

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="26"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2017"/> - * <input type="text" value="33"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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Filing by Nasdaq ISE, LLC
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"/>
			Rule		
Pilot <input type="checkbox"/>	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 type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" 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 *).

Proposed rule change to delay implementation of simultaneous complex order auctions in the same complex strategy in connection with a system migration to Nasdaq INET technology.

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 * <input type="text" value="Adrian"/>	Last Name * <input type="text" value="Griffiths"/>
Title * <input type="text" value="Associate General Counsel"/>	
E-mail * <input type="text" value="agriffiths@ise.com"/>	
Telephone * <input type="text" value="(212) 897-8176"/>	Fax <input type="text"/>

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date <input type="text" value="04/17/2017"/>	Executive Vice President and General Counsel
By <input type="text" value="Edward S. Knight"/>	<input type="text"/>
(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.

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

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

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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) Nasdaq ISE, 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 delay implementation of simultaneous complex order auctions in the same complex strategy in connection with a system migration to Nasdaq INET technology.

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

ISE offers various complex order auctions that are designed to provide members an opportunity to trade and to potentially receive price improvement for complex orders that are entered on the Exchange, including an "Exposure" auction pursuant to Rule 722(b)(3)(iii), a Complex Price Improvement Mechanism ("PIM") pursuant to Supplementary Material .09 to Rule 723, a Complex Facilitation Mechanism pursuant to Supplementary Material .08 to Rule 716, and Complex Solicited Order Mechanism also pursuant to Supplementary Material .08 to Rule 716.

The purpose of the proposed rule change is to delay implementation of simultaneous complex order auctions in the same complex strategy in connection with a system migration to Nasdaq INET technology.³ No other changes to the complex order auction mechanisms are being proposed, and these auctions will continue to function as they do today, with the exception that after the migration to the INET platform a member will not be permitted to initiate a complex order auction in a particular complex strategy if another complex order auction is already ongoing in that complex strategy. With this proposed change, the Exchange will handle multiple complex order auctions in the same

³ See Securities Exchange Act Release No. 80432 (April 11, 2017 (SR-ISE-2017-03) (Order Approving Proposed Rule Change, as Modified by Amendment No. 1, to Amend Various Rules in Connection with a System Migration to Nasdaq INET Technology).

INET is the proprietary core technology utilized across Nasdaq's global markets and utilized on The NASDAQ Options Market LLC ("NOM"), NASDAQ PHLX LLC ("Phlx"), NASDAQ BX, Inc. ("BX"), and introduced recently on Nasdaq GEMX, LLC ("GEMX"). The migration of ISE to the INET architecture would result in higher performance, scalability, and more robust architecture.

complex strategy in a manner that is consistent with implementation on other options exchanges,⁴ and will reintroduce simultaneous complex order auctions in the same complex strategy at a later date within one year of this filing.

Today, only one PIM may be ongoing at any given time in a series or complex strategy, and PIMs are not permitted to queue or overlap in any manner;⁵ however, there are no similar restrictions for non-PIM auctions, and any such auctions may be processed concurrently, including in parallel with a PIM auction. For example, while the trading system would prohibit a member from entering a PIM auction when another PIM auction is already ongoing in a complex strategy, if there was an Exposure auction already running a member would be able to start a PIM, Facilitation, Solicitation, or even another Exposure auction in that strategy. This allows maximum ability of members to express their trading intent on the Exchange by permitting multiple complex order auctions in the same complex strategy to be ongoing at any particular time.

Nevertheless, other options exchanges do not offer the same functionality for simultaneous complex order auctions in a complex strategy provided by the Exchange. The Exchange's affiliate, Nasdaq Phlx, LLC ("Phlx"), for example, does not allow the initiation of a Complex Order Live Auction ("COLA") when there is already a Price Improvement XL ("PIXL") auction already ongoing in the strategy.⁶ Similarly, MIAX can limit the frequency of Complex Auctions by establishing a minimum time period

⁴ See infra notes 6-8 and accompanying text.

⁵ See Supplementary Material .04 to Rule 723.

