvement Mechanism, a broadcast message that includes the net price, side and size of the Agency Complex Order will be sent to Members.

(i) The Exchange will designate via Options Trader Alert a time of no less than 100 milliseconds and no more than 1 second for Members to indicate the size and net price at which they want to participate in the execution of the Agency Complex Order ("Improvement Complex Orders"). Improvement Complex Orders may be entered by all Members for their own account or for the account of a Public Customer. Improvement Complex Orders are only executable against the Complex Order with respect to which they are entered, and will only be considered up to the size of the Agency Complex Order. Improvement Complex Orders must be entered in the increments provided in Rule 722(c)(1) at the same price as the Crossing Transaction or at a price that is at least one cent better for the Agency Complex Order.

(ii) During the exposure period, Improvement Complex Orders may not be canceled, but may be modified to (1) increase the size at the same price, or (2) improve the price of the Improvement Complex Order for any size.

(iii) During the exposure period, responses (including the Counter-Side Order, Improvement Complex Orders, and any changes to either) submitted by Members shall not be visible to other auction participants.

(iv) The exposure period will automatically terminate (A) at the end of the time period designated by the Exchange pursuant to Supplementary Material .08(c)(4)(i) to Rule 722 above, (B) upon the receipt of a Complex Order or quote in the same complex strategy on either side of the market that is marketable against the Complex Order Book or bids and offers for the individual legs, or (C) upon the receipt of a non-marketable Complex Order or quote in the same complex strategy on the same side of the market as the Agency Complex Order that would cause the execution of the Agency Complex Order to be outside of the best bid or offer on the Complex Order Book.

(v) Pursuant to Supplementary Material .04 to Rule 723, only one Complex Price Improvement Mechanism may be ongoing at any given time in a given complex strategy. However, a price improvement auction may be ongoing concurrently in series of individual legs of a complex strategy.

(vi) A Complex Price Improvement Mechanism in a complex strategy may be ongoing at the same time as a Price Improvement Auction pursuant to Rule 723 or during an exposure period pursuant to Supplementary Material .02 to Rule 1901 in a component leg(s) of such complex strategy. If a Complex Price Improvement Mechanism is early terminated pursuant to paragraph (iv) above, and the incoming Complex Order that causes the early termination in the complex strategy is also marketable against a component leg(s) of the complex strategy that is the subject of a concurrent ongoing Price Improvement Auction pursuant to Rule 723 or an exposure period pursuant to Supplementary Material .02 to Rule 1901, then the concurrent Complex Price

Improvement Mechanism and component leg auction(s) are processed in the following
sequence: (1) the Complex Price Improvement Mechanism is early terminated; (2) the
component leg auction(s) are early terminated and processed; and (3) legging of residual
incoming Complex Order interest occurs.

(5) Execution. At the end of the exposure period the Agency Complex Order will be
executed in full at the best prices available, taking into consideration Complex Orders
and quotes in the Complex Order Book, Improvement Complex Orders, the Counter-Side
Order, and, for Complex Options Orders, the ISE best bids and offers on the individual
legs. The Agency Complex Order will receive executions at multiple price levels if there
is insufficient size to execute the entire order at the best price.

(i) At a given net price, Priority Customer interest on the Complex Order Book (i.e.,
Priority Customer Complex Orders and Improvement Complex Orders) is executed in
full before Professional interest (i.e., Professional Complex Orders and Improvement
Complex Orders) and market maker quotes on the Complex Order Book.

(ii) After Priority Customer interest on the Complex Order Book at a given net price,
Professional interest and market maker quotes on the Complex Order Book will
participate in the execution of the Agency Complex Order based upon the percentage of
the total number of contracts available at the price that is represented by the size of such
interest.

(iii) In the case where the Counter-Side Complex Order is at the same net price as
Professional interest and market maker quotes on the Complex Order Book in (ii) above,
the Counter-Side Complex Order will be allocated the greater of one (1) contract or forty
percent (40%) (or such lower percentage requested by the member) of the initial size of
the Agency Complex Order before other Professional interest and market maker quotes
on the Complex Order Book are executed. Upon entry of Counter-Side Complex Orders,
Members can elect to automatically match the price and size of Complex Orders,
Improvement Complex Orders and quotes received on the Complex Order Book during
the exposure period up to a specified limit net price or without specifying a limit net
price. This election will also automatically match the net price available from the ISE
best bids and offers on the individual legs for the full size of the order; provided that with
notice to members the Exchange may determine whether to offer this option only for
Complex Options Orders, Stock-Option Orders, and/or Stock Complex Orders. If a
member elects to auto-match, the Counter-Side Complex Order will be allocated its full
size at each price point, or at each price point within its limit net price if a limit is
specified, until a price point is reached where the balance of the order can be fully
executed. At such price point, the Counter-Side Complex Order shall be allocated the
greater of one contract or forty percent (40%) (or such lower percentage requested by the
member) of the original size of the Agency Complex Order, but only after Priority
Customer Complex Orders and Improvement Complex Orders at such price point are
executed in full. Thereafter, all Professional Complex Orders and Improvement Complex
Orders, and quotes at the price point will participate in the execution of the Agency
Complex Order based upon the percentage of the total number of contracts available at

the price that is represented by the size of the Professional Complex Order or Improvement Complex Order, or quote on the Complex Order Book.

