Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010
Section 806(e)(1) *
Section 806(e)(2) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document
Exhibit 3 Sent As Paper Document

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

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

A proposed rule change to no longer offer Complex Order quoting functionality or legging functionality for Stock-Option Orders on ISE.

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 * Angela
Last Name * Dunn
Title * Principal Associate General Counsel
E-mail * angela.dunn@nasdaq.com
Telephone * (215) 496-5692 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.

Date 03/01/2019 Global Chief Legal & Policy Officer
By Edward S. Knight

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.
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 no longer offer Complex Order quoting functionality or legging functionality for Stock-Option Orders on ISE. The Exchange also proposes other amendments, including modifying its Spread Feed, adopting a term “Professional Customer,” removing Mini Option language for Complex Orders, and reorganizing the Rulebook as well as other technical amendments.

   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 26, 2018. 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:

   Angela Saccomandi Dunn  
   Principal Associate General Counsel  
   Nasdaq, Inc.  
   215-496-5692.

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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: (1) remove rule text related to Complex Order quoting functionality; (2) remove rule text related to legging functionality for Stock-Option Orders; (3) amend the description of the Nasdaq ISE Spread Feed including adopting a definition specifically for Professional Customer; (4) remove Mini Options language related to Complex Orders; and (5) reorganize the Rulebook and make other technical amendments. Each change will be discussed below.

   **Universal Changes**

   In addition to the amendments described below, the Exchange proposes to make several changes throughout its rules. In particular, the Exchange proposes to capitalize references to “member” to reflect the defined term “Member”\(^3\) and capitalize references to “system” to reflect the defined term “System.”\(^4\)

   In addition, with the proposal herein to remove rule text related to Complex Order quoting functionality on ISE, as described in more detail below, the Exchange proposes to remove any references to Complex Order quotes throughout these proposed rules because the System will no longer accept Complex Order quotes. Finally, the Exchange will amend certain cross-references in connection with relocating certain rules described herein.

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\(^3\) The term “Member” means an organization that has been approved to exercise trading rights associated with Exchange Rights. See Rule 100(a)(30).

\(^4\) The term “System” means the electronic system operated by the Exchange that receives and disseminates quotes, executes orders and reports transactions. See Rule 100(a)(63).
Complex Order Legging functionality for Stock-Option Orders

In 2017, ISE underwent a replatform to move its functionality to INET.\(^5\) At that time, ISE proposed to delay the re-introduction of legging functionality for Stock-Option Orders for one year from the date of filing.\(^6\) Subsequently, ISE filed to delay the re-introduction of legging functionality until March 21, 2019.\(^7\) At this time, the Exchange proposes to not offer this functionality on ISE. If the Exchange determines to re-introduce legging functionality for Stock-Option Orders it will file a new proposal with the Commission. The legging functionality allows Members to leg into the regular market where they may trade against bids and offers for the individual legs pursuant to Rule 722(d)(2) and (3) and Supplementary Material .01 and .02 to Rule 722 (“legging”). With this proposed amendment to not offer this functionality, Stock-Option Orders will only be permitted to trade with other Stock-Option Orders in the complex order book. The Exchange will issue an Options Trader Alert notifying Members that legging functionality for Stock-Option Orders will no longer be available.

The Exchange proposes to not implement legging functionality for Stock-Option Orders because of concerns with obtaining executions for the stock portion of the order in a timely fashion in order to execute the Stock-Option Order on ISE. Previously, when this functionality was offered on ISE prior to the replatform to INET, the stock portion of

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\(^5\) INET is the proprietary core technology utilized across Nasdaq’s global markets. The migration of ISE to the Nasdaq INET architecture has resulted in higher performance, scalability, and more robust architecture.


the Stock-Option Order was obtained at a stock venue through a broker-dealer for Stock-Option Orders that attempted to execute the stock component of the order. A necessary delay was created when executing this order type because the option portion of the order could not execute until such time as the stock portion was executed. The added complexity of waiting for a third-party broker to obtain the stock portion of the order, check for compliance with Regulation SHO, post the trade to the tape and deliver the execution back to ISE, resulted in low fill rates for Stock-Option Orders because the stock portion was not always available immediately with mandated Regulation SHO compliance checks in place by the broker-dealer. The option portion of the Stock-Option Order was cancelled when the stock could not be obtained. The Exchange has considered the legging of Stock-Option Orders and has determined not to reintroduce the functionality in light of the complexity with obtaining the stock from a third party. Members may continue to execute Stock-Option Orders that trade with other Stock-Option Orders in the complex order book or hedge a stock against the option order in separate transactions. Further, the Exchange notes this functionality is not available on other markets that offer complex order functionality.8

With this proposal, Stock-Option Orders entered on the Exchange will not automatically execute against bids and offers on the Exchange for the individual legs pursuant to Rule 722(d)(1) and (3) and Supplementary Material .01 and .02 to Rule 722. Stock-Option Orders may execute against other Stock-Option Orders in the Complex Order Book, thereby providing an opportunity for Members to have their Stock-Option Orders executed on the Exchange. In addition complex orders continue to leg into the

8 Phlx does not offer legging functionality for stock-option orders.
single-leg market as is the case today. Amendments to the rule text of ISE Rule 722 are explained below.

**Complex Order Quoting**

In 2017, in conjunction with the replatform of ISE to INET, ISE filed a rule change to delay the re-introduction of functionality that enabled ISE to designate symbols eligible for Market Maker quotes in the Complex Order book for one year from the date of filing. Subsequently, ISE filed to delay the re-introduction of Complex Order quoting until April 26, 2019. At this time, the Exchange proposes to not offer this functionality on ISE. If the Exchange determines to re-introduce Complex Order quoting functionality on ISE it will file a new proposal with the Commission. The Exchange will issue an Options Trader Alert notifying Members that Complex Order quoting functionality will no longer be available.

The Exchange does not believe that there is sufficient demand for this offering at this time from Market Makers. At the time this functionality was offered prior to the replatform to INET, only twelve symbols were available for Complex Order Quoting. The Exchange provided notice to Members on two occasions with respect to delaying the Complex Order Quoting functionality. The Exchange did not receive any response from Market Makers with respect to the delay in offering this functionality. The

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11 See Options Traders Alerts 2016-8 and 2016-10 (these prior option trade alerts are no longer publically available because the content is obsolete. The alerts were also superseded by Options Trader Alert 2019-3).
Exchange has notified Members that it will not offer this functionality going forward and once again,\textsuperscript{12} no response was received from Market Makers. Further, the Exchange notes that other markets that offer complex functionality do not offer complex quoting.\textsuperscript{13} Market Makers may utilize orders in lieu of quotes to execute Complex Orders.

Prior to the delay in re-introducing the Complex Order quoting functionality, ISE’s rules permitted Market Makers to enter quotes in certain symbols for complex strategies on the Complex Order book in their appointed options classes. Market Maker quotes for complex strategies were not automatically executed against bids and offers on the Exchange for the individual legs nor marked for price improvement.\textsuperscript{14} Market Makers were not required to enter quotes on ISE’s Complex Order book. Quotes for Complex Orders have not been subject to any quotation requirements that are applicable to Market Maker quotes in the regular market for individual options series or classes, nor was any volume executed in Complex Orders taken into consideration when determining whether Market Makers met quotation obligations applicable to Market Maker quotes in the regular market for individual options series.

\textbf{Nasdaq ISE Spread Feed}

The Exchange proposes to amend ISE Rule 718, titled “Data Feeds and Trade Information” to reflect its current practice. The Exchange also proposes a few technical amendments, including adding numbering to ISE Rule 718(a)(5) to bring greater clarity to the description and deleting a reference to Complex Order quotes. The Exchange

\begin{itemize}
  \item[\textsuperscript{12}] See Options Trader Alert 2019-3.
  \item[\textsuperscript{13}] Phlx does not offer complex quoting.
  \item[\textsuperscript{14}] See Supplementary Material .03 to Rule 722.
\end{itemize}
proposes to add the word “data” before “aggregated” in the first sentence to give more context to the word. With this change, the first sentence will provide in part that the “Nasdaq ISE Spread Feed (“Spread Feed”) is a feed that consists of: (1) options orders for all Complex Orders (i.e., spreads, buy-writes, delta neutral strategies, etc.); (2) data aggregated at the top five prices levels (BBO) on both the bid and offer side of the market; and (3) last trades information.” The Exchange proposes to delete the words “as well as” from the first sentence because those words are not necessary to convey the information in the feed. The Exchange also proposes to add detail to the second sentence to reflect its current practice. The second sentence as amended will state that, “The Spread Feed provides updates, including prices, side, size, and capacity, for every Complex Order placed on the ISE Complex Order book.” The second sentence is reworded to remove the words “In addition,” which are no longer necessary and replace “…for every time a new Complex Limit Order that is not immediately executable at the BBO…” with “…every Complex Order placed on the ISE Complex Order book.” The phrase “immediately executable at the BBO” is not the trigger for the update; instead the booking of a Complex Order to the order book is the trigger to update the Spread Feed. This proposed new language is more accurate with respect to updates. Also, the Exchange is replacing the phrase “Complex Limit Order” with the broader term “Complex Order” which more accurately reflects the types of Complex Orders on the ISE Spread Feed.15 Today, the Nasdaq ISE Spread Feed includes price, side, size, and

15 There are circumstances where Complex Market Orders, provided for in Rule 722(b)(1), will rest on the Complex Order Book. For example a Complex Market Order will remain on the Complex Order Book if there is no complex interest available for a complex strategy to execute against and the synthetic market for
capacity, for every Complex Order. The Exchange believes that this proposed language brings greater transparency to information contained in the data feed. Adding references to the additional information, price, side, size and capacity for every Complex Order as well as auction notifications, contained in the ISE Spread Feed is consistent with the Act because it will provide market participants with clear information as to the type of data available in the Spread Feed. By providing the details of the content of the Spread Feed, market participants will be better informed as to the type of information they may choose to access to obtain information about the Order Book and this will in turn promote just and equitable principles of trade.

The Exchange also is amending the last sentence of the current rule text in Rule 718(a)(5). Currently, ISE Rule 718(a)(5) provides, “The Spread Feed shows aggregate bid/ask quote size for Public Customer and Priority Customer option orders for ISE traded options.” The Exchange proposes to amend this sentence to state, “The Spread Feed shows: (1) aggregate bid/ask quote size; (2) aggregate bid/ask quote size for Professional Customer Orders; and (3) aggregate bid/ask quote size for Priority Customer Orders for ISE traded options.” The Exchange is separating out this information to make clear that three separate types of information are available: (1) the local quote size (BBO) in the aggregate, (2) the local quote size for Professional Customer Orders and (3) the

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16 The term “Public Customer” means a person or entity that is not a broker or dealer in securities. See Rule 100(a)(52).

17 The term “Priority Customer” means a person or entity that (i) is not a broker or dealer in securities, and (ii) does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Rule 100(a)(49).
local quote size for Priority Customers. The Exchange believes that separating out the feed information to demonstrate the various pieces of information included in the data feed clarifies the description. In addition, the Exchange proposes to introduce a new term “Professional Customer” to replace the word “Public Customer.” The Exchange proposes to add a new definition for the term “Professional Customer” at proposed new Rule 100(a)(51A). This new term would mean a non-broker/dealer participant who enters at least 390 orders per day on average during a calendar month for its own beneficial account(s). The concept of a Professional is established on ISE, this new term permits a Professional Customer to be more specifically identified within the Rules. The term “Public Customer” means a person or entity that is not a broker or dealer in securities. The current feed – which refers to the aggregate quote sizes for Public Customers and Priority Customers – does not make clear that local Professional Customer and local Priority Customer quote sizes are separately available. Under the current description, it may appear that a quote size with both Professional Customer and Priority Customer interest is available along with a separate quote size for Priority Customer interest; however this is not the case. The more precise new defined term “Professional Customer” would make clear that manner in which the quote size information is segregated. As rewritten, the Exchange is representing that there are three separate streams of quote information and the “Professional Customer” and “Priority Customer” streams of quote information are separated. By adopting the new term “Professional Customer” the Exchange believes that the quote information being offered

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18 See Rule 100(a)(51).
19 See note 15 above. The terms Public Customer includes both Priority Customers and Professional Customers.
will be clear. The Exchange is not amending the information contained in the Spread Feed, rather these changes are intended to more accurately represent the information currently in the Spread Feed. It is consistent with the Act to provide clear information about the types of aggregated quotes available on the Spread Feed so that market participants are able to avail themselves of that information if they choose and also to better understand the information that is available to other market participants. The Exchange believes that adding this detail will add transparency to the data feed and promote just and equitable principles of trade.

Finally, the Exchange is also noting that the feed contains Complex Order auction notifications, which adds additional detail to the rule. It is consistent with the Act to include auction notifications in the feed to allow Members to be aware of ongoing auctions so they have an opportunity to participate in the auctions. The Exchange is not amending any Spread Feed pricing with this proposal.\(^{20}\)

**Mini Options**

The Exchange proposes to remove the entire provision related to trading Mini Options for Complex Orders in Supplementary Material .06\(^{21}\) and the provision within .08(i)\(^{22}\) to ISE Rule 722 which describe the manner in which listed Mini Options are

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\(^{20}\) The Spread Feed pricing is reflected in Options 7, Section 10, at I.

\(^{21}\) Supplementary Material .06 to Rule 722 provides, “If any leg of a complex strategy is a Mini Option contract as provided in Supplementary Material .13 to Rule 504, all options legs of such complex strategy must also be Mini Option contracts.”

\(^{22}\) Supplementary Material .08(i) to Rule 722 provides, “The minimum contract threshold shall be adjusted for Mini Options by a multiple of ten (10) and shall be as follows: (i) each leg of a Complex Options Order executed in the Complex Facilitation Mechanism must be for 500 or more Mini Option contracts; (ii) each leg of a Complex Options Order executed in the Complex Solicited Order...
handled for purposes of Complex Order trading. Today, while the Exchange’s rules permit the listing of Mini Options, the Exchange does not list Mini Options for trading and has not listed Mini Options in some time. Accordingly, ISE proposes to delete the provisions addressing Mini Options in Complex Orders. The Exchange proposes to no longer list Mini Options for trading because the Exchange believes the demand for this product does not exist. The Exchange would file a proposal to adopt rules to list Mini Options if it determines in the future that it desires to list these options. Additionally, the Exchange would file appropriate trading rules to govern the trading of Mini Options.

Reorganization of the Rulebook and Other Technical Amendments

Rule 715

The Exchange proposes to capitalize the defined term “system” within Rule 715(u) as explained in the beginning of the proposal.

Rule 716

The Exchange proposes to retitle Rule 716, currently titled “Block Trades,” as “Auction Mechanisms” because the new title more accurately describes the rule text contained in this rule. The Exchange proposes to relocate the text of Rule 716(a) within current Rule 716(c) and re-letter that Rule as 716(a). The Exchange also proposes to make clear that the Block Order Mechanism applies only to single-leg transactions and therefore does not apply to Complex Orders. The Exchange notes that it offers a Mechanism must be for 5,000 or more Mini Option contracts; and (iii) each leg of a Complex Qualified Contingent Cross Order must be for 10,000 or more Mini Option contracts coupled with a contra-side order or orders totaling an equal number of Mini Option contracts.”

23 The Exchange will separately file to remove listing and other rules associated with Mini Options.
Complex Order Exposure auction, which is described within Supplementary Material .01 to Rule 722.

The Exchange proposes to remove the “(b)” from Rule 716 so that the following text would apply to the entirety of Rule 716 and all mechanisms within the rule, including proposed relocated text, “For purposes of this Rule, a “broadcast message” means an electronic message that is sent by the Exchange to all Members, and a “Response” means an electronic message that is sent by Members in response to a broadcast message.” This rule text, as written, is being amended so that it is clear that the rule text applies to all mechanisms within this rule, including the mechanisms proposed to be relocated within the rule. In addition, the Exchange proposes to relocate and expand rule text within Supplementary Material .04 to Rule 716\(^24\) to this introductory paragraph so that with the relocation it also would apply to the entire rule. The Exchange proposes to provide, “Also for purposes of this rule, the time given to Members to enter Responses for any of the below auction mechanisms shall be designated by the Exchange via circular, but no less than 100 milliseconds and no more than 1 second.” Today, this rule text applies to all mechanisms within the rule, the Block Order Mechanism, Facilitation Mechanism and Solicitation Mechanism. As amended, the rule text would apply to all the relocated mechanisms as well.

The Exchange proposes to amend the Facilitation Mechanism to re-letter “(d)” as “(b).” The Exchange proposes to relocate rule text related to the Complex Facilitation

\(^{24}\) Supplementary Material .04 to Rule 716 provides, “The time given to Members to enter Responses under paragraphs (c)(1), (d)(1) and (e)(1) shall be designated by the Exchange via circular, but no less than 100 milliseconds and no more than 1 second.”
Mechanism from Supplementary Material .08(a) to ISE Rule 722 to Rule 716(c). ISE proposes to relocate the Complex Solicited Order Mechanism from Supplementary .08(b) to ISE Rule 722 to Rule 716(e). The Exchange notes that references to Complex Order quotes were not relocated with the rule text as the Exchange proposes to eliminate Complex Order quoting.

The Exchange also proposes to relocate the paragraph related to Limitations on Concurrent Complex Strategy Auctions, currently located in Supplementary Material .08(g) of ISE Rule 722, to Rule 716(f). The Exchange also proposes to relocate rule text relating to Concurrent Complex Order and single leg auctions, currently located Supplementary Material .08(h) of ISE Rule 722, to Rule 716(g).

The Exchange proposes to eliminate Supplementary Material .03, which is currently reserved, and .04 to Rule 716, which is being relocated as discussed above. The Exchange proposes to amend Supplementary Material .05 to Rule 716 to renumber it .03. The Exchange proposes to renumber Supplementary Material .06 to Rule 716 as .04. The Exchange proposes to eliminate references to Supplementary Material .07 and .08 to Rule 716, which are currently reserved. The Exchange proposes to renumber Supplementary Material .09 to Rule 716 as .07.

**Rule 721**

The Exchange proposes to amend Rule 721, Crossing Orders. The Exchange proposes to add a title within Rule 721(a), “Customer Cross Orders.” This will distinguish this paragraph from new proposed Rule 721(b), titled “Complex Customer Cross Orders.” The Exchange notes that references to Complex Order quotes were not
relocated with the rule text, as discussed below, as the Exchange proposes to eliminate Complex Order quoting.

