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## Nasdaq ISE, LLC Rules

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### Options 3 Options Trading Rules

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#### Section 4. Entry and Display of Quotes

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(b) Quotes are subject to the following requirements and conditions:

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(3) Market Makers may enter bids and/or offers in the form of a two-sided quote. Only one quote may be submitted at a time for an option series. Quotes may be submitted as a bulk message.

(i) A “bulk message” means a single electronic message submitted to the Exchange which may contain a specified number of quotations as designated by the Exchange. The bulk message, submitted via SQF, may enter, modify, or cancel quotes. Bulk messages are handled by the System in the same manner as it handles a single quote message.

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#### Section 7. Types of Orders and Order and Quote Protocols

The Exchange may determine to make certain order types and time-in-force, respectively, available on a class or System basis.

(a) *Market Orders*. A [m]Market [o]Order is an order to buy or sell a stated number of options contracts that is to be executed at the best price obtainable when the order reaches the Exchange. Members can designate that their Market Orders not executed after a pre-established period of time, as established by the Exchange, will be cancelled back to the Member, once an options series has opened for trading. Market Orders on the order book would be immediately cancelled if an options series is halted, provided the Member designated the cancellation of Market Orders.

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

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[(3) *Immediate-or-Cancel Orders*. An immediate-or-cancel order is a limit order that is to be executed in whole or in part upon receipt. Any portion not so executed is to be treated as cancelled. An immediate-or-cancel order entered by a Market Maker through the Specialized Quote Feed protocol will not be subject to the (i) Limit Order Price Protection and Size Limitation Protection as defined in Options 3, Section 15(b)(2) and (3); or (ii) Limit Order Price Protection as defined in Supplementary Material .07(d) to Options 3, Section 14.]

[(4)3] *Intermarket Sweep Orders*. An Intermarket Sweep Order (“ISO”) is a limit order that meets the requirements of Options 5, Section 1(h). Orders submitted to the Exchange as ISO are not routable and will ignore the ABBO and trade at allowable prices on the Exchange. ISOs must have a TIF designation of IOC. ISOs may not be submitted during the Opening Process.

(c) *All-Or-None Orders*. An All-Or-None (“AON”) [o]Order is a limit or market order that is to be executed in its entirety or not at all. An [All-Or-None]AON Order may only be entered as an Immediate-or-Cancel Order. AON Orders will only execute against multiple, aggregated orders if the executions would occur simultaneously. AON Orders may not be submitted during the Opening Process.

(d) *Stop Orders*. A stop order is an order that becomes a market order when the stop price is elected. A stop order to buy is elected when the option is bid or trades on the Nasdaq ISE at, or above, the specified stop price. A stop order to sell is elected when the option is offered or trades on the Nasdaq ISE at, or below, the specified stop price. A Stop Order shall be cancelled if it is immediately electable upon receipt. Stop Orders may only be entered through FIX or Precise.

(e) *Stop Limit Orders*. A stop limit order is an order that becomes a limit order when the stop price is elected. A stop limit order to buy is elected when the option is bid or trades on the Nasdaq ISE at, or above, the specified stop price. A stop limit order to sell becomes a sell limit order when the option is offered or trades on the Nasdaq ISE at, or below, the specified stop price. A Stop Limit Order shall be cancelled if it is immediately electable upon receipt. Stop Limit Orders may only be entered through FIX or Precise.

(f) [Reserved.] *Cancel and Replace Orders*. Cancel and Replace Orders shall mean a single message for the immediate cancellation of a previously received order and the replacement of that order with a new order. If the previously placed order is already filled partially or in its entirety, the replacement order is automatically canceled or reduced by the number of contracts that were executed. The replacement order will retain the priority of the cancelled order, if the order posts to the Order Book, provided the price is not amended or size is not increased. In the case of Reserve Orders, the replacement order will retain the priority of the cancelled order, if the order posts to the Order Book, provided the price is not amended or size (displayed and non-displayed) is not changed. If the replacement portion of a Cancel and Replace Order does not satisfy the System's price or other reasonability checks (e.g. Options 3, Section 15(a)(1)(A) and (a)(1)(B); and

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Options 3, Section 16(a)(1), (b) and (c)(1)) the existing order shall be cancelled and not replaced.

(g) *Reserve Orders*. A Reserve Order is a limit order that contains both a displayed portion and a non-displayed portion.

