

Required fields are shown with yellow backgrounds and asterisks.

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 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 proposal to clarify the Non-Priority Customer license surcharge.

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 * Sun	Last Name * Kim
Title * Assistant General Counsel	
E-mail * sun.kim@nasdaq.com	
Telephone * (212) 231-5106	Fax


Signature

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

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

(Title *)

Date 06/12/2017	Executive Vice President and General Counsel
By Edward S. Knight	
(Name *)	



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

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 *

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

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

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

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

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Exhibit Sent As Paper Document

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) 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 proposal to apply the Non-Priority Customer license surcharge set forth in Section IV.B of the Schedule of Fees to orders that are routed to away markets.

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 (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:

Sun Kim
Assistant General Counsel
Nasdaq, Inc.
212-231-5106

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

The purpose of the proposed rule change is to apply the Non-Priority Customer (i.e., Market Maker,³ Non-Nasdaq ISE Market Maker,⁴ Firm Proprietary⁵ / Broker-Dealer,⁶ and Professional Customer⁷) license surcharge set forth in Section IV.B of the Schedule of Fees to orders in those licensed products⁸ that are routed to one or more exchanges in connection with the Options Order Protection and Locked/Crossed Market Plan (the "Plan"). The Exchange initially filed the proposed pricing changes on June 1, 2017 (SR-ISE-2017-50). On June 12, 2017, the Exchange withdrew that filing and submitted this filing.

³ The term "Market Makers" refers to "Competitive Market Makers" and "Primary Market Makers" collectively. See Rule 100(a)(25).

⁴ A "Non-Nasdaq 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.

⁵ A "Firm Proprietary" order is an order submitted by a member for its own proprietary account.

⁶ A "Broker-Dealer" order is an order submitted by a member for a broker-dealer account that is not its own proprietary account.

⁷ A "Professional Customer" is a person or entity that is not a broker/dealer and is not a Priority Customer. 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).

⁸ The Exchange assesses a license surcharge for NDX and BKK. BKK, which represents options on the KBW Bank Index ("BKK"), is currently not traded on the Exchange. NDX represents options on the Nasdaq-100 Index traded under the symbol NDX ("NDX").

Today, the Exchange charges Non-Priority Customers route-out fees for orders in Non-Select Symbols⁹ that are routed to away markets in connection with the Plan. Specifically as set forth in Section IV.F of the Schedule of Fees, Non-Priority Customer orders pay a route-out fee of \$0.95 per contract in Non-Select Symbols. The route-out fees offset costs incurred by the Exchange in connection with using unaffiliated broker-dealers to access other exchanges for linkage executions. In addition, as set forth in Section IV.B of the Schedule of Fees, the Exchange presently charges a \$0.25 license surcharge for all Non-Priority Customer orders in NDX and a \$0.10 license surcharge for all Non-Priority Customer orders in BKX (together, “License Surcharge”). This License Surcharge currently applies to all BKX and NDX orders executed on the Exchange, but is not applied when those orders are routed to away markets in connection with the Plan. The Exchange therefore proposes to apply the License Surcharge to such orders, specifically by adding language in Section IV.B of the Schedule of Fees that the Non-Priority Customer License Surcharge applies to all executions in BKX and NDX, including executions of BKX and NDX orders that are routed to one or more exchanges in connection with the Plan. For example, all Non-Priority Customer orders in NDX that are routed to away markets would be assessed a \$0.25 per contract License Surcharge and a \$0.95 per contract route-out fee under this proposal.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁰ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹¹

⁹ “Non-Select Symbols” are options overlying all symbols that are not in the Penny Pilot Program. NDX and BKX are Non-Select Symbols.

¹⁰ 15 U.S.C. 78f(b).

in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”¹²

Likewise, in NetCoalition v. Securities and Exchange Commission¹³ (“NetCoalition”) the D.C. Circuit upheld the Commission’s use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that Congress mandated a cost-based approach.¹⁴ As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’ play a role in determining the market data . . . to be made available to investors and at what cost.”¹⁵

¹¹ 15 U.S.C. 78f(b)(4) and (5).