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

(v) With respect to bids and offers for the individual legs of a Complex Order entered into the Complex Price Improvement Mechanism, the priority rules applicable to the execution of Complex Orders contained in Rule 722(c)(2) will continue to be applicable and may prevent the execution of a Complex Order entered into the Complex Price Improvement Mechanism, in which case the transaction will be cancelled. If an improved net price for the Complex Order being executed can be achieved from Complex Orders, Improvement Complex Orders, and quotes on the Complex Order Book and, for Complex Options Orders, the ISE best bids and offers on the individual legs, the Agency Complex Order will be executed against such interest.

(d) Complex Customer Cross Orders. Complex Orders may be entered as Customer Cross Orders, as defined in Rule 715(i). Such orders will be automatically executed upon entry so long as: (i) the price of the transaction is at or within the best bid and offer for the same complex strategy on the Complex Order Book; (ii) there are no Priority Customer Complex Orders for the same strategy at the same price on the Complex Order Book; and (iii) the options legs can be executed at prices that comply with the provisions of paragraph (c)(2) of this Rule 722. Complex Customer Cross Orders will be rejected if they cannot be executed. Supplementary Material .01 to Rule 717 applies to Complex Customer Cross Orders.

(e) Complex Qualified Contingent Cross Orders. Complex Options Orders may be entered as Qualified Contingent Cross Orders, as defined in Rule 715(j). Such orders will be automatically executed upon entry so long as: (i) the price of the transaction is at or within the best bid and offer for the same complex options strategy on the Complex Order Book; (ii) there are no Priority Customer Complex Options Orders for the same strategy at the same price on the Complex Order Book; and (iii) the options legs can be executed at prices that (A) are at or between the NBBO for the individual series, and (B) comply with the provisions of paragraph (c)(2)(i) of this Rule 722, provided that no legs of the Complex Options Order can be executed at the same price as a Priority Customer Order on the Exchange in the individual options series. Complex Qualified Contingent Cross Orders will be rejected if they cannot be executed. Complex Qualified Contingent Cross Orders may be entered in one cent increments. Each leg of a Complex Options Order must meet the 1,000 contract minimum size requirement for Qualified Contingent Cross Orders.

(f) Complex QCC with Stock Orders are processed as follows:

(1) When a member enters a Complex QCC with Stock Order, a Qualified Contingent Cross Complex Order is entered on the Exchange pursuant to Supplementary Material .08(e) to Rule 722.

(2) If the Qualified Contingent Cross Complex Order is executed, the Exchange will automatically communicate the stock component to the member's designated broker-dealer for execution.

(3) If the Qualified Contingent Cross Complex Order cannot be executed, the entire Complex QCC with Stock Order, including both the stock and options components, is cancelled.

(4) Supplementary Material .01 – .03 to Rule 721 apply to the entry and execution of Complex QCC with Stock Orders.

(g) Limitation on Concurrent Complex Strategy Auctions. Only one Exposure Auction, Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction, pursuant to Rules 722, Supplementary Material .01 or .08(a), (b), or (c), respectively, will be ongoing at any given time in a Complex Strategy, and such auctions will not queue or overlap in any manner. The Exchange will not initiate an Exposure Auction, Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction in a Complex Strategy while another Exposure Auction, Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction in that Complex Strategy is ongoing. If a Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction for a Complex Strategy has been initiated, an Exposure Auction for that Complex Strategy will not be initiated, and an Exposure Only Complex Order for the Complex Strategy will be cancelled back to the member. An Exposure Order for the Complex Strategy will be processed as an order that is not marked for price improvement.

(h) Concurrent Complex Order and single leg auctions. An auction in the Block Order Mechanism, Facilitation Mechanism, Solicited Order Mechanism, or Price Improvement Mechanism, as provided in Rules 716(b), (c), (d), (e), or 723, respectively, or an exposure period as provided in Supplementary Material .02 to Rule 1901, for an option series may occur concurrently with a Complex Order Exposure Auction, Complex Facilitation auction, Complex Solicited Order auction, or Complex Price Improvement Mechanism auction, as provided in Rules 722, Supplementary Material .01, and .08(a), (b), or (c), respectively, for a Complex Order that includes that series. To the extent that there are concurrent Complex Order and single leg auctions involving a specific option series, each auction will be processed sequentially based on the time the auction commenced. At the time an auction concludes, including when it concludes early, the auction will be processed pursuant to Rules 716(b), (c), (d), or (e), or 723 or Supplementary Material .02 to Rule 1901, as applicable, for the single option, or pursuant to Rules 722,

Supplementary Material .01, or .08(a), (b), or (c), as applicable, for the Complex Order, except as provided for at Supplementary Material .08(c)(4)(vi) to Rule 722.