(1)[.] Both the displayed and non-displayed portions of a Reserve Order are available for potential execution against incoming marketable orders. A non-marketable Reserve Order will rest on the order book.

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

(3)[.] The displayed portion of a Reserve Order will trade in accordance with Options 3, Section 10(c)(1)(A) for Priority Customer Orders, and Options 3, Section 10(c)(1)(E) for non-Priority Customer Orders.

(4) Reserve Orders may be entered with an instruction for the displayed portion of the order to be refreshed: (A) upon full execution of the displayed portion or upon any partial execution; and (B) up to the initial size of the displayed portion or with a random refresh quantity within a range determined by the Member.

(5)[4.] When the displayed portion of a Reserve Order is decremented, either in full or in part, it shall be refreshed from the non-displayed portion of the resting Reserve 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 Options 3, Section 10(c)(1)(A) for Priority Customer Orders, and Options 3, Section 10(c)(1)(E) for non-Priority Customer Orders.

(6)[5.] The initial non-displayed portion of a Reserve Order rests on the 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 [4](5) above. The non-displayed portion of any Reserve Order is available for execution only after all displayed interest has been executed. The non-displayed portion of any Reserve Order will trade in accordance with Options 3, Section 10(c)(1)(A) for Priority Customer Orders, and Options 3, Section 10(c)(1)(E) for non-Priority Customer Orders.

(h) *Attributable Order*. An Attributable Order is a market or limit order which displays the user firm ID for purposes of electronic trading on the Exchange. Use of Attributable Orders is voluntary. Attributable Orders may not be available for all Exchange Systems. The Exchange will issue an Options Regulatory Alert specifying the Systems [and the class of securities] for which the Attributable Order type shall be available.

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(i) *Customer Cross Orders*. A Customer Cross Order is comprised of a Priority Customer Order to buy and a Priority Customer Order to sell at the same price and for the same quantity. Such orders will trade in accordance with Options 3, Section 12(a).

(j) *Qualified Contingent Cross Order*. A Qualified Contingent Cross (“QCC”) Order is comprised of an originating order to buy or sell at least 1000 contracts that is identified as being part of a qualified contingent trade, as that term is defined in Supplementary Material .01 below, coupled with a contra-side order or orders totaling an equal number of contracts. QCC Orders will trade in accordance with Options 3, Section 12(c). QCC Orders may only be entered through FIX or Precise.

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(l) *Preferred Order*. A Preferred Order is as described in Options 2, Section 10. [Day Order. An order to buy or sell which, if not executed, expires at the end of the day on which it was entered. All orders by their terms are Day Orders unless otherwise specified.]

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(n) *Add Liquidity Order*. An Add Liquidity Order is a limit order that is to be executed in whole or in part on the Exchange (i) only after being displayed on the Exchange's limit order book; and (ii) without routing any portion of the order to another market center. Members may specify whether an Add Liquidity Order shall be cancelled or re-priced to the minimum price variation above the national best bid price (for sell orders) or below the national best offer price (for buy orders) if, at the time of entry, the order (i) is executable on the Exchange; or (ii) the order is not executable on the Exchange, but would lock or cross the national best bid or offer. If at the time of entry, an Add Liquidity Order would lock or cross one or more non-displayed orders or quotes on the Exchange, the Add Liquidity Order shall be cancelled or re-priced to the minimum price variation above the best non-displayed bid price (for sell orders) or below the best non-displayed offer price (for buy orders). Notwithstanding the aforementioned, if an Add Liquidity Order would not lock or cross an order or quote on the System but would lock or cross the NBBO, the order will be handled pursuant to Options 3, Section 5(d). [An Add Liquidity Order will only be re-priced once and will be executed at the re-priced price.] An Add Liquidity Order will be ranked in the Exchange's limit order book in accordance with Options 3, Section 10. Add Liquidity Orders may only be submitted when an options series is open for trading.

(o) Reserved[Opening Only Order. An Opening Only order is a limit order that can be entered for the opening rotation only. Any portion of the order that is not executed during the opening rotation is cancelled].

(p) Reserved[Good-Till-Date Order. A Good-Till-Date Order is a limit 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 order, or the expiration of the series].

(q) Reserved.