The Exchange proposes to relocate rule text from Supplementary Material .08(d) to ISE Rule 722 to proposed Rule 721(b). The Exchange proposes to re-letter 721(b) as 721(c) and add a title “Qualified Contingent Cross Orders” to distinguish it from new proposed Rule 721(d), which the Exchange proposes to title “Complex Qualified Contingent Cross Orders.” The Exchange proposes to relocate rule text from Supplementary Material .08(e) to ISE Rule 722 to proposed Rule 721(d). The Exchange proposes to relocate certain rule text regarding Qualified Contingent Cross (“QCC”) Orders with Stock from Supplementary Material .01 -.03 to ISE Rule 721 to proposed Rule 721(e)(4) – (6). The Exchange is renumbering current Rule721(c) as “(e)” and adding a new title, “Qualified Contingent Cross (“QCC”) with Stock.” The Exchange proposes to relocate rule text from Supplementary Material .08(f) to ISE Rule 722 to proposed Rule 721(f) and add the title “Complex QCC with Stock Orders.” The Exchange notes that current Supplementary Material .08(f)(4) to ISE Rule 722 cross-references current Rule 721 at Supplementary Material .01 - .03. The Exchange notes that it is deleting Supplementary Material .08(f)(4) to ISE Rule 722 because its sole purpose is to cross-reference Rule 721 and this provision is no longer necessary as ISE is relocating the rule text to Rule 721.

**Rule 722**

The Exchange proposes to delete the introductory text within ISE Rule 722, which provides,

Stock-Option Orders will not be automatically executed against bids and offers on the Exchange for the individual legs ("legging") pursuant to
subparagraphs (d)(1) and (d)(3) of Rule 722 and Supplementary Material .01 and .02 to Rule 722. Stock-Option Orders will continue to execute against other Stock-Option Orders in the Complex Order Book. The Exchange will recommence legging for Stock-Option Orders on ISE on or before March 21, 2019. The Exchange will issue an Options Trader Alert notifying Members when this functionality will be available.

Only one Complex Order auction pursuant to Supplementary Material .01 and Supplementary Material .08(a) - (c) to Rule 722 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(a) -(c) to Rule 722 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 Supplementary Material .01 to Rule 722 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 proposes herein to not offer legging functionality for Stock-Option Orders and therefore the first paragraph describing the delay is no longer necessary. The Exchange is proposing herein to remove all references to legging functionality for Stock-Option Orders. The second paragraph concerning concurrent auctions is no longer necessary because the Exchange details this behavior within its current rules in the section titled “Limitations on Concurrent Complex Strategy Auctions” currently located in Supplementary Material .08(g) of ISE Rule 722 and proposed to be relocated to Rule 716(f). Also, the paragraph titled “Concurrent Complex Order and single leg auctions” currently located within Supplementary Material .08(h) of ISE Rule 722 and proposed to be relocated to Rule 716(g), describes this behavior.

The Exchange proposes to eliminate Rule 722(b)(4) which is “reserved” and renumber the remainder of Rule 722(b). The Exchange proposes to amend ISE Rule 722(d) to change certain references, where applicable, from “complex strategies” to
“Complex Options Orders” to reflect the removal of the legging of Stock-Option Orders. The Exchange notes as proposed, the Exchange would no longer offer legging functionality for Stock-Option Orders. The terms “complex strategies” includes Complex Options Strategies, Stock-Option Strategies, and Stock-Complex Strategies.26 The Exchange proposes to modify portions of this rule, described herein, such as Rule 722(d)(2) to make clear the type of behavior that applies to Complex Options Orders as compared to the type of behavior that applies to Stock Options Orders and Stock Complex Orders that no longer would leg as proposed herein. The Exchange proposes to add a sentence to this paragraph (d)(2) which provides, “Stock Option Orders and Stock Complex Orders will be executed at the best net price available from Complex Order Exposure pursuant to Supplementary Material .01 to Rule 722 and executable Complex Orders on the Complex Order Book” to accurately reflect how Stock Option Orders and Stock Complex Orders would be executed.

Today, ISE Rule 722(d)(2) sets forth three allocation models which may be utilized: (1) 722(d)(2)(i) time priority; (2) 722(d)(2)(ii) “pursuant to Nasdaq ISE Rule 713(e) and Supplementary Material .01(a) to Nasdaq ISE Rule 713 except that there shall be no participation rights for the Primary Market Maker as provided in Supplementary Material to Rule 713, paragraph .01(b) and (c)”; and (3) 722(d)(2)(iii) pro-rata based on size. The allocation method set forth in current Rule 722(d)(2)(ii) provides that a Primary Market Maker entering Complex Order Quotes is not entitled to the enhanced allocation provided for in Rule 713(e) for a Primary Market Maker quoting in the single-leg market. As noted herein, unlike the quoting obligation applicable to a Primary

26 See Rule 722(a)(4).
Market Maker in the single-leg market, a Primary Market Maker entering Complex Order Quotes has no corresponding quoting obligations. The Exchange proposes to remove the rule text contained within ISE Rule 722(d)(2)(ii) as this methodology was intended to be put in place if Complex Order Quoting was available to Market Makers. With this proposal, the Exchange will no longer offer Complex Order Quoting and this method of allocation would become obsolete because it would only apply with respect to Market Maker allocations in connection with Complex Order quoting. The Exchange also proposes to renumber ISE Rule 722(d)(2)(iii) as “(ii).”

The Exchange proposes to remove certain rule text within ISE Rule 722(d)(3). This paragraph of Rule 722(d)(3) addresses a situation when there is no executable contra-side complex interest on the Complex Order Book at a particular price and explains how executable Complex Options Orders legs may be executed against bids and offers for the individual options series. The current rule text provides, “and the options leg(s) of executable Stock-Option Orders or executable Stock-Complex Orders with up to a maximum number of options legs (determined by the Exchange as either two legs, three legs or four legs).” As proposed herein, the Exchange will no longer leg Stock-Option Orders, therefore this rule text that is currently described within ISE Rule 722(d)(3) would no longer be applicable and is proposed to be removed.

The Exchange proposes to amend Supplementary Material .01(c) Rule 722 to add a new sentence to describe the manner in which Stock Option Orders would be handled since the Exchange would no longer offer legging for Stock Option Orders, as proposed. The new sentence would provide, “Notwithstanding the foregoing, Supplementary Material .01(c)(ii) shall not be applicable with respect to Stock Option Orders and Stock
Complex Orders.” The Exchange notes that Supplementary Material .01(c)(ii) to Rule 722 provides, “At the end of the exposure period, if the Complex Order still improves upon the best price for the complex strategy on the same side of the market, it is automatically executed to the greatest extent possible pursuant to Rule 722(d)(2)-(3), taking into consideration….bids and offers on the Exchange for the individual options series (including interest received during the exposure period).” The Exchange notes that the bids and offers for the individual options series would only be taken into account for Complex Options Orders and not for Stock Option Orders and Stock Complex Orders, which, under the proposal, will no longer leg.

The Exchange is removing Supplementary Material .03, .04 and .05 to ISE Rule 722 as these sections relate to Market Maker quotes, which functionality is proposed to be removed with this proposal. The Exchange is removing Supplementary Material .06 to ISE Rule 722 as described in the section pertaining to Mini Options.

Supplementary Material .07 to ISE Rule 722 is being relocated to new Rule 724 as described in that section. Supplementary Material .08 to ISE Rule 722 is being relocated to Rules 716, 721 and 723 as described in those sections.

The Trade Value Allowance would be renumbered from Supplementary Material .09 to .03 of ISE Rule 722 to account for the removal of Supplementary Materials .03 to .08 of Rule 722.

The Complex Opening Process would be renumbered from Supplementary Material .10 to .04 of ISE Rule 722. The Complex Opening Price Determination would be renumbered from Supplementary Material .11 to .05 of ISE Rule 722. The word “order” is being capitalized within proposed Supplementary Material .05(d)(1) to ISE
Rule 722, currently Supplementary Material .11(d)(i) of ISE Rule 722, because it is part of the defined term “Priority Customer Order.” The Exchange is also reformatting the numbering of this rule section to conform it to the remainder of the rule.

The Exchange is amending the uncrossing language within proposed Supplementary Material .05(d)(6) of ISE Rule 722, currently Supplementary Material .11(d)(vi) of ISE Rule 722, to amend the term “complex strategy” to “Complex Option Order.” Supplementary Material .10 of Rule 722 states,

Complex Opening Process. After each of the individual component legs have opened, or reopened following a trading halt, Complex Options Strategies will be opened pursuant to the Complex Opening Price Determination described in Supplementary Material .11 to Rule 722, and Stock-Option Strategies and Stock-Complex Strategies will be opened pursuant to the Complex Uncrossing Process described in Supplementary Material .12 to Rule 722.

To further distinguish that the uncrossing language within proposed Supplementary Material .05(d)(6) of ISE Rule 722 does not apply to Stock-Option Strategies and Stock-Complex Strategies, the Exchange proposes to amend the more generic term “complex strategy” to replace that term with the more specific reference to “Complex Options Orders.”

The Complex Uncrossing Process would be renumbered from Supplementary Material .12 to .06. of ISE Rule 722. The Exchange proposes to amend the term “Complex Order” within proposed Supplementary Material .06(b)(2) and replace it with the more specific defined term “Complex Options Order” because this section references legging which cannot be accomplished, as proposed herein with Stock Option Orders and Stock Complex Orders.

Finally, the title “Qualified Contingent Trade Exemption” is being added to
Supplementary Material .13 of ISE Rule 722 and Supplementary Material .13 is proposed to be renumbered as Supplementary Material .07 of ISE Rule 722.

**Rule 723**

The Exchange proposes to relocate the text of Supplementary Material .08(c) to ISE Rule 722 to proposed Rule 723(e). The Exchange proposes to amend proposed Rule 723(e)(4)(vi) to replace the term “complex strategy” with “Complex Order.” A Complex Price Improvement Mechanism in a complex strategy may be ongoing at the same time as a Price Improvement Auction pursuant to Rule 723 or during an exposure period pursuant to Supplementary Material .02 to Rule 1901 in a component leg(s) of such Complex Order. The Exchange is amending the term because with this proposal, Stock Option Orders and Stock Complex Orders may not leg. Also, the Exchange is amending the last sentence of this same paragraph to provide, ” If a Complex Price Improvement Mechanism is early terminated pursuant to paragraph (iv) above, and the incoming Complex Order that causes the early termination in the complex strategy is also marketable against a component leg(s) of the complex strategy that is the subject of a concurrent ongoing Price Improvement Auction pursuant to Rule 723 or an exposure period pursuant to Supplementary Material .02 to Rule 1901, then the concurrent Complex Price Improvement Mechanism and component leg auction(s) are processed in the following sequence: ….and (3) legging of residual incoming Complex Order interest occurs, except with respect to Stock Option Orders and Stock Complex Orders.”

The Exchange similarly notes that this addition is consistent with the proposal to not offer

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27 The Exchange notes that references to Complex Order quotes were not carried over with the rule text as the Exchange proposes to eliminate Complex Order quoting.
legging for Stock Option Orders.

Supplementary Material .07 to Rule 723 and Supplementary Material .09 to Rule 723 are being eliminated as they are reserved. Supplementary Material .08 to Rule 723 is being renumbered as .07 and Supplementary Material .10 to Rule 723 is being renumbered as .08.

**Rule 724**

The Exchange proposes to relocate Supplementary Material .07 to ISE Rule 722 to new Rule 724 titled “Complex Order Risk Protections.” The Exchange proposes to add the following sentence to this rule, “The following are Complex Order risk protections on ISE.” This will distinguish these risk protections from those in Rule 714, which apply to single-leg transactions. The Exchange notes that references to Complex Order quotes were not relocated with the rule text as the Exchange proposes to eliminate Complex Order quoting.

The Exchange proposes to amend proposed new Rule 724(b)(2)(A) to amend the term “Market Order” to the defined term within Rule 722(b)(1) “Market Complex Order” as this rule applies to Complex Orders. Additionally, as noted in the beginning of this proposal, references to Complex Order quotes are being removed. The Exchange proposes not to relocate the sentence within Supplementary .07(c)(1) of ISE Rule 722 which states, “This limit order price protection applies only to orders and does not apply to quotes.” There is no need to state that the limit order price protection applies only to orders since that is the only possibility with the removal of Complex Order quoting.

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28 A Market Complex Order is a Complex Order to buy or sell a complex strategy that is to be executed at the best price obtainable. If not executable upon entry, such orders will rest on the Complex Order Book unless designated as fill-or-kill or immediate-or-cancel. See ISE Rule 722(b)(1).
(b) **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,\(^\text{29}\) in general, and furthers the objectives of Section 6(b)(5) of the Act,\(^\text{30}\) in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest for the reasons described below.

**Complex Order Legging functionality for Stock-Option Orders**

The Exchange’s proposal to not offer legging functionality for Stock-Option Orders is consistent with the Act because Members can continue to submit these orders to the Exchange where they can be executed against other Stock-Option Orders on the Complex Order book. No Members have notified the Exchange of any impact on execution quality as a result of the delayed implementation of legging functionality for Stock-Option Orders since the INET replatform, and therefore the Exchange does not believe that no longer offering this functionality will have a significant impact on market participants.

The Exchange is not implementing this functionality because the Exchange believes that obtaining the stock portion of the order is difficult given liquidity concerns. The Exchange believes its concerns surrounding historically low fill rates for this type of business model warrant the Exchange not offering this functionality, which is currently


not available on other markets that offer complex functionality.\textsuperscript{31} On ISE, when this functionality was offered prior to the ISE replatform to INET, the option order would be cancelled if the stock could not be obtained from a third party within a certain timeframe. The Exchange believes this decision to not offer this functionality promotes just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system because the Exchange has concerns with liquidity and historically low fill rates in offering legging functionality for Stock-Option Orders.

\textbf{Complex Order Quoting}

The Exchange’s proposal to not offer Complex Order quoting on ISE is consistent with the Act because even though the Complex Order quoting functionality will not be available, Market Makers will still be able to submit Complex Orders. The Exchange has not experienced any impact with respect to execution quality in the time since the INET replatform. The Exchange notes that Phlx does not offer Complex Order quoting functionality.\textsuperscript{32}

The Exchange does not believe that there is sufficient demand for this offering at this time from Market Makers. Members may utilize orders in lieu of quotes to execute Complex Orders and therefore not offering Complex Order quoting functionality does not create an impediment to a free and open market and a national market system.

\textbf{Nasdaq ISE Spread Feed}

The Exchange’s proposal to add more specificity to the Nasdaq ISE Spread Feed

\textsuperscript{31} Phlx does not offer legging functionality for stock-option orders.

\textsuperscript{32} See Phlx Rule 1098.
in Rule 718(a)(5) will bring greater transparency to the data feed. The Exchange proposes to amend ISE Rule 718, titled “Data Feeds and Trade Information” to reflect its current practice. The technical amendments will add context to the rule. Adding references to the additional information, price, side, size and capacity for every Complex Order as well as auction notifications, contained in ISE Spread Feed is consistent with the Act because it will provide market participants with clear information as to the type of data available in the Spread Feed. By providing the details of the content of the Spread Feed, market participants will be better informed as to the type of information they may choose to access to obtain information about the Order Book and this will in turn promote just and equitable principles of trade.

Separating out the various types of information available and replacing the word “Public Customer” with the more precise new defined term “Professional Customer” will bring greater transparency to the rule. The Exchange’s proposal to introduce the term “Professional Customer” and define that term to make clear that the current feed contains segregated local Professional Customer and segregated local Priority Customer quote sizes separately available is consistent with the Act. The Spread Feed is not being amended, rather the rule text is being amended to make clear what information is being disseminated over the feed. The information being received does contain separate data for Professional Customers and Priority Customers. By amending the rule text and making clear what specific data is contained in the Spread Feed the Exchange believes that it would promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market because market participant would have a better understanding of the data contained in the Spread Feed. It is consistent with
the Act to provide clear information about the types of aggregated quotes available on the Spread Feed so that market participants are able to avail themselves of that information if they choose to receive the date feed, better understand the information that they are currently receiving on the date feed and also understand the information that is available to other market participants. The Exchange believes that adding this detail will add transparency to the data feed and promote just and equitable principles of trade.

**Mini Options**

The Exchange’s proposal to remove language related to trading Mini Options in Supplementary Material .06 and .08(i) to ISE Rule 722 is consistent with the Act because it will avoid confusion since the Exchange no longer lists Mini Options for trading. The demand for this product has diminished and the Exchange will separately remove listing rules related to this product. The Exchange notes it has not listed Mini Option in some time. Removing this rule text will bring greater transparency to the Exchange’s Rulebook.

**Reorganization of the Rulebook and Other Technical Amendments**

The Exchange’s proposal to relocate various provisions is consistent with the Act because the reorganization is intended to bring greater transparency and ease of reference to the ISE Rulebook. Also, making technical non-substantive amendments to capitalize terms and amend cross-references will also bring greater clarity and transparency to the ISE Rulebook.

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 does not believe that the proposed rule change will impact the intense competition that exists in the options market.

**Complex Order Legging functionality for Stock-Option Orders**

The Exchange does not believe that its proposal to not offer legging for Stock-Option Orders will impose an undue burden on intra-market competition because legging for Stock-Option Orders will not be available uniformly to any Member on ISE. Similarly, the Exchange does not believe that the proposal to not offer legging for Stock-Option Orders will impose any significant burden on inter-market competition as it does not impact the ability of other markets to offer or not offer competing functionality.

**Complex Order Quoting**

The Exchange does not believe that its proposal to not offer Complex Order quoting will impose an undue burden on intra-market competition because all Members uniformly will not be able to submit Market Maker quotes in the complex order book. All Members will be able to continue to submit Complex Orders on ISE. Similarly, the Exchange does not believe that the proposal will impose any significant burden on inter-market competition as it does not impact the ability of other markets to offer such quoting functionality.

**Nasdaq ISE Spread Feed**

The Exchange’s proposal to add more specificity to the Nasdaq ISE Spread Feed in Rule 718(a)(5) will bring greater transparency to the data feed. The Exchange’s proposal does not impose an undue burden on inter-market competition because today other options exchanges that offer complex orders offer similar data. The Exchange’s proposal would not impose a burden on intra-market competition because adding
references to the additional information, price, side, size and capacity for every Complex
Order as well as auction notifications will provide all Members with clear information as
to the type of data available in the Spread Feed. By providing the details of the content
of the Spread Feed, Members will be better informed as to the type of information they
may choose to access to obtain information about the Order Book.

The Exchange’s proposal to separate the various types of information available
and replace the word “Public Customer” with the more precise new defined term
“Professional Customer” will bring greater transparency to the rule. The Exchange’s
proposal to introduce the term “Professional Customer” and define that term to make
clear that the current feed contains segregated local Professional Customer and
segregated local Priority Customer quote sizes separately available will make clear what
specific data is contained in the Spread Feed. Members would have a better
understanding of the data that is available in the Spread Feed. The revised rule text will
provide information about the types of aggregated quotes available on the Spread Feed so
that Members may better understand the information that they may currently obtain on
the feed.

Mini Options

The Exchange’s proposal to remove language related to trading Mini Options in
Supplementary Material .06 and .08(i) to ISE Rule 722 will not impose an undue burden
on inter-market competition as the Exchange no longer lists these types of options for
trading and has no plans for listing them in the future. Other markets may continue to list
mini options pursuant to their own trading rules. The Exchange’s proposal does not
impose an undue burden on intra-market competition because no ISE Member will be
able to transact mini options.

