

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 23	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2017 - * 24	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 *).

A proposed rule change to amend its Schedule of Fees to allow members to opt in to MORP for specific sessions rather than on a member-wide basis, and to increase MORP rebates for members that participate in the program.

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 * Associate General Counsel
 E-mail * adrian.griffiths@nasdaq.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 03/10/2017
 By Edward S. Knight
 (Name *)

edward.knight@nasdaq.com

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

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

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

Add Remove View

Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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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 (“ISE” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend its Schedule of Fees to allow members to opt in to MORP for specific sessions rather than on a member-wide basis, and to increase MORP rebates for members that participate in the program.

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

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

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

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

Adrian Griffiths
Associate General Counsel
Nasdaq, Inc.
212-897-8176

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

On April 1, 2015, the Exchange launched the Member Order Routing Program (“MORP”),³ which is a program that provides enhanced rebates to order routing firms that select the Exchange as the default routing destination for unsolicited Crossing Orders.⁴ The purpose of the proposed rule change is to amend the Schedule of Fees to allow members to opt in to MORP for specific sessions rather than on a member-wide basis, and to increase MORP rebates for members that participate in the program. The Exchange believes that these changes will encourage members to participate in MORP.

MORP Qualifications

Currently, to be eligible to participate in MORP, an Electronic Access Member (“EAM”) must: (1) provide to its clients, systems that enable the electronic routing of option orders to all of the U.S. options exchanges, including ISE; (2) interface with ISE to access the Exchange’s electronic options trading platform; (3) offer to its clients a customized interface and routing functionality such that ISE will be the default destination for all unsolicited Crossing Orders entered by the EAM,⁵ provided that

³ See Securities Exchange Act Release No. 74706 (April 10, 2016), 80 FR 20522 (April 16, 2016) (SR-ISE-2015-11).

⁴ A “Crossing Order” is an order executed in the Exchange’s Facilitation Mechanism, Solicited Order Mechanism, Price Improvement Mechanism (“PIM”) or submitted as a Qualified Contingent Cross (“QCC”) order. For purposes of the fee schedule, orders executed in the Block Order Mechanism are also considered Crossing Orders.

⁵ An unsolicited Crossing Order is a Crossing Order entered by a member that has not solicited the contra side of the trade.

market conditions allow the Crossing Order to be executed on ISE; (4) configure its own option order routing functionality such that ISE will be the default destination for all unsolicited Crossing Orders, provided that market conditions allow the Crossing Order to be executed on ISE, with respect to all option orders as to which the EAM has routing discretion; and (5) ensure that the default routing functionality permits users submitting option orders through such system to manually override the ISE as the default destination on an order-by-order basis.⁶

Importantly, today an EAM must opt in to MORP for all of its business, and cannot segment its business to be eligible for MORP for only specific portion of its order flow. This means that EAMs that would otherwise have a MORP qualifying business would be prohibited from participating in the program if certain segments of its business are not eligible for the program. The Exchange therefore proposes to increase the scope of MORP. In particular, the Exchange proposes to allow EAMs to opt in to MORP for specific sessions so that firms can appropriately segment their order flow such that sessions designated as MORP eligible can benefit from the program even though the firm may not qualify on a member-wide basis.⁷ As proposed, a member may designate one or more sessions to be eligible for MORP. If a session is designated as eligible for MORP all requirements for the program must be met for that session. In addition, to be eligible

⁶ EAMs that wish to participate in the program must certify that they meet the above MORP requirements, in writing, on a monthly basis and in a form to be determined by the Exchange. The relevant notice must be provided by the last business day of the month for members to be eligible to participate in the MORP effective the first business day of the following month.

⁷ A session is connection to the exchange over which a member submits orders. See Section V.C. of the Schedule of Fees.

to participate in MORP an EAM must designate, in writing, to the Exchange which sessions are MORP eligible according to the criteria discussed above. Only designated sessions that are opted in to MORP will receive the benefits provided under the program. The Exchange believes that this change will make it easier for firms to participate in the program, thereby increasing volume executed in the Exchange's crossing mechanisms.

