

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 29	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2018 - * 20 Amendment No. (req. for Amendments *)
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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"/>
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 checked="" type="checkbox"/>	Exhibit 3 Sent As Paper Document <input checked="" 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 the Market Maker Plus program in the Schedule of Fees.

Contact Information

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

First Name * Adrian Last Name * Griffiths
 Title * Senior Associate General Counsel
 E-mail * adrian.griffiths@nasdaq.com
 Telephone * (212) 231-5176 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 03/13/2018
 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 *

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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

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 amend the Market Maker Plus program in the Schedule of Fees.

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 September 19, 2017. 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
Senior Associate General Counsel
Nasdaq, Inc.
212-231-5176

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 Exchange operates a Market Maker Plus program for regular orders in Select Symbols³ whereby Market Makers⁴ that contribute to market quality by maintaining tight markets are eligible for enhanced rebates. The purpose of the proposed rule change is to amend: (1) the expirations that are used to evaluate a Market Maker's performance and hence eligibility for rebates, and (2) the process for excluding certain days from the Market Maker Plus calculation. The Exchange believes that these proposed changes will encourage Market Makers to make quality markets in Select Symbols and thereby further the goals of the Market Maker Plus program.

Market Maker orders in Select Symbols are charged a maker fee of \$0.10 per contract⁵; provided that Market Makers that qualify for Market Maker Plus will not pay this fee if they meet the applicable tier thresholds set forth in the table below, and will instead receive the rebates described in the table based on the applicable tier for which they qualify.⁶ The Exchange is not proposing to amend the Market Maker Plus rebates,

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

⁴ The term "Market Makers" refers to "Competitive Market Makers" and "Primary Market Makers" collectively. See ISE Rule 100(a)(28).

⁵ This fee also applies to Market Maker orders sent to the Exchange by Electronic Access Members.

⁶ A \$0.10 per contract fee applies instead of the applicable Market Maker Plus rebate when trading against Priority Customer complex orders that leg into the regular order book. There will be no fee charged or rebate provided when trading against non-Priority Customer complex orders that leg into the regular order book.

which will remain unchanged, but proposes to make changes to the process for evaluating Market Makers for achieving Market Maker Plus status.

Select Symbols other than SPY and QQQ

Market Maker Plus Tier (Specified Percentage)	Maker Rebate
Tier 1 (80% to less than 85%)	(\$0.15)
Tier 2 (85% to less than 95%)	(\$0.18)
Tier 3 (95% or greater)	(\$0.22)

SPY and QQQ

Market Maker Plus Tier (Specified Percentage)	Regular Maker Rebate	Linked Maker Rebate⁷
Tier 1 (70% to less than 80%)	(\$0.00)	N/A
Tier 2 (80% to less than 85%)	(\$0.18)	(\$0.16)
Tier 3 (85% to less than 90%)	(\$0.22)	(\$0.20)
Tier 4 (90% or greater)	(\$0.26)	(\$0.24)

A Market Maker Plus is defined in the Schedule of Fees as a Market Maker who is on the National Best Bid or National Best Offer (“NBBO”) a specified percentage of the time for series trading between \$0.03 and \$3.00 (for options whose underlying stock’s previous trading day’s last sale price was less than or equal to \$100) and between \$0.10

⁷ Market Makers that qualify for Market Maker Plus Tiers 2-4 for executions in SPY or QQQ may be eligible for a linked maker rebate in addition to the regular maker rebate for the applicable tier. Linked maker rebate applies to executions in SPY or QQQ if the Market Maker does not achieve the applicable tier in that symbol but achieves the tier (i.e., any of Market Maker Plus Tiers 2-4) for any badge/suffix combination in the other symbol, in which case the higher tier achieved applies to both symbols. The regular maker rebate will be provided in the symbol that qualifies the Market Maker for the higher tier based on percentage of time at the NBBO.

and \$3.00 (for options whose underlying stock's previous trading day's last sale price was greater than \$100) in premium in *each of the front two expiration months*.⁸

Performance in each of the front two expiration months is measured daily, and would include all available expirations from the that trading day up to and including the first monthly expiration (i.e., the 1st front expiration month), and all expirations after the first monthly expiration up to and including the second monthly expiration (i.e., the 2nd front expiration month). At the end of the month, the Exchange calculates a monthly average based on daily performance in each of these two buckets, and Market Makers that meet the specified percentage of time at the NBBO in both buckets will qualify for the associated Market Maker Plus rebate.

In practice, using the front two expiration months to measure performance means that a Market Maker's performance is evaluated based on a shrinking number of contracts as the trading day approaches the monthly expiration date. For example, on February 1, 2018, a Market Maker's performance in symbol AAPL would have been measured in a number of weekly and monthly expirations leading up to and including the February monthly expiration (i.e., for the 1st front expiration month), and similarly in a number of weekly and monthly expirations beginning after the February monthly expiration up to and including the March monthly expiration (i.e., for the 2nd front expiration month). On February 15, 2018, however, the 1st front expiration month would include only one

⁸ Market Makers may enter quotes in a symbol using one or more unique, exchange assigned identifiers - i.e., badge/suffix combinations. Market Maker Plus status is calculated independently based on quotes entered in a symbol for each of the Market Maker's badge/suffix combinations, and the highest tier achieved for any badge/suffix combination quoting that symbol applies to executions across all badge/suffix combinations that the member uses to trade in that symbol.

expiration – i.e., the February 16, 2018 monthly contract that expires the next day. The Exchange believes that this frustrates the goals of the Market Maker Plus program as Market Makers need to maintain quotes at the NBBO in a more limited number of expirations as the next monthly expiration approaches, and will not get credit for maintaining tight quotes in other expirations that are not included.

The Exchange therefore proposes to change its Market Maker Plus methodology to ensure that a full month's worth of expirations are always included in each bucket for the Market Maker Plus calculation. Specifically, the Exchange proposes to amend the Market Maker Plus language to provide that: "Market Makers are evaluated each trading day for the percentage of time spent on the National Best Bid or National Best Offer ("NBBO") for qualifying series that expire in two successive thirty calendar day periods beginning on that trading day." Thus under the proposed methodology, on February 15, 2018, the periods referenced above would include all expirations: (1) from February 15, 2018 to March 17, 2018, and (2) from March 18, 2018 to April 17, 2018. Furthermore, the Exchange proposes to amend the definition of Market Maker Plus by clarifying that Market Maker Plus status requires the Market Maker to meet the specified percentage of time at the NBBO as a monthly average based on daily performance in each of the two successive periods described above.⁹ Qualifying series will also be defined separately as series trading between \$0.03 and \$3.00 (for options whose underlying stock's previous trading day's last sale price was less than or equal to \$100) and between \$0.10 and \$3.00

⁹ The current language contains a reference to the "National Best Bid or National Best Offer," which the Exchange proposes to change to "NBBO," based on defining NBBO as National Best Bid or National Best Offer in the immediately preceding sentence.

(for options whose underlying stock's previous trading day's last sale price was greater than \$100) in premium – i.e., current language without the reference to the front two expiration months, which the Exchange proposes to eliminate in connection with the changes to the expiration periods used by the Exchange in the Market Maker Plus calculation.¹⁰ Finally, the Exchange proposes to add language that emphasizes that if a Market Maker would qualify for a different Market Maker Plus tier in each of the two successive periods described above, then the lower of the two Market Maker Plus tier rebates shall apply to all contracts. The proposed changes would add transparency around the process for evaluating Market Maker Plus status – i.e., by including more operational language that describes how performance is measured – and change the process to ensure that an appropriate number of expirations are included in the calculation.

In addition, the Schedule of Fees provides that a Market Maker's single best and single worst quoting days each month,¹¹ on a per symbol basis, will be excluded in calculating whether a Market Maker qualifies for the Market Maker Plus rebate, if doing so will qualify a Market Maker for the rebate.¹² While this provision is intended to aid

¹⁰ The Exchange proposes to remove all references to the front two expiration months in the Market Maker Plus description (e.g., in the section on excluding certain days from the Market Maker Plus calculation). Where applicable the Exchange will refer instead to the proposed thirty calendar day periods.

¹¹ The current language in the Schedule of Fees contains a reference to the expirations used in the calculation, which are being changed in this proposed rule change. See id.

¹² Other than days where the Exchange closes early for holiday observance, any day that the market is not open for the entire trading day or the Exchange instructs members in writing to route their orders to other markets may also be excluded from the Market Maker Plus tier calculation; provided that the Exchange will only remove the day for members that would have a lower time at the NBBO for the specified series with the day included.

Market Makers in achieving Market Maker Plus status, and therefore only applies if better for the Market Maker (i.e., if excluding these days will qualify the Market Maker for the rebate), it may provide a disincentive for Market Makers to increase their performance at the end of the month to meet a higher tier as the Market Maker's best quoting day may be removed in addition to the worst. For example, a Market Maker that is on the border between Tier 1 and Tier 2 on the last trading day of the month based on time at the NBBO could attempt to reach the higher tier by quoting more aggressively on that day but would not be incentivized to do if the day would simply be removed as the best quoting day for the month. The Exchange therefore proposes to remove only the Market Maker's worst quoting day. Since this means that removing the day will always be beneficial to the Market Maker, the Exchange also proposes to remove the language related to excluding the day only if doing so will qualify a Market Maker for the rebate.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹³ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹⁴ 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 Exchange believes that the proposed changes to the periods used for the Market Maker Plus calculation are reasonable and equitable as this change is designed to encourage Market Makers to make quality markets in Select Symbols and thereby further

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(4) and (5).

the goal of the Market Maker Plus program. Currently, the Market Maker Plus program requires that Market Makers show their commitment to market quality by quoting at the NBBO a specified percentage of time in certain series in the front two expiration months – i.e., all available expirations from the trading day up to and including the first monthly expiration, and all expirations after the first monthly expiration up to and including the second monthly expiration. Because the Exchange measures performance using the front two expiration months, Market Makers have to quote a more limited subset of expirations as the trading day approaches a monthly expiration. The Exchange believes that it is preferable to evaluate performance based on two successive thirty calendar day periods so that as the monthly expiration approaches, Market Makers will nevertheless be able to qualify for Market Maker Plus by maintaining quotes at the NBBO in a number of available expirations. The Exchange believes that this balances the benefit provided by Market Maker Plus rebates with an appropriately demonstrated commitment to market quality. Furthermore, the proposed language also describes the operation of the Market Maker Plus calculation, which is evaluated each trading day and then computed as a monthly average based on daily performance. And finally, the proposed language makes other clarifying changes to the language, such as separately defining qualifying series based on language already included in the Market Maker Plus section of the Schedule of Fees, and reinforcing that the Market Maker Plus program requires a Market Maker to achieve the applicable tier in both of the two successive periods, meaning that if a Market Maker is in a different tier for each of the proposed expiration buckets, then the lower tier of rebate would apply to all contracts. The Exchange believes that adding this detail to the Schedule of Fees in connection with the change of the expirations used for the

calculation will further increase transparency around the operation of this program. The Exchange also believes that the proposed changes are equitable and not unfairly discriminatory as all Market Makers can qualify for Market Maker Plus by meeting program requirements that are designed to incentivize Market Markets to maintain quality markets. Furthermore, the Exchange believes that the benefits to market quality that may result from Market Makers being required to maintain quotes at the NBBO in a number of expirations will flow to all market participants that trade on the Exchange.

In addition, the Exchange believes that the proposed change to the days excluded from the Market Maker Plus calculation is reasonable and equitable as not removing the best day will make it easier for Market Makers to achieve higher tiers of Market Maker Plus. More specifically, this change is designed to permit Market Makers to aim for a higher tier at the end of month without potentially removing one of those trading days from the calculation if it is the Market Maker's best quoting day for the month. The Exchange believes that this will allow Market Makers to quote more aggressively at the end of the month in order to qualify for a higher tier of Market Maker Plus, and thereby contribute to market quality in Select Symbols. Furthermore, with the change described above, the Exchange believes that it is reasonable and equitable now to remove the language about removing the day only when doing so will qualify the Market Maker for the rebate. This language is no longer needed since removing the worst day will always be better for the Market Maker. Finally, the Exchange believes that these changes are equitable and not unfairly discriminatory as all Market Makers will be subject to the same qualification criteria for Market Maker Plus. The proposed fee changes described in this proposed rule change are applicable solely to Market Makers as the Market Maker Plus

program, which is designed to encourage Market Makers to maintain quality markets, applies only to these members. The Exchange continues to believe that it is not unfairly discriminatory to offer rebates under this program only to Market Makers since Market Makers, and, in particular, those Market Makers that achieve Market Maker Plus status, are subject to additional requirements and obligations (such as quoting requirements) that other market participants are not.

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 proposed fee changes are pro-competitive as they are designed to encourage Market Makers to make quality markets in Select Symbols. The Exchange believes that the Market Maker Plus program will continue to encourage competition by incentivizing Market Makers to provide liquidity and maintain tight markets in Select Symbols. The Exchange 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. 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.

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,¹⁵ 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.

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

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

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

Not applicable.

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

Not applicable.

¹⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

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-2018-20)

March __, 2018

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Market Maker Plus Program in the Schedule of Fees

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 13, 2018, 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 amend the Market Maker Plus program in the Schedule of Fees.

The text of the proposed rule change is available on the Exchange’s Website at <http://ise.cchwallstreet.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 Exchange operates a Market Maker Plus program for regular orders in Select Symbols³ whereby Market Makers⁴ that contribute to market quality by maintaining tight markets are eligible for enhanced rebates. The purpose of the proposed rule change is to amend: (1) the expirations that are used to evaluate a Market Maker's performance and hence eligibility for rebates, and (2) the process for excluding certain days from the Market Maker Plus calculation. The Exchange believes that these proposed changes will encourage Market Makers to make quality markets in Select Symbols and thereby further the goals of the Market Maker Plus program.

Market Maker orders in Select Symbols are charged a maker fee of \$0.10 per contract⁵; provided that Market Makers that qualify for Market Maker Plus will not pay this fee if they meet the applicable tier thresholds set forth in the table below, and will instead receive the rebates described in the table based on the applicable tier for which

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

⁴ The term "Market Makers" refers to "Competitive Market Makers" and "Primary Market Makers" collectively. See ISE Rule 100(a)(28).

⁵ This fee also applies to Market Maker orders sent to the Exchange by Electronic Access Members.

they qualify.⁶ The Exchange is not proposing to amend the Market Maker Plus rebates, which will remain unchanged, but proposes to make changes to the process for evaluating Market Makers for achieving Market Maker Plus status.

Select Symbols other than SPY and QQQ

Market Maker Plus Tier (Specified Percentage)	Maker Rebate
Tier 1 (80% to less than 85%)	(\$0.15)
Tier 2 (85% to less than 95%)	(\$0.18)
Tier 3 (95% or greater)	(\$0.22)

SPY and QQQ

Market Maker Plus Tier (Specified Percentage)	Regular Maker Rebate	Linked Maker Rebate⁷
Tier 1 (70% to less than 80%)	(\$0.00)	N/A
Tier 2 (80% to less than 85%)	(\$0.18)	(\$0.16)
Tier 3 (85% to less than 90%)	(\$0.22)	(\$0.20)
Tier 4 (90% or greater)	(\$0.26)	(\$0.24)

⁶ A \$0.10 per contract fee applies instead of the applicable Market Maker Plus rebate when trading against Priority Customer complex orders that leg into the regular order book. There will be no fee charged or rebate provided when trading against non-Priority Customer complex orders that leg into the regular order book.

⁷ Market Makers that qualify for Market Maker Plus Tiers 2-4 for executions in SPY or QQQ may be eligible for a linked maker rebate in addition to the regular maker rebate for the applicable tier. Linked maker rebate applies to executions in SPY or QQQ if the Market Maker does not achieve the applicable tier in that symbol but achieves the tier (i.e., any of Market Maker Plus Tiers 2-4) for any badge/suffix combination in the other symbol, in which case the higher tier achieved applies to both symbols. The regular maker rebate will be provided in the symbol that qualifies the Market Maker for the higher tier based on percentage of time at the NBBO.

A Market Maker Plus is defined in the Schedule of Fees as a Market Maker who is on the National Best Bid or National Best Offer (“NBBO”) a specified percentage of the time for series trading between \$0.03 and \$3.00 (for options whose underlying stock’s previous trading day’s last sale price was less than or equal to \$100) and between \$0.10 and \$3.00 (for options whose underlying stock’s previous trading day’s last sale price was greater than \$100) in premium in *each of the front two expiration months*.⁸ Performance in each of the front two expiration months is measured daily, and would include all available expirations from the that trading day up to and including the first monthly expiration (i.e., the 1st front expiration month), and all expirations after the first monthly expiration up to and including the second monthly expiration (i.e., the 2nd front expiration month). At the end of the month, the Exchange calculates a monthly average based on daily performance in each of these two buckets, and Market Makers that meet the specified percentage of time at the NBBO in both buckets will qualify for the associated Market Maker Plus rebate.

In practice, using the front two expiration months to measure performance means that a Market Maker’s performance is evaluated based on a shrinking number of contracts as the trading day approaches the monthly expiration date. For example, on February 1, 2018, a Market Maker’s performance in symbol AAPL would have been measured in a number of weekly and monthly expirations leading up to and including the February monthly expiration (i.e., for the 1st front expiration month), and similarly in a number of

⁸ Market Makers may enter quotes in a symbol using one or more unique, exchange assigned identifiers - i.e., badge/suffix combinations. Market Maker Plus status is calculated independently based on quotes entered in a symbol for each of the Market Maker’s badge/suffix combinations, and the highest tier achieved for any badge/suffix combination quoting that symbol applies to executions across all badge/suffix combinations that the member uses to trade in that symbol.

weekly and monthly expirations beginning after the February monthly expiration up to and including the March monthly expiration (i.e., for the 2nd front expiration month). On February 15, 2018, however, the 1st front expiration month would include only one expiration – i.e., the February 16, 2018 monthly contract that expires the next day. The Exchange believes that this frustrates the goals of the Market Maker Plus program as Market Makers need to maintain quotes at the NBBO in a more limited number of expirations as the next monthly expiration approaches, and will not get credit for maintaining tight quotes in other expirations that are not included.

The Exchange therefore proposes to change its Market Maker Plus methodology to ensure that a full month's worth of expirations are always included in each bucket for the Market Maker Plus calculation. Specifically, the Exchange proposes to amend the Market Maker Plus language to provide that: "Market Makers are evaluated each trading day for the percentage of time spent on the National Best Bid or National Best Offer ("NBBO") for qualifying series that expire in two successive thirty calendar day periods beginning on that trading day." Thus under the proposed methodology, on February 15, 2018, the periods referenced above would include all expirations: (1) from February 15, 2018 to March 17, 2018, and (2) from March 18, 2018 to April 17, 2018. Furthermore, the Exchange proposes to amend the definition of Market Maker Plus by clarifying that Market Maker Plus status requires the Market Maker to meet the specified percentage of time at the NBBO as a monthly average based on daily performance in each of the two successive periods described above.⁹ Qualifying series will also be defined separately as

⁹ The current language contains a reference to the "National Best Bid or National Best Offer," which the Exchange proposes to change to "NBBO," based on

series trading between \$0.03 and \$3.00 (for options whose underlying stock's previous trading day's last sale price was less than or equal to \$100) and between \$0.10 and \$3.00 (for options whose underlying stock's previous trading day's last sale price was greater than \$100) in premium – i.e., current language without the reference to the front two expiration months, which the Exchange proposes to eliminate in connection with the changes to the expiration periods used by the Exchange in the Market Maker Plus calculation.¹⁰ Finally, the Exchange proposes to add language that emphasizes that if a Market Maker would qualify for a different Market Maker Plus tier in each of the two successive periods described above, then the lower of the two Market Maker Plus tier rebates shall apply to all contracts. The proposed changes would add transparency around the process for evaluating Market Maker Plus status – i.e., by including more operational language that describes how performance is measured – and change the process to ensure that an appropriate number of expirations are included in the calculation.

In addition, the Schedule of Fees provides that a Market Maker's single best and single worst quoting days each month,¹¹ on a per symbol basis, will be excluded in calculating whether a Market Maker qualifies for the Market Maker Plus rebate, if doing

defining NBBO as National Best Bid or National Best Offer in the immediately preceding sentence.

¹⁰ The Exchange proposes to remove all references to the front two expiration months in the Market Maker Plus description (e.g., in the section on excluding certain days from the Market Maker Plus calculation). Where applicable the Exchange will refer instead to the proposed thirty calendar day periods.

¹¹ The current language in the Schedule of Fees contains a reference to the expirations used in the calculation, which are being changed in this proposed rule change. See id.

so will qualify a Market Maker for the rebate.¹² While this provision is intended to aid Market Makers in achieving Market Maker Plus status, and therefore only applies if better for the Market Maker (i.e., if excluding these days will qualify the Market Maker for the rebate), it may provide a disincentive for Market Makers to increase their performance at the end of the month to meet a higher tier as the Market Maker's best quoting day may be removed in addition to the worst. For example, a Market Maker that is on the border between Tier 1 and Tier 2 on the last trading day of the month based on time at the NBBO could attempt to reach the higher tier by quoting more aggressively on that day but would not be incentivized to do if the day would simply be removed as the best quoting day for the month. The Exchange therefore proposes to remove only the Market Maker's worst quoting day. Since this means that removing the day will always be beneficial to the Market Maker, the Exchange also proposes to remove the language related to excluding the day only if doing so will qualify a Market Maker for the rebate.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹³ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹⁴ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and

¹² Other than days where the Exchange closes early for holiday observance, any day that the market is not open for the entire trading day or the Exchange instructs members in writing to route their orders to other markets may also be excluded from the Market Maker Plus tier calculation; provided that the Exchange will only remove the day for members that would have a lower time at the NBBO for the specified series with the day included.

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(4) and (5).

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 Exchange believes that the proposed changes to the periods used for the Market Maker Plus calculation are reasonable and equitable as this change is designed to encourage Market Makers to make quality markets in Select Symbols and thereby further the goal of the Market Maker Plus program. Currently, the Market Maker Plus program requires that Market Makers show their commitment to market quality by quoting at the NBBO a specified percentage of time in certain series in the front two expiration months – i.e., all available expirations from the trading day up to and including the first monthly expiration, and all expirations after the first monthly expiration up to and including the second monthly expiration. Because the Exchange measures performance using the front two expiration months, Market Makers have to quote a more limited subset of expirations as the trading day approaches a monthly expiration. The Exchange believes that it is preferable to evaluate performance based on two successive thirty calendar day periods so that as the monthly expiration approaches, Market Makers will nevertheless be able to qualify for Market Maker Plus by maintaining quotes at the NBBO in a number of available expirations. The Exchange believes that this balances the benefit provided by Market Maker Plus rebates with an appropriately demonstrated commitment to market quality. Furthermore, the proposed language also describes the operation of the Market Maker Plus calculation, which is evaluated each trading day and then computed as a monthly average based on daily performance. And finally, the proposed language makes other clarifying changes to the language, such as separately defining qualifying series based on language already included in the Market Maker Plus section of the Schedule of

Fees, and reinforcing that the Market Maker Plus program requires a Market Maker to achieve the applicable tier in both of the two successive periods, meaning that if a Market Maker is in a different tier for each of the proposed expiration buckets, then the lower tier of rebate would apply to all contracts. The Exchange believes that adding this detail to the Schedule of Fees in connection with the change of the expirations used for the calculation will further increase transparency around the operation of this program. The Exchange also believes that the proposed changes are equitable and not unfairly discriminatory as all Market Makers can qualify for Market Maker Plus by meeting program requirements that are designed to incentivize Market Markets to maintain quality markets. Furthermore, the Exchange believes that the benefits to market quality that may result from Market Makers being required to maintain quotes at the NBBO in a number of expirations will flow to all market participants that trade on the Exchange.