([g]i) The minimum contract threshold shall be adjusted for Mini Options by a multiple of ten (10) and shall be as follows: (i) each leg of a Complex Options Order executed in the Complex Facilitation Mechanism must be for 500 or more Mini Option contracts; (ii) each leg of a Complex Options Order executed in the Complex Solicited Order Mechanism must be for 5,000 or more Mini Option contracts; and (iii) each leg of a Complex Qualified Contingent Cross Order must be for 10,000 or more Mini Option contracts coupled with a contra-side order or orders totaling an equal number of Mini Option contracts.

.09 *Trade Value Allowance*. To facilitate the execution of the stock leg and options leg(s) of Stock-Option Strategies and Stock Complex Strategies at valid increments pursuant to Rule 722(c)(1), Stock-Option Strategies and Stock-Complex Strategies may trade outside of their expected notional trade value by a specified amount ("Trade Value Allowance"). The Trade Value Allowance is the percentage difference between the expected notional value of a trade and the actual notional value of the trade. The amount of Trade Value Allowance permitted may be determined by the member, or a default value determined by the Exchange and announced to members; provided that any amount of Trade Value Allowance is permitted in mechanisms pursuant to Supplementary Material .08 to Rule 722 when auction orders do not trade solely with their contra-side order.

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

.11 *Complex Opening Price Determination*.

(a) *Definitions*.

(i) "Boundary Price" is described herein in paragraph (d)(i).

(ii) "Opening Price" is described herein in paragraph (d)(iv).

(iii) "Potential Opening Price" is described herein in paragraph (d)(ii).

(b) *Eligible Interest*. Eligible interest during the Complex Opening Price Determination includes Complex Orders and quotes on the Complex Order Book. Bids and offers for the individual legs of the complex strategy are not eligible to participate in the Complex Opening Price Determination.

(c) If the best bid for a complex strategy does not lock or cross the best offer, there will be no trade in the Complex Opening Price Determination and the complex strategy will open pursuant to the Complex Uncrossing Process described in Supplementary Material .12(b) to Rule 722.

(d) If the best bid for a complex strategy locks or crosses the best offer, the system will open the complex strategy as follows:

(i) *Boundary Prices*. The system calculates Boundary Prices at or within which Complex Orders and quotes may be executed during the Complex Opening Price Determination based on the NBBO for the individual legs; provided that, if the NBBO for any leg includes a Priority Customer order on the Exchange, the system adjusts the Boundary Prices according to Rule 722(c)(2).

(ii) *Potential Opening Price*. The system will calculate the Potential Opening Price by identifying the price(s) at which the maximum number of contracts can trade ("maximum quantity criterion") taking into consideration all eligible interest pursuant to Supplementary Material .11(b) to Rule 722.

(iii) *More Than One Potential Opening Price*. When two or more Potential Opening Prices would satisfy the maximum quantity criterion: (A) without leaving unexecuted contracts on the bid or offer side of the market of Complex Orders and quotes to be traded at those prices, the system takes the highest and lowest of those prices and takes the mid-point; provided that (1) if the highest and/or lowest price described above is through the price of a bid or offer that is priced to not allocate in the Complex Opening Price Determination, the highest and/or lowest price will be rounded to the price of such bid or offer that is priced to not allocate before taking the mid-point, and (2) if the mid-point is not expressed as a permitted minimum trading increment, it will be rounded down to the nearest permissible minimum trading increment; or (B) leaving unexecuted contracts on the bid (offer) side of the market of Complex Orders and quotes to be traded at those prices, the Potential Opening Price is the highest (lowest) executable bid (offer) price. Notwithstanding the foregoing: (C) if there are Market Complex Orders on the bid (offer) side of the market that would equal the full quantity of Complex Orders and quotes on offer (bid) side of the market, the limit price of the highest (lowest) priced Limit Complex Order or quote is the Potential Opening Price; and (D) if there are only Market Complex Orders on both sides of the market, or if there are Market Complex Orders on the bid (offer) side of the market for greater than the total size of Complex Orders and quotes on the offer (bid) side of the market, there will be no trade in the Complex Opening Price Determination and the complex strategy will open pursuant to the Complex Uncrossing Process described in Supplementary Material .12(b) to Rule 722.