Rebate for Unsolicited Crossing Orders

Currently, an EAM that is MORP eligible receives a rebate for all unsolicited Crossing Orders of \$0.05 per originating contract side, provided that the member executes a minimum average daily volume ("ADV") in unsolicited Crossing Orders of at least 30,000 originating contract sides. This rebate is increased to \$0.07 per originating contract side, provided that the member executes a higher ADV in unsolicited Crossing Orders of 100,000 originating contract sides.⁸ The Exchange proposes to increase the MORP rebate for eligible members that execute from 30,000 to 99,999 originating contract sides to \$0.065 per originating contract side. The MORP rebate for eligible members that execute 100,000 or more originating contract sides will remain \$0.07 per originating contract side.

Facilitation and Solicitation Break-Up Rebate

In addition, any EAM that qualifies for the MORP rebate by executing an ADV of 30,000 originating contract sides or more is also eligible for increased Facilitation and

⁸ The rebate for the highest tier achieved is applied retroactively to all eligible contracts traded in a given month. For purposes of determining whether the member meets the above ADV thresholds, any day that the Exchange 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.

Solicitation break-up rebates⁹ for their Non-ISE Market Maker,¹⁰ Firm Proprietary,¹¹ Broker-Dealer,¹² Professional Customer,¹³ and Priority Customer orders.¹⁴ Currently, MORP eligible members that execute a qualifying ADV in unsolicited Crossing Orders of at least 30,000 originating contract sides, receive a Facilitation and Solicitation break-up rebate that is \$0.35 per contract for regular and complex orders in Select Symbols,¹⁵ \$0.15 per contract for regular orders in Non-Select Symbols,¹⁶ \$0.80 per contract for complex orders in Non-Select Symbols, and \$0.15 per contract for regular and complex orders in foreign exchange option classes (“FX Options”). The Exchange proposes to

⁹ Break-up rebates are provided for contracts that are submitted to the Facilitation and Solicited Order Mechanisms that do not trade with their contra order except when those contracts trade against pre-existing orders and quotes on the Exchange’s orderbooks. The applicable fee for Crossing Orders is applied to any contracts for which a rebate is provided.

¹⁰ 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.

¹¹ A “Firm Proprietary” order is an order submitted by a member for its own proprietary account.

¹² A “Broker-Dealer” order is an order submitted by a member for a broker-dealer account that is not its own proprietary account.

¹³ A “Professional Customer” is a person or entity that is not a broker/dealer and is not a Priority Customer.

¹⁴ 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).

¹⁵ “Select Symbols” are options overlying all symbols listed on the ISE that are in the Penny Pilot Program.

¹⁶ “Non-Select Symbols” are options overlying all symbols excluding Select Symbols.

increase these Facilitation and Solicitation break-up rebates for MORP-eligible members to \$0.42 per contract for regular and complex orders in Select Symbols, \$0.20 per contract for regular orders in Non-Select Symbols, \$1.08 per contract for complex orders in Non-Select Symbols. Regular and complex orders in FX Options will continue to receive a Facilitation and Solicitation break-up rebate of \$0.15 per contract.

b. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,¹⁷ in general, and Section 6(b)(4) of the Act,¹⁸ 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.

The Exchange believes the proposed change to the MORP qualifications is reasonable and equitable because it is designed to make it easier for EAMs to participate in the program. Currently, an EAM that wishes to participate in MORP must be eligible to participate across the entire firm. Thus, firms that have business segments that are not MORP-eligible cannot participate with respect to those business segments that are. The Exchange believes that the proposed rule change will allow firms to participate in the program if they meet the requirements with respect to any segment of their order flow. This will encourage order routing firms to execute additional unsolicited Crossing Order volume on the Exchange, and will benefit all market participants on ISE by creating additional liquidity and increased opportunity to trade. In addition, the Exchange believes that the proposed change is not unfairly discriminatory as it would make it easier for

¹⁷ 15 U.S.C. 78f.