(r) Reserved[Good-Till-Canceled Order (GTC Order). An order to buy or sell that remains in force until the order is filled, canceled or the option contract expires; provided, however, that GTC Orders will be canceled in the event of a corporate action that results in an adjustment to the terms of an option contract].

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(t) QCC with Stock Orders. A QCC with Stock Order is a Qualified Contingent Cross Order, as defined in Options 3, Section 7(j), entered with a stock component to be communicated to a designated broker-dealer for execution pursuant to Options 3, Section 12([c]e).

(u) Opening Sweep. An Opening Sweep [is a Market Maker order submitted for execution against eligible interest in the System during the Opening Process pursuant to Options 3, Section 8(b)(1).] is a one-sided order entered by a Market Maker through SQF for execution against eligible interest in the System during the Opening Process. This order type is not subject to any protections listed in Options 3, Section 15, except for Automated Quotation Adjustments. The Opening Sweep will only participate in the Opening Process pursuant to Options 3, Section 8(b)(1) and will be cancelled upon the open if not executed.

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### Supplementary Material to Options 3, Section 7

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[.02 Cancel and Replace Orders shall mean a single message for the immediate cancellation of a previously received order and the replacement of that order with a new order. If the previously placed order is already filled partially or in its entirety, the replacement order is automatically canceled or reduced by the number of contracts that were executed. The replacement order will retain the priority of the cancelled order, if the order posts to the Order Book, provided the price is not amended, size is not increased, or in the case of Reserve Orders, size is not changed. If the replacement portion of a Cancel and Replace Order does not satisfy the System's price or other reasonability checks (e.g. Options 3, Section 15(b)(1)(A) and (b)(1)(B); and Supplementary Material .07 (a)(1)(A), (b) and (c)(1) to Options 8, Section 14) the existing order shall be cancelled and not replaced.]

.02 Time in Force. The term "Time in Force" or "TIF" shall mean the period of time that the System will hold an order for potential execution, and shall include:

(a) Day. An order to buy or sell entered with a TIF of "DAY," which, if not executed, expires at the end of the day on which it was entered. All orders by their terms are

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Day orders unless otherwise specified. Day orders may be entered through FIX, OTTO, or Precise.

(b) **Good-Till-Canceled.** An order to buy or sell entered with a TIF of “GTC” that remains in force until the order is filled, canceled or the option contract expires; provided, however, that GTC orders will be canceled in the event of a corporate action that results in an adjustment to the terms of an option contract. GTC orders may be entered through FIX or Precise.

(c) **Good-Till-Date.** An order to buy or sell entered with a TIF of “GTD,” which, if not executed, will be cancelled at the sooner of the end of the expiration date assigned to the order, or the expiration of the series; provided, however, that GTD orders will be canceled in the event of a corporate action that results in an adjustment to the terms of an option contract. GTD orders may be entered through FIX or Precise.

(d) **Immediate-or-Cancel.** An order entered with a TIF of “IOC” that is to be executed in whole or in part upon receipt. Any portion not so executed is to be treated as cancelled.

(1) Orders entered with a TIF of IOC are not eligible for routing.

(2) IOC orders may be entered through FIX, OTTO, Precise, or SQF, provided that an IOC order entered by a Market Maker through the SQF protocol will not be subject to the (A) Order Price Protection, Market Order Spread Protection, and Size Limitation Protection as defined in Options 3, Section 15(a)(1)(A), (1)(B), and (2)(B) respectively, for single leg orders, or (B) Complex Order Price Protection as defined in Options 3, Section 16(c)(1) for Complex Orders.

(3) Block Orders, Facilitation Orders, Complex Facilitation Orders, SOM Orders, Complex SOM Orders, PIM Orders, Complex PIM Orders, QCC Orders, QCC Complex Orders, Customer Cross Orders, and Customer Cross Complex Orders are considered to have a TIF of IOC. By their terms, these orders will be: (1) executed either on entry or after an exposure period, or (2) cancelled.

(e) **Opening Only.** An Opening Only (“OPG”) order is entered with a TIF of “OPG.” This order can only be executed in the Opening Process pursuant to Options 3, Section 8. Any portion of the order that is not executed during the Opening Process is cancelled. OPG orders may not route. This order type is not subject to any protections listed in Options 3, Section 15, except Size Limitation.