⁶ See Phlx Rule 1098(e)(2). Phlx would also similarly not allow a PIXL auction to be initiated if there is a COLA already ongoing in the complex strategy.

between such auctions,⁷ and permits only one Complex Auction per strategy to be in progress at any particular time.⁸

In order to give the Exchange additional time to develop and test this functionality, the Exchange proposes to delay the implementation of simultaneous complex order auctions in the same complex strategy in connection with the migration of the trading system to the INET platform. With the proposed change, only one complex order auction may be ongoing at any given time in a complex strategy, and such auctions will not queue or overlap in any manner. For PIM, Facilitation, or Solicitation auctions, the Exchange will reject a complex order auction of the same or different auction type in a complex strategy that is initiated while another complex order auction is ongoing in that complex strategy.⁹ In the case where a complex order auction has already been initiated in a complex strategy, an Exposure auction for an order for that strategy will not be initiated and the order will be processed as a complex order that is not marked for price improvement,¹⁰ instead of rejecting the complex order. If the member requested the

⁷ See MIAX Rule 518(d)(2).

⁸ See Securities Exchange Act Release Nos. 78620 (August 18, 2016), 81 FR 58769, 58799 (August 25, 2016) (Notice); 79072 (October 7, 2016), 81 FR 71131 (October 14, 2016) (Approval) (SR-MIAX-2016-26).

⁹ The rejection message sent to the member will contain an appropriate reason code indicating that the auction was rejected due to another ongoing complex order auction in the same complex strategy.

¹⁰ Currently, an Exposure order auction is automatically initiated when a member submits an eligible complex order that is marked for price improvement. See Rule 722(b)(3)(iii). Pursuant to Rule 722(b)(3)(iii), complex orders may be marked for price improvement, and if so marked, the complex order may be exposed on the complex order book for a period of up to one-second before being automatically executed. Members can also request that their complex orders be cancelled after the exposure period.

order to be cancelled after the exposure period, then the complex order will be cancelled back to the member. Simultaneous complex order auctions in the same complex strategy will be subsequently rolled out on the INET trading system within one year of the date of filing of this proposed rule change. The Exchange is staging the re-platform of its trading system to provide maximum benefit to its members while also ensuring a successful rollout. This delay in implementing simultaneous complex order auctions in the same complex strategy will provide the Exchange additional time to test and implement this functionality on the INET platform.

The Exchange believes that implementing simultaneous complex order auctions in the same complex strategy at a later date will not have a significant impact on members as it is rare for multiple complex order auctions in a complex strategy to be ongoing at a particular time. This is particularly the case today due to the recent decrease in the Exchange's auction timers to 100 milliseconds.¹¹ The Exchange notes that simultaneous complex order auctions in a strategy only occur approximately 0.5% of the time that an auction runs on the Exchange. The Exchange therefore believes that the impact on members will be insignificant, and if a member does have auction eligible interest to execute when another complex order auction is ongoing, the member can either re-submit that order to the Exchange, after the auction has concluded, or submit it to another options market that provides similar auction functionality. In this regard, the

¹¹ See Securities Exchange Act Release No. 79733 (January 4, 2017), 82 FR 3055 (January 10, 2017) (SR-ISE-2016-26) (permitting the Exchange to determine auction timers for PIM, Facilitation, and Solicitation within a range of 100 milliseconds and one second). Each of these auction timers are currently set to 100 milliseconds – i.e., the bottom of the range approved in the filing. Exposure auctions can be any duration up to one second (See Rule 722(b)(3)), and are also currently set to 100 milliseconds.

Exchange notes that its market data feeds provide information to members about when a complex order auction is ongoing, and members can therefore use this information to make appropriate routing decisions based on applicable market conditions.

Implementation

The proposed rule change will be implemented on the Exchange's new INET trading system, which is scheduled to launch in Q2 2017.¹² The INET migration will take place on a symbol by symbol basis¹³ as specified by the Exchange in a notice to be provided to Members.¹⁴ The Exchange is proposing to implement this rule change on the INET platform as the symbols migrate to that platform. As such, the proposed change will be rolled out in symbols as they migrate to the INET platform, at which point only one complex order auction will be permitted to be ongoing in a complex strategy. Members will still be able to use all of the Exchange's complex order auctions, provided that there is not another auction already ongoing in the complex strategy. The Exchange will issue an Options Trader Alert to all members notifying them that simultaneous complex order auctions will no longer be available with the symbol migration to INET. The Exchange proposes to launch the simultaneous complex order auction functionality on the INET platform within one year from the date of filing of this rule change to be announced in an Options Trader Alert.