¹⁸ 15 U.S.C. 78f(b)(4).

firms to participate in the program, thus potentially sharing the rewards of the program with additional EAMs that may not otherwise qualify. With the proposed changes, any qualifying EAM with designated sessions that meet the requirements of the program by offering appropriate market access and connectivity to the Exchange will be able to participate in MORP on an equal and non-discriminatory basis.

The Exchange believes the proposed increases to MORP rebates, including the rebate for unsolicited Crossing Orders, and the Facilitation and Solicitation break-up rebate, are reasonable and equitable because these changes are designed to incentivize additional participation in the program. Under MORP the Exchange currently provides enhanced rebates to EAMs that connect directly to the Exchange and provide their clients with order routing functionality that includes all U.S. options exchanges, including ISE. The Exchange proposes to increase the rebates to incentivize additional firms to participate in the program, and to encourage firms to send additional order flow to the Exchange in order to benefit from the increased rebates. The Exchange believes that the proposed rebates will be attractive to members to opt in to MORP, and are competitive with rebates provided on other options exchanges. In addition, the Exchange believes that the proposed rebates are not unfairly discriminatory as they apply to all EAMs that meet the program requirements and opt in to the program. Any EAM that participates in the program will be provided the increased rebates on an equal and non-discriminatory basis based on the order flow executed on the Exchange. While MORP is targeted towards unsolicited Crossing Order flow, the Exchange offers other incentive programs to promote and encourage growth in other business areas. For example, solicited Crossing Orders benefit from the QCC and Solicitation Rebate, which applies to all QCC and/or

other solicited Crossing Orders, including solicited orders executed in the Solicitation, Facilitation or Price Improvement Mechanisms. The Exchange believes that MORP is appropriately tailored to the order flow that the Exchange is seeking to attract, and will benefit all market participants that trade on ISE by encouraging additional liquidity.

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

In accordance with Section 6(b)(8) of the Act,¹⁹ 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 proposed rule change is designed to make it easier for firms to participate in MORP and increases incentives for doing so, in order to remain competitive with other options exchanges. 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 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.

¹⁹ 15 U.S.C. 78f(b)(8).

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, 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

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

Not applicable.

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

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.
5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-ISE-2017-24)

March __, 2017

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to amend the Schedule of Fees to modify the Member Order Routing Program

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹, and Rule 19b-4 thereunder,² notice is hereby given that on March 10, 2017, 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 its Schedule of Fees to allow members to opt in to MORP for specific sessions rather than on a member-wide basis, and to increase MORP rebates for members that participate in the program.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

On April 1, 2015, the Exchange launched the Member Order Routing Program ("MORP"),³ which is a program that provides enhanced rebates to order routing firms that select the Exchange as the default routing destination for unsolicited Crossing Orders.⁴ The purpose of the proposed rule change is to amend the Schedule of Fees to allow members to opt in to MORP for specific sessions rather than on a member-wide basis, and to increase MORP rebates for members that participate in the program. The Exchange believes that these changes will encourage members to participate in MORP.

MORP Qualifications

Currently, to be eligible to participate in MORP, an Electronic Access Member ("EAM") must: (1) provide to its clients, systems that enable the electronic routing of option orders to all of the U.S. options exchanges, including ISE; (2) interface with ISE

³ See Securities Exchange Act Release No. 74706 (April 10, 2016), 80 FR 20522 (April 16, 2016) (SR-ISE-2015-11).

⁴ A "Crossing Order" is an order executed in the Exchange's Facilitation Mechanism, Solicited Order Mechanism, Price Improvement Mechanism ("PIM") or submitted as a Qualified Contingent Cross ("QCC") order. For purposes of the fee schedule, orders executed in the Block Order Mechanism are also considered Crossing Orders.

to access the Exchange's electronic options trading platform; (3) offer to its clients a customized interface and routing functionality such that ISE will be the default destination for all unsolicited Crossing Orders entered by the EAM,⁵ provided that market conditions allow the Crossing Order to be executed on ISE; (4) configure its own option order routing functionality such that ISE will be the default destination for all unsolicited Crossing Orders, provided that market conditions allow the Crossing Order to be executed on ISE, with respect to all option orders as to which the EAM has routing discretion; and (5) ensure that the default routing functionality permits users submitting option orders through such system to manually override the ISE as the default destination on an order-by-order basis.⁶