In addition, the Exchange believes that the proposed change to the days excluded from the Market Maker Plus calculation is reasonable and equitable as not removing the best day will make it easier for Market Makers to achieve higher tiers of Market Maker Plus. More specifically, this change is designed to permit Market Makers to aim for a higher tier at the end of month without potentially removing one of those trading days from the calculation if it is the Market Maker's best quoting day for the month. The Exchange believes that this will allow Market Makers to quote more aggressively at the end of the month in order to qualify for a higher tier of Market Maker Plus, and thereby contribute to market quality in Select Symbols. Furthermore, with the change described above, the Exchange believes that it is reasonable and equitable now to remove the language about removing the day only when doing so will qualify the Market Maker for

the rebate. This language is no longer needed since removing the worst day will always be better for the Market Maker. Finally, the Exchange believes that these changes are equitable and not unfairly discriminatory as all Market Makers will be subject to the same qualification criteria for Market Maker Plus. The proposed fee changes described in this proposed rule change are applicable solely to Market Makers as the Market Maker Plus program, which is designed to encourage Market Makers to maintain quality markets, applies only to these members. The Exchange continues to believe that it is not unfairly discriminatory to offer rebates under this program only to Market Makers since Market Makers, and, in particular, those Market Makers that achieve Market Maker Plus status, are subject to additional requirements and obligations (such as quoting requirements) that other market participants are not.

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 proposed fee changes are pro-competitive as they are designed to encourage Market Makers to make quality markets in Select Symbols. The Exchange believes that the Market Maker Plus program will continue to encourage competition by incentivizing Market Makers to provide liquidity and maintain tight markets in Select Symbols. The Exchange 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. 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.

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.¹⁵ 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-2018-20 on the subject line.

¹⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

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-2018-20. 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-2018-20 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.¹⁶

Eduardo A. Aleman
Assistant Secretary

¹⁶ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

**Nasdaq ISE, LLC
RULES**

* * * * *

Nasdaq ISE Schedule of Fees

* * * * *

I. Regular Order Fees and Rebates

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5. Market Makers that qualify for Market Maker Plus will not pay this fee if they meet the applicable tier thresholds set forth in the table below, and will instead receive the below rebates based on the applicable tier for which they qualify.

Market Makers are evaluated each trading day for the percentage of time spent on the National Best Bid or National Best Offer (“NBBO”) for qualifying series that expire in two successive thirty calendar day periods beginning on that trading day. A Market Maker Plus is a Market Maker who is on the [National Best Bid or National Best Offer]NBBO a specified percentage of the time on average for the month based on daily performance in the qualifying series for each of the two successive periods described above. Qualifying series are [for] series trading between \$0.03 and \$3.00 (for options whose underlying stock's previous trading day's last sale price was less than or equal to \$100) and between \$0.10 and \$3.00 (for options whose underlying stock's previous trading day's last sale price was greater than \$100) in premium [in each of the front two expiration months]. If a Market Maker would qualify for a different Market Maker Plus tier in each of the two successive periods described above, then the lower of the two Market Maker Plus tier rebates shall apply to all contracts.

Market Makers may enter quotes in a symbol using one or more unique, exchange assigned identifiers - i.e., badge/suffix combinations. Market Maker Plus status is calculated independently based on quotes entered in a symbol for each of the Market Maker's badge/suffix combinations, and the highest tier achieved for any badge/suffix combination quoting that symbol applies to executions across all badge/suffix combinations that the member uses to trade in that symbol.

A Market Maker's [single best and single]worst quoting day[s] each month [based on the front two expiration months]for each of the two successive periods described above, on a per symbol basis, will be excluded in calculating whether a Market Maker qualifies for this rebate[, if doing so will qualify a Market Maker for the rebate].

Other than days where the Exchange closes early for holiday observance, any day that the market 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 the Market Maker Plus tier calculation; provided that the Exchange will only remove the day for members that would have a lower time at the NBBO for the specified series with the day included.

Select Symbols other than SPY and QQQ ⁽¹⁰⁾

Market Maker Plus Tier (Specified Percentage)	Maker Rebate
Tier 1 (80% to less than 85%)	(\$0.15)
Tier 2 (85% to less than 95%)	(\$0.18)
Tier 3 (95% or greater)	(\$0.22)

SPY and QQQ ⁽¹⁰⁾

Market Maker Plus Tier (Specified Percentage)	Regular Maker Rebate	Linked Maker Rebate ⁽⁹⁾
Tier 1 (70% to less than 80%)	(\$0.00)	N/A
Tier 2 (80% to less than 85%)	(\$0.18)	(\$0.16)
Tier 3 (85% to less than 90%)	(\$0.22)	(\$0.20)
Tier 4 (90% or greater)	(\$0.26)	(\$0.24)

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