**Reorganization of the Rulebook and Other Technical Amendments**

The Exchange’s proposal to relocate various rules with similar topics and create new rules with the text will not impose an undue burden on intra-market or inter-market competition because the reorganization is intended to bring greater transparency and ease of reference to the ISE Rulebook. Also, making technical non-substantive amendments to capitalize terms and amend cross-references will also bring greater clarity and transparency to the ISE Rulebook.

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)**

   The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)\(^3\) of the Act and Rule 19b-4(f)(6) thereunder\(^4\) 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 Commission may designate if consistent with the protection of investors and the public interest.

   The Exchange believes that the proposed rule change to not reintroduce the

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legging functionality for Stock-Option Orders does not significantly affect the protection of investors or the public interest because Members can continue to submit these orders to the Exchange where they can be executed against other Stock-Option Orders on the Complex Order book. No Members have notified the Exchange of any impact on execution quality as a result of the delayed implementation of legging functionality for Stock-Option Orders since the INET replatform, and therefore the Exchange does not believe that no longer offering this functionality will have a significant impact on market participants. The Exchange notes that Phlx does not offer legging of Stock-Option Orders today. The Exchange is not implementing this functionality because the Exchange believes that obtaining the stock portion of the order is difficult as described above. The Exchange believes its concerns surrounding historically low fill rates for legging Stock-Option Orders warrants the Exchange not offering this functionality, which is currently not available on other markets that offer complex functionality.

The Exchange’s proposal to not offer Complex Order quoting on ISE does not significantly affect the protection of investors or the public interest because even though the Complex Order quoting functionality will not be available, Market Makers will still be able to submit Complex Orders. The Exchange has not experienced any impact with respect to execution quality in the time since the INET replatform. The Exchange notes that Phlx does not offer Complex Order quoting functionality. The Exchange does not believe that there is sufficient demand for this offering at this time from Market Makers. Market Makers may utilize orders in lieu of quotes to execute Complex Orders and therefore not offering Complex Order quoting functionality does not create an impediment to a free and open market and a national market system.
The Exchange’s proposal to add more specificity to the Nasdaq ISE Spread Feed in Rule 718(a)(5) will bring greater transparency to the data feed. The Exchange proposes to amend the ISE Spread Feed to reflect its current practice does not significantly affect the protection of investors or the public interest because adding references to the additional information, price, side, size and capacity for every Complex Order as well as auction notifications, is consistent with the Act because it will provide market participants with clear information as to the type of data available in the Spread Feed. By providing the details of the content of the Spread Feed, market participants will be better informed as to the type of information they may choose to access to obtain information about the Order Book and this will in turn promote just and equitable principles of trade. Separating out the various types of information available and replacing the word “Public Customer” with the more precise new defined term “Professional Customer” will bring greater transparency to the rule. The Exchange’s proposal would introduce the term “Professional Customer” and define that term to make clear that the current feed contains segregated local Professional Customer and segregated local Priority Customer quote sizes separately. The Spread Feed is not being amended, rather the rule text is being amended to make clear what information is being disseminated over the feed. By amending the rule text and making clear what specific data is contained in the Spread Feed, market participants would have a better understanding of the data contained in the Spread Feed.

The Exchange’s proposal to remove language related to trading Mini Options does not significantly affect the protection of investors or the public interest because it will avoid confusion since the Exchange no longer lists Mini Options for trading. The
demand for this product has diminished and the Exchange will separately remove listing rules related to this product. The Exchange notes it has not listed Mini Option in some time. Removing this rule text will bring greater transparency to the Exchange’s Rulebook. Finally, reorganizing and making technical non-substantive amendments to capitalize terms and amend cross-references will also bring greater clarity and transparency to the ISE Rulebook.

The Exchange’s proposal does not impose any significant burden on competition by not offering legging for Stock-Option Orders. This functionality will not be available uniformly to any Member on ISE. Similarly, the Exchange does not believe that the proposal to not offer legging for Stock-Option Orders will impose any significant burden on inter-market competition as it does not impact the ability of other markets to offer or not offer competing functionality. The Exchange’s proposal does not impose any significant burden on competition by not offering Complex Order quoting. Market Makers will be able to continue to submit Complex Orders on ISE. The Exchange’s proposal to add more specificity to the Nasdaq ISE Spread Feed in Rule 718(a)(5) does not impose any significant burden on competition and will bring greater transparency to the data feed and accurately reflect the content of the current data feed for all Members. Removing the Mini Options does not impose any significant burden on competition because no ISE Member would be able to trade Mini Options. Also, removing Mini Options does not impose an inter-market burden because other options exchanges may offer Mini Options. Finally, the Exchange’s proposal to both reorganize and make technical amendments to the ISE Rulebook are non-substantive and imposes no burden on inter-market or intra-market competition.
Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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**
   
   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 for publication in the Federal Register.
    
    5. Text of the proposed rule change.
March __, 2019

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to No Longer Offer Complex Order Quoting Functionality

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 1, 2019, 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 no longer offer Complex Order quoting functionality or legging functionality for Stock-Option Orders on ISE. The Exchange also proposes other amendments, including modifying its Spread Feed, adopting a term “Professional Customer,” removing Mini Option language for Complex Orders, and reorganizing the Rulebook as well as other technical amendments.

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 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: (1) remove rule text related to Complex Order quoting functionality; (2) remove rule text related to legging functionality for Stock-Option Orders; (3) amend the description of the Nasdaq ISE Spread Feed including adopting a definition specifically for Professional Customer; (4) remove Mini Options language related to Complex Orders; and (5) reorganize the Rulebook and make other technical amendments. Each change will be discussed below.

Universal Changes

In addition to the amendments described below, the Exchange proposes to make several changes throughout its rules. In particular, the Exchange proposes to capitalize references to “member” to reflect the defined term “Member”\(^3\) and capitalize references to “system” to reflect the defined term “System.”\(^4\)

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\(^3\) The term “Member” means an organization that has been approved to exercise trading rights associated with Exchange Rights. See Rule 100(a)(30).

\(^4\) The term “System” means the electronic system operated by the Exchange that receives and disseminates quotes, executes orders and reports transactions. See Rule 100(a)(63).
In addition, with the proposal herein to remove rule text related to Complex Order quoting functionality on ISE, as described in more detail below, the Exchange proposes to remove any references to Complex Order quotes throughout these proposed rules because the System will no longer accept Complex Order quotes. Finally, the Exchange will amend certain cross-references in connection with relocating certain rules described herein.

Complex Order Legging functionality for Stock-Option Orders

In 2017, ISE underwent a replatform to move its functionality to INET. At that time, ISE proposed to delay the re-introduction of legging functionality for Stock-Option Orders for one year from the date of filing. Subsequently, ISE filed to delay the re-introduction of legging functionality until March 21, 2019. At this time, the Exchange proposes to not offer this functionality on ISE. If the Exchange determines to re-introduce legging functionality for Stock-Option Orders it will file a new proposal with the Commission. The legging functionality allows Members to leg into the regular market where they may trade against bids and offers for the individual legs pursuant to Rule 722(d)(2) and (3) and Supplementary Material .01 and .02 to Rule 722 (“legging”). With this proposed amendment to not offer this functionality, Stock-Option Orders will only be permitted to trade with other Stock-Option Orders in the complex order book.

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5 INET is the proprietary core technology utilized across Nasdaq’s global markets. The migration of ISE to the Nasdaq INET architecture has resulted in higher performance, scalability, and more robust architecture.


The Exchange will issue an Options Trader Alert notifying Members that legging functionality for Stock-Option Orders will no longer be available.

The Exchange proposes to not implement legging functionality for Stock-Option Orders because of concerns with obtaining executions for the stock portion of the order in a timely fashion in order to execute the Stock-Option Order on ISE. Previously, when this functionality was offered on ISE prior to the replatform to INET, the stock portion of the Stock-Option Order was obtained at a stock venue through a broker-dealer for Stock-Option Orders that attempted to execute the stock component of the order. A necessary delay was created when executing this order type because the option portion of the order could not execute until such time as the stock portion was executed. The added complexity of waiting for a third-party broker to obtain the stock portion of the order, check for compliance with Regulation SHO, post the trade to the tape and deliver the execution back to ISE, resulted in low fill rates for Stock-Option Orders because the stock portion was not always available immediately with mandated Regulation SHO compliance checks in place by the broker-dealer. The option portion of the Stock-Option Order was cancelled when the stock could not be obtained. The Exchange has considered the legging of Stock-Option Orders and has determined not to reintroduce the functionality in light of the complexity with obtaining the stock from a third party.

Members may continue to execute Stock-Option Orders that trade with other Stock-Option Orders in the complex order book or hedge a stock against the option order in separate transactions. Further, the Exchange notes this functionality is not available on other markets that offer complex order functionality.8

8 Phlx does not offer legging functionality for stock-option orders.
With this proposal, Stock-Option Orders entered on the Exchange will not automatically execute against bids and offers on the Exchange for the individual legs pursuant to Rule 722(d)(1) and (3) and Supplementary Material .01 and .02 to Rule 722. Stock-Option Orders may execute against other Stock-Option Orders in the Complex Order Book, thereby providing an opportunity for Members to have their Stock-Option Orders executed on the Exchange. In addition complex orders continue to leg into the single-leg market as is the case today. Amendments to the rule text of ISE Rule 722 are explained below.

Complex Order Quoting

In 2017, in conjunction with the replatform of ISE to INET, ISE filed a rule change to delay the re-introduction of functionality that enabled ISE to designate symbols eligible for Market Maker quotes in the Complex Order book for one year from the date of filing.9 Subsequently, ISE filed to delay the re-introduction of Complex Order quoting until April 26, 2019.10 At this time, the Exchange proposes to not offer this functionality on ISE. If the Exchange determines to re-introduce Complex Order quoting functionality on ISE it will file a new proposal with the Commission. The Exchange will issue an Options Trader Alert notifying Members that Complex Order quoting functionality will no longer be available.

The Exchange does not believe that there is sufficient demand for this offering at this time from Market Makers. At the time this functionality was offered prior to the

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replatform to INET, only twelve symbols were available for Complex Order Quoting.
The Exchange provided notice to Members on two occasions\(^\text{11}\) with respect to delaying
the Complex Order Quoting functionality. The Exchange did not receive any response
from Market Makers with respect to the delay in offering this functionality. The
Exchange has notified Members that it will not offer this functionality going forward and
once again,\(^\text{12}\) no response was received from Market Makers. Further, the Exchange
notes that other markets that offer complex functionality do not offer complex quoting.\(^\text{13}\)
Market Makers may utilize orders in lieu of quotes to execute Complex Orders.

Prior to the delay in re-introducing the Complex Order quoting functionality,
ISE’s rules permitted Market Makers to enter quotes in certain symbols for complex
strategies on the Complex Order book in their appointed options classes. Market Maker
quotes for complex strategies were not automatically executed against bids and offers on
the Exchange for the individual legs nor marked for price improvement.\(^\text{14}\) Market
Makers were not required to enter quotes on ISE’s Complex Order book. Quotes for
Complex Orders have not been subject to any quotation requirements that are applicable
to Market Maker quotes in the regular market for individual options series or classes, nor
was any volume executed in Complex Orders taken into consideration when determining

\(^\text{11}\) See Options Traders Alerts 2016-8 and 2016-10 (these prior option trade alerts are
no longer publically available because the content is obsolete. The alerts were
also superseded by Options Trader Alert 2019-3).

\(^\text{12}\) See Options Trader Alert 2019-3.

\(^\text{13}\) Phlx does not offer complex quoting.

\(^\text{14}\) See Supplementary Material .03 to Rule 722.
whether Market Makers met quotation obligations applicable to Market Maker quotes in the regular market for individual options series.

**Nasdaq ISE Spread Feed**

The Exchange proposes to amend ISE Rule 718, titled “Data Feeds and Trade Information” to reflect its current practice. The Exchange also proposes a few technical amendments, including adding numbering to ISE Rule 718(a)(5) to bring greater clarity to the description and deleting a reference to Complex Order quotes. The Exchange proposes to add the word “data” before “aggregated” in the first sentence to give more context to the word. With this change, the first sentence will provide in part that the “Nasdaq ISE Spread Feed ("Spread Feed") is a feed that consists of: (1) options orders for all Complex Orders (i.e., spreads, buy-writes, delta neutral strategies, etc.); (2) data aggregated at the top five prices levels (BBO) on both the bid and offer side of the market; and (3) last trades information.” The Exchange proposes to delete the words “as well as” from the first sentence because those words are not necessary to convey the information in the feed. The Exchange also proposes to add detail to the second sentence to reflect its current practice. The second sentence as amended will state that, “The Spread Feed provides updates, including prices, side, size, and capacity, for every Complex Order placed on the ISE Complex Order book.” The second sentence is reworded to remove the words “In addition,” which are no longer necessary and replace “…for every time a new Complex Limit Order that is not immediately executable at the BBO…” with “…every Complex Order placed on the ISE Complex Order book.” The phrase “immediately executable at the BBO” is not the trigger for the update; instead the booking of a Complex Order to the order book is the trigger to update the Spread Feed.
This proposed new language is more accurate with respect to updates. Also, the Exchange is replacing the phrase “Complex Limit Order” with the broader term “Complex Order” which more accurately reflects the types of Complex Orders on the ISE Spread Feed.\(^{15}\) Today, the Nasdaq ISE Spread Feed includes price, side, size, and capacity, for every Complex Order. The Exchange believes that this proposed language brings greater transparency to information contained in the data feed. Adding references to the additional information, price, side, size and capacity for every Complex Order as well as auction notifications, contained in the ISE Spread Feed is consistent with the Act because it will provide market participants with clear information as to the type of data available in the Spread Feed. By providing the details of the content of the Spread Feed, market participants will be better informed as to the type of information they may choose to access to obtain information about the Order Book and this will in turn promote just and equitable principles of trade.

The Exchange also is amending the last sentence of the current rule text in Rule 718(a)(5). Currently, ISE Rule 718(a)(5) provides, “The Spread Feed shows aggregate bid/ask quote size for Public Customer\(^{16}\) and Priority Customer\(^{17}\) option orders for ISE

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\(^{15}\) There are circumstances where Complex Market Orders, provided for in Rule 722(b)(1), will rest on the Complex Order Book. For example a Complex Market Order will remain on the Complex Order Book if there is no complex interest available for a complex strategy to execute against and the synthetic market for the complex strategy is beyond the trade through allowance provided for in Supplementary Material .07(a)(1) to ISE Rule 722.

\(^{16}\) The term “Public Customer” means a person or entity that is not a broker or dealer in securities. See Rule 100(a)(52).

\(^{17}\) The term “Priority Customer” means a person or entity that (i) is not a broker or dealer in securities, and (ii) does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). See Rule 100(a)(49).
traded options.” The Exchange proposes to amend this sentence to state, “The Spread Feed shows: (1) aggregate bid/ask quote size; (2) aggregate bid/ask quote size for Professional Customer Orders; and (3) aggregate bid/ask quote size for Priority Customer Orders for ISE traded options.” The Exchange is separating out this information to make clear that three separate types of information are available: (1) the local quote size (BBO) in the aggregate, (2) the local quote size for Professional Customer Orders and (3) the local quote size for Priority Customers. The Exchange believes that separating out the feed information to demonstrate the various pieces of information included in the data feed clarifies the description. In addition, the Exchange proposes to introduce a new term “Professional Customer” to replace the word “Public Customer.” The Exchange proposes to add a new definition for the term “Professional Customer” at proposed new Rule 100(a)(51A). This new term would mean a non-broker/dealer participant who enters at least 390 orders per day on average during a calendar month for its own beneficial account(s). The concept of a Professional is established on ISE, this new term permits a Professional Customer to be more specifically identified within the Rules. The term “Public Customer” means a person or entity that is not a broker or dealer in securities. The current feed – which refers to the aggregate quote sizes for Public Customers and Priority Customers – does not make clear that local Professional Customer and local Priority Customer quote sizes are separately available. Under the current description, it may appear that a quote size with both Professional Customer and Priority Customer interest is available along with a separate quote size for Priority

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18 See Rule 100(a)(51).

19 See note 15 above. The terms Public Customer includes both Priority Customers and Professional Customers.
Customer interest; however this is not the case. The more precise new defined term “Professional Customer” would make clear that manner in which the quote size information is segregated. As rewritten, the Exchange is representing that there are three separate streams of quote information and the “Professional Customer” and “Priority Customer” streams of quote information are separated. By adopting the new term “Professional Customer” the Exchange believes that the quote information being offered will be clear. The Exchange is not amending the information contained in the Spread Feed, rather these changes are intended to more accurately represent the information currently in the Spread Feed. It is consistent with the Act to provide clear information about the types of aggregated quotes available on the Spread Feed so that market participants are able to avail themselves of that information if they choose and also to better understand the information that is available to other market participants. The Exchange believes that adding this detail will add transparency to the data feed and promote just and equitable principles of trade.

Finally, the Exchange is also noting that the feed contains Complex Order auction notifications, which adds additional detail to the rule. It is consistent with the Act to include auction notifications in the feed to allow Members to be aware of ongoing auctions so they have an opportunity to participate in the auctions. The Exchange is not amending any Spread Feed pricing with this proposal.20

Mini Options

The Exchange proposes to remove the entire provision related to trading Mini

20 The Spread Feed pricing is reflected in Options 7, Section 10, at I.
Options for Complex Orders in Supplementary Material .06\textsuperscript{21} and the provision within .08(i)\textsuperscript{22} to ISE Rule 722 which describe the manner in which listed Mini Options are handled for purposes of Complex Order trading. Today, while the Exchange’s rules permit the listing of Mini Options, the Exchange does not list Mini Options for trading and has not listed Mini Options in some time. Accordingly, ISE proposes to delete the provisions addressing Mini Options in Complex Orders. The Exchange proposes to no longer list Mini Options for trading because the Exchange believes the demand for this product does not exist.\textsuperscript{23} The Exchange would file a proposal to adopt rules to list Mini Options if it determines in the future that it desires to list these options. Additionally, the Exchange would file appropriate trading rules to govern the trading of Mini Options.

\textbf{Reorganization of the Rulebook and Other Technical Amendments}

\textbf{Rule 715}

The Exchange proposes to capitalize the defined term “system” within Rule 715(u) as explained in the beginning of the proposal.

\textsuperscript{21} Supplementary Material .06 to Rule 722 provides, “If any leg of a complex strategy is a Mini Option contract as provided in Supplementary Material .13 to Rule 504, all options legs of such complex strategy must also be Mini Option contracts.”

\textsuperscript{22} Supplementary Material .08(i) to Rule 722 provides, “The minimum contract threshold shall be adjusted for Mini Options by a multiple of ten (10) and shall be as follows: (i) each leg of a Complex Options Order executed in the Complex Facilitation Mechanism must be for 500 or more Mini Option contracts; (ii) each leg of a Complex Options Order executed in the Complex Solicited Order Mechanism must be for 5,000 or more Mini Option contracts; and (iii) each leg of a Complex Qualified Contingent Cross Order must be for 10,000 or more Mini Option contracts coupled with a contra-side order or orders totaling an equal number of Mini Option contracts.”