Importantly, today an EAM must opt in to MORP for all of its business, and cannot segment its business to be eligible for MORP for only specific portion of its order flow. This means that EAMs that would otherwise have a MORP qualifying business would be prohibited from participating in the program if certain segments of its business are not eligible for the program. The Exchange therefore proposes to increase the scope of MORP. In particular, the Exchange proposes to allow EAMs to opt in to MORP for specific sessions so that firms can appropriately segment their order flow such that sessions designated as MORP eligible can benefit from the program even though the firm

⁵ An unsolicited Crossing Order is a Crossing Order entered by a member that has not solicited the contra side of the trade.

⁶ EAMs that wish to participate in the program must certify that they meet the above MORP requirements, in writing, on a monthly basis and in a form to be determined by the Exchange. The relevant notice must be provided by the last business day of the month for members to be eligible to participate in the MORP effective the first business day of the following month.

may not qualify on a member-wide basis.⁷ As proposed, a member may designate one or more sessions to be eligible for MORP. If a session is designated as eligible for MORP all requirements for the program must be met for that session. In addition, to be eligible to participate in MORP an EAM must designate, in writing, to the Exchange which sessions are MORP eligible according to the criteria discussed above. Only designated sessions that are opted in to MORP will receive the benefits provided under the program. The Exchange believes that this change will make it easier for firms to participate in the program, thereby increasing volume executed in the Exchange's crossing mechanisms.

Rebate for Unsolicited Crossing Orders

Currently, an EAM that is MORP eligible receives a rebate for all unsolicited Crossing Orders of \$0.05 per originating contract side, provided that the member executes a minimum average daily volume ("ADV") in unsolicited Crossing Orders of at least 30,000 originating contract sides. This rebate is increased to \$0.07 per originating contract side, provided that the member executes a higher ADV in unsolicited Crossing Orders of 100,000 originating contract sides.⁸ The Exchange proposes to increase the MORP rebate for eligible members that execute from 30,000 to 99,999 originating contract sides to \$0.065 per originating contract side. The MORP rebate for eligible members that execute 100,000 or more originating contract sides will remain \$0.07 per originating contract side.

⁷ A session is connection to the exchange over which a member submits orders. See Section V.C. of the Schedule of Fees.

⁸ The rebate for the highest tier achieved is applied retroactively to all eligible contracts traded in a given month. For purposes of determining whether the member meets the above ADV thresholds, any day that the Exchange 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.

Facilitation and Solicitation Break-Up Rebate

In addition, any EAM that qualifies for the MORP rebate by executing an ADV of 30,000 originating contract sides or more is also eligible for increased Facilitation and Solicitation break-up rebates⁹ for their Non-ISE Market Maker,¹⁰ Firm Proprietary,¹¹ Broker-Dealer,¹² Professional Customer,¹³ and Priority Customer orders.¹⁴ Currently, MORP eligible members that execute a qualifying ADV in unsolicited Crossing Orders of at least 30,000 originating contract sides, receive a Facilitation and Solicitation break-up rebate that is \$0.35 per contract for regular and complex orders in Select Symbols,¹⁵ \$0.15 per contract for regular orders in Non-Select Symbols,¹⁶ \$0.80 per contract for complex orders in Non-Select Symbols, and \$0.15 per contract for regular and complex orders in foreign exchange option classes (“FX Options”). The Exchange proposes to increase these Facilitation and Solicitation break-up rebates for MORP-eligible members

⁹ Break-up rebates are provided for contracts that are submitted to the Facilitation and Solicited Order Mechanisms that do not trade with their contra order except when those contracts trade against pre-existing orders and quotes on the Exchange’s orderbooks. The applicable fee for Crossing Orders is applied to any contracts for which a rebate is provided.

¹⁰ 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.

¹¹ A “Firm Proprietary” order is an order submitted by a member for its own proprietary account.

¹² A “Broker-Dealer” order is an order submitted by a member for a broker-dealer account that is not its own proprietary account.