¹² Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

¹³ NetCoalition v. SEC, 615 F.3d 525 (D.C. Cir. 2010).

¹⁴ See NetCoalition, at 534 - 535.

¹⁵ Id. at 537.

Further, “[n]o one disputes that competition for order flow is ‘fierce.’ ... As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’”¹⁶ Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

The Exchange believes that its proposal to apply the License Surcharge to Non-Priority Customer orders in licensed products that are routed to away markets in connection with the Plan is reasonable and equitable because it offsets both the costs associated with executing orders on away markets as well as the licensing costs associated with listing and trading these products. In particular, the Exchange’s route-out fees are presently not calculated to cover the licensing costs for BKX and NDX. The Exchange notes that a license agreement is required to trade these products regardless of whether the order is executed on the Exchange or routed to another exchange in connection with the Plan. As such, the Exchange believes that extending the License Surcharge to those orders that are routed to away markets (in addition to those orders executed on the Exchange) is a reasonable and equitable means of recovering the costs of the license. Furthermore, the Exchange must pay the actual transaction fees charged by the exchange the order is routed to, which includes the license surcharge that such exchange assesses for those products. The Exchange’s route-out fees are currently not

¹⁶ Id. at 539 (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

calculated to cover these license surcharges assessed by other exchanges and therefore seeks to recover these costs under this proposal. For example, an NDX order that is routed to the Chicago Board Options Exchange (“CBOE”) in connection with the Plan would be assessed a \$0.25 license surcharge by CBOE on top of the actual transaction fees that CBOE would charge for the NDX order.¹⁷ The Exchange’s route-out fees are presently assessed as fixed fees, unlike other exchanges, which, in addition to a fixed route-out fee, assess the actual transaction fees charged by the exchange the order is routed to.¹⁸

The Exchange also believes that its proposal is reasonable and equitable because Non-Priority Customers would be able to avoid paying the License Surcharge by sending the Exchange orders in these licensed products to be routed to another market and only pay the Exchange’s route-out fee. The Exchange would, however, still be required to pay all of the actual transaction fees (including the license surcharge) charged by the exchange the order is routed to. For example, a Non-Priority Customer order in NDX that is routed to CBOE today would only be assessed the \$0.95 per contract route-out fee while the Exchange would pay the \$0.25 per contract license surcharge on top of the actual transaction fees CBOE would charge for the NDX order. The Exchange therefore believes that it is reasonable and equitable to assess the License Surcharge to orders in

¹⁷ See CBOE’s fee schedule, at: <https://www.cboe.com/publish/feeschedule/CBOEFeeSchedule.pdf>.

¹⁸ See, e.g., MIAX Options Fee Schedule, 1) Transaction Fees, c) Fees and Rebates for Customer Orders Routed to Another Options Exchange, at: https://www.miaxoptions.com/sites/default/files/page-files/MIAX_Options_Fee_Schedule_05012017.pdf.

those licensed products which are routed to other exchanges in order to avoid this scenario.

Finally, the Exchange believes that the proposed fee change is equitable and not unfairly discriminatory because the Exchange will apply the same fee to all similarly situated members. In particular, the License Surcharge would be applied to all Non-Priority Customer orders in those licensed products which are routed to away markets in connection with the Plan. The Exchange believes it is equitable and not unfairly discriminatory to assess this surcharge on all participants other than Priority Customers because the Exchange seeks to encourage Priority Customer order flow and the liquidity such order flow brings to the marketplace, which in turn benefits all market participants.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

In this instance, the proposed application of the License Surcharge to orders that are routed to one or more exchanges in connection with the Plan does not impose a burden on competition because the Exchange's execution services are completely

voluntary and subject to extensive competition from other exchanges. If the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that its proposal will impair the ability of members to maintain their competitive standing in the financial markets.

5. 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.

6. Extension of Time Period for Commission Action

Not applicable.

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

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

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.

¹⁹ 15 U.S.C. 78s(b)(3)(A)(ii).