¹² See supra note 3.

¹³ When a symbol is migrated to INET, all strikes and strategies will migrate with that symbol.

¹⁴ The Exchange will issue an Options Trader Alert prior to the migration and will specify the dates that symbols will migrate to the INET platform.

b. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.¹⁵ In particular, the proposal is consistent with Section 6(b)(5) of the Act,¹⁶ because it is designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is consistent with the Act as it will provide additional time for the Exchange to rebuild this technology on the INET platform. By delaying the implementation of simultaneous complex order auctions in a complex strategy, the Exchange will have additional time to test and implement this functionality. The Exchange will provide members with ample notice of the delayed implementation of this functionality in an Options Trader Alert, and will continue to provide notifications to members to ensure clarity about the availability of this functionality with the symbol migration. The Exchange will also issue an Options Trader Alert indicating when simultaneous complex order auctions in a complex strategy will become available on the INET platform.

The Exchange does not anticipate that the proposed rule change will have any meaningful impact with respect to members' ability to execute complex order auctions as

¹⁵ 15 U.S.C. 78f(b).

¹⁶ 15 U.S.C. 78f(b)(5).

similar restrictions are already in place on other options exchanges.¹⁷ Simultaneous complex order auctions in a complex strategy are rare, and therefore the vast majority of the time members will be able to enter a complex order auction notwithstanding the temporary delay of the implementation of concurrent auctions. With respect to Exposure auctions, in the case where another complex order auction in the same strategy has already been initiated, the Exchange proposes to allow the complex order to continue to be processed without an auction in the same manner as complex orders that are not marked for price improvement. If the member has marked the complex order to be cancelled after the exposure period, however, the Exchange will cancel the order back to the member consistent with that instruction. If the member is not able to initiate a complex order auction because another complex order auction in the same strategy has been initiated, the member may either re-initiate the auction after the auction concludes or submit the order to another options market that offers similar functionality. Thus, members will be able to continue to express their trading intent regardless of the proposed delay in concurrent auction functionality. When the simultaneous complex order auction functionality is rebuilt and appropriately tested, the Exchange will then reintroduce this functionality.

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

In accordance with Section 6(b)(8) of the Act,¹⁸ 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.

¹⁷ See supra notes 6-8 and accompanying text.

¹⁸ 15 U.S.C. 78f(b)(8).

The proposed rule change is designed to prevent simultaneous complex order auctions in a complex strategy in connection with the migration of the trading system to INET technology, and is not designed to have any significant competitive impact. Similar restrictions are already in place on other options exchanges.¹⁹ The Exchange does not believe that the proposed rule change will impose any burden on intra-market competition because all Members uniformly will not be able to initiate simultaneous auctions in the same complex order strategy.

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)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)²⁰ of the Act and Rule 19b-4(f)(6) thereunder²¹ in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the

¹⁹ See supra notes 6-8 and accompanying text.

²⁰ 15 U.S.C. 78s(b)(3)(A)(iii).

²¹ 17 CFR 240.19b-4(f)(6).

Commission may designate if consistent with the protection of investors and the public interest.

The Exchange believes that the temporary delay of simultaneous complex order auctions in a strategy will not significantly affect the protection of investors or the public interest as concurrent auctions are rare, and members have other options for submitting their auction eligible orders when another auction is already ongoing in the complex strategy. Furthermore, the Exchange believes that the proposed rule change will not impose any significant burden on competition. Members will continue to be able to initiate complex orders auctions on the Exchange except in the rare instance that another auction in the same strategy is already taking place. The proposed change is being made in connection with the migration of the Exchange to the INET platform. Simultaneous complex order auctions in a strategy will be implemented on the INET trading system within one year from the date of filing of this rule change to be announced in an Options Trader Alert. Today, other options markets have similar restrictions on simultaneous complex order auctions in a strategy.²² The Exchange therefore believes that the proposed rule change qualifies for immediate effectiveness as a “non-controversial” rule change.

Furthermore, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

²² See supra notes 6-8 and accompanying text.