(iv) *Opening Price*. If the Potential Opening Price is at or within the Boundary Prices, the Potential Opening Price becomes the Opening Price. If the Potential Opening Price is not at or within the Boundary Prices, the Opening Price will be the price closest to the Potential Opening Price that satisfies the maximum quantity criteria without leaving

unexecuted contracts on the bid or offer side of the market at that price and is at or within the Boundary Prices. If the bid Boundary Price is higher than the offer Boundary Price, or if no valid Opening Price can be found at or within the Boundary Prices, there will be no trade in the Complex Opening Price Determination and the complex strategy will open pursuant to the Complex Uncrossing Process described in Supplementary Material .12(b) to Rule 722.

(v) *Allocation*. During the Complex Opening Price Determination, where there is an execution possible, the system will give priority to Market Complex Orders first, then to resting Limit Complex Orders and quotes on the Complex Order Book. The allocation provisions of Rule 722(d)(2) apply with respect to Complex Orders and quotes with the same price with priority given first to better priced interest.

(vi) *Uncrossing*. If the Complex Order Book remains locked or crossed following paragraphs (d)(i) - (v), the system will process any remaining Complex Orders and quotes, including Opening Only Complex Orders in accordance with the Complex Uncrossing Process described in Supplementary Material .12(b) to Rule 722. Bids and offers for the individual legs of the complex strategy will also be eligible to trade in the Complex Uncrossing Process.

.12 *Complex Uncrossing Process*.

(a) The Complex Order Book will be uncrossed using the Complex Uncrossing Process described in Supplementary Material .12(b) to Rule 722 if a resting Complex Order or quote that is locked or crossed with other interest becomes executable during regular trading or as part of the Complex Opening Process.

(b) Complex Strategies are uncrossed using the following procedure:

(i) The system identifies the oldest Complex Order or quote among the best priced bids and offers on the Complex Order Book. A Complex Order entered with an instruction that it must be executed at a price that is equal to or better than the national best bid or offer pursuant to Supplementary Material .07(a) to Rule 722 is considered based on its actual limit or market price and not the price of the national best bid or offer for the component legs.

(ii) The selected Complex Order or quote is matched pursuant to Rule 722(d)(2)-(3) with resting contra-side interest on the Complex Order Book and, for Complex Orders, bids and offers for the individual legs of the complex strategy.

(iii) The process described in (i) through (ii) is repeated until the Complex Order Book is no longer executable.

.13 Members may only submit Complex Orders and quotes in Stock-Option Strategies and Stock-Complex Strategies if such Complex Orders and quotes comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS under the

Exchange Act. Members submitting Complex Orders and quotes in Stock-Option Strategies and Stock-Complex Strategies represent that they comply with the Qualified Contingent Trade Exemption. In addition, the stock leg of a stock-option order must be marked "buy," "sell," "sell short," or "sell short exempt" in compliance with Regulation SHO under the Exchange Act.

Rule 723. Price Improvement Mechanism for Crossing Transactions

(a) – (d) No change.

Supplementary Material to Rule 723

.01 - .08 No change.

.09 Reserved[Complex Orders. Electronic Access Members may use the Price Improvement Mechanism to execute complex orders (as defined in Rule 722) at a net price. Members may enter Improvement Orders for complex orders at net prices, and bids and offers for complex orders will participate in the execution of an order being executed as provided in this Rule 723. With respect to bids and offers for the individual legs of a complex order entered into the Price Improvement Mechanism, the priority rules for complex orders contained in Rule 722(b)(2) will continue to be applicable. If an improved net price for the complex order being executed can be achieved from bids and offers for the individual legs of the complex order in the Exchange's auction market, the order being executed will receive an execution at the better net price, except that for complex orders listed in Rule 722(b)(3)(ii)(A) and (B), if an improved net price for such complex orders being executed can be achieved from bids and offers for the individual legs of the complex order, the auction will be cancelled at the end of the exposure period. Complex orders must be entered at a price that is better than the best net price (i) available on the complex order book; and (ii) achievable from the best Nasdaq ISE bids and offers for the individual legs (an "improved net price"). Supplementary Material .08 is not applicable to the entry of complex orders; complex orders will be rejected unless they are entered at an improved net price. All references to the NBBO in Rule 723 and the Supplementary Material thereto are inapplicable. The provisions of Rule 723(c)(5) will apply with respect to receipt of orders for the same complex order, and not to the receipt of orders for the individual legs of the complex order].

.10 PIM ISO Order. A PIM ISO order (PIM ISO) is the transmission of two orders for crossing pursuant to Rule 723 without regard for better priced Protected Bids or Protected Offers (as defined in Rule 1900) because the Member transmitting the PIM ISO to the Exchange has, simultaneously with the routing of the PIM ISO, routed one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid or Protected Offer that is superior to the starting PIM auction price and has swept all interest in the Exchange's book priced better than the proposed auction starting price. Any execution(s) resulting from such sweeps shall accrue to the PIM order.

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