.03 The Exchange offers Members the following protocols for entering orders and quotes respectively:

(a) "**Financial Information eXchange**" or "**FIX**" is an interface that allows Members and their Sponsored Customers to connect, send, and receive messages related to orders and auction orders to the Exchange. Features include the following:

(1) execution messages; (2) order messages; (3) risk protection triggers and cancel notifications; and (4) post trade allocation messages.

(b) **"Ouch to Trade Options"** or **"OTTO"** is an interface that allows Members and their Sponsored Customers to connect, send, and receive messages related to orders, auction orders, and auction responses to the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying and complex instruments); (2) System event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) order messages; (6) risk protection triggers and cancel notifications; (7) auction notifications; (8) auction responses; and (9) post trade allocation messages.

(c) **"Specialized Quote Feed"** or **"SQF"** is an interface that allows Market Makers to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses to the Exchange. Features include the following: (1) options symbol directory messages (e.g., underlying and complex instruments); (2) System event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge requests from the Market Maker. Market Makers may only enter interest into SQF in their assigned options series. Immediate-or-Cancel Orders entered into SQF are not subject to the (i) Order Price Protection, Market Order Spread Protection, and Size Limitation Protection in Options 3, Section 15(a)(1)(A), (1)(B), and (2)(B) respectively, for single leg orders, or (ii) Complex Order Price Protection as defined in Options 3, Section 16(c)(1) for Complex Orders.

(d) **"Nasdaq Precise"** or **"Precise"** is a front-end interface that allows Electronic Access Members and their Sponsored Customers to send orders to the Exchange and perform other related functions. Features include the following: (1) order and execution management: enter, modify, and cancel orders on the Exchange, and manage executions (e.g., parent/child orders, inactive orders, and post-trade allocations); (2) market data: access to real-time market data (e.g., NBBO and Exchange BBO); (3) risk management: set customizable risk parameters (e.g., kill switch); and (4) book keeping and reporting: comprehensive audit trail of orders and trades (e.g., order history and done away trade reports).

.04 **Routing Strategies.** Orders may be entered on the Exchange with a routing strategy of FIND or SRCH, or, in the alternative, an order may be marked as Do-Not-Route ("DNR") as provided in Options 5, Section 4 through FIX or Precise only.

## Section 8. Options Opening Process

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(b) Eligible interest during the Opening Process includes Valid Width Quotes, Opening Sweeps and orders, including Opening Only Orders, but excluding orders with a Time in Force of "Immediate-or-Cancel" and Add Liquidity Orders. Quotes other than Valid Width Quotes will not be included in the Opening Process. The displayed and non-displayed portions of Reserve Orders are considered for execution and in determining the Opening Price throughout the Opening Process. [Only Public Customer interest is routable during the Opening Process.]

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(g) **Potential Opening Price.** The Potential Opening Price indicates a price where the System may open once all other Opening Process criteria is met. To calculate the Potential Opening Price, the System will take into consideration all Valid Width Quotes and orders (including Opening Sweeps and displayed and non-displayed portions of Reserve Orders) for the option series and identify the price at which the maximum number of contracts can trade ("maximum quantity criterion"). In addition, paragraphs (h)(3)(A) and (i)(5) - (7) below contain additional provisions related to Potential Opening Price.

(1) *More Than One Potential Opening Price.* When two or more Potential Opening Prices would satisfy the maximum quantity criterion and leave no contracts unexecuted, the System takes the highest and lowest of those prices and takes the mid-point; if such mid-point is not expressed as a permitted minimum price variation, it will be rounded up to the minimum price variation [that is closest to the closing price for the affected series from the immediately prior trading session. If there is no closing price from the immediately prior trading session, the System will round up to the minimum price variation to determine the Opening Price].

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(i) The System will calculate an Opening Quote Range ("OQR") for a particular option series that will be utilized in the Price Discovery Mechanism described below, if the Exchange has not opened subject to any of the provisions above. OQR is constrained by the least aggressive limit prices within the broader limits of OQR. The least aggressive buy order or Valid Width Quote bid and least aggressive sell order or Valid Width Quote offer within the OQR will further bound the OQR.

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(3) If one or more away markets are disseminating a BBO that is not crossed, (the Opening Process will stop and an option series will not open if the ABBO becomes crossed pursuant to (c)(5)) and there are Valid Width Quotes on the Exchange that cross each other or [are marketable against]cross the ABBO:

(A) The minimum value for the OQR will be the highest away bid.

(B) The maximum value for the OQR will be the lowest away offer.



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(7) If the Exchange determines that non-routable interest can execute the maximum number of contracts against Exchange interest, after routable interest has been determined by the System to satisfy the away market, then the Potential Opening Price is the price at which the maximum number of contracts can execute, excluding the interest which will be routed to an away market, which may be executed on the Exchange as described in paragraph (g) above. The System will route routable [Public Customer] interest pursuant to Options 3, Section 10(c)[(1)(A)].

(j) **Price Discovery Mechanism.** If the Exchange has not opened pursuant to paragraphs (e) or (h) above, after the OQR calculation in paragraph (i), the Exchange will conduct the following Price Discovery Mechanism.

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(3) Next, provided the option series has not opened pursuant to paragraph (j)(2) above, the System will:

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(B) initiate a Route Timer, not to exceed one second. The Route Timer operates as a pause before an order is routed to an away market. If during the Route Timer, interest is received by the System which would allow the Opening Price to be within OQR without trading through away markets and without trading through the limit price(s) of interest within OQR which is [which is] unable to be fully executed, the System will open with trades and the Route Timer will simultaneously end. The System will monitor quotes and orders received during the Route Timer period and make ongoing corresponding changes to the permitted OQR and Potential Opening Price to reflect them.

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(6) The System will execute orders at the Opening Price that have contingencies (such as, without limitation, Reserve Orders) and non-routable orders, such as a "Do-Not-Route" or "DNR" Orders, to the extent possible. The System will only route non-contingency [Public Customer] orders, except that [Public Customer] Reserve Orders may route up to their full volume.

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## Section 10. Priority of Quotes and Orders

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(b) *Priority on the Exchange.* The highest bid and lowest offer shall have priority on the Exchange.

(1) Zero-Bid Option Series. In the case where the bid price for any options contract is \$0.00, a Market Order accepted into the System to sell that series shall be considered a Limit Order to sell at a price equal to the minimum trading increment as defined in Options 3, Section 3. With respect to Market Orders to sell which are submitted prior to the Opening Process and persist after the Opening Process, those orders are posted at a price equal to the minimum trading increment as defined in Options 3, Section [10]3.

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### **Section 11. Auction Mechanisms**

For purposes of this Rule, a "broadcast message" means an electronic message that is sent by the Exchange to all Members, and a "Response" means an electronic message that is sent by Members in response to a broadcast message. Responses represent non-firm interest that can be canceled or modified at any time prior to execution. Responses are not displayed to any market participants. Also for purposes of this Rule, the time given to Members to enter Responses for any of the below auction mechanisms shall be designated by the Exchange via an Options Trader Alert, but no less than 100 milliseconds and no more than 1 second.

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### **Supplementary Material to Options 3, Section 11**

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.02 [Responses represent non-firm interest that can be canceled at any time prior to execution. Responses are not displayed to any market participants]Reserved.

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### **Section 13. Price Improvement Mechanism for Crossing Transactions**

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(b) 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.

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(4) The Crossing Transaction may not be canceled or modified, but the price of the Counter-Side Order may be improved during the exposure period.

(5) Crossing Transactions submitted at or before the opening of trading are not eligible to initiate an auction and will be rejected.

(c) Exposure Period. Upon entry of a Crossing Transaction into the Price Improvement Mechanism, a broadcast message that includes the series, price and size of the Agency Order, and whether it is to buy or sell, will be sent to all Members. This broadcast message will not be included in the Nasdaq ISE disseminated best bid or offer and will not be disseminated through OPRA.

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(3) During the exposure period, Improvement Orders may [not] be canceled or modified[, but may be modified to (i) increase the size at the same price, or (ii) improve the price of the Improvement Order for any size up to the size of the Agency Order].

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(d) **Execution.** At the end of the exposure period the Agency Order will be executed in full at the best prices available, taking into consideration orders and quotes in the Exchange market, Improvement Orders, and the Counter-Side Order. The Agency Order will receive executions at multiple price levels if there is insufficient size to execute the entire order at the best price.

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(5) If a trading halt is initiated after an order is entered into the Price Improvement Mechanism, such auction will be automatically terminated with[out] execution solely with the Counter-Side Order.

(6) If the PIM execution price would be the same or better than an order on the limit order book on the same side of the market as the Agency Order, the Agency Order may only be executed at a price that is at least \$0.01 better than the resting order's limit price. If such resting order's limit price is equal to or crosses the initiating Crossing Transaction price, then the entire Agency Order will trade at the initiating Crossing Transaction price with all better priced counter-side interest being considered for execution at the initiating Crossing Transaction price.

(e) **Complex Price Improvement Mechanism.** Electronic Access Members may use the Price Improvement Mechanism according to this Rule 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").

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(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.

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(ii) During the exposure period, Improvement Complex Orders may [not] be canceled or modified], 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].

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(iv) The exposure period will automatically terminate (A) at the end of the time period designated by the Exchange pursuant to subparagraph (4)(i) above, (B) upon the receipt of a Complex Order 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 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; (D) when a resting Complex Order in the same complex strategy on either side of the market becomes marketable against the Complex Order Book or bids and offers for the individual legs; or (E) 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.

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(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 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.

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(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. Transactions will be rounded, when necessary, to the \$0.01 increment that favors the Agency Complex Order.

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### Supplementary Material to Options 3, Section 13

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.02 The Price Improvement Mechanism may only be used to execute bona fide Crossing Transactions. It will be considered a violation of this Rule and will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Options 9, Section 1 if an Electronic Access Member submits a PIM Order (initiating an auction) and also submits its own Improvement Order in the same auction.

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### Section 15. Simple Order Risk Protections

(a) The following risk protections are automatically enforced by the System. In the event of unusual market conditions and in the interest of a fair and orderly market, the Exchange may temporarily establish the levels at which the order protections contained in this paragraph are triggered as necessary and appropriate.

(1) The following are order risk protections on ISE:

(A) **Order Price Protection ("OPP")**. OPP is a feature of the System that prevents limit orders at prices outside of pre-set standard limits from being accepted by the System.

(i) OPP is operational each trading day after the opening until the close of trading, except during trading halts. OPP may be temporarily deactivated on an intra-day basis at the Exchange's discretion.

(ii) OPP will reject incoming orders that exceed certain parameters according to the following algorithm:

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(a) If the better of the NBBO or the internal market BBO (the "Reference BBO") on the contra-side of an incoming order is greater than \$1.00, orders with a limit more than the greater of the below will cause the order to be rejected by the System upon receipt.

(1) 50% less (greater) than such contra-side Reference Best Bid (Offer);  
or

(2) a configurable dollar amount not to exceed \$1.00 less (greater) than such contra-side Reference Best Bid (Offer) as specified by the Exchange announced via an Options Trader Alert.

(b) If the Reference BBO on the contra-side of an incoming order is less than or equal to \$1.00, orders with a limit more than the greater of the below will cause the order to be rejected by the System upon receipt.

(1) 100% less (greater) than such contra-side Reference Best Bid (Offer);  
or

(2) a configurable dollar amount not to exceed \$1.00 less (greater) than such contra-side Reference Best Bid (Offer) as specified by the Exchange announced via an Options Trader Alert.

**[Limit Order Price Protection.** There is a limit on the amount by which incoming limit orders to buy may be priced above the Exchange's best offer and by which incoming limit orders to sell may be priced below the Exchange's best bid. Limit orders that exceed the pricing limit are rejected. The limit is established by the Exchange from time-to-time for orders to buy (sell) as the greater of the Exchange's best offer (bid) plus (minus): (i) an absolute amount not to exceed \$2.00, or (ii) a percentage of the Exchange's best bid/offer not to exceed 10%. Limit Order Price Protection shall not apply to the Opening Process or during a trading halt.]

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(3) The following are Market Maker risk protections on ISE:

\* \* \* \* \*

**(C) Post-Only Quoting Protection.** Market Makers may elect to configure their SQF protocols to prevent their quotes from removing liquidity ("Post-Only Quote Configuration"). A Post-Only Quote Configuration would re-price or cancel a Market Maker's quote that would otherwise lock or cross any resting order or quote on the order book upon entry. When configured for re-price, quotes would be re-priced and displayed by the System to one minimum price variation below the current best offer (for bids) or above the current best bid (for offers).

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Notwithstanding the aforementioned, if a quote with a Post-Only Quote Configuration would not lock or cross an order or quote on the System but would lock or cross the NBBO, the quote will be handled pursuant to Options 3, Section 4(b)(6). When configured for cancel, Market Makers will have their quotes cancelled whenever the quote would lock or cross the NBBO or be placed on the book at a price other than its limit price. This functionality shall not apply during an Opening Process.

\* \* \* \* \*

## Section 17. Kill Switch

(a) Kill Switch enables Members to initiate a message to the System to promptly cancel and restrict their order activity on Nasdaq ISE, or across both Nasdaq ISE and Nasdaq GEMX, as described in section[s] (a)(1) [and (a)(2)] below. Members may submit a Kill Switch request to the System for certain identifier(s) ("Identifier") on either a user or group level. Permissible groups must reside within a single Member firm. The System will send an automated message to the Member when a Kill Switch request has been processed by the Exchange's System.

(1) A Member may submit a request to the System through FIX, OTTO, or Precise to cancel all existing orders and restrict entry of additional orders for the requested Identifier(s) on a user level on Nasdaq ISE, or across both Nasdaq ISE and Nasdaq GEMX, in either case as set by the Member.

[(2) Alternatively, a Member may submit a request to the System through a graphical user interface to cancel all existing, and restrict entry of additional, orders for the requested Identifier(s) on either a user or group level on Nasdaq ISE, or across both Nasdaq ISE and Nasdaq GEMX, in either case as set by the Member.]

[[3]2] Once a Member initiates the Kill Switch pursuant to section (a)(1) [or (a)(2)] above, the Member will be unable to enter additional orders for the affected Identifier(s) until the Member has made a verbal request to the Exchange and Exchange staff has set a re-entry indicator to enable re-entry. Once enabled for re-entry, the System will send a Re-entry Notification Message to the Member. The applicable Clearing Member also will be notified of such re-entry into the System, provided the Clearing Member has requested to receive such notification.

\* \* \* \* \*

## Section 23. Data Feeds and Trade Information

(a) The following data feeds contain ISE trading information offered by ISE:

(1) **Nasdaq ISE Depth of Market Data Feed ("Depth of Market Feed")** is a data feed that provides full order and quote depth information for individual orders and

quotes on the Exchange book and last sale information for trades executed on the Exchange[provides aggregate quotes and orders at the top five price levels on ISE, and provides subscribers with a consolidated view of tradable prices beyond the BBO, showing additional liquidity and enhancing transparency for ISE traded options]. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on ISE and identifies if the series is available for closing transactions only. [In addition, subscribers are provided with total aggregate quantity, Public Customer aggregate quantity, Priority Customer aggregate quantity, price, and side (i.e., bid/ask). This information is provided for each of the top five price levels on the Depth Feed.] The feed also provides order imbalances on opening/reopening (size of matched contracts and size of the imbalance).

- (2) **Nasdaq ISE Order Feed ("Order Feed")** provides information on new orders resting on the book (e.g. price, quantity, [and] market participant capacity and Attributable Order tags when provided by a Member). [In addition, the feed also announces all auctions.] The data provided for each option series includes the symbols (series and underlying security), displayed order types, order attributes (e.g., OCC account number, give-up information, CMTA information), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on ISE and identifies if the series is available for closing transactions only. The feed also provides order imbalances on opening/reopening (size of matched contracts and size of the imbalance), auction and exposure notifications.
- (3) **Nasdaq ISE Top of Market[Quote] Feed ("Top [Quote] Feed")** calculates and disseminates ISE's best bid and offer position, with aggregated size (including total size in aggregate, for Professional Order size in the aggregate and Priority Customer Order size in the aggregate), based on displayable order and quote interest in the System. The feed also provides last trade information [along with opening price, daily trading volume, high and low prices for the day. The data provided] and for each option series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on ISE and identifies if the series is available for closing transactions only. The feed also provides order imbalances on opening/reopening.
- (4) **Nasdaq ISE Trades Feed ("Trades Feed")** displays last trade information [along with opening price, daily trading volume, high and low prices for the day]. The data provided for each option series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on ISE and identifies if the series is available for closing transactions only.
- (5) **Nasdaq ISE Spread Feed ("Spread Feed")** is a feed that consists of: (1) options orders for all Complex Orders (i.e., spreads, buy-writes, delta neutral strategies,



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etc.); (2) [data aggregated at the top five price levels (BBO) on both the bid and offer side of the market] full Complex Order depth information, including prices, side, size, capacity, Attributable Complex Order tags when provided by a Member, and order attributes (e.g., OCC account number, give-up information, CMTA information), for individual Complex Orders on the Exchange book; (3) last trades information; and (4) calculating and disseminating ISE's complex best bid and offer position, with aggregated size (including total size in aggregate, for Professional Order size in the aggregate and Priority Customer Order size in the aggregate), based on displayable Complex Order interest in the System. [The Spread Feed provides updates, including prices, side, size and capacity, for every Complex Order placed on the ISE Complex Order book. The Spread Feed shows: (1) aggregate bid/ask quote size; (2) aggregate bid/ask quote size for Professional Customer Orders; and (3) aggregate bid/ask quote size for Priority Customer Orders for ISE traded options.] The feed also provides Complex Order auction notifications.

(b) The following order and execution information is available to Members:

\* \* \* \* \*

(2) Reserved[TradeInfo, a user interface, permits a Member to: (i) search all orders submitted in a particular security or all orders of a particular type, regardless of their status (open, canceled, executed, etc.); (ii) view orders and executions; and (iii) download orders and executions for recordkeeping purposes. TradeInfo users may also cancel open orders at the order, port or firm mnemonic level through TradeInfo].

\* \* \* \* \*

## **Section 28. [Reserved]Optional Risk Protections**

(a) The following are optional order risk protections:

(1) Notional dollar value per order (quantity x limit price x number of underlying shares);

(2) Daily aggregate notional dollar value;

(3) Quantity per order; and

(4) Daily aggregate quantity

(b) Members may elect one or more of the above optional risk protections by contacting Market Operations and providing a per order value (for (a)(1) and (a)(3)) or daily aggregate value (for (a)(2) and (a)(4)) for each order protection. Members may modify their settings through Market Operations.

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(c) The System will reject all incoming aggregated Member orders for any of the (a)(2) and (a)(4) risk protections after the value configured by the Member is exceeded.

(d) The System will reject all incoming Member orders for any of the (a)(1) and (a)(3) risk protections upon arrival if the value configured by the Member is exceeded by the incoming order.

(e) If a Member sets a notional dollar value, a Market Order would not be accepted from that Member.

(f) The risk protections are only available for orders entered through FIX or Precise. Additionally, all settings are firm-level.

\* \* \* \* \*

## **Options 5 Order Protection and Locked and Crossed Markets**

### **Section 1. Definitions**

The following terms shall have the meaning specified in this Rule solely for the purpose of this Options 5:

\* \* \* \* \*

(h) "Intermarket Sweep Order ("ISO")" means a limit order for an options series that, simultaneously with the routing of the ISO, one or more additional ISOs, as necessary, are routed to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or any Protected Offer, in the case of a limit order to buy, for the options series with a price that is superior to the limit price of the ISO. A Member may submit an Intermarket Sweep Order to the Exchange only if it has simultaneously routed one or more additional Intermarket Sweep Orders to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or Protected Offer, in the case of a limit order to buy, for an options series with a price that is superior to the limit price of the Intermarket Sweep Order. [An ISO may be either an Immediate-Or-Cancel Order or an order that expires on the day it is entered.]

\* \* \* \* \*

## **Options 7 Pricing Schedule**

\* \* \* \* \*

### **Section 7. Connectivity Fees**

\* \* \* \* \*

## **C. Ports and Other Services**

\* \* \* \* \*

(ii) The following order and execution information is available to Members.

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- (1) **CTI Port Fee** \$500 per port per month, per account number
- (2) **FIX DROP Port Fee** \$500 per port per month, per account number
- (3) **TradeInfo ISE Interface** [\$0 per user, per month]

(iii) The following data port fees apply in connection with data subscriptions pursuant to ISE Rules at [Chapter VIII]Section 10. These ports are available to non-ISE Members and ISE Members.

- (1) **Nasdaq ISE Depth of Market Data Port** \$0 per port, per month
- (2) **Nasdaq ISE Order Feed Port** \$0 per port, per month
- (3) **Nasdaq ISE Top [Quote] Feed Port** \$0 per port, per month
- (4) **Nasdaq ISE Trades Feed Port** \$0 per port, per month
- (5) **Nasdaq ISE Spread Feed Port** \$0 per port, per month

\* \* \* \* \*

## Section 10. Market Data

\* \* \* \* \*

### H. Nasdaq ISE Top [Quote] Feed

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