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

The proposed rule change will be implemented on the Exchange's new INET trading system, which is scheduled to launch in Q2 2017.²³ The INET migration will take place on a symbol by symbol basis as specified by the Exchange in a notice to be provided to Members.²⁴

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

Not applicable.

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.

²³ See supra note 3.

²⁴ The Exchange will issue an Options Trader Alert prior to the migration and will specify the dates that symbols will migrate to the INET platform.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-ISE-2017-33)

April __, 2017

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Delay the Implementation of Simultaneous Complex Order Auctions

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 April 17, 2017, Nasdaq ISE, 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 delay implementation of simultaneous complex order auctions in the same complex strategy in connection with a system migration to Nasdaq INET technology.

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

ISE offers various complex order auctions that are designed to provide members an opportunity to trade and to potentially receive price improvement for complex orders that are entered on the Exchange, including an "Exposure" auction pursuant to Rule 722(b)(3)(iii), a Complex Price Improvement Mechanism ("PIM") pursuant to Supplementary Material .09 to Rule 723, a Complex Facilitation Mechanism pursuant to Supplementary Material .08 to Rule 716, and Complex Solicited Order Mechanism also pursuant to Supplementary Material .08 to Rule 716.

The purpose of the proposed rule change is to delay implementation of simultaneous complex order auctions in the same complex strategy in connection with a system migration to Nasdaq INET technology.³ No other changes to the complex order

³ See Securities Exchange Act Release No. 80432 (April 11, 2017 (SR-ISE-2017-03) (Order Approving Proposed Rule Change, as Modified by Amendment No. 1, to Amend Various Rules in Connection with a System Migration to Nasdaq INET Technology).

INET is the proprietary core technology utilized across Nasdaq's global markets and utilized on The NASDAQ Options Market LLC ("NOM"), NASDAQ PHLX LLC ("Phlx"), NASDAQ BX, Inc. ("BX"), and introduced recently on Nasdaq

auction mechanisms are being proposed, and these auctions will continue to function as they do today, with the exception that after the migration to the INET platform a member will not be permitted to initiate a complex order auction in a particular complex strategy if another complex order auction is already ongoing in that complex strategy. With this proposed change, the Exchange will handle multiple complex order auctions in the same complex strategy in a manner that is consistent with implementation on other options exchanges,⁴ and will reintroduce simultaneous complex order auctions in the same complex strategy at a later date within one year of this filing.

Today, only one PIM may be ongoing at any given time in a series or complex strategy, and PIMs are not permitted to queue or overlap in any manner;⁵ however, there are no similar restrictions for non-PIM auctions, and any such auctions may be processed concurrently, including in parallel with a PIM auction. For example, while the trading system would prohibit a member from entering a PIM auction when another PIM auction is already ongoing in a complex strategy, if there was an Exposure auction already running a member would be able to start a PIM, Facilitation, Solicitation, or even another Exposure auction in that strategy. This allows maximum ability of members to express their trading intent on the Exchange by permitting multiple complex order auctions in the same complex strategy to be ongoing at any particular time.

Nevertheless, other options exchanges do not offer the same functionality for simultaneous complex order auctions in a complex strategy provided by the Exchange.

GEMX, LLC (“GEMX”). The migration of ISE to the INET architecture would result in higher performance, scalability, and more robust architecture.

⁴ See infra notes 6-8 and accompanying text.

⁵ See Supplementary Material .04 to Rule 723.

The Exchange's affiliate, Nasdaq Phlx, LLC ("Phlx"), for example, does not allow the initiation of a Complex Order Live Auction ("COLA") when there is already a Price Improvement XL ("PIXL") auction already ongoing in the strategy.⁶ Similarly, MIAX can limit the frequency of Complex Auctions by establishing a minimum time period between such auctions,⁷ and permits only one Complex Auction per strategy to be in progress at any particular time.⁸

In order to give the Exchange additional time to develop and test this functionality, the Exchange proposes to delay the implementation of simultaneous complex order auctions in the same complex strategy in connection with the migration of the trading system to the INET platform. With the proposed change, only one complex order auction may be ongoing at any given time in a complex strategy, and such auctions will not queue or overlap in any manner. For PIM, Facilitation, or Solicitation auctions, the Exchange will reject a complex order auction of the same or different auction type in a complex strategy that is initiated while another complex order auction is ongoing in that complex strategy.⁹ In the case where a complex order auction has already been initiated in a complex strategy, an Exposure auction for an order for that strategy will not be initiated and the order will be processed as a complex order that is not marked for price

⁶ See Phlx Rule 1098(e)(2). Phlx would also similarly not allow a PIXL auction to be initiated if there is a COLA already ongoing in the complex strategy.