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.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-ISE-2017-54)

June __, 2017

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to clarify the Non-Priority Customer license surcharge

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 June 12, 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 apply the Non-Priority Customer license surcharge set forth in Section IV.B of the Schedule of Fees to orders that are routed to away markets.

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.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of the proposed rule change is to apply the Non-Priority Customer (i.e., Market Maker,³ Non-Nasdaq ISE Market Maker,⁴ Firm Proprietary⁵ / Broker-Dealer,⁶ and Professional Customer⁷) license surcharge set forth in Section IV.B of the Schedule of Fees to orders in those licensed products⁸ that are routed to one or more exchanges in connection with the Options Order Protection and Locked/Crossed Market Plan (the "Plan"). The Exchange initially filed the proposed pricing changes on June 1,

³ The term "Market Makers" refers to "Competitive Market Makers" and "Primary Market Makers" collectively. See Rule 100(a)(25).

⁴ A "Non-Nasdaq 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.

⁵ A "Firm Proprietary" order is an order submitted by a member for its own proprietary account.

⁶ A "Broker-Dealer" order is an order submitted by a member for a broker-dealer account that is not its own proprietary account.

⁷ A "Professional Customer" is a person or entity that is not a broker/dealer and is not a Priority Customer. 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).

⁸ The Exchange assesses a license surcharge for NDX and BKK. BKK, which represents options on the KBW Bank Index ("BKK"), is currently not traded on the Exchange. NDX represents options on the Nasdaq-100 Index traded under the symbol NDX ("NDX").

2017 (SR-ISE-2017-50). On June 12, 2017, the Exchange withdrew that filing and submitted this filing.

Today, the Exchange charges Non-Priority Customers route-out fees for orders in Non-Select Symbols⁹ that are routed to away markets in connection with the Plan. Specifically as set forth in Section IV.F of the Schedule of Fees, Non-Priority Customer orders pay a route-out fee of \$0.95 per contract in Non-Select Symbols. The route-out fees offset costs incurred by the Exchange in connection with using unaffiliated broker-dealers to access other exchanges for linkage executions. In addition, as set forth in Section IV.B of the Schedule of Fees, the Exchange presently charges a \$0.25 license surcharge for all Non-Priority Customer orders in NDX and a \$0.10 license surcharge for all Non-Priority Customer orders in BKX (together, “License Surcharge”). This License Surcharge currently applies to all BKX and NDX orders executed on the Exchange, but is not applied when those orders are routed to away markets in connection with the Plan. The Exchange therefore proposes to apply the License Surcharge to such orders, specifically by adding language in Section IV.B of the Schedule of Fees that the Non-Priority Customer License Surcharge applies to all executions in BKX and NDX, including executions of BKX and NDX orders that are routed to one or more exchanges in connection with the Plan. For example, all Non-Priority Customer orders in NDX that are routed to away markets would be assessed a \$0.25 per contract License Surcharge and a \$0.95 per contract route-out fee under this proposal.

⁹ “Non-Select Symbols” are options overlying all symbols that are not in the Penny Pilot Program. NDX and BKX are Non-Select Symbols.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁰ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹¹ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”¹²

Likewise, in NetCoalition v. Securities and Exchange Commission¹³ (“NetCoalition”) the D.C. Circuit upheld the Commission’s use of a market-based approach in evaluating the fairness of market data fees against a challenge claiming that Congress mandated a cost-based approach.¹⁴ As the court emphasized, the Commission “intended in Regulation NMS that ‘market forces, rather than regulatory requirements’

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(4) and (5).

¹² Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

¹³ NetCoalition v. SEC, 615 F.3d 525 (D.C. Cir. 2010).