\textsuperscript{23} The Exchange will separately file to remove listing and other rules associated with Mini Options.
Rule 716

The Exchange proposes to retitle Rule 716, currently titled “Block Trades,” as “Auction Mechanisms” because the new title more accurately describes the rule text contained in this rule. The Exchange proposes to relocate the text of Rule 716(a) within current Rule 716(c) and re-letter that Rule as 716(a). The Exchange also proposes to make clear that the Block Order Mechanism applies only to single-leg transactions and therefore does not apply to Complex Orders. The Exchange notes that it offers a Complex Order Exposure auction, which is described within Supplementary Material .01 to Rule 722.

The Exchange proposes to remove the “(b)” from Rule 716 so that the following text would apply to the entirety of Rule 716 and all mechanisms within the rule, including proposed relocated text, “For purposes of this Rule, a “broadcast message” means an electronic message that is sent by the Exchange to all Members, and a “Response” means an electronic message that is sent by Members in response to a broadcast message.” This rule text, as written, is being amended so that it is clear that the rule text applies to all mechanisms within this rule, including the mechanisms proposed to be relocated within the rule. In addition, the Exchange proposes to relocate and expand rule text within Supplementary Material .04 to Rule 716[24] to this introductory paragraph so that with the relocation it also would apply to the entire rule. The Exchange proposes to provide, “Also for purposes of this rule, the time given to Members to enter Responses for any of the below auction mechanisms shall be designated by the Exchange via circular, but no

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[24] Supplementary Material .04 to Rule 716 provides, “The time given to Members to enter Responses under paragraphs (c)(1), (d)(1) and (e)(1) shall be designated by the Exchange via circular, but no less than 100 milliseconds and no more than 1 second.”
less than 100 milliseconds and no more than 1 second.” Today, this rule text applies to all mechanisms within the rule, the Block Order Mechanism, Facilitation Mechanism and Solicitation Mechanism. As amended, the rule text would apply to all the relocated mechanisms as well.

The Exchange proposes to amend the Facilitation Mechanism to re-letter “(d)” as “(b).” The Exchange proposes to relocate rule text related to the Complex Facilitation Mechanism from Supplementary Material .08(a) to ISE Rule 722 to Rule 716(c).\textsuperscript{25} ISE proposes to relocate the Complex Solicited Order Mechanism from Supplementary .08(b) to ISE Rule 722 to Rule 716(e). The Exchange notes that references to Complex Order quotes were not relocated with the rule text as the Exchange proposes to eliminate Complex Order quoting.

The Exchange also proposes to relocate the paragraph related to Limitations on Concurrent Complex Strategy Auctions, currently located in Supplementary Material .08(g) of ISE Rule 722, to Rule 716(f). The Exchange also proposes to relocate rule text relating to Concurrent Complex Order and single leg auctions, currently located Supplementary Material .08(h) of ISE Rule 722, to Rule 716(g).

The Exchange proposes to eliminate Supplementary Material .03, which is currently reserved, and .04 to Rule 716, which is being relocated as discussed above. The Exchange proposes to amend Supplementary Material .05 to Rule 716 to renumber it .03. The Exchange proposes to renumber Supplementary Material .06 to Rule 716 as .04. The Exchange proposes to eliminate references to Supplementary Material .07 and .08 to Rule 716, which are currently reserved. The Exchange proposes to renumber Supplementary Material .09 to Rule 716 as .07.
**Rule 721**

The Exchange proposes to amend Rule 721, Crossing Orders. The Exchange proposes to add a title within Rule 721(a), “Customer Cross Orders.” This will distinguish this paragraph from new proposed Rule 721(b), titled “Complex Customer Cross Orders.” The Exchange notes that references to Complex Order quotes were not relocated with the rule text, as discussed below, as the Exchange proposes to eliminate Complex Order quoting.

The Exchange proposes to relocate rule text from Supplementary Material .08(d) to ISE Rule 722 to proposed Rule 721(b). The Exchange proposes to re-letter 721(b) as 721(c) and add a title “Qualified Contingent Cross Orders” to distinguish it from new proposed Rule 721(d), which the Exchange proposes to title “Complex Qualified Contingent Cross Orders.” The Exchange proposes to relocate rule text from Supplementary Material .08(e) to ISE Rule 722 to proposed Rule 721(d). The Exchange proposes to relocate certain rule text regarding Qualified Contingent Cross (“QCC”) Orders with Stock from Supplementary Material .01 -.03 to ISE Rule 721 to proposed Rule 721(e)(4) – (6). The Exchange is renumbering current Rule721(c) as “(e)” and adding a new title, “Qualified Contingent Cross (“QCC”) with Stock.” The Exchange proposes to relocate rule text from Supplementary Material .08(f) to ISE Rule 722 to proposed Rule 721(f) and add the title “Complex QCC with Stock Orders.” The Exchange notes that current Supplementary Material .08(f)(4) to ISE Rule 722 cross-references current Rule 721 at Supplementary Material .01 - .03. The Exchange notes that it is deleting Supplementary Material .08(f)(4) to ISE Rule 722 because its sole
purpose is to cross-reference Rule 721 and this provision is no longer necessary as ISE is relocating the rule text to Rule 721.

**Rule 722**

The Exchange proposes to delete the introductory text within ISE Rule 722, which provides,

Stock-Option Orders will not be automatically executed against bids and offers on the Exchange for the individual legs ("legging") pursuant to subparagraphs (d)(1) and (d)(3) of Rule 722 and Supplementary Material .01 and .02 to Rule 722. Stock-Option Orders will continue to execute against other Stock-Option Orders in the Complex Order Book. The Exchange will recommence legging for Stock-Option Orders on ISE on or before March 21, 2019. The Exchange will issue an Options Trader Alert notifying Members when this functionality will be available.

Only one Complex Order auction pursuant to Supplementary Material .01 and Supplementary Material .08(a) - (c) to Rule 722 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(a) - (c) to Rule 722 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 Supplementary Material .01 to Rule 722 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 proposes herein to not offer legging functionality for Stock-Option Orders and therefore the first paragraph describing the delay is no longer necessary. The Exchange is proposing herein to remove all references to legging functionality for Stock-Option Orders. The second paragraph concerning concurrent auctions is no longer necessary because the Exchange details this behavior within its current rules in the section titled “Limitations on Concurrent Complex Strategy Auctions” currently located in Supplementary Material .08(g) of ISE Rule 722 and proposed to be relocated to Rule
716(f). Also, the paragraph titled “Concurrent Complex Order and single leg auctions” currently located within Supplementary Material .08(h) of ISE Rule 722 and proposed to be relocated to Rule 716(g), describes this behavior.

The Exchange proposes to eliminate Rule 722(b)(4) which is “reserved” and renumber the remainder of Rule 722(b). The Exchange proposes to amend ISE Rule 722(d) to change certain references, where applicable, from “complex strategies” to “Complex Options Orders” to reflect the removal of the legging of Stock-Option Orders. The Exchange notes as proposed, the Exchange would no longer offer legging functionality for Stock-Option Orders. The terms “complex strategies” includes Complex Options Strategies, Stock-Option Strategies, and Stock-Complex Strategies. The Exchange proposes to modify portions of this rule, described herein, such as Rule 722(d)(2) to make clear the type of behavior that applies to Complex Options Orders as compared to the type of behavior that applies to Stock Options Orders and Stock Complex Orders that no longer would leg as proposed herein. The Exchange proposes to add a sentence to this paragraph (d)(2) which provides, “Stock Option Orders and Stock Complex Orders will be executed at the best net price available from Complex Order Exposure pursuant to Supplementary Material .01 to Rule 722 and executable Complex Orders on the Complex Order Book” to accurately reflect how Stock Option Orders and Stock Complex Orders would be executed.

Today, ISE Rule 722(d)(2) sets forth three allocation models which may be utilized: (1) 722(d)(2)(i) time priority; (2) 722(d)(2)(ii) “pursuant to Nasdaq ISE Rule 713(e) and Supplementary Material .01(a) to Nasdaq ISE Rule 713 (except that there shall
be no participation rights for the Primary Market Maker as provided in Supplementary Material to Rule 713, paragraph .01(b) and (c)”; and (3) 722(d)(2)(iii) pro-rata based on size. The allocation method set forth in current Rule 722(d)(2)(ii) provides that a Primary Market Maker entering Complex Order Quotes is not entitled to the enhanced allocation provided for in Rule 713(e) for a Primary Market Maker quoting in the single-leg market. As noted herein, unlike the quoting obligation applicable to a Primary Market Maker in the single-leg market, a Primary Market Maker entering Complex Order Quotes has no corresponding quoting obligations. The Exchange proposes to remove the rule text contained within ISE Rule 722(d)(2)(ii) as this methodology was intended to be put in place if Complex Order Quoting was available to Market Makers. With this proposal, the Exchange will no longer offer Complex Order Quoting and this method of allocation would become obsolete because it would only apply with respect to Market Maker allocations in connection with Complex Order quoting. The Exchange also proposes to renumber ISE Rule 722(d)(2)(iii) as “(ii).”

The Exchange proposes to remove certain rule text within ISE Rule 722(d)(3). This paragraph of Rule 722(d)(3) addresses a situation when there is no executable contra-side complex interest on the Complex Order Book at a particular price and explains how executable Complex Options Orders legs may be executed against bids and offers for the individual options series. The current rule text provides, “and the options leg(s) of executable Stock-Option Orders or executable Stock-Complex Orders with up to a maximum number of options legs (determined by the Exchange as either two legs, three legs or four legs).” As proposed herein, the Exchange will no longer leg Stock-Option
Orders, therefore this rule text that is currently described within ISE Rule 722(d)(3) would no longer be applicable and is proposed to be removed.

The Exchange proposes to amend Supplementary Material .01(c) Rule 722 to add a new sentence to describe the manner in which Stock Option Orders would be handled since the Exchange would no longer offer legging for Stock Option Orders, as proposed. The new sentence would provide, “Notwithstanding the foregoing, Supplementary Material .01(c)(ii) shall not be applicable with respect to Stock Option Orders and Stock Complex Orders.” The Exchange notes that Supplementary Material .01(c)(ii) to Rule 722 provides, “At the end of the exposure period, if the Complex Order still improves upon the best price for the complex strategy on the same side of the market, it is automatically executed to the greatest extent possible pursuant to Rule 722(d)(2)-(3), taking into consideration….bids and offers on the Exchange for the individual options series (including interest received during the exposure period).” The Exchange notes that the bids and offers for the individual options series would only be taken into account for Complex Options Orders and not for Stock Option Orders and Stock Complex Orders, which, under the proposal, will no longer leg.

The Exchange is removing Supplementary Material .03, .04 and .05 to ISE Rule 722 as these sections relate to Market Maker quotes, which functionality is proposed to be removed with this proposal. The Exchange is removing Supplementary Material .06 to ISE Rule 722 as described in the section pertaining to Mini Options.

Supplementary Material .07 to ISE Rule 722 is being relocated to new Rule 724 as described in that section. Supplementary Material .08 to ISE Rule 722 is being relocated to Rules 716, 721 and 723 as described in those sections.
The Trade Value Allowance would be renumbered from Supplementary Material .09 to .03 of ISE Rule 722 to account for the removal of Supplementary Materials .03 to .08 of Rule 722.

The Complex Opening Process would be renumbered from Supplementary Material .10 to .04 of ISE Rule 722. The Complex Opening Price Determination would be renumbered from Supplementary Material .11 to .05 of ISE Rule 722. The word “order” is being capitalized within proposed Supplementary Material .05(d)(1) to ISE Rule 722, currently Supplementary Material .11(d)(i) of ISE Rule 722, because it is part of the defined term “Priority Customer Order.” The Exchange is also reformatting the numbering of this rule section to conform it to the remainder of the rule.

The Exchange is amending the uncrossing language within proposed Supplementary Material .05(d)(6) of ISE Rule 722, currently Supplementary Material .11(d)(vi) of ISE Rule 722, to amend the term “complex strategy” to “Complex Option Order.” Supplementary Material .10 of Rule 722 states,

**Complex Opening Process.** After each of the individual component legs have opened, or reopened following a trading halt, Complex Options Strategies will be opened pursuant to the Complex Opening Price Determination described in Supplementary Material .11 to Rule 722, and Stock-Option Strategies and Stock-Complex Strategies will be opened pursuant to the Complex Uncrossing Process described in Supplementary Material .12 to Rule 722.

To further distinguish that the uncrossing language within proposed Supplementary Material .05(d)(6) of ISE Rule 722 does not apply to Stock-Option Strategies and Stock-Complex Strategies, the Exchange proposes to amend the more generic term “complex strategy” to replace that term with the more specific reference to “Complex Options Orders.”
The Complex Uncrossing Process would be renumbered from Supplementary Material .12 to .06 of ISE Rule 722. The Exchange proposes to amend the term “Complex Order” within proposed Supplementary Material .06(b)(2) and replace it with the more specific defined term “Complex Options Order” because this section references legging which cannot be accomplished, as proposed herein with Stock Option Orders and Stock Complex Orders.

Finally, the title “Qualified Contingent Trade Exemption” is being added to Supplementary Material .13 of ISE Rule 722 and Supplementary Material .13 is proposed to be renumbered as Supplementary Material .07 of ISE Rule 722.

**Rule 723**

The Exchange proposes to relocate the text of Supplementary Material .08(c) to ISE Rule 722 to proposed Rule 723(e). The Exchange proposes to amend proposed Rule 723(e)(4)(vi) to replace the term “complex strategy” with “Complex Order.” A Complex Price Improvement Mechanism in a complex strategy may be ongoing at the same time as a Price Improvement Auction pursuant to Rule 723 or during an exposure period pursuant to Supplementary Material .02 to Rule 1901 in a component leg(s) of such Complex Order. The Exchange is amending the term because with this proposal, Stock Option Orders and Stock Complex Orders may not leg. Also, the Exchange is amending the last sentence of this same paragraph to provide, ” If a Complex Price Improvement Mechanism is early terminated pursuant to paragraph (iv) above, and the incoming Complex Order that causes the early termination in the complex strategy is also

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27 The Exchange notes that references to Complex Order quotes were not carried over with the rule text as the Exchange proposes to eliminate Complex Order quoting.
marketable against a component leg(s) of the complex strategy that is the subject of a concurrent ongoing Price Improvement Auction pursuant to Rule 723 or an exposure period pursuant to Supplementary Material .02 to Rule 1901, then the concurrent Complex Price Improvement Mechanism and component leg auction(s) are processed in the following sequence: …and (3) legging of residual incoming Complex Order interest occurs, except with respect to Stock Option Orders and Stock Complex Orders.”

The Exchange similarly notes that this addition is consistent with the proposal to not offer legging for Stock Option Orders.

Supplementary Material .07 to Rule 723 and Supplementary Material .09 to Rule 723 are being eliminated as they are reserved. Supplementary Material .08 to Rule 723 is being renumbered as .07 and Supplementary Material .10 to Rule 723 is being renumbered as .08.

**Rule 724**

The Exchange proposes to relocate Supplementary Material .07 to ISE Rule 722 to new Rule 724 titled “Complex Order Risk Protections.” The Exchange proposes to add the following sentence to this rule, “The following are Complex Order risk protections on ISE.” This will distinguish these risk protections from those in Rule 714, which apply to single-leg transactions. The Exchange notes that references to Complex Order quotes were not relocated with the rule text as the Exchange proposes to eliminate Complex Order quoting.

The Exchange proposes to amend proposed new Rule 724(b)(2)(A) to amend the term “Market Order” to the defined term within Rule 722(b)(1) “Market Complex
Order as this rule applies to Complex Orders. Additionally, as noted in the beginning of this proposal, references to Complex Order quotes are being removed. The Exchange proposes not to relocate the sentence within Supplementary .07(c)(1) of ISE Rule 722 which states, “This limit order price protection applies only to orders and does not apply to quotes.” There is no need to state that the limit order price protection applies only to orders since that is the only possibility with the removal of Complex Order quoting.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Section 6(b)(5) of the Act, in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest for the reasons described below.

Complex Order Legging functionality for Stock-Option Orders

The Exchange’s proposal to not offer legging functionality for Stock-Option Orders is consistent with the Act because Members can continue to submit these orders to the Exchange where they can be executed against other Stock-Option Orders on the Complex Order book. No Members have notified the Exchange of any impact on execution quality as a result of the delayed implementation of legging functionality for

28 A Market Complex Order is a Complex Order to buy or sell a complex strategy that is to be executed at the best price obtainable. If not executable upon entry, such orders will rest on the Complex Order Book unless designated as fill-or-kill or immediate-or-cancel. See ISE Rule 722(b)(1).


Stock-Option Orders since the INET replatform, and therefore the Exchange does not believe that no longer offering this functionality will have a significant impact on market participants.

The Exchange is not implementing this functionality because the Exchange believes that obtaining the stock portion of the order is difficult given liquidity concerns. The Exchange believes its concerns surrounding historically low fill rates for this type of business model warrant the Exchange not offering this functionality, which is currently not available on other markets that offer complex functionality. On ISE, when this functionality was offered prior to the ISE replatform to INET, the option order would be cancelled if the stock could not be obtained from a third party within a certain timeframe. The Exchange believes this decision to not offer this functionality promotes just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system because the Exchange has concerns with liquidity and historically low fill rates in offering legging functionality for Stock-Option Orders.

**Complex Order Quoting**

The Exchange’s proposal to not offer Complex Order quoting on ISE is consistent with the Act because even though the Complex Order quoting functionality will not be available, Market Makers will still be able to submit Complex Orders. The Exchange has not experienced any impact with respect to execution quality in the time since the INET

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31 Phlx does not offer legging functionality for stock-option orders.
replatform. The Exchange notes that Phlx does not offer Complex Order quoting functionality. 32

The Exchange does not believe that there is sufficient demand for this offering at this time from Market Makers. Members may utilize orders in lieu of quotes to execute Complex Orders and therefore not offering Complex Order quoting functionality does not create an impediment to a free and open market and a national market system.

Nasdaq ISE Spread Feed

The Exchange’s proposal to add more specificity to the Nasdaq ISE Spread Feed in Rule 718(a)(5) will bring greater transparency to the data feed. The Exchange proposes to amend ISE Rule 718, titled “Data Feeds and Trade Information” to reflect its current practice. The technical amendments will add context to the rule. Adding references to the additional information, price, side, size and capacity for every Complex Order as well as auction notifications, contained in ISE Spread Feed is consistent with the Act because it will provide market participants with clear information as to the type of data available in the Spread Feed. By providing the details of the content of the Spread Feed, market participants will be better informed as to the type of information they may choose to access to obtain information about the Order Book and this will in turn promote just and equitable principles of trade.

Separating out the various types of information available and replacing the word “Public Customer” with the more precise new defined term “Professional Customer” will bring greater transparency to the rule. The Exchange’s proposal to introduce the term “Professional Customer” and define that term to make clear that the current feed contains

32 See Phlx Rule 1098.
segregated local Professional Customer and segregated local Priority Customer quote sizes separately available is consistent with the Act. The Spread Feed is not being amended, rather the rule text is being amended to make clear what information is being disseminated over the feed. The information being received does contain separate data for Professional Customers and Priority Customers. By amending the rule text and making clear what specific data is contained in the Spread Feed the Exchange believes that it would promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market because market participant would have a better understanding of the data contained in the Spread Feed. It is consistent with the Act to provide clear information about the types of aggregated quotes available on the Spread Feed so that market participants are able to avail themselves of that information if they choose to receive the date feed, better understand the information that they are currently receiving on the date feed and also understand the information that is available to other market participants. The Exchange believes that adding this detail will add transparency to the data feed and promote just and equitable principles of trade.