⁷ See MIAX Rule 518(d)(2).

⁸ See Securities Exchange Act Release Nos. 78620 (August 18, 2016), 81 FR 58769, 58799 (August 25, 2016) (Notice); 79072 (October 7, 2016), 81 FR 71131 (October 14, 2016) (Approval) (SR-MIAX-2016-26).

⁹ The rejection message sent to the member will contain an appropriate reason code indicating that the auction was rejected due to another ongoing complex order auction in the same complex strategy.

improvement,¹⁰ instead of rejecting the complex order. If the member requested the order to be cancelled after the exposure period, then the complex order will be cancelled back to the member. Simultaneous complex order auctions in the same complex strategy will be subsequently rolled out on the INET trading system within one year of the date of filing of this proposed rule change. The Exchange is staging the re-platform of its trading system to provide maximum benefit to its members while also ensuring a successful rollout. This delay in implementing simultaneous complex order auctions in the same complex strategy will provide the Exchange additional time to test and implement this functionality on the INET platform.

The Exchange believes that implementing simultaneous complex order auctions in the same complex strategy at a later date will not have a significant impact on members as it is rare for multiple complex order auctions in a complex strategy to be ongoing at a particular time. This is particularly the case today due to the recent decrease in the Exchange's auction timers to 100 milliseconds.¹¹ The Exchange notes that simultaneous complex order auctions in a strategy only occur approximately 0.5% of the

¹⁰ Currently, an Exposure order auction is automatically initiated when a member submits an eligible complex order that is marked for price improvement. See Rule 722(b)(3)(iii). Pursuant to Rule 722(b)(3)(iii), complex orders may be marked for price improvement, and if so marked, the complex order may be exposed on the complex order book for a period of up to one-second before being automatically executed. Members can also request that their complex orders be cancelled after the exposure period.

¹¹ See Securities Exchange Act Release No. 79733 (January 4, 2017), 82 FR 3055 (January 10, 2017) (SR-ISE-2016-26) (permitting the Exchange to determine auction timers for PIM, Facilitation, and Solicitation within a range of 100 milliseconds and one second). Each of these auction timers are currently set to 100 milliseconds – i.e., the bottom of the range approved in the filing. Exposure auctions can be any duration up to one second (See Rule 722(b)(3)), and are also currently set to 100 milliseconds.

time that an auction runs on the Exchange. The Exchange therefore believes that the impact on members will be insignificant, and if a member does have auction eligible interest to execute when another complex order auction is ongoing, the member can either re-submit that order to the Exchange, after the auction has concluded, or submit it to another options market that provides similar auction functionality. In this regard, the Exchange notes that its market data feeds provide information to members about when a complex order auction is ongoing, and members can therefore use this information to make appropriate routing decisions based on applicable market conditions.

Implementation

The proposed rule change will be implemented on the Exchange's new INET trading system, which is scheduled to launch in Q2 2017.¹² The INET migration will take place on a symbol by symbol basis¹³ as specified by the Exchange in a notice to be provided to Members.¹⁴ The Exchange is proposing to implement this rule change on the INET platform as the symbols migrate to that platform. As such, the proposed change will be rolled out in symbols as they migrate to the INET platform, at which point only one complex order auction will be permitted to be ongoing in a complex strategy. Members will still be able to use all of the Exchange's complex order auctions, provided that there is not another auction already ongoing in the complex strategy. The Exchange will issue an Options Trader Alert to all members notifying them that simultaneous

¹² See supra note 3.

¹³ When a symbol is migrated to INET, all strikes and strategies will migrate with that symbol.