¹³ A “Professional Customer” is a person or entity that is not a broker/dealer and is not a Priority Customer.

¹⁴ 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).

¹⁵ “Select Symbols” are options overlying all symbols listed on the ISE that are in the Penny Pilot Program.

¹⁶ “Non-Select Symbols” are options overlying all symbols excluding Select Symbols.

to \$0.42 per contract for regular and complex orders in Select Symbols, \$0.20 per contract for regular orders in Non-Select Symbols, \$1.08 per contract for complex orders in Non-Select Symbols. Regular and complex orders in FX Options will continue to receive a Facilitation and Solicitation break-up rebate of \$0.15 per contract.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,¹⁷ in general, and Section 6(b)(4) of the Act,¹⁸ 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.

The Exchange believes the proposed change to the MORP qualifications is reasonable and equitable because it is designed to make it easier for EAMs to participate in the program. Currently, an EAM that wishes to participate in MORP must be eligible to participate across the entire firm. Thus, firms that have business segments that are not MORP-eligible cannot participate with respect to those business segments that are. The Exchange believes that the proposed rule change will allow firms to participate in the program if they meet the requirements with respect to any segment of their order flow. This will encourage order routing firms to execute additional unsolicited Crossing Order volume on the Exchange, and will benefit all market participants on ISE by creating additional liquidity and increased opportunity to trade. In addition, the Exchange believes that the proposed change is not unfairly discriminatory as it would make it easier for firms to participate in the program, thus potentially sharing the rewards of the program

¹⁷ 15 U.S.C. 78f.

¹⁸ 15 U.S.C. 78f(b)(4).

with additional EAMs that may not otherwise qualify. With the proposed changes, any qualifying EAM with designated sessions that meet the requirements of the program by offering appropriate market access and connectivity to the Exchange will be able to participate in MORP on an equal and non-discriminatory basis.

The Exchange believes the proposed increases to MORP rebates, including the rebate for unsolicited Crossing Orders, and the Facilitation and Solicitation break-up rebate, are reasonable and equitable because these changes are designed to incentivize additional participation in the program. Under MORP the Exchange currently provides enhanced rebates to EAMs that connect directly to the Exchange and provide their clients with order routing functionality that includes all U.S. options exchanges, including ISE. The Exchange proposes to increase the rebates to incentivize additional firms to participate in the program, and to encourage firms to send additional order flow to the Exchange in order to benefit from the increased rebates. The Exchange believes that the proposed rebates will be attractive to members to opt in to MORP, and are competitive with rebates provided on other options exchanges. In addition, the Exchange believes that the proposed rebates are not unfairly discriminatory as they apply to all EAMs that meet the program requirements and opt in to the program. Any EAM that participates in the program will be provided the increased rebates on an equal and non-discriminatory basis based on the order flow executed on the Exchange. While MORP is targeted towards unsolicited Crossing Order flow, the Exchange offers other incentive programs to promote and encourage growth in other business areas. For example, solicited Crossing Orders benefit from the QCC and Solicitation Rebate, which applies to all QCC and/or other solicited Crossing Orders, including solicited orders executed in the Solicitation,

Facilitation or Price Improvement Mechanisms. The Exchange believes that MORP is appropriately tailored to the order flow that the Exchange is seeking to attract, and will benefit all market participants that trade on ISE by encouraging additional liquidity.

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

In accordance with Section 6(b)(8) of the Act,¹⁹ 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 proposed rule change is designed to make it easier for firms to participate in MORP and increases incentives for doing so, in order to remain competitive with other options exchanges. 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 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.²⁰ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it

¹⁹ 15 U.S.C. 78f(b)(8).

²⁰ 15 U.S.C. 78s(b)(3)(A)(ii).

appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-ISE-2017-24 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-2017-24. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any

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

All submissions should refer to File Number SR-ISE-2017-24 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

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

Robert W. Errett
Deputy Secretary

²¹ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

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IV. Other Options Fees and Rebates

* * *

E. Member Order Routing Program

Monthly ADV in Unsolicited Crossing Orders for MORP Designated Sessions (originating contract sides)	Rebate
30,000 – 99,999	[\$0.05] (\$0.065)
100,000+	(\$0.07)

- A Member may designate one or more sessions to be eligible for the Member Order Routing Program (“MORP”). A session is connection to the exchange over which a member submits orders. See Section V.C. of this Schedule of Fees. If a session is designated as eligible for MORP all requirements for the program must be met for that session.
- Rebate paid per originating contract side for all unsolicited Crossing Orders executed by an eligible EAM on their MORP designated sessions. The rebate for the highest tier achieved is applied retroactively to all eligible contracts traded in a given month. For purposes of determining whether the member meets the above ADV thresholds, any day that the Exchange 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.
- To be eligible to participate in the Member Order Routing Program an EAM must:
 1. Designate, in writing, to the Exchange which sessions are MORP eligible according to the criteria below.
 - [1]2. Provide to its clients, systems that enable the electronic routing of option orders to all of the U.S. options exchanges, including ISE;
 - [2]3. Interface with ISE to access the Exchange’s electronic options trading platform;
 - [3]4. Offer to its clients a customized interface and routing functionality such that ISE will be the default destination for all unsolicited Crossing Orders entered by the EAM, provided that market conditions allow the Crossing Order to be executed on ISE;
 - [4]5. Configure its own option order routing functionality such that ISE will be the default destination for all unsolicited Crossing Orders, provided that market conditions allow the Crossing Order to be executed on ISE, with respect to all option orders as to which the EAM has routing discretion; and

[5]6. Ensure that the default routing functionality permits users submitting option orders through such system to manually override the ISE as the default destination on an order-by-order basis.

➤ Facilitation and Solicitation Break-Up Rebates:

Market Participant	Regular Orders in Select Symbols	Complex Orders in Select Symbols	Regular Orders in Non-Select Symbols	Complex Orders in Non-Select Symbols	Regular Orders in FX Options	Complex Orders in FX Options
Market Maker	N/A	N/A	N/A	N/A	N/A	N/A
Non-ISE Market Maker (FarMM)	[(<u>\$0.35</u>)] <u>(\$0.42)</u>	[(<u>\$0.35</u>)] <u>(\$0.42)</u>	[(<u>\$0.15</u>)] <u>(\$0.20)</u>	[(<u>\$0.80</u>)] <u>(\$1.08)</u>	(\$0.15)	(\$0.15)
Firm Proprietary / Broker-Dealer	[(<u>\$0.35</u>)] <u>(\$0.42)</u>	[(<u>\$0.35</u>)] <u>(\$0.42)</u>	[(<u>\$0.15</u>)] <u>(\$0.20)</u>	[(<u>\$0.80</u>)] <u>(\$1.08)</u>	(\$0.15)	(\$0.15)
Professional Customer	[(<u>\$0.35</u>)] <u>(\$0.42)</u>	[(<u>\$0.35</u>)] <u>(\$0.42)</u>	[(<u>\$0.15</u>)] <u>(\$0.20)</u>	[(<u>\$0.80</u>)] <u>(\$1.08)</u>	(\$0.15)	(\$0.15)
Priority Customer	[(<u>\$0.35</u>)] <u>(\$0.42)</u>	[(<u>\$0.35</u>)] <u>(\$0.42)</u>	[(<u>\$0.15</u>)] <u>(\$0.20)</u>	[(<u>\$0.80</u>)] <u>(\$1.08)</u>	(\$0.15)	(\$0.15)

➤ Eligible MORP EAMS that execute a monthly ADV in unsolicited Crossing Orders of 30,000 originating contract sides or more on their MORP designated sessions are also eligible for increased Facilitation and Solicitation break-up rebates. Break-up rebates shown in the table above apply instead of rebates described in Sections I, II, and III, and will be provided for contracts that are submitted to the Facilitation and Solicited Order Mechanisms that do not trade with their contra order except when those contracts trade against pre-existing orders and quotes on the Exchange’s orderbooks. The applicable fee for Crossing Orders is applied to any contracts for which a rebate is provided.

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