**Mini Options**

The Exchange’s proposal to remove language related to trading Mini Options in Supplementary Material .06 and .08(i) to ISE Rule 722 is consistent with the Act because it will avoid confusion since the Exchange no longer lists Mini Options for trading. The demand for this product has diminished and the Exchange will separately remove listing rules related to this product. The Exchange notes it has not listed Mini Option in some time. Removing this rule text will bring greater transparency to the Exchange’s Rulebook.
Reorganization of the Rulebook and Other Technical Amendments

The Exchange’s proposal to relocate various provisions is consistent with the Act because the reorganization is intended to bring greater transparency and ease of reference to the ISE Rulebook. Also, making technical non-substantive amendments to capitalize terms and amend cross-references will also bring greater clarity and transparency to the ISE Rulebook.

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 does not believe that the proposed rule change will impact the intense competition that exists in the options market.

Complex Order Legging functionality for Stock-Option Orders

The Exchange does not believe that its proposal to not offer legging for Stock-Option Orders will impose an undue burden on intra-market competition because legging for Stock-Option Orders will not be available uniformly to any Member on ISE. Similarly, the Exchange does not believe that the proposal to not offer legging for Stock-Option Orders will impose any significant burden on inter-market competition as it does not impact the ability of other markets to offer or not offer competing functionality.

Complex Order Quoting

The Exchange does not believe that its proposal to not offer Complex Order quoting will impose an undue burden on intra-market competition because all Members uniformly will not be able to submit Market Maker quotes in the complex order book. All Members will be able to continue to submit Complex Orders on ISE. Similarly, the Exchange does not believe that the proposal will impose any significant burden on inter-
market competition as it does not impact the ability of other markets to offer such quoting functionality.

**Nasdaq ISE Spread Feed**

The Exchange’s proposal to add more specificity to the Nasdaq ISE Spread Feed in Rule 718(a)(5) will bring greater transparency to the data feed. The Exchange’s proposal does not impose an undue burden on inter-market competition because today other options exchanges that offer complex orders offer similar data. The Exchange’s proposal would not impose a burden on intra-market competition because adding references to the additional information, price, side, size and capacity for every Complex Order as well as auction notifications will provide all Members with clear information as to the type of data available in the Spread Feed. By providing the details of the content of the Spread Feed, Members will be better informed as to the type of information they may choose to access to obtain information about the Order Book.

The Exchange’s proposal to separate the various types of information available and replace the word “Public Customer” with the more precise new defined term “Professional Customer” will bring greater transparency to the rule. The Exchange’s proposal to introduce the term “Professional Customer” and define that term to make clear that the current feed contains segregated local Professional Customer and segregated local Priority Customer quote sizes separately available will make clear what specific data is contained in the Spread Feed. Members would have a better understanding of the data that is available in the Spread Feed. The revised rule text will provide information about the types of aggregated quotes available on the Spread Feed so that Members may better understand the information that they may currently obtain on
the feed.

**Mini Options**

The Exchange’s proposal to remove language related to trading Mini Options in Supplementary Material .06 and .08(i) to ISE Rule 722 will not impose an undue burden on inter-market competition as the Exchange no longer lists these types of options for trading and has no plans for listing them in the future. Other markets may continue to list mini options pursuant to their own trading rules. The Exchange’s proposal does not impose an undue burden on intra-market competition because no ISE Member will be able to transact mini options.

**Reorganization of the Rulebook and Other Technical Amendments**

The Exchange’s proposal to relocate various rules with similar topics and create new rules with the text will not impose an undue burden on intra-market or inter-market competition because the reorganization is intended to bring greater transparency and ease of reference to the ISE Rulebook. Also, making technical non-substantive amendments to capitalize terms and amend cross-references will also bring greater clarity and transparency to the ISE Rulebook.

**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
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 necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission’s Internet comment form [http://www.sec.gov/rules/sro.shtml](http://www.sec.gov/rules/sro.shtml); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-ISE-2019-05 on the subject line.

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34 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 Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-ISE-2019-05. 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-2019-05 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.\footnote{17 CFR 200.30-3(a)(12).}

Eduardo A. Aleman
Assistant Secretary
New text is underlined; deleted text is in brackets.

Nasdaq ISE Rulebook

1. Definitions

Rule 100. Definitions

(a) No change.

(1) – (51) No change.

(51A) The term “Professional Customer” means a non-broker/dealer participant who enters at least 390 orders per day on average during a calendar month for its own beneficial account(s).

(52) – (67) No change.

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Rule 715. Types of Orders

(a) – (t) No change.

(u) Opening Sweep. An Opening Sweep is a Market Maker order submitted for execution against eligible interest in the [s]System during the Opening Process pursuant to Rule 701(b)(1).

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Rule 716. [Block Trades] Auction Mechanisms

[(a)] Block-Size Orders. Block-size orders are orders for fifty (50) contracts or more.

[(b)] For purposes of this Rule, a “broadcast message” means an electronic message that is sent by the Exchange to all Members, and a "Response" means an electronic message that is sent by Members in response to a broadcast message. Also for purposes of this rule, the time given to Members to enter Responses for any of the below auction mechanisms shall be designated by the Exchange via circular, but no less than 100 milliseconds and no more than 1 second.

[(c)(a)] Block Order Mechanism. The Block Order Mechanism is a process by which a Member can obtain liquidity for the execution of block-size orders. The Block Order Mechanism is for single leg transactions only. Block-size orders are orders for fifty (50) contracts or more.

(1) No change.

(2) At the conclusion of the time given Members to enter Responses, either an execution will occur automatically, or the order will be cancelled.
(i) Responses, orders, and quotes will be executed at a single block execution price that is the price for the block-size order at which the maximum number of contracts can be executed consistent with the [m]Member’s instruction. Bids (offers) on the Exchange at the time the block order is executed that are priced higher (lower) than the block execution price, as well as Responses that are priced higher (lower) than the block execution price, will be executed in full at the block execution price.

(ii) No change.

(3) No change.

(d) Facilitation Mechanism. The Facilitation Mechanism is a process by which an Electronic Access Member can execute a transaction wherein the Electronic Access Member seeks to facilitate a block-size order it represents as agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against a block-size order it represents as agent. Electronic Access Members must be willing to execute the entire size of orders entered into the Facilitation Mechanism.

(1) and (2) No change.

(3) At the end of the period given for the entry of Responses, the facilitation order will be automatically executed.

(i) No change.

(ii) No change.

(iii) Upon entry of an order into the Facilitation Mechanism, the facilitating Electronic Access Member can elect to automatically match the price and size of orders, quotes and responses received during the exposure period up to a specified limit price or without specifying a limit price. In this case, the facilitating Electronic Access Member will be allocated its full size at each price point, or at each price point within its limit price is a limit is specified, until a price point is reached where the balance of the order can be fully executed. At such price point, the facilitating [m]Member shall be allocated at least forty percent (40%) of the original size of the facilitation order, but only after Priority Customer interest at such price point. Thereafter, all other orders, Responses, and quotes at the price point will participate in the execution of the facilitation order based upon the percentage of the total number of contracts available at the facilitation price that is represented by the size of the order, Response or quote. An election to automatically match better prices cannot be cancelled or altered during the exposure period.

(iv) No change.
(c) Complex Facilitation Mechanism. Electronic Access Members may use the Facilitation Mechanism in sub-paragraph (b) above to execute block-size Complex Orders at a net price. Each options leg of a Complex Order entered into the Complex Facilitation Mechanism must meet the minimum contract size requirement. The Complex Facilitation Mechanism is a process by which an Electronic Access Member can execute a transaction wherein the Electronic Access Member seeks to facilitate a block-size Complex Order it represents as agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against a block-size Complex Order it represents as agent. Electronic Access Members must be willing to execute the entire size of Complex Orders entered into the Complex Facilitation Mechanism.

(1) Complex Orders entered into the Complex Facilitation Mechanism must be priced within the parameters described below. Complex Orders that do not meet these requirements are not eligible for the Complex Facilitation Mechanism and will be rejected.

(2) Complex Options Orders must be entered into the Complex Facilitation Mechanism at a price that is (A) equal to or better than the best bid or offer on the Complex Order Book on the same side of the market as the Agency Order; and (B) equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs on the same side of the market as the Agency Order; provided that, if there is a Priority Customer order on the best bid or offer for any leg, the order must be entered at an improved price consistent with Rule 722(c)(2).

(3) Stock-Option Orders and Stock-Complex Orders must be entered into the Complex Facilitation Mechanism at a price that is (A) equal to or better than the best bid or offer on the Complex Order Book on the same side of the market as the Agency Order; and (B) equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs on both sides of the market; provided that, if there is a Priority Customer order on the best bid or offer for any leg, the order must be entered at an improved price consistent with Rule 722(c)(2).

(4) A Complex Order entered into the Complex Facilitation Mechanism will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex Order. If a trading halt is initiated after the order is entered into the Complex Facilitation Mechanism, such auction will be automatically terminated without execution.

(5) Upon the entry of a Complex Order into the Complex Facilitation Mechanism, a broadcast message that includes the net price, side and size of the Agency Complex Order will be sent and Members will be given an opportunity to enter Responses with the net prices and sizes at which they want to participate in the facilitation of the Agency Complex Order. The time given to Members to enter Responses shall be designated by the Exchange via Options Trader Alert, but will be no less than 100 milliseconds and no more than 1 second.
(6) Responses are only executable against the Complex Order with respect to which they are entered, and will only be considered up to the size of the Complex Order to be facilitated. Responses must be entered in the increments provided in Rule 722(c)(1) at the facilitation price or at a price that is at least one cent better for the Agency Order.

(7) Responses submitted by Members shall not be visible to other auction participants during the exposure period and can be modified or deleted before the exposure period has ended. At the end of the period given for the entry of Responses, the facilitation order will be automatically executed.

(A) Unless there is sufficient size to execute the entire facilitation order at a better net price, Priority Customer Complex Orders and Responses to buy (sell) at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at the facilitation price. Professional Complex Orders and Responses to buy (sell) at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at their stated price, thereby providing the Complex Order being facilitated a better price for the number of contracts associated with such higher bids (lower offers).

(B) The facilitating Electronic Access Member will execute at least forty percent (40%) (or such lower percentage requested by the Member) of the original size of the facilitation order, but only after better-priced Responses, Complex Orders, as well as Priority Customer Complex Orders and Responses at the facilitation price, are executed in full. Thereafter, Professional Complex Orders and Responses at the facilitation price will participate in the execution of the facilitation order based upon the percentage of the total number of contracts available at the facilitation price that is represented by the size of the Professional Complex Order or Response.

(C) Upon entry of a Complex Order into the Complex Facilitation Mechanism, the facilitating Electronic Access Member can elect to automatically match the net price and size of Complex Orders, Responses received during the exposure period up to a specified limit price or without specifying a limit price. This election will also automatically match the net price available from the ISE best bids and offers on the individual legs for the full size of the order; provided that with notice to Members the Exchange may determine whether to offer this option only for Complex Options Orders, Stock-Option Orders, and/or Stock Complex Orders. If a Member elects to auto-match, the facilitating Electronic Access Member will be allocated its full size at each price point, or at each price point within its limit price if a limit is specified, until a price point is reached where the balance of the order can be fully executed. At such price point, the facilitating Member will be allocated at least forty percent (40%) (or such lower percentage requested by the Member) of the original size of the facilitation order, but only after Priority Customer Orders and Responses at such price point. Thereafter, Professional Complex Orders and Responses at the price point will participate in the execution of the facilitation order based upon the percentage of the total
number of contracts available at the facilitation price that is represented by the size of the Professional Complex Order or Response. An election to automatically match better prices cannot be cancelled or altered during the exposure period.

(D) With respect to bids and offers for the individual legs of a Complex Order entered into the Complex Facilitation Mechanism, the priority rules applicable to the execution of Complex Orders contained in Rule 722(c)(2) will continue to be applicable and may prevent the execution of a Complex Order entered into the Facilitation Mechanism, in which case the transaction will be cancelled. If an improved net price for the Complex Order being executed can be achieved from Complex Orders, Responses on the Complex Order Book and, for Complex Options Orders, the ISE best bids and offers on the individual legs, the facilitation order will be executed against such interest.

[(e][d) Solicited Order Mechanism. The Solicited Order Mechanism is a process by which an Electronic Access Member can attempt to execute orders of 500 or more contracts it represents as agent (the "Agency Order") against contra orders that it solicited. Each order entered into the Solicited Order Mechanism shall be designated as all-or-none.

(1) – (3) No change.

(c) Complex Solicited Order Mechanism. The Complex Solicited Order Mechanism is a process by which an Electronic Access Member can attempt to execute Complex Orders it represents as agent (the "Agency Complex Order") against contra orders that it solicited according to sub-paragraph (d) above. Each Complex Order entered into the Solicited Order Mechanism shall be designated as all-or-none, and each options leg must meet the minimum contract size requirement contained in sub-paragraph (d) above.

(1) Complex Orders must be entered into the Complex Solicited Order Mechanism at a price that is (A) equal to or better than the best bid or offer on the Complex Order Book on both sides of the market; and (B) equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs on both sides of the market; provided that, if there is a Priority Customer order on the best bid or offer for any leg, the order must be entered at an improved price consistent with Rule 722(c)(2). Complex Orders that do not meet these requirements are not eligible for the Complex Solicited Order Mechanism and will be rejected.

(2) A Complex Order entered into the Complex Solicited Order Mechanism will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex Order. If a trading halt is initiated after the order is entered into the Complex Solicited Order Mechanism, such auction will be automatically terminated without execution.

(3) Upon entry of both orders into the Complex Solicited Order Mechanism at a proposed execution net price, a broadcast message that includes the net price, side and size of the
Agency Complex Order will be sent and Members will be given an opportunity to enter Responses with the net prices and sizes at which they would be willing to participate in the execution of the Agency Complex Order. The time given to Members to enter Responses shall be designated by the Exchange via Options Trader Alert, but will be no less than 100 milliseconds and no more than 1 second. Responses are only executable against the Complex Order with respect to which they are entered, and will only be considered up to the size of the Agency Complex Order. Responses must be entered in the increments provided in Rule 722(c)(1) at the proposed execution net price or at a price that is at least one cent better for the Agency Order.

(4) Responses submitted by Members shall not be visible to other auction participants during the exposure period and can be modified or deleted before the exposure period has ended. At the end of the period given for the entry of Responses, the Agency Complex Order will be automatically executed in full pursuant to paragraphs (A) through (D) below, or cancelled.

(A) If at the time of execution there is insufficient size to execute the entire Agency Complex Order at an improved net price(s) pursuant to paragraph (e)(4)(C) below, the Agency Complex Order will be executed against the solicited Complex Order at the proposed execution net price so long as, at the time of execution: (i) the execution net price is equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs, (ii) the Complex Order can be executed in accordance with Rule 722(c)(2) with respect to the individual legs, (iii) the execution net price is equal to or better than the best bid or offer on the Complex Order Book, and (iv) there are no Priority Customer Complex Orders or Responses that are priced equal to the proposed execution price.

(B) If there are Priority Customer Complex Orders or Responses on the opposite side of the Agency Complex Order at the proposed execution net price and there is sufficient size to execute the entire size of the Agency Complex Order, the Agency Complex Order will be executed against such interest, and the solicited Complex Order will be cancelled, provided that: (i) the execution net price is equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs, and (ii) the Complex Order can be executed in accordance with Rule 722(c)(2) with respect to the individual legs. The aggregate size of all Complex Orders, Responses and, for Complex Options Orders, the aggregate size available from the best bids and offers for the individual legs, will be used to determine whether the entire Agency Complex Order can be executed pursuant to this paragraph.

(C) If at the time of execution there is sufficient size to execute the entire Agency Complex Order at an improved net price(s), the Agency Complex Order will be executed at the improved net price(s), and the solicited Complex Order will be cancelled, provided that: (i) the execution net price is equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs,
and (ii) the Complex Order can be executed in accordance with Rule 722(c)(2) with respect to the individual legs. The aggregate size of all Complex Orders, Responses, and the aggregate size available from the best bids and offers for the individual legs for a Complex Options Order, will be used to determine whether the entire Agency Complex Order can be executed at an improved net price(s).

(D) When executing the Agency Complex Order against other interest in accordance with Rule 722(d)(2)(ii), Priority Customer Complex Orders and Responses will be executed first. Professional Complex Orders and Responses participate next in the execution of the Agency Complex Order based upon the percentage of the total number of contracts available at the best price that is represented by the size of the Professional Complex Order or Response. Finally, for Complex Options Orders, bids and offers for the individual legs will be executed pursuant to Rule 713 and the Supplementary Material thereto.

(5) Prior to entering Agency Orders into the Complex Solicited Order Mechanism on behalf of a customer, EAMs must deliver to the customer a written notification informing the customer that its order may be executed using Nasdaq ISE’s Solicited Order Mechanism. Such written notification must disclose the terms and conditions contained in this Rule and must be in a form approved by the Exchange.

(f) Limitation on Concurrent Complex Strategy Auctions. Only one Exposure Auction at Supplementary Material .01 to Rule 722, Complex Price Improvement Mechanism auction at Rule 723(e), Complex Facilitation Mechanism auction at 716(c), or Complex Solicited Order Mechanism auction at 716(e), respectively, will be ongoing at any given time in a Complex Strategy, and such auctions will not queue or overlap in any manner. The Exchange will not initiate an Exposure Auction, Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction in a Complex Strategy while another Exposure Auction, Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction in that Complex Strategy is ongoing. If a Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction for a Complex Strategy has been initiated, an Exposure Auction for that Complex Strategy will not be initiated, and an Exposure Only Complex Order for the Complex Strategy will be cancelled back to the Member. An Exposure Order for the Complex Strategy will be processed as an order that is not marked for price improvement.

(g) Concurrent Complex Order and single leg auctions. An auction in the Block Order Mechanism at 716(a), Facilitation Mechanism at 716(b), Solicited Order Mechanism at 716(d), or Price Improvement Mechanism at 723(d), respectively, or an exposure period as provided in Supplementary Material .02 to Rule 1901, for an option series may occur concurrently with a Complex Order Exposure Auction at Supplementary Material .01 to Rule 722, Complex Facilitation Auction at 716(c), Complex Solicited Order Auction at 716(e), or Complex Price Improvement Mechanism auction at 723(e), respectively, for a Complex Order that includes that series. To the extent that there are concurrent Complex Order and single leg auctions involving a
specific option series, each auction will be processed sequentially based on the time the auction commenced. At the time an auction concludes, including when it concludes early, the auction will be processed pursuant to Rules 716(a), (b), (d), or 723(a) or Supplementary Material.02 to Rule 1901, as applicable, for the single option, or pursuant to Supplementary Material.01 to Rule 722, 716(e), 716(e), 723(e), as applicable, for the Complex Order, except as provided for at Rule 723(e)(4)(vi).