¹⁴ See NetCoalition, at 534 - 535.

play a role in determining the market data . . . to be made available to investors and at what cost.”¹⁵

Further, “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’ . . .”¹⁶ Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

The Exchange believes that its proposal to apply the License Surcharge to Non-Priority Customer orders in licensed products that are routed to away markets in connection with the Plan is reasonable and equitable because it offsets both the costs associated with executing orders on away markets as well as the licensing costs associated with listing and trading these products. In particular, the Exchange’s route-out fees are presently not calculated to cover the licensing costs for BKX and NDX. The Exchange notes that a license agreement is required to trade these products regardless of whether the order is executed on the Exchange or routed to another exchange in connection with the Plan. As such, the Exchange believes that extending the License Surcharge to those orders that are routed to away markets (in addition to those orders executed on the Exchange) is a reasonable and equitable means of recovering the costs of

¹⁵ Id. at 537.

¹⁶ Id. at 539 (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

the license. Furthermore, the Exchange must pay the actual transaction fees charged by the exchange the order is routed to, which includes the license surcharge that such exchange assesses for those products. The Exchange's route-out fees are currently not calculated to cover these license surcharges assessed by other exchanges and therefore seeks to recover these costs under this proposal. For example, an NDX order that is routed to the Chicago Board Options Exchange ("CBOE") in connection with the Plan would be assessed a \$0.25 license surcharge by CBOE on top of the actual transaction fees that CBOE would charge for the NDX order.¹⁷ The Exchange's route-out fees are presently assessed as fixed fees, unlike other exchanges, which, in addition to a fixed route-out fee, assess the actual transaction fees charged by the exchange the order is routed to.¹⁸

The Exchange also believes that its proposal is reasonable and equitable because Non-Priority Customers would be able to avoid paying the License Surcharge by sending the Exchange orders in these licensed products to be routed to another market and only pay the Exchange's route-out fee. The Exchange would, however, still be required to pay all of the actual transaction fees (including the license surcharge) charged by the exchange the order is routed to. For example, a Non-Priority Customer order in NDX that is routed to CBOE today would only be assessed the \$0.95 per contract route-out fee while the Exchange would pay the \$0.25 per contract license surcharge on top of the

¹⁷ See CBOE's fee schedule, at: <https://www.cboe.com/publish/feeschedule/CBOEFeeSchedule.pdf>.

¹⁸ See, e.g., MIAX Options Fee Schedule, 1) Transaction Fees, c) Fees and Rebates for Customer Orders Routed to Another Options Exchange, at: https://www.miaxoptions.com/sites/default/files/page-files/MIAX_Options_Fee_Schedule_05012017.pdf.

actual transaction fees CBOE would charge for the NDX order. The Exchange therefore believes that it is reasonable and equitable to assess the License Surcharge to orders in those licensed products which are routed to other exchanges in order to avoid this scenario.

Finally, the Exchange believes that the proposed fee change is equitable and not unfairly discriminatory because the Exchange will apply the same fee to all similarly situated members. In particular, the License Surcharge would be applied to all Non-Priority Customer orders in those licensed products which are routed to away markets in connection with the Plan. The Exchange believes it is equitable and not unfairly discriminatory to assess this surcharge on all participants other than Priority Customers because the Exchange seeks to encourage Priority Customer order flow and the liquidity such order flow brings to the marketplace, which in turn benefits all market participants.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

In this instance, the proposed application of the License Surcharge to orders that are routed to one or more exchanges in connection with the Plan does not impose a burden on competition because the Exchange's execution services are completely voluntary and subject to extensive competition from other exchanges. If the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that its proposal will impair the ability of members to maintain their competitive standing in the financial markets.

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.¹⁹ 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.

¹⁹ 15 U.S.C. 78s(b)(3)(A)(ii).

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-2017-54 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-ISE-2017-54. 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-2017-54 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.²⁰

Eduardo A. Aleman
Assistant Secretary

²⁰ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

**Nasdaq ISE
Schedule of Fees**

* * * * *

IV. Other Options Fees and Rebates

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B. Non-Priority Customer License Surcharge for Index Options

Symbols	Fee
BKX	\$0.10
NDX	\$0.25

➤ The Non-Priority Customer License Surcharge applies to all executions in BKX and NDX, including executions of BKX and NDX orders that are routed to one or more exchanges in connection with the Options Order Protection and Locked/Crossed Market Plan.

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