¹⁴ The Exchange will issue an Options Trader Alert prior to the migration and will specify the dates that symbols will migrate to the INET platform.

complex order auctions will no longer be available with the symbol migration to INET. The Exchange proposes to launch the simultaneous complex order auction functionality on the INET platform within one year from the date of filing of this rule change to be announced in an Options Trader Alert.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.¹⁵ In particular, the proposal is consistent with Section 6(b)(5) of the Act,¹⁶ because it is designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is consistent with the Act as it will provide additional time for the Exchange to rebuild this technology on the INET platform. By delaying the implementation of simultaneous complex order auctions in a complex strategy, the Exchange will have additional time to test and implement this functionality. The Exchange will provide members with ample notice of the delayed implementation of this functionality in an Options Trader Alert, and will continue to provide notifications to members to ensure clarity about the availability of this functionality with the symbol migration. The Exchange will also issue an Options Trader

¹⁵ 15 U.S.C. 78f(b).

¹⁶ 15 U.S.C. 78f(b)(5).

Alert indicating when simultaneous complex order auctions in a complex strategy will become available on the INET platform.

The Exchange does not anticipate that the proposed rule change will have any meaningful impact with respect to members' ability to execute complex order auctions as similar restrictions are already in place on other options exchanges.¹⁷ Simultaneous complex order auctions in a complex strategy are rare, and therefore the vast majority of the time members will be able to enter a complex order auction notwithstanding the temporary delay of the implementation of concurrent auctions. With respect to Exposure auctions, in the case where another complex order auction in the same strategy has already been initiated, the Exchange proposes to allow the complex order to continue to be processed without an auction in the same manner as complex orders that are not marked for price improvement. If the member has marked the complex order to be cancelled after the exposure period, however, the Exchange will cancel the order back to the member consistent with that instruction. If the member is not able to initiate a complex order auction because another complex order auction in the same strategy has been initiated, the member may either re-initiate the auction after the auction concludes or submit the order to another options market that offers similar functionality. Thus, members will be able to continue to express their trading intent regardless of the proposed delay in concurrent auction functionality. When the simultaneous complex order auction functionality is rebuilt and appropriately tested, the Exchange will then reintroduce this functionality.

¹⁷ See supra notes 6-8 and accompanying text.

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

In accordance with Section 6(b)(8) of the Act,¹⁸ 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 prevent simultaneous complex order auctions in a complex strategy in connection with the migration of the trading system to INET technology, and is not designed to have any significant competitive impact. Similar restrictions are already in place on other options exchanges.¹⁹ The Exchange does not believe that the proposed rule change will impose any burden on intra-market competition because all Members uniformly will not be able to initiate simultaneous auctions in the same complex order strategy.

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant

¹⁸ 15 U.S.C. 78f(b)(8).

¹⁹ See supra notes 6-8 and accompanying text.

to Section 19(b)(3)(A)(iii) of the Act²⁰ and subparagraph (f)(6) of Rule 19b-4 thereunder.²¹

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, 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-2017-33 on the subject line.

²⁰ 15 U.S.C. 78s(b)(3)(A)(iii).

²¹ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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-2017-33. 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-2017-33 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.²²

Robert W. Errett
Deputy Secretary

²² 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

**Nasdaq ISE, LLC
RULES**

Rule 722. Complex Orders

ISE will migrate symbols to the INET platform pursuant to a symbol migration commencing in the second quarter of 2017. For symbols that have migrated to the INET platform, only one complex order auction pursuant to Supplementary Material .08 to Rule 716, Rule 722(b)(3)(iii), and Supplementary Material .09 to Rule 723 may be ongoing at any given time in a complex strategy. Such complex order auctions will not queue or overlap in any manner. The Exchange will reject a complex order auction of the same or different auction type submitted pursuant to Supplementary Material .08 to Rule 716 or Supplementary Material .09 to Rule 723 while another complex order auction is ongoing in that complex strategy. When there is an ongoing auction in a complex strategy, a subsequent complex order for that strategy will not initiate an auction pursuant to Rule 722(b)(3)(iii) and will be processed as a complex order that is not marked for price improvement, unless the member requested the order to be cancelled after the exposure period, in which case the complex order will be cancelled back to the member. The Exchange will specify the symbol migration schedule in an Options Trader Alert to be issued by the Exchange. The Exchange will recommence simultaneous complex order auctions on ISE within one year from the date of the filing of SR-ISE-2017-33 to be announced in a separate Options Trader Alert.

(a) and (b) No change.

Supplementary Material to Rule 722

.01 - .07 No change.