Supplementary Material to Rule 716

.01 It will be a violation of a Member’s duty of best execution to its customer if it were to cancel a facilitation order to avoid execution of the order at a better price. The availability of the Facilitation Mechanism does not alter a Member's best execution duty to get the best price for its customer. Accordingly, while facilitation orders can be canceled during the time period given for the entry of Responses, if a Member were to cancel a facilitation order when there was a superior price available on the Exchange and subsequently re-enter the facilitation order at the same facilitation price after the better price was no longer available without attempting to obtain that better price for its customer, there would be a presumption that the Member did so to avoid execution of its customer order in whole or in part by other brokers at the better price.

.02 No change.

[.03 Reserved.]

[.04 The time given to Members to enter Responses under paragraphs (c)(1), (d)(1) and (e)(1) shall be designated by the Exchange via circular, but no less than 100 milliseconds and no more than 1 second.]

.0[5][3] Under paragraph [(e)](d) above, Members may enter contra orders that are solicited. The Solicited Order Mechanism provides a facility for Members that locate liquidity for their customer orders. Members may not use the Solicited Order Mechanism to circumvent Exchange Rule 717(d) limiting principal transactions. This may include, but is not limited to, Members entering contra orders that are solicited from (1) affiliated broker-dealers, or (2) broker-dealers with which the Member has an arrangement that allows the Member to realize similar economic benefits from the solicited transaction as it would achieve by executing the customer order in whole or in part as principal. Additionally, any solicited contra orders entered by Members to trade against Agency Orders may not be for the account of a Nasdaq ISE market maker that is assigned to the options class.

.0[6][4] Split Prices. Orders and Responses may be entered into the Facilitation and Solicitation Mechanisms and receive executions at the mid-price between the standard minimum trading increments for the options series (“Split Prices”). This means that orders and Responses for options with a minimum increment of 5 cents may be entered into the Facilitation and Solicitation Mechanisms and receive executions in 2.5 cent increments (e.g., $1.025, $1.05, $1.075, etc.), and that orders and Responses for options with a minimum increment of 10 cents may be entered into the Facilitation and Solicitation Mechanism and receive executions at 5 cent increments (e.g., $4.05, $4.10, $4.15, etc.). Orders and quotes in the market that receive the
benefit of the facilitation price under paragraph ([d]b)([2]3)(i) may also receive executions at Split Prices.

[.07 Reserved.

.08 Reserved.]

.0[9]7 Penny Prices. Orders and Responses may be entered into the Block Mechanism and receive executions at penny increments. Orders and quotes in the market that receive the benefit of the block execution price under paragraph ([c]a)(2)(i) may also receive executions at penny increments.

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Rule 718. Data Feeds and Trade Information
(a) The following data feeds contain ISE trading information offered by ISE:

(1) – (4) No change.

(5) Nasdaq ISE Spread Feed (“Spread Feed”) is a feed that consists of: (1) options [quotes and] orders for all Complex Orders (i.e., spreads, buy-writes, delta neutral strategies, etc.); (2) data aggregated at the top five price levels (BBO) on both the bid and offer side of the market; (3) [as well as] last trades information. [In addition, t]he Spread Feed provides updates, including prices, side, size and capacity, for every [time a new] Complex [Limit] Order [that is not immediately executable at the BBO is] placed on the ISE Complex Order book. The Spread Feed shows: (1) aggregate bid/ask quote size; (2) aggregate bid/ask quote size for Professional Customer Orders; and (3) aggregate bid/ask quote size for [Public Customer and] Priority Customer [option o]rder for ISE traded options. The feed also provides Complex Order auction notifications.

(b) No change.

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Rule 721. Crossing Orders
(a) Customer Cross Orders. Customer Cross Orders are automatically executed upon entry provided that the execution is at or between the best bid and offer on the Exchange and (i) is not at the same price as a Priority Customer Order on the Exchange's limit order book and (ii) will not trade through the NBBO.

(1) - (3) No change.

(b) Complex Customer Cross Orders. Complex Orders may be entered as Customer Cross Orders, as defined in Rule 715(i). Such orders will be automatically executed upon entry so long as: (i) the price of the transaction is at or within the best bid and offer for the same complex strategy on the Complex Order Book; (ii) there are no Priority Customer Complex Orders for the same strategy at the same price on the Complex Order Book; and (iii) the options legs can be
executed at prices that comply with the provisions of Rule 722(c)(2). Complex Customer Cross Orders will be rejected if they cannot be executed. Supplementary Material .01 to Rule 717 applies to Complex Customer Cross Orders.

(b|c) Qualified Contingent Cross Orders. Qualified Contingent Cross Orders are automatically executed upon entry provided that the execution (i) is not at the same price as a Priority Customer Order on the Exchange's limit order book and (ii) is at or between the NBBO.

(1) and (2) No change.

(d) Complex Qualified Contingent Cross Orders. Complex Options Orders may be entered as Qualified Contingent Cross Orders, as defined in Rule 715(j). Such orders will be automatically executed upon entry so long as: (i) the price of the transaction is at or within the best bid and offer for the same complex options strategy on the Complex Order Book; (ii) there are no Priority Customer Complex Options Orders for the same strategy at the same price on the Complex Order Book; and (iii) the options legs can be executed at prices that (A) are at or between the NBBO for the individual series, and (B) comply with the provisions of Rule 722(c)(2)(i), provided that no legs of the Complex Options Order can be executed at the same price as a Priority Customer Order on the Exchange in the individual options series. Complex Qualified Contingent Cross Orders will be rejected if they cannot be executed. Complex Qualified Contingent Cross Orders may be entered in one cent increments. Each leg of a Complex Options Order must meet the 1,000 contract minimum size requirement for Qualified Contingent Cross Orders.

(c|e) Qualified Contingent Cross (“QCC”) with Stock. QCC with Stock Orders are processed as follows:

(1) When a Member enters a QCC with Stock Order, a Qualified Contingent Cross Order is entered on the Exchange pursuant to Rule 721(b|g).

(2) If the Qualified Contingent Cross Order is executed, the Exchange will automatically communicate the stock component to the Member's designated broker-dealer for execution.

(3) If the Qualified Contingent Cross Order cannot be executed, the entire QCC with Stock Order, including both the stock and options components, is cancelled.

(4) QCC with Stock Orders can be entered with separate prices for the stock and options components, or with a net price for both.

(5) QCC with Stock Orders are available to Members on a voluntary basis. Members that enter QCC with Stock Orders must enter into a brokerage agreement with one or more broker-dealers designated by the Exchange. The Member must designate a specific broker-dealer on each order if the Member has entered into an agreement with more than one. The Exchange will have no financial arrangements with the designated broker-dealers with respect to communicating stock orders to them.
(6) Members that execute the options component of a qualified contingent trade entered as a QCC with Stock Order remain responsible for the execution of the stock component if they do not receive an execution from their designated broker-dealer.

(f) Complex QCC with Stock Orders. Complex QCC with Stock Orders are processed as follows:

(1) When a Member enters a Complex QCC with Stock Order, a Qualified Contingent Cross Complex Order is entered on the Exchange pursuant to (d) above.

(2) If the Qualified Contingent Cross Complex Order is executed, the Exchange will automatically communicate the stock component to the Member’s designated broker-dealer for execution.

(3) If the Qualified Contingent Cross Complex Order cannot be executed, the entire Complex QCC with Stock Order, including both the stock and options components, is cancelled.

[Supplementary Material to Rule 721]

.01 QCC with Stock Orders can be entered with separate prices for the stock and options components, or with a net price for both.

.02 QCC with Stock Orders are available to members on a voluntary basis. Members that enter QCC with Stock Orders must enter into a brokerage agreement with one or more broker-dealers designated by the Exchange. The member must designate a specific broker-dealer on each order if the member has entered into an agreement with more than one. The Exchange will have no financial arrangements with the designated broker-dealers with respect to communicating stock orders to them.

.03 Members that execute the options component of a qualified contingent trade entered as a QCC with Stock Order remain responsible for the execution of the stock component if they do not receive an execution from their designated broker-dealer.]

Rule 722. Complex Orders [and Quotes]

[Stock-Option Orders will not be automatically executed against bids and offers on the Exchange for the individual legs ("legging") pursuant to subparagraphs (d)(1) and (d)(3) of Rule 722 and Supplementary Material .01 and .02 to Rule 722. Stock-Option Orders will continue to execute against other Stock-Option Orders in the Complex Order Book. The Exchange will recommence legging for Stock-Option Orders on ISE on or before March 21, 2019. The Exchange will issue an Options Trader Alert notifying Members when this functionality will be available.

Only one Complex Order auction pursuant to Supplementary Material .01 and Supplementary Material .08(a) - (c) to Rule 722 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(a) - (c) to Rule 722 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 Supplementary Material .01 to Rule 722 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.]

(a) No change.

(b) Types of Complex Orders. Unless otherwise specified, the definitions used below have the same meaning contained in Rule 715. Complex Orders may be entered using the following orders or designations:

(1) – (3) No change.


([5]4) Attributable Complex Order. A Market or Limit Complex Order may be designated as an Attributable Order as provided in Rule 715(h).

([6]5) Customer Cross Complex Order. A Customer Cross Complex Order is comprised of a Priority Customer Complex Order to buy and a Priority Customer Complex Order to sell at the same price and for the same quantity. Such orders will trade in accordance with [Supplementary Material .08(d) to this Rule 722] Rule 721(b).

([7]6) Qualified Contingent Cross Complex Order. A Complex Options Order may be entered as a Qualified Contingent Cross Order, as defined in Rule 715(j). Qualified Contingent Cross Complex Orders will trade in accordance with [Supplementary Material .08(e) to this Rule 722] Rule 721(d).

([8]7) Day Complex Order. A Complex Order may be designated as a Day Order that if not executed, expires at the end of the day on which it was entered.

([9]8) Fill-or-Kill Complex Orders. A Complex Order may be designated as a Fill-or-Kill Order that is to be executed in its entirety as soon as it is received and, if not so executed, cancelled.

([10]9) Immediate-or-Cancel Complex Orders. A Complex Order may be designated as an Immediate-or-Cancel Order that is to be executed in whole or in part upon receipt. Any portion not so executed is cancelled.

([11]10) Opening Only Complex Order. An Opening Only Complex Order is a Limit Complex Order that may be entered for execution during the Complex Opening Process described in
Supplementary Material [.10].04 to Rule 722. Any portion of the order that is not executed during the Complex Opening Process is cancelled.

((12)11) Good-Till-Date Complex Order. A Good-Till-Date Complex Order is an order to buy or sell which, if not executed, will be cancelled at the sooner of the end of the expiration date assigned to the Complex Order, or the expiration of any individual series comprising the order.

((13)12) Good-Till-Cancel Complex Order. A Good-Till-Cancel Complex Order is an order to buy or sell that remains in force until the order is filled, canceled or any series of the order expires; provided, however, that a Good-Till-Cancel Complex Order will be cancelled in the event of a corporate action that results in an adjustment to the terms of any series underlying the Complex Order.

((14)13) Exposure Complex Order. An Exposure Complex Order is an order that will be exposed upon entry as provided in Supplementary Material .01 to this Rule 722 if eligible, or entered on the Complex Order Book if not eligible. Any unexecuted balance of an Exposure Complex Order remaining upon the completion of the exposure process will be entered on the Complex Order Book.

((15)14) Exposure Only Complex Order. An Exposure Only Complex Order is an order that will be exposed upon entry as provided in Supplementary Material .01 to this Rule 722 if eligible, or cancelled if not eligible. Any unexecuted balance of an Exposure Only Complex Order remaining upon the completion of the exposure process will be cancelled.

((16)15) Complex QCC with Stock Orders. A Complex QCC with Stock Order is a Qualified Contingent Cross Complex Order, as defined in Rule 722(b)((7)6), entered with a stock component to be communicated to a designated broker-dealer for execution pursuant to Rule 721(e).

(c) No change.

(1) and (2) No change.

(3) Internalization. Complex Orders represented as agent may be executed (i) as principal as provided in Rule 717(d), or (ii) against orders solicited from Members and non-member broker-dealers as provided in Rule 717(e). The exposure requirements of Rules 717(d) or (e) must be met on the Complex Order Book unless the order is executed in one of the mechanisms described in Rules 716, 721 and 723.

(d) Execution of Complex Strategies. Complex strategies will be executed without consideration of any prices that might be available on other exchanges trading the same options contracts. Complex strategies are not executable unless all of the terms of the strategy can be satisfied and the options legs can be executed at prices that comply with the provisions of paragraph (c)(2) above. Complex strategies, other than those that are executed as crossing transactions pursuant to Rules 716, 72[2]1 and 723, are automatically executed as follows:
(1) No change.

(2) Complex [strategies] Options Orders will be executed at the best net price available from Complex Order Exposure pursuant to Supplementary Material .01 to Rule 722, executable Complex Orders[ and quotes] on the Complex Order Book, and bids and offers for the individual options series; provided that at each price, executable [complex strategies] Complex Options Orders will be automatically executed first against executable bids and offers on the Complex Order book prior to legging in the single leg order book. Notwithstanding the foregoing, executable [complex strategies] Complex Options Orders will execute against Priority Customer interest on the single leg book at the same price before executing against the Complex Order Book. Thus, Priority Customer Orders on the single leg order book shall retain priority and will execute prior to any other Complex Order or non-Priority Customer single leg interest at the same price. Stock Option Orders and Stock Complex Orders will be executed at the best net price available from Complex Order Exposure pursuant to Supplementary Material .01 to Rule 722 and executable Complex Orders on the Complex Order Book. The Exchange may designate on a class basis whether bids and offers at the same price on the Complex Order Book will be executed:

(i) in time priority; or

[(ii) pursuant to Nasdaq ISE Rule 713(e) and Supplementary Material .01(a) to Nasdaq ISE Rule 713 except that there shall be no participation rights for the Primary Market Maker as provided in Supplementary Material to Rule 713, paragraph .01(b) and (c); or]

(ii[i]) pro-rata based on size.

(3) If there is no executable contra-side complex interest on the Complex Order Book at a particular price, executable Complex Options Orders up to a maximum number of legs (determined by the Exchange on a class basis as either two legs, three legs or four legs) and the options leg(s) of executable Stock-Option Orders or executable Stock-Complex Orders with up to a maximum number of options legs (determined by the Exchange as either two legs, three legs or four legs) may be automatically executed against bids and offers on the Exchange for the individual options series provided the Complex Order can be executed in full or in a permissible ratio by such bids and offers. Legging orders may be automatically generated on behalf of Complex Options Orders so that they are represented at the best bid and/or offer on the Exchange for the individual legs of the Complex Options Order as provided in Rule 715(k). Notwithstanding the foregoing:

(A) Complex Orders with 2 option legs where both legs are buying or both legs are selling and both legs are calls or both legs are puts may only trade against other Complex Orders in the Complex Order Book. The [trading s]System will not generate legging orders for theseComplex Orders.

(B) No change.
(4) No change.

**Supplementary Material to Rule 722**

.01 Complex Order Exposure. If designated by a [m]Member for exposure, eligible Complex Orders are exposed upon entry for a period of up to one (1) second pursuant to Rule 722(d)(1) as follows:

(a) No change.

(b) Upon entry of an eligible Complex Order, a broadcast message that includes net price or at market, size, and side will be sent and Members will be given an opportunity to enter Responses with the prices and sizes at which they are willing to participate in the execution of the Complex Order.

(i) No change.

(ii) The exposure period for a Complex Order will end immediately: (A) upon the receipt of a Complex Order[ or quote] for the same complex strategy on either side of the market that is marketable against the Complex Order Book or bids and offers for the individual legs; (B) upon the receipt of a non-marketable Complex Order[ or quote] for the same complex strategy on the same side of the market that would cause the price of the exposed Complex Order to be outside of the best bid or offer for the same complex strategy on the Complex Order Book; or (C) when a resting Complex Order for the same complex strategy on either side of the market becomes marketable against interest on the Complex Order book or bids and offers for same individual legs of the complex strategy.

(iii) No change.

(c) At the end of the exposure period, if the Complex Order still improves upon the best price for the complex strategy on the same side of the market, it is automatically executed to the greatest extent possible pursuant to Rule 722(d)(2)-(3), taking into consideration: (i) bids and offers on the Complex Order Book (including interest received during the exposure period), (ii) bids and offers on the Exchange for the individual options series (including interest received during the exposure period), and (iii) Responses received during the exposure period, provided that when allocating pursuant to 722(d)(2)(ii)[i], Responses are allocated pro-rata based on size. Thereafter, any unexecuted balance will be placed on the Complex Order Book (or cancelled in the case of an Exposure Only Complex Order). Notwithstanding the foregoing, Supplementary Material .01(c)(ii) shall not be applicable with respect to Stock Option Orders and Stock Complex Orders.

(d) No change.

.02 No change.

 [.03 Market Maker Quotes.]
Symbols are not eligible for Market Maker Quotes in the complex order book, as provided in Supplementary Material .03 to Rule 722. Symbols shall trade in price/time priority. The Exchange will offer complex quoting functionality on or before April 26, 2019. Thereafter, the Exchange may offer the complex quoting from time to time with notice to members. At the time the Exchange designates a symbol as available for complex quoting, it will also designate the allocation methodology for that symbol pursuant to ISE Rule 722(b)(3)(i).

Market makers may enter quotes for complex strategies on the Complex Order Book in their appointed options classes. The Exchange will announce via Options Trader Alert which options classes are available for quoting on the Complex Order Book. Market Maker quotes for complex strategies are executed in the same manner as orders as provided in paragraph (d)(2) above, but will not be automatically executed against bids and offers on the Exchange for the individual legs as provided in paragraph (d)(3) nor can they be marked for price improvement as provided in paragraph (d)(1). Market makers are not required to enter quotes on the Complex Order Book. Quotes for complex strategies are not subject to any quotation requirements that are applicable to market maker quotes in the regular market for individual options series or classes, nor is any volume executed in complex strategies taken into consideration when determining whether market makers are meeting quotation obligations applicable to market maker quotes in the regular market for individual options series.

.04 Automated Spread Quotation Adjustments. A market maker quoting Complex Options Strategies must provide parameters by which the Exchange will automatically remove a market maker's quotations in all Complex Option Strategies in an options class. The Exchange will automatically remove a market maker's quotation when, during a time period established by the market maker, the market maker exceeds in execution of quotes in Complex Option Strategies: (i) the specified number of total contracts in the class, (ii) the specified percentage of the total size of the market maker's quotes in the class, (iii) the specified absolute value of the net between contracts bought and contracts sold in the class, or (iv) the specified absolute value of the net between (a) calls purchased plus puts sold in the class, and (b) calls sold plus puts purchased in the class.

.05 Preferencing. For options allocated pursuant to subparagraph (d)(2)(ii), a market maker with a quote at the best price on the Complex Order Book that is designated as a "Preferred Market Maker" by the Electronic Access Member entering the Complex Order will receive an enhanced allocation (after all Priority Customer Orders on the Complex Order Book at the same price have been executed in full) that is equal to the greater of:

(i) the proportion of the total size at the best price represented by the size of its quote, or

(ii) sixty percent (60%) of the contracts to be allocated if there is only one (1) other Professional Order or market maker quotation at the best price and forty percent (40%) if there are two (2) or more other Professional Orders and/or market maker quotes at the best price.

Preferred Market Makers on the Complex Order Book must satisfy their quotation obligations in the options class in the regular market, including the requirements in Rule 804(e)(3) applicable to Competitive Market Makers that receive Preferenced Orders.
.06 If any leg of a complex strategy is a Mini Option contract as provided in Supplementary Material .13 to Rule 504, all options legs of such complex strategy must also be Mini Option contracts.

.07 Complex Order Protections.

(a) Price limits for Complex Orders and quotes.

(1) As provided in paragraph (d) above, the legs of a complex strategy may be executed at prices that are inferior to the prices available on other exchanges trading the same options series. Notwithstanding, the System will not permit any leg of a complex strategy to trade through the NBBO for the series or any stock component by a configurable amount calculated as the lesser of (i) an absolute amount not to exceed $0.10, and (ii) a percentage of the NBBO not to exceed 500%, as determined by the Exchange on a class, series or underlying basis. A Member can also include an instruction on a Complex Order that each leg of the Complex Order is to be executed only at a price that is equal to or better than the NBBO for the options series or any stock component, as applicable.

(A) The System will reject any orders and quotes for a complex strategy where all legs are to buy if entered at a price that is less than the minimum net price, which is calculated as the sum of the ratio on each leg of the complex strategy multiplied by the minimum increment applicable to that leg pursuant to Rule 722(c)(1).

(b) Strategy Protections. The following protections will apply throughout the trading day, including pre-market, during the Opening Process and during a trading halt. The protections will not apply to Complex Orders being auctioned and auction responses in the Facilitation Mechanism, Solicited Order Mechanism, and Price Improvement Mechanism and will not apply to Customer Cross Orders pursuant to Supplementary Material .08 to this Rule 722.

(1) Vertical Spread Protection. The Vertical Spread Protection will apply to a vertical spread. A vertical spread is an order or quote to buy a call (put) option and to sell another call (put) option in the same security with the same expiration but at a higher (lower) strike price.

(A) The System will reject a Vertical Spread order or quote when entered with a net price of less than zero (minus a pre-set value), and will prevent the execution of a Vertical Spread order at a price that is less than zero (minus a pre-set value) when entered as a Market Order to sell. The Exchange will set a pre-set value not to exceed $1.00 to be applied uniformly across all classes. The Exchange may amend the pre-set value uniformly across all classes.

(B) The System will reject a Vertical Spread order or quote when entered with a net price greater than the value of the higher strike price minus the lower strike price (plus a pre-set value), and will prevent the execution of a Vertical Spread order at a price that is greater than the value of the higher strike price minus the lower strike price (plus a pre-set value) when entered as a Market Order to buy. The pre-set value used by the vertical spread check will be the lesser of (1) an absolute amount not to exceed $1.00 and (2) a percentage of the difference between the strike
prices not to exceed 10% to be applied uniformly across all classes. The Exchange may amend the pre-set value uniformly across all classes.

(2) Calendar Spread Protection. The Calendar Spread Protection will apply to a Calendar Spread. A calendar spread is an order or quote to buy a call (put) option with a longer expiration and to sell another call (put) option with a shorter expiration in the same security at the same strike price.

(A) The System will reject a Calendar Spread order or quote when entered with a net price of less than zero (minus a preset value), and will prevent the execution of a Calendar Spread order at a price that is less than zero (minus a pre-set value) when entered as a Market Order to sell. The Exchange will set a pre-set value not to exceed $1.00 to be applied uniformly across all classes. The Exchange may amend the pre-set value uniformly across all classes.

(3) Butterfly Spread Protection. The Butterfly Spread Protection will apply to a butterfly spread. A butterfly spread is a three legged Complex Order with the following: (1) two legs to buy (sell) the same number of calls (puts); (2) one leg to sell (buy) twice the number of calls (puts) with a strike price at mid-point of the two legs to buy (sell); (3) all legs have the same expiration; and (4) each leg strike price is equidistant from the next sequential strike price.

(A) A Butterfly Spread Limit Order that is priced higher than the Maximum Value or lower than the Minimum Value will be rejected. A Butterfly Spread Market Order (or Butterfly Spread Limit Order entered with a net price inside the Butterfly Spread Protection Range) to buy (sell) will be restricted from executing by legging into the single leg market with a net price higher (lower) than the Maximum (Minimum) Value. The Butterfly Spread Protection Range is the absolute difference between the Minimum Value and the Maximum Value.

(i) The Initial Maximum Value is the distance between the strike price of the leg with the mid-point strike and either of the outer leg strike prices. The Maximum Value Buffer is the lesser of a configurable absolute dollar value or percentage of the Initial Maximum Value set by the Exchange and announced via a notice to members. The Maximum Value is calculated by adding the Initial Maximum Value and Maximum Value Buffer.

(ii) The Initial Minimum Value is zero. The Minimum Value Buffer is a configurable absolute dollar value set by the Exchange and announced via a notice to members. The Minimum Value is calculated by subtracting the Minimum Value Buffer from the Initial Minimum Value of zero.

(4) Box Spread Protection. The Box Spread Protection will apply to a box spread. A box spread is a four legged Complex Order with the following: (1) one pair of legs with the same strike price with one leg to buy a call (put) and one leg to sell a put (call); (2) a second pair of legs with a different strike price from the pair described in (1) with one leg to sell a call (put) and one leg to buy a put (call); (3) all legs have the same expiration; and (4) all legs have equal volume.

(A) A Box Spread Limit Order that is priced higher than the Maximum Value or lower than the Minimum Value will be rejected. A Box Spread Market Order (or Box Spread Limit Order entered with a net price inside the Box Spread Protection Range) to buy (sell) will be restricted
from executing by legging into the single leg market with a net price higher (lower) than the Maximum (Minimum) Value. The Box Spread Protection Range is the absolute difference between the Minimum Value and the Maximum Value.

(i) The Initial Maximum Value is the distance between the strike prices of each pair of leg strike prices. The Maximum Value Buffer is the lesser of a configurable absolute dollar value or percentage of the Initial Maximum Value set by the Exchange and announced via a notice to members. The Maximum Value is calculated by adding the Initial Maximum Value and Maximum Value Buffer.

(ii) The Initial Minimum Value is zero. The Minimum Value Buffer is a configurable absolute dollar value set by the Exchange and announced via a notice to members. The Minimum Value is calculated by subtracting the Minimum Value Buffer from the Initial Minimum Value of zero.

(c) Other Price Protections which apply to Complex Orders.

(1) **Limit Order Price Protection.** There is a limit on the amount by which the net price of an incoming Limit Complex Order to buy may exceed the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg, and by which the net price of an incoming Limit Complex Order to sell may be below the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg. Limit Complex Orders that exceed the pricing limit are rejected. The limit is established by the Exchange from time-to-time for Limit Complex Orders to buy (sell) as the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg plus (minus) the greater of: (i) an absolute amount not to exceed $2.00, or (ii) a percentage of the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg not to exceed 10%. This limit order price protection applies only to orders and does not apply to quotes.

(2) **Size Limitation.** There is a limit on the number of contracts (and shares in the case of a Stock-Option Strategy or Stock-Complex Strategy) any single leg of an incoming Complex Order or quote may specify. Orders or quotes that exceed the maximum number of contracts (or shares) are rejected. The maximum number of contracts (or shares), which shall not be less than 10,000 (or 100,000 shares), is established by the Exchange from time-to-time.

(3) **Price Level Protection.** There is a limit on the number of price levels at which an incoming Complex Order to sell (buy) will be executed automatically with the bids or offers of each component leg when there are no bids (offers) from other exchanges at any price for the options series. Complex Orders are executed at each successive price level until the maximum number of price levels is reached on any component leg where the protection has been triggered, and any balance is canceled. The number of price levels for the component leg, which may be from one (1) to ten (10), is determined by the Exchange from time-to-time on a class-by-class basis.

.08 Complex Orders Crossing Transactions.
(a) *Complex Facilitation Mechanism.* Electronic Access Members may use the Facilitation Mechanism according to paragraph (d) of Rule 716 to execute block-size Complex Orders at a net price. Each options leg of a Complex Order entered into the Complex Facilitation Mechanism must meet the minimum contract size requirement contained in paragraph (d) of Rule 716. The Complex Facilitation Mechanism is a process by which an Electronic Access Member can execute a transaction wherein the Electronic Access Member seeks to facilitate a block-size Complex Order it represents as agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against a block-size Complex Order it represents as agent. Electronic Access Members must be willing to execute the entire size of Complex Orders entered into the Complex Facilitation Mechanism.

1. Complex Orders entered into the Complex Facilitation Mechanism must be priced within the parameters described below. Complex Orders that do not meet these requirements are not eligible for the Complex Facilitation Mechanism and will be rejected.

   (i) Complex Options Orders must be entered into the Complex Facilitation Mechanism at a price that is (A) equal to or better than the best bid or offer on the Complex Order Book on the same side of the market as the Agency Order; and (B) equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs on the same side of the market as the Agency Order; provided that, if there is a Priority Customer order on the best bid or offer for any leg, the order must be entered at an improved price consistent with Rule 722(c)(2).

   (ii) Stock-Option Orders and Stock-Complex Orders must be entered into the Complex Facilitation Mechanism at a price that is (A) equal to or better than the best bid or offer on the Complex Order Book on the same side of the market as the Agency Order; and (B) equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs on both sides of the market; provided that, if there is a Priority Customer order on the best bid or offer for any leg, the order must be entered at an improved price consistent with Rule 722(c)(2).

2. A Complex Order entered into the Complex Facilitation Mechanism will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex Order. If a trading halt is initiated after the order is entered into the Complex Facilitation Mechanism, such auction will be automatically terminated without execution.

3. Upon the entry of a Complex Order into the Complex Facilitation Mechanism, a broadcast message that includes the net price, side and size of the Agency Complex Order will be sent and Members will be given an opportunity to enter Responses with the net prices and sizes at which they want to participate in the facilitation of the Agency Complex Order. The time given to Members to enter Responses shall be designated by the Exchange via Options Trader Alert, but will be no less than 100 milliseconds and no more than 1 second.

4. Responses are only executable against the Complex Order with respect to which they are entered, and will only be considered up to the size of the Complex Order to be facilitated.
Responses must be entered in the increments provided in Rule 722(c)(1) at the facilitation price or at a price that is at least one cent better for the Agency Order.

(5) Responses submitted by Members shall not be visible to other auction participants during the exposure period and can be modified or deleted before the exposure period has ended. At the end of the period given for the entry of Responses, the facilitation order will be automatically executed.

(i) Unless there is sufficient size to execute the entire facilitation order at a better net price, Priority Customer Complex Orders and Responses to buy (sell) at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at the facilitation price. Professional Complex Orders and Responses, and quotes to buy (sell) at the time the facilitation order is executed that are priced higher (lower) than the facilitation price will be executed at their stated price, thereby providing the Complex Order being facilitated a better price for the number of contracts associated with such higher bids (lower offers).

(ii) The facilitating Electronic Access Member will execute at least forty percent (40%) (or such lower percentage requested by the member) of the original size of the facilitation order, but only after better-priced Responses, Complex Orders and quotes, as well as Priority Customer Complex Orders and Responses at the facilitation price, are executed in full. Thereafter, Professional Complex Orders and Responses, and quotes at the facilitation price will participate in the execution of the facilitation order based upon the percentage of the total number of contracts available at the facilitation price that is represented by the size of the Professional Complex Order or Response, or quote.

(iii) Upon entry of a Complex Order into the Complex Facilitation Mechanism, the facilitating Electronic Access Member can elect to automatically match the net price and size of Complex Orders, Responses and quotes received during the exposure period up to a specified limit price or without specifying a limit price. This election will also automatically match the net price available from the ISE best bids and offers on the individual legs for the full size of the order; provided that with notice to members the Exchange may determine whether to offer this option only for Complex Options Orders, Stock-Option Orders, and/or Stock Complex Orders. If a member elects to auto-match, the facilitating Electronic Access Member will be allocated its full size at each price point, or at each price point within its limit price if a limit is specified, until a price point is reached where the balance of the order can be fully executed. At such price point, the facilitating Member will be allocated at least forty percent (40%) (or such lower percentage requested by the member) of the original size of the facilitation order, but only after Priority Customer Orders and Responses at such price point. Thereafter, Professional Complex Orders and Responses, and quotes at the price point will participate in the execution of the facilitation order based upon the percentage of the total number of contracts available at the facilitation price that is represented by the size of the Professional Complex Order or Response, or quote. An election to automatically match better prices cannot be cancelled or altered during the exposure period.

(iv) With respect to bids and offers for the individual legs of a Complex Order entered into the Complex Facilitation Mechanism, the priority rules applicable to the execution of Complex
Orders contained in Rule 722(c)(2) will continue to be applicable and may prevent the execution of a Complex Order entered into the Facilitation Mechanism, in which case the transaction will be cancelled. If an improved net price for the Complex Order being executed can be achieved from Complex Orders, Responses, and quotes on the Complex Order Book and, for Complex Options Orders, the ISE best bids and offers on the individual legs, the facilitation order will be executed against such interest.

(b) Complex Solicited Order Mechanism. The Complex Solicited Order Mechanism is a process by which an Electronic Access Member can attempt to execute Complex Orders it represents as agent (the "Agency Complex Order") against contra orders that it solicited according to paragraph (e) of Rule 716. Each Complex Order entered into the Solicited Order Mechanism shall be designated as all-or-none, and each options leg must meet the minimum contract size requirement contained in paragraph (e) of Rule 716.

1. Complex Orders must be entered into the Complex Solicited Order Mechanism at a price that is (A) equal to or better than the best bid or offer on the Complex Order Book on both sides of the market; and (B) equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs on both sides of the market; provided that, if there is a Priority Customer order on the best bid or offer for any leg, the order must be entered at an improved price consistent with Rule 722(c)(2). Complex Orders that do not meet these requirements are not eligible for the Complex Solicited Order Mechanism and will be rejected.

2. A Complex Order entered into the Complex Solicited Order Mechanism will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex Order. If a trading halt is initiated after the order is entered into the Complex Solicited Order Mechanism, such auction will be automatically terminated without execution.

3. Upon entry of both orders into the Complex Solicited Order Mechanism at a proposed execution net price, a broadcast message that includes the net price, side and size of the Agency Complex Order will be sent and Members will be given an opportunity to enter Responses with the net prices and sizes at which they would be willing to participate in the execution of the Agency Complex Order. The time given to Members to enter Responses shall be designated by the Exchange via Options Trader Alert, but will be no less than 100 milliseconds and no more than 1 second. Responses are only executable against the Complex Order with respect to which they are entered, and will only be considered up to the size of the Agency Complex Order. Responses must be entered in the increments provided in Rule 722(c)(1) at the proposed execution net price or at a price that is at least one cent better for the Agency Order.

4. Responses submitted by Members shall not be visible to other auction participants during the exposure period and can be modified or deleted before the exposure period has ended. At the end of the period given for the entry of Responses, the Agency Complex Order will be automatically executed in full pursuant to paragraphs (i) through (iv) below, or cancelled.

(i) If at the time of execution there is insufficient size to execute the entire Agency Complex Order at an improved net price(s) pursuant to paragraph (b)(4)(iii) below, the Agency Complex
Order will be executed against the solicited Complex Order at the proposed execution net price so long as, at the time of execution: (A) the execution net price is equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs, (B) the Complex Order can be executed in accordance with Rule 722(c)(2) with respect to the individual legs, (C) the execution net price is equal to or better than the best bid or offer on the Complex Order Book, and (D) there are no Priority Customer Complex Orders or Responses that are priced equal to the proposed execution price.

(ii) If there are Priority Customer Complex Orders or Responses on the opposite side of the Agency Complex Order at the proposed execution net price and there is sufficient size to execute the entire size of the Agency Complex Order, the Agency Complex Order will be executed against such interest, and the solicited Complex Order will be cancelled, provided that: (A) the execution net price is equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs, and (B) the Complex Order can be executed in accordance with Rule 722(c)(2) with respect to the individual legs. The aggregate size of all Complex Orders, Responses and quotes and, for Complex Options Orders, the aggregate size available from the best bids and offers for the individual legs, will be used to determine whether the entire Agency Complex Order can be executed pursuant to this paragraph.

(iii) If at the time of execution there is sufficient size to execute the entire Agency Complex Order at an improved net price(s), the Agency Complex Order will be executed at the improved net price(s), and the solicited Complex Order will be cancelled, provided that: (A) the execution net price is equal to or better than the best net price achievable from the best ISE bids and offers for the individual legs, and (B) the Complex Order can be executed in accordance with Rule 722(c)(2) with respect to the individual legs. The aggregate size of all Complex Orders, Responses, and quotes, and the aggregate size available from the best bids and offers for the individual legs for a Complex Options Order, will be used to determine whether the entire Agency Complex Order can be executed at an improved net price(s).

(iv) When executing the Agency Complex Order against other interest in accordance with paragraphs (b)(2)(ii)-(iii) above, Priority Customer Complex Orders and Responses will be executed first. Professional Complex Orders and Responses, and market maker quotes participate next in the execution of the Agency Complex Order based upon the percentage of the total number of contracts available at the best price that is represented by the size of the Professional Complex Order or Response, or market maker quote. Finally, for Complex Options Orders, bids and offers for the individual legs will be executed pursuant to Rule 713 and the Supplementary Material thereto.

(5) Prior to entering Agency Orders into the Complex Solicited Order Mechanism on behalf of a customer, EAMs must deliver to the customer a written notification informing the customer that its order may be executed using Nasdaq ISE's Solicited Order Mechanism. Such written notification must disclose the terms and conditions contained in this Rule and must be in a form approved by the Exchange.

(c) Complex Price Improvement Mechanism. Electronic Access Members may use the Price Improvement Mechanism according to Rule 723 to execute Complex Orders at a net price. The
Complex Price Improvement Mechanism is a process by which an Electronic Access Member can provide price improvement opportunities for a transaction wherein the Electronic Access Member seeks to facilitate a Complex Order it represents as agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against a Complex Order it represents as agent (a "Crossing Transaction").

(1) Crossing Transaction Entry. A Crossing Transaction is comprised of the order the Electronic Access Member represents as agent (the "Agency Order") and a counter-side order for the full size of the Agency Order (the "Counter-Side Order"). The Counter-Side Order may represent interest for the Member's own account, or interest the Member has solicited from one or more other parties, or a combination of both.

(2) Complex Orders must be entered into the Complex Price Improvement Mechanism at a price that is better than the best net price (i) available on the Complex Order Book on both sides of the market; and (ii) achievable from the best ISE bids and offers for the individual legs on both sides of the market (an "improved net price"). Complex Orders will be rejected unless they are entered at an improved net price.

(3) A Complex Order entered into the Complex Price Improvement Mechanism will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex Order. If a trading halt is initiated after the order is entered into the Complex Price Improvement Mechanism, such auction will be automatically terminated without an execution.

(4) Exposure Period. Upon entry of a Complex Order into the Complex Price Improvement Mechanism, a broadcast message that includes the net price, side and size of the Agency Complex Order will be sent to Members.

(i) The Exchange will designate via Options Trader Alert a time of no less than 100 milliseconds and no more than 1 second for Members to indicate the size and net price at which they want to participate in the execution of the Agency Complex Order ("Improvement Complex Orders"). Improvement Complex Orders may be entered by all Members for their own account or for the account of a Public Customer. Improvement Complex Orders are only executable against the Complex Order with respect to which they are entered, and will only be considered up to the size of the Agency Complex Order. Improvement Complex Orders must be entered in the increments provided in Rule 722(c)(1) at the same price as the Crossing Transaction or at a price that is at least one cent better for the Agency Complex Order.

(ii) During the exposure period, Improvement Complex Orders may not be canceled, but may be modified to (1) increase the size at the same price, or (2) improve the price of the Improvement Complex Order for any size.

(iii) During the exposure period, responses (including the Counter-Side Order, Improvement Complex Orders, and any changes to either) submitted by Members shall not be visible to other auction participants.
(iv) The exposure period will automatically terminate (A) at the end of the time period designated by the Exchange pursuant to Supplementary Material .08(c)(4)(i) to Rule 722 above, (B) upon the receipt of a Complex Order or quote in the same complex strategy on either side of the market that is marketable against the Complex Order Book or bids and offers for the individual legs, or (C) upon the receipt of a non-marketable Complex Order or quote in the same complex strategy on the same side of the market as the Agency Complex Order that would cause the execution of the Agency Complex Order to be outside of the best bid or offer on the Complex Order Book.

(v) Pursuant to Supplementary Material .04 to Rule 723, only one Complex Price Improvement Mechanism may be ongoing at any given time in a given complex strategy. However, a price improvement auction may be ongoing concurrently in series of individual legs of a complex strategy.

(vi) A Complex Price Improvement Mechanism in a complex strategy may be ongoing at the same time as a Price Improvement Auction pursuant to Rule 723 or during an exposure period pursuant to Supplementary Material .02 to Rule 1901 in a component leg(s) of such complex strategy. If a Complex Price Improvement Mechanism is early terminated pursuant to paragraph (iv) above, and the incoming Complex Order that causes the early termination in the complex strategy is also marketable against a component leg(s) of the complex strategy that is the subject of a concurrent ongoing Price Improvement Auction pursuant to Rule 723 or an exposure period pursuant to Supplementary Material .02 to Rule 1901, then the concurrent Complex Price Improvement Mechanism and component leg auction(s) are processed in the following sequence: (1) the Complex Price Improvement Mechanism is early terminated; (2) the component leg auction(s) are early terminated and processed; and (3) legging of residual incoming Complex Order interest occurs.

(5) Execution. At the end of the exposure period the Agency Complex Order will be executed in full at the best prices available, taking into consideration Complex Orders and quotes in the Complex Order Book, Improvement Complex Orders, the Counter-Side Order, and, for Complex Options Orders, the ISE best bids and offers on the individual legs. The Agency Complex Order will receive executions at multiple price levels if there is insufficient size to execute the entire order at the best price.

(i) At a given net price, Priority Customer interest on the Complex Order Book (i.e., Priority Customer Complex Orders and Improvement Complex Orders) is executed in full before Professional interest (i.e., Professional Complex Orders and Improvement Complex Orders) and market maker quotes on the Complex Order Book.

(ii) After Priority Customer interest on the Complex Order Book at a given net price, Professional interest and market maker quotes on the Complex Order Book will participate in the execution of the Agency Complex Order based upon the percentage of the total number of contracts available at the price that is represented by the size of such interest.

(iii) In the case where the Counter-Side Complex Order is at the same net price as Professional interest and market maker quotes on the Complex Order Book in (ii) above, the Counter-Side
Complex Order will be allocated the greater of one (1) contract or forty percent (40%) (or such lower percentage requested by the member) of the initial size of the Agency Complex Order before other Professional interest and market maker quotes on the Complex Order Book are executed. Upon entry of Counter-Side Complex Orders, Members can elect to automatically match the price and size of Complex Orders, Improvement Complex Orders and quotes received on the Complex Order Book during the exposure period up to a specified limit net price or without specifying a limit net price. This election will also automatically match the net price available from the ISE best bids and offers on the individual legs for the full size of the order; provided that with notice to members the Exchange may determine whether to offer this option only for Complex Options Orders, Stock-Option Orders, and/or Stock Complex Orders. If a member elects to auto-match, the Counter-Side Complex Order will be allocated its full size at each price point, or at each price point within its limit net price if a limit is specified, until a price point is reached where the balance of the order can be fully executed. At such price point, the Counter-Side Complex Order shall be allocated the greater of one contract or forty percent (40%) (or such lower percentage requested by the member) of the original size of the Agency Complex Order, but only after Priority Customer Complex Orders and Improvement Complex Orders at such price point are executed in full. Thereafter, all Professional Complex Orders and Improvement Complex Orders, and quotes at the price point will participate in the execution of the Agency Complex Order based upon the percentage of the total number of contracts available at the price that is represented by the size of the Professional Complex Order or Improvement Complex Order, or quote on the Complex Order Book.

(iv) When a marketable Complex Order on the opposite side of the Agency Complex Order ends the exposure period, it will participate in the execution of the Agency Complex Order at the price that is mid-way between the best counter-side interest and the same side best bid or offer on the Complex Order Book or net price from ISE best bid or offer on individual legs, whichever is better, so that both the marketable Complex Order and the Agency Complex Order receive price improvement.

(v) With respect to bids and offers for the individual legs of a Complex Order entered into the Complex Price Improvement Mechanism, the priority rules applicable to the execution of Complex Orders contained in Rule 722(c)(2) will continue to be applicable and may prevent the execution of a Complex Order entered into the Complex Price Improvement Mechanism, in which case the transaction will be cancelled. If an improved net price for the Complex Order being executed can be achieved from Complex Orders, Improvement Complex Orders, and quotes on the Complex Order Book and, for Complex Options Orders, the ISE best bids and offers on the individual legs, the Agency Complex Order will be executed against such interest.

(d) Complex Customer Cross Orders. Complex Orders may be entered as Customer Cross Orders, as defined in Rule 715(i). Such orders will be automatically executed upon entry so long as: (i) the price of the transaction is at or within the best bid and offer for the same complex strategy on the Complex Order Book; (ii) there are no Priority Customer Complex Orders for the same strategy at the same price on the Complex Order Book; and (iii) the options legs can be executed at prices that comply with the provisions of paragraph (c)(2) of this Rule 722. Complex Customer Cross Orders will be rejected if they cannot be executed. Supplementary Material .01 to Rule 717 applies to Complex Customer Cross Orders.
(e) Complex Qualified Contingent Cross Orders. Complex Options Orders may be entered as Qualified Contingent Cross Orders, as defined in Rule 715(j). Such orders will be automatically executed upon entry so long as: (i) the price of the transaction is at or within the best bid and offer for the same complex options strategy on the Complex Order Book; (ii) there are no Priority Customer Complex Options Orders for the same strategy at the same price on the Complex Order Book; and (iii) the options legs can be executed at prices that (A) are at or between the NBBO for the individual series, and (B) comply with the provisions of paragraph (c)(2)(i) of this Rule 722, provided that no legs of the Complex Options Order can be executed at the same price as a Priority Customer Order on the Exchange in the individual options series. Complex Qualified Contingent Cross Orders will be rejected if they cannot be executed. Complex Qualified Contingent Cross Orders may be entered in one cent increments. Each leg of a Complex Options Order must meet the 1,000 contract minimum size requirement for Qualified Contingent Cross Orders.

(f) Complex QCC with Stock Orders are processed as follows:

1. When a member enters a Complex QCC with Stock Order, a Qualified Contingent Cross Complex Order is entered on the Exchange pursuant to Supplementary Material .08(e) to Rule 722.

2. If the Qualified Contingent Cross Complex Order is executed, the Exchange will automatically communicate the stock component to the member's designated broker dealer for execution.

3. If the Qualified Contingent Cross Complex Order cannot be executed, the entire Complex QCC with Stock Order, including both the stock and options components, is cancelled.

4. Supplementary Material .01 - .03 to Rule 721 apply to the entry and execution of Complex QCC with Stock Orders.

(g) Limitation on Concurrent Complex Strategy Auctions. Only one Exposure Auction, Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction, pursuant to Rules 722, Supplementary Material .01 or .08(a), (b), or (c), respectively, will be ongoing at any given time in a Complex Strategy, and such auctions will not queue or overlap in any manner. The Exchange will not initiate an Exposure Auction, Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction in a Complex Strategy while another Exposure Auction, Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction in that Complex Strategy is ongoing. If a Complex Price Improvement Mechanism auction, Complex Facilitation Mechanism auction, or Complex Solicited Order Mechanism auction for a Complex Strategy has been initiated, an Exposure Auction for that Complex Strategy will not be initiated, and an Exposure Only Complex Order for the Complex Strategy will be cancelled back to the member. An Exposure Order for the Complex Strategy will be processed as an order that is not marked for price improvement.
(h) Concurrent Complex Order and single leg auctions. An auction in the Block Order Mechanism, Facilitation Mechanism, Solicited Order Mechanism, or Price Improvement Mechanism, as provided in Rules 716(b), (c), (d), (e), or 723, respectively, or an exposure period as provided in Supplementary Material .02 to Rule 1901, for an option series may occur concurrently with a Complex Order Exposure Auction, Complex Facilitation auction, Complex Solicited Order auction, or Complex Price Improvement Mechanism auction, as provided in Rules 722, Supplementary Material .01, and .08(a), (b), or (c), respectively, for a Complex Order that includes that series. To the extent that there are concurrent Complex Order and single leg auctions involving a specific option series, each auction will be processed sequentially based on the time the auction commenced. At the time an auction concludes, including when it concludes early, the auction will be processed pursuant to Rules 716(b), (c), (d), or (e), or 723 or Supplementary Material .02 to Rule 1901, as applicable, for the single option, or pursuant to Rules 722, Supplementary Material .01, or .08(a), (b), or (c), as applicable, for the Complex Order, except as provided for at Supplementary Material .08(c)(4)(vi) to Rule 722.

(i) The minimum contract threshold shall be adjusted for Mini Options by a multiple of ten (10) and shall be as follows: (i) each leg of a Complex Options Order executed in the Complex Facilitation Mechanism must be for 500 or more Mini Option contracts; (ii) each leg of a Complex Options Order executed in the Complex Solicited Order Mechanism must be for 5,000 or more Mini Option contracts; and (iii) each leg of a Complex Qualified Contingent Cross Order must be for 10,000 or more Mini Option contracts coupled with a contra-side order or orders totaling an equal number of Mini Option contracts.

`.03 Trade Value Allowance. To facilitate the execution of the stock leg and options leg(s) of Stock-Option Strategies and Stock-Complex Strategies at valid increments pursuant to Rule 722(c)(1), Stock-Option Strategies and Stock-Complex Strategies may trade outside of their expected notional trade value by a specified amount ("Trade Value Allowance"). The Trade Value Allowance is the percentage difference between the expected notional value of a trade and the actual notional value of the trade. The amount of Trade Value Allowance permitted may be determined by the [m]Member, or a default value determined by the Exchange and announced to [m]Members; provided that any amount of Trade Value Allowance is permitted in mechanisms pursuant to [Supplementary Material .08 to ]Rule 7[22]16 when auction orders do not trade solely with their contra-side order.

[.10].04 Complex Opening Process. After each of the individual component legs have opened, or reopened following a trading halt, Complex Options Strategies will be opened pursuant to the Complex Opening Price Determination described in Supplementary Material [.11].05 to Rule 722, and Stock-Option Strategies and Stock-Complex Strategies will be opened pursuant to the Complex Uncrossing Process described in Supplementary Material [.12].06(b) to Rule 722.

[.11].05 Complex Opening Price Determination.

(a) Definitions.

((i)) "Boundary Price" is described herein in paragraph (d)(i)).
(ii)2) "Opening Price" is described herein in paragraph (d)(iv)4).

(iii)3) "Potential Opening Price" is described herein in paragraph (d)(ii)2).

(b) Eligible Interest. Eligible interest during the Complex Opening Price Determination includes Complex Orders[ and quotes] on the Complex Order Book. Bids and offers for the individual legs of the complex strategy are not eligible to participate in the Complex Opening Price Determination.

(c) If the best bid for a complex strategy does not lock or cross the best offer, there will be no trade in the Complex Opening Price Determination and the complex strategy will open pursuant to the Complex Uncrossing Process described in Supplementary Material [.12].06(b) to Rule 722.

(d) If the best bid for a complex strategy locks or crosses the best offer, the [s]System will open the complex strategy as follows:

((i)1) Boundary Prices. The [s]System calculates Boundary Prices at or within which Complex Orders [and quotes] may be executed during the Complex Opening Price Determination based on the NBBO for the individual legs; provided that, if the NBBO for any leg includes a Priority Customer [o]Order on the Exchange, the [s]System adjusts the Boundary Prices according to Rule 722(c)(2).

((ii)2) Potential Opening Price. The [s]System will calculate the Potential Opening Price by identifying the price(s) at which the maximum number of contracts can trade ("maximum quantity criterion") taking into consideration all eligible interest pursuant to Supplementary Material [.11].06(b) to Rule 722.

((iii)3) More Than One Potential Opening Price. When two or more Potential Opening Prices would satisfy the maximum quantity criterion: (A) without leaving unexecuted contracts on the bid or offer side of the market of Complex Orders [and quotes] to be traded at those prices, the system takes the highest and lowest of those prices and takes the mid-point; provided that (1) if the highest and/or lowest price described above is through the price of a bid or offer that is priced to not allocate in the Complex Opening Price Determination, the highest and/or lowest price will be rounded to the price of such bid or offer that is priced to not allocate before taking the mid-point, and (2) if the mid-point is not expressed as a permitted minimum trading increment, it will be rounded down to the nearest permissible minimum trading increment; or (B) leaving unexecuted contracts on the bid (offer) side of the market of Complex Orders[ and quotes] to be traded at those prices, the Potential Opening Price is the highest (lowest) executable bid (offer) price. Notwithstanding the foregoing: (C) if there are Market Complex Orders on the bid (offer) side of the market that would equal the full quantity of Complex Orders [and quotes] on offer (bid) side of the market, the limit price of the highest (lowest) priced Limit Complex Order [or quote] is the Potential Opening Price; and (D) if there are only Market Complex Orders on both sides of the market, or if there are Market Complex Orders on the bid (offer) side of the market for greater than the total size of
Complex Orders [and quotes ]on the offer (bid) side of the market, there will be no trade in the Complex Opening Price Determination and the complex strategy will open pursuant to the Complex Uncrossing Process described in Supplementary Material [.12].06(b) to Rule 722.

(iv) Opening Price. If the Potential Opening Price is at or within the Boundary Prices, the Potential Opening Price becomes the Opening Price. If the Potential Opening Price is not at or within the Boundary Prices, the Opening Price will be the price closest to the Potential Opening Price that satisfies the maximum quantity criteria without leaving unexecuted contracts on the bid or offer side of the market at that price and is at or within the Boundary Prices. If the bid Boundary Price is higher than the offer Boundary Price, or if no valid Opening Price can be found at or within the Boundary Prices, there will be no trade in the Complex Opening Price Determination and the complex strategy will open pursuant to the Complex Uncrossing Process described in Supplementary Material [.12].06(b) to Rule 722.

(v) Allocation. During the Complex Opening Price Determination, where there is an execution possible, the System will give priority to Market Complex Orders first, then to resting Limit Complex Orders [and quotes] on the Complex Order Book. The allocation provisions of Rule 722(d)(2) apply with respect to Complex Orders [and quotes] with the same price with priority given first to better priced interest.

(vi) Uncrossing. If the Complex Order Book remains locked or crossed following paragraphs (d)(i)-(v), the System will process any remaining Complex Orders [and quotes], including Opening Only Complex Orders in accordance with the Complex Uncrossing Process described in Supplementary Material [.12].06(b) to Rule 722. Bids and offers for the individual legs of the complex strategy Complex Option Order will also be eligible to trade in the Complex Uncrossing Process.

[.12].06 Complex Uncrossing Process.

(a) The Complex Order Book will be uncrossed using the Complex Uncrossing Process described in [Supplementary Material .12(b) to Rule 722]paragraph (b) below if a resting Complex Order[ or quote] that is locked or crossed with other interest becomes executable during regular trading or as part of the Complex Opening Process.

(b) Complex Strategies are uncrossed using the following procedure:

(i) The System identifies the oldest Complex Order[ or quote] among the best priced bids and offers on the Complex Order Book. A Complex Order entered with an instruction that it must be executed at a price that is equal to or better than the national best bid or offer pursuant to [Supplementary Material .07(a) to Rule 722]paragraph (a) above is considered based on its actual limit or market price and not the price of the national best bid or offer for the component legs.
(ii)2) The selected Complex Order [or quote] is matched pursuant to Rule 722(d)(2)-(3) with resting contra-side interest on the Complex Order Book and, for Complex Option Orders, bids and offers for the individual legs of the complex strategy.

(iii)3) The process described in (i)1) through (ii)2) is repeated until the Complex Order Book is no longer executable.

[.13] .07 Qualified Contingent Trade Exemption. Members may only submit Complex Orders [and quotes] in Stock-Option Strategies and Stock-Complex Strategies if such Complex Orders [and quotes] comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS under the Exchange Act. Members submitting Complex Orders [and quotes] in Stock-Option Strategies and Stock-Complex Strategies represent that they comply with the Qualified Contingent Trade Exemption. In addition, the stock leg of a stock-option order must be marked "buy," "sell," "sell short," or "sell short exempt" in compliance with Regulation SHO under the Exchange Act.

Rule 723. Price Improvement Mechanism for Crossing Transactions
(a) - (d) No change.

(e) Complex Price Improvement Mechanism. Electronic Access Members may use the Price Improvement Mechanism according to Rule 723 to execute Complex Orders at a net price. The Complex Price Improvement Mechanism is a process by which an Electronic Access Member can provide price improvement opportunities for a transaction wherein the Electronic Access Member seeks to facilitate a Complex Order it represents as agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against a Complex Order it represents as agent (a “Crossing Transaction”).

(1) Crossing Transaction Entry. A Crossing Transaction is comprised of the order the Electronic Access Member represents as agent (the “Agency Order”) and a counter-side order for the full size of the Agency Order (the “Counter-Side Order”). The Counter-Side Order may represent interest for the Member’s own account, or interest the Member has solicited from one or more other parties, or a combination of both.

(2) Complex Orders must be entered into the Complex Price Improