

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 21	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2016 - * 25	Amendment No. (req. for Amendments *)
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Filing by International Securities Exchange
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

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

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

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

Amend the Schedule of Fees.

Contact Information

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

First Name * Adrian Last Name * Griffiths
 Title * Assistant General Counsel
 E-mail * AGriffiths@ise.com
 Telephone * (212) 897-8176 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 *)
 Executive Vice President and General Counsel

Date 10/03/2016
 By Edward S. Knight
 (Name *)

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.

Digitally Sign and Lock Form

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

Add Remove View

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Add Remove View

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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.

1. Text of the Proposed Rule Change

(a) The International Securities Exchange, LLC (the “Exchange” or “ISE”) proposes to amend the Schedule of Fees as described in more detail below. The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The Exchange staff approved this proposed rule change pursuant to authority delegated to it by the Exchange’s Board of Directors on August 15, 2016. This action constitutes the requisite approval under the Exchange’s Certificate of Formation, Operating Agreement and Constitution.

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

(a) Purpose – The purpose of the proposed rule change is to amend the Exchange’s Schedule of Fees to make changes to (1) the Market Maker Plus¹ program in SPY and QQQ, (2) Priority Customer² taker fees in Select Symbols,³ and (3) the fee cap for strategy orders. Each of these changes is described below.

¹ A Market Maker Plus is a Market Maker who is on the National Best Bid or National Best Offer a specified percentage of the time for series trading between \$0.03 and \$3.00 (for options whose underlying stock’s previous trading day’s last sale price was less than or equal to \$100) and between \$0.10 and \$3.00 (for options whose underlying stock’s previous trading day’s last sale price was greater than \$100) in premium in each of the front two expiration months. The specified percentage is at least 80% but lower than 85% of the time for Tier 1, at least 85% but lower than 95% of the time for Tier 2, and at least 95% of the time for Tier 3. A Market Maker’s single best and single worst quoting days each month based on the front two expiration months, on a per symbol basis, will be excluded in calculating whether a Market Maker qualifies for this rebate, if doing so will qualify a Market Maker for the rebate.

² A “Priority Customer” is a person or entity that is not a broker/dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s), as defined in ISE Rule 100(a)(37A).

³ “Select Symbols” are options overlying all symbols listed on the ISE that are in the Penny Pilot Program.

Market Maker Plus

In order to promote and encourage liquidity in Select Symbols, the Exchange offers Market Makers⁴ that meet the quoting requirements for Market Maker Plus enhanced rebates for adding liquidity in those symbols. These Market Maker Plus rebates are provided on a per symbol basis in three tiers based on the time the Market Maker is quoting at the national best bid or offer (“NBBO”). Currently, the rebate is \$0.10 per contract for Tier 1, \$0.18 per contract for Tier 2, and \$0.22 per contract for Tier 3.⁵ The Exchange now proposes to introduce a special rebate program for Market Makers that achieve Market Maker Plus in SPY or QQQ.⁶ Specifically, Market Makers that achieve Tier 2 or 3 of Market Maker Plus in either SPY or QQQ will receive the SPY or QQQ rebate based on the highest Market Maker Plus tier achieved in either product. For example, a Market Maker that achieves Tier 1 Market Maker Plus in QQQ but Tier 3 Market Maker Plus in SPY will receive a Tier 3 rebate in both SPY and QQQ. Instead of the current rebates, however, Market Maker Plus orders in SPY or QQQ would be entitled to a rebate of \$0.16 per contract for Tier 2, and \$0.20 per contract for Tier 3. The Exchange believes that allowing Market Makers to qualify for higher tiers of Market Maker Plus in SPY and QQQ based on quoting at the NBBO in either product will encourage Market Makers to continue to make tight markets in these very active symbols, even with the slightly lower proposed rebate amounts.

Priority Customer Taker Fees

The Exchange charges a taker fee for regular orders in Select Symbols. This fee is \$0.44 per contract for Market Maker orders, and \$0.45 per contract for Non-ISE Market Maker,⁷ Firm Proprietary⁸ / Broker-Dealer,⁹ and Professional Customer orders.¹⁰ For Priority Customer orders this fee is \$0.30 per contract, or \$0.25 per contract for Members

⁴ The term “Market Makers” refers to “Competitive Market Makers” and “Primary Market Makers” collectively. See ISE Rule 100(a)(25).

⁵ For all Market Maker Plus tiers, a \$0.30 per contract fee applies when trading against Priority Customer complex orders that leg into the regular order book. No fee is charged or rebate provided when trading against non-Priority Customer complex orders that leg into the regular order book.

⁶ Market Makers will continue to receive the rebates described above for products other than SPY or QQQ.

⁷ A “Non-ISE Market Maker” is a market maker as defined in Section 3(a)(38) of the Securities Exchange Act of 1934, as amended, registered in the same options class on another options exchange.

⁸ A “Firm Proprietary” order is an order submitted by a member for its own proprietary account.

⁹ A “Broker-Dealer” order is an order submitted by a member for a broker-dealer account that is not its own proprietary account.

¹⁰ A “Professional Customer” is a person or entity that is not a broker/dealer and is not a Priority Customer.

with a total affiliated Priority Customer average daily volume (“ADV”) that equals or exceeds 200,000 contracts.¹¹ The Exchange now proposes to increase the taker fee for Priority Customer orders in Select Symbols to \$0.31 per contract, or \$0.26 per contract for Members that achieve the higher Priority Customer ADV tier.

Strategy Caps

In November 2015, the Exchange introduced a strategy fee cap program that provides a cap on Market Maker, Non-ISE Market Maker, Firm Proprietary / Broker-Dealer, and Professional Customer fees charged for six types of strategy trades: reversals, conversions, jelly rolls, mergers, short stock interest, and box spreads.¹² In particular, the Exchange caps transaction fees associated with strategy executions at \$750 per trade for orders executed on the same day in the same option class. In addition, strategy trades are subject to a monthly cap of \$25,000 per member for all strategy executions.¹³ If a member submits an order that qualifies for the per trade or per month fee cap for strategy orders, only the amount actually paid for those trades (i.e., the capped amounts) are counted towards the Crossing Fee Cap, if applicable.¹⁴ The Exchange now proposes to eliminate these strategy caps, which have not attracted a significant volume of strategy executions to the Exchange.

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

¹¹ Priority Customer ADV includes all volume in all symbols and order types. All eligible volume from affiliated Members will be aggregated in determining total affiliated Priority Customer ADV, provided there is at least 75% common ownership between the Members as reflected on each Member’s Form BD, Schedule A. For purposes of determining Priority Customer ADV, any day that the regular order book is not open for the entire trading day or the Exchange instructs members in writing to route their orders to other markets may be excluded from such calculation; provided that the Exchange will only remove the day for members that would have a lower ADV with the day included.

¹² See Securities Exchange Act Release No. 76451 (November 17, 2015), 80 FR 73034 (November 23, 2015) (SR-ISE-2015-37).

¹³ All eligible volume from affiliated members will be aggregated for purposes of the fee cap, provided there is at least 75% common ownership between the members as reflected on each member’s Form BD, Schedule A.

¹⁴ For example, if a member submits a strategy order that would normally incur a fee of \$2,000 but is capped at \$750 per trade, only the \$750 that is actually paid by the member is counted towards the Crossing Fee Cap, if applicable.

¹⁵ 15 U.S.C. 78f.

¹⁶ 15 U.S.C. 78f(b)(4).

Market Maker Plus

The Exchange believes that it is reasonable and equitable to offer special rebates for Market Makers that achieve Market Maker Plus in SPY or QQQ. As proposed, Market Makers would receive a slightly lower Market Maker Plus rebate in these two symbols, but would be able to receive higher tiers of rebates in both of these symbols by meeting the requirements of Market Maker Plus in either symbol. The Market Maker Plus program was designed by the Exchange to reward members based on maintaining tight markets in options that they quote on ISE. The proposed changes will continue to provide these incentives to Market Makers, to the benefit of all market participants that trade on the Exchange. Furthermore, the Exchange does not believe that the proposed fee change is unfairly discriminatory as all Market Makers will qualify for the same rebates based on achieving the appropriate tier of Market Maker Plus status in these products. Finally, the Exchange continues to believe that it is not unfairly discriminatory to offer these rebates only to Market Makers as Market Makers, and, in particular, those Market Makers that achieve Market Maker Plus status, are subject to additional requirements and obligations (such as quoting requirements) that other market participants are not.

Priority Customer Taker Fees

The Exchange believes that the increased Priority Customer taker fees are reasonable and equitable because the proposed fees are only one cent above their current levels, and remain significantly lower than the fees charged to other market participants that remove liquidity on the Exchange. In addition, the Exchange believes that it is equitable and not unfairly discriminatory to continue to provide lower fees for Priority Customer orders. A Priority Customer is by definition not a broker or dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). This limitation does not apply to participants whose behavior is substantially similar to that of market professionals, including Professional Customers, who will generally submit a higher number of orders than Priority Customers.

Strategy Caps

The Exchange believes that it is reasonable, equitable, and not unfairly discriminatory to eliminate its fee cap for strategy orders as the fee cap has not been successful in attracting that order flow to the Exchange. In removing the fee cap, strategy trades will no longer be singled out for special incentives on the Exchange, consistent with treatment of these trades prior to the introduction of the fee cap in November 2015.

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

In accordance with Section 6(b)(8) of the Act,¹⁷ the Exchange does not believe that the proposed rule change will impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed fees and rebates remain competitive with those on other options markets, and will continue to attract order flow to the Exchange. The

¹⁷ 15 U.S.C. 78f(b)(8).

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

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

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

6. Extension of Time Period for Commission Action

Not applicable.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act,¹⁸ the Exchange has designated this proposal as establishing or changing a due, fee or other charge imposed on any person, whether or not the person is a member of a self-regulatory organization, which renders the proposed rule change effective upon filing.

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

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

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

Not applicable.

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

Not applicable.

¹⁸ 15 U.S.C. 78s(b)(3)(A)(ii).

11. Exhibits

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

Exhibit 5 – Text of the Proposed Rule Change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-ISE-2016-25)

October __, 2016

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹⁹, and Rule 19b-4 thereunder,²⁰ notice is hereby given that on October 3, 2016, the International Securities Exchange, LLC (“ISE” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the Schedule of Fees as described in more detail below.

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

¹⁹ 15 U.S.C. 78s(b)(1).

²⁰ 17 CFR 240.19b-4.

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

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

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

1. Purpose

The purpose of the proposed rule change is to amend the Exchange’s Schedule of Fees to make changes to (1) the Market Maker Plus²¹ program in SPY and QQQ, (2) Priority Customer²² taker fees in Select Symbols,²³ and (3) the fee cap for strategy orders. Each of these changes is described below.

²¹ A Market Maker Plus is a Market Maker who is on the National Best Bid or National Best Offer a specified percentage of the time for series trading between \$0.03 and \$3.00 (for options whose underlying stock’s previous trading day’s last sale price was less than or equal to \$100) and between \$0.10 and \$3.00 (for options whose underlying stock’s previous trading day’s last sale price was greater than \$100) in premium in each of the front two expiration months. The specified percentage is at least 80% but lower than 85% of the time for Tier 1, at least 85% but lower than 95% of the time for Tier 2, and at least 95% of the time for Tier 3. A Market Maker’s single best and single worst quoting days each month based on the front two expiration months, on a per symbol basis, will be excluded in calculating whether a Market Maker qualifies for this rebate, if doing so will qualify a Market Maker for the rebate.

²² A “Priority Customer” is a person or entity that is not a broker/dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s), as defined in ISE Rule 100(a)(37A).

²³ “Select Symbols” are options overlying all symbols listed on the ISE that are in the Penny Pilot Program.

Market Maker Plus

In order to promote and encourage liquidity in Select Symbols, the Exchange offers Market Makers²⁴ that meet the quoting requirements for Market Maker Plus enhanced rebates for adding liquidity in those symbols. These Market Maker Plus rebates are provided on a per symbol basis in three tiers based on the time the Market Maker is quoting at the national best bid or offer (“NBBO”). Currently, the rebate is \$0.10 per contract for Tier 1, \$0.18 per contract for Tier 2, and \$0.22 per contract for Tier 3.²⁵ The Exchange now proposes to introduce a special rebate program for Market Makers that achieve Market Maker Plus in SPY or QQQ.²⁶ Specifically, Market Makers that achieve Tier 2 or 3 of Market Maker Plus in either SPY or QQQ will receive the SPY or QQQ rebate based on the highest Market Maker Plus tier achieved in either product. For example, a Market Maker that achieves Tier 1 Market Maker Plus in QQQ but Tier 3 Market Maker Plus in SPY will receive a Tier 3 rebate in both SPY and QQQ. Instead of the current rebates, however, Market Maker Plus orders in SPY or QQQ would be entitled to a rebate of \$0.16 per contract for Tier 2, and \$0.20 per contract for Tier 3. The Exchange believes that allowing Market Makers to qualify for higher tiers of Market Maker Plus in SPY and QQQ based on quoting at the NBBO in either product will

²⁴ The term “Market Makers” refers to “Competitive Market Makers” and “Primary Market Makers” collectively. See ISE Rule 100(a)(25).

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²⁷ A “Non-ISE Market Maker” is a market maker as defined in Section 3(a)(38) of the Securities Exchange Act of 1934, as amended, registered in the same options class on another options exchange.

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2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,³⁵ in general, and Section 6(b)(4) of the Act,³⁶ in

³² See Securities Exchange Act Release No. 76451 (November 17, 2015), 80 FR 73034 (November 23, 2015) (SR-ISE-2015-37).

³³ All eligible volume from affiliated members will be aggregated for purposes of the fee cap, provided there is at least 75% common ownership between the members as reflected on each member's Form BD, Schedule A.

³⁴ For example, if a member submits a strategy order that would normally incur a fee of \$2,000 but is capped at \$750 per trade, only the \$750 that is actually paid by the member is counted towards the Crossing Fee Cap, if applicable.

³⁵ 15 U.S.C. 78f.

³⁶ 15 U.S.C. 78f(b)(4).

particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities.

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Strategy Caps

The Exchange believes that it is reasonable, equitable, and not unfairly discriminatory to eliminate its fee cap for strategy orders as the fee cap has not been successful in attracting that order flow to the Exchange. In removing the fee cap, strategy trades will no longer be singled out for special incentives on the Exchange, consistent with treatment of these trades prior to the introduction of the fee cap in November 2015.

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

In accordance with Section 6(b)(8) of the Act,³⁷ the Exchange does not believe that the proposed rule change will impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed fees and rebates remain competitive with those on other options markets, and will continue to attract order flow to the Exchange. The Exchange operates in a highly competitive market in which market participants can readily direct their order flow to competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees and rebates to remain

³⁷ 15 U.S.C. 78f(b)(8).

competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed fee changes reflect this competitive environment.

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,³⁸ and subparagraph (f)(2) of Rule 19b-4 thereunder,³⁹ because it establishes a due, fee, or other charge imposed by ISE.

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

IV. Solicitation of Comments

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

³⁸ 15 U.S.C. 78s(b)(3)(A)(ii).

³⁹ 17 CFR 240.19b-4(f)(2).

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-ISE-2016-25 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-ISE-2016-25. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-ISE-2016-25 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴⁰

Robert W. Errett
Deputy Secretary

⁴⁰ 17 CFR 200.30-3(a)(12).

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

* * *

I. Regular Order Fees and Rebates

Select Symbols							
Market Participant	Maker Rebate / Fee	Taker Fee	Fee for Crossing Orders ⁽¹⁾⁽²⁾	Fee for PIM Orders of 100 or Fewer Contracts ⁽¹⁾⁽²⁾⁽¹²⁾⁽¹³⁾	Fee for Responses to Crossing Orders	PIM Break-up Rebate ⁽³⁾	Facilitation and Solicitation Break-up Rebate ⁽⁴⁾
Tier 1 Market Maker Plus ⁽⁵⁾	(\$0.10) ⁽¹⁰⁾	\$0.44	\$0.20	\$0.05	\$0.50	N/A	N/A
Tier 2 Market Maker Plus ⁽⁵⁾	(\$0.18) ⁽¹⁰⁾⁽¹⁴⁾	\$0.44	\$0.20	\$0.05	\$0.50	N/A	N/A
Tier 3 Market Maker Plus ⁽⁵⁾	(\$0.22) ⁽¹⁰⁾⁽¹⁵⁾	\$0.44	\$0.20	\$0.05	\$0.50	N/A	N/A
Market Maker ⁽⁸⁾	\$0.10 ⁽¹¹⁾	\$0.44	\$0.20	\$0.05	\$0.50	N/A	N/A
Non-ISE Market Maker (FarMM)	\$0.10 ⁽¹¹⁾	\$0.45	\$0.20	\$0.05	\$0.50	(\$0.35)	(\$0.15)
Firm Proprietary / Broker-Dealer	\$0.10	\$0.45	\$0.20	\$0.05	\$0.50	(\$0.35)	(\$0.15)
Professional Customer	\$0.10	\$0.45	\$0.20	\$0.05	\$0.50	(\$0.35)	(\$0.15)
Priority Customer	\$0.00	[\$0.30] <u>\$0.31</u> ⁽⁷⁾	\$0.00	\$0.00	\$0.50	(\$0.35)	(\$0.15)

Non-Select Symbols					
Market Participant	Fee	Fee for Crossing Orders ⁽¹⁾⁽²⁾	Fee for PIM Orders of 100 or Fewer Contracts ⁽¹⁾⁽²⁾⁽¹²⁾⁽¹³⁾	Fee for Responses to Crossing Orders	PIM Break-up Rebate ⁽³⁾
Market Maker	\$0.25 ⁽⁶⁾	\$0.25 ⁽⁶⁾	\$0.05	\$0.50	N/A
Market Maker (for orders sent by Electronic Access Members)	\$0.20	\$0.20	\$0.05	\$0.50	N/A
Non-ISE Market Maker (FarMM)	\$0.72	\$0.20	\$0.05	\$0.50	(\$0.15)
Firm Proprietary / Broker-Dealer	\$0.72	\$0.20	\$0.05	\$0.50	(\$0.15)
Professional Customer	\$0.72	\$0.20	\$0.05	\$0.50	(\$0.15)
Priority Customer	\$0.00	\$0.00	\$0.00	\$0.50	(\$0.15)

* * *

5. A Market Maker Plus is a Market Maker who is on the National Best Bid or National Best Offer a specified percentage of the time for series trading between \$0.03 and \$3.00 (for options whose underlying stock's previous trading day's last sale price was less than or equal to \$100) and between \$0.10

and \$3.00 (for options whose underlying stock's previous trading day's last sale price was greater than \$100) in premium in each of the front two expiration months. The specified percentage is at least 80% but lower than 85% of the time for Tier 1, at least 85% but lower than 95% of the time for Tier 2, and at least 95% of the time for Tier 3. A Market Maker's single best and single worst quoting days each month based on the front two expiration months, on a per symbol basis, will be excluded in calculating whether a Market Maker qualifies for this rebate, if doing so will qualify a Market Maker for the rebate.

* * *

7. This fee is [~~\$0.25~~] \$0.26 per contract for Members with a total affiliated Priority Customer ADV that equals or exceeds 200,000 contracts. See footnote 9 below.

* * *

9. Priority Customer ADV includes all volume in all symbols and order types. All eligible volume from affiliated Members will be aggregated in determining total affiliated Priority Customer ADV, provided there is at least 75% common ownership between the Members as reflected on each Member's Form BD, Schedule A. For purposes of determining Priority Customer ADV, any day that the regular order book is not open for the entire trading day or the Exchange instructs members in writing to route their orders to other markets may be excluded from such calculation; provided that the Exchange will only remove the day for members that would have a lower ADV with the day included.
10. A \$0.30 per contract fee applies when trading against Priority Customer complex orders that leg into the regular order book. There will be no fee charged or rebate provided when trading against non-Priority Customer complex orders that leg into the regular order book.

* * *

14. This rebate is \$0.16 per contract in SPY and QQQ, except when trading against complex orders that leg into the regular book under footnote 10 above. A Market Maker that achieves Tier 2 Market Maker Plus in either SPY or QQQ will receive this rebate in both SPY and QQQ.
15. This rebate is \$0.20 per contract in SPY and QQQ, except when trading against complex orders that leg into the regular book under footnote 10 above. A Market Maker that achieves Tier 3 Market Maker Plus in either SPY or QQQ will receive this rebate in both SPY and QQQ.

* * *

IV. Other Options Fees and Rebates

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H. Crossing Fee Cap

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

the service fee. Once the fee cap is reached, the service fee shall apply to eligible Firm Proprietary and Non-ISE market Maker orders in all ISE products. The service fee is not calculated in reaching the cap.

* * *

[L. Fee Cap for Strategy Orders

- Market Maker, Non-ISE Market Maker, Firm Proprietary / Broker-Dealer, and Professional Customer orders that are part of a strategy trade as defined below will be subject to fees capped at \$750 per trade for orders executed on the same day in the same option class. In addition, strategy trades will be subject to a monthly cap of \$25,000 per Member for all strategy executions. All eligible volume from affiliated Members will be aggregated for purposes of the Fee Cap for Strategy Orders, provided there is at least 75% common ownership between the Members as reflected on each Member's Form BD, Schedule A.
- Strategy trades include the strategies defined below:
 - "Reversal" - A reversal strategy is defined as transactions that employ calls, puts and the underlying security to lock in a nearly risk free profit. Reversals are established by combining a short security position with a short put and a long call position that shares the same strike and expiration.
 - "Conversion" - A conversion strategy is defined as transactions that employ calls, puts and the underlying security to lock in a nearly risk free profit. Conversions employ long positions in the underlying security that accompany long puts and short calls sharing the same strike and expiration.
 - "Jelly Roll" - A jelly roll strategy is defined as a long calendar call spread combined with the same short calendar put spread, or vice versa. This option strategy aims to profit from a time value spread through the purchase and sale of two call and two put options, each with different expiration dates. A jelly roll is created by entering into two separate positions simultaneously. One position involves buying a put and selling a call with the same strike price and expiration. The second position involves selling a put and buying a call, with the same strike price, but a different expiration from the first position.
 - "Merger" - A merger strategy is defined as transactions done to achieve a merger arbitrage involving the purchase, sale and exercise of options of the same class and expiration date, each executed prior to the date on which shareholders of record are required to elect their respective form of consideration, i.e., cash or stock.
 - "Short Stock Interest" - A short stock interest strategy is defined as transactions done to achieve a short stock interest arbitrage involving the purchase, sale and exercise of in-the-money options of the same class.
 - "Box Spread" - A box spread strategy is defined as transactions involving a long call option and a short put option at one strike, combined with a short call option and long put at a different strike, to create synthetic long and synthetic short stock positions, respectively.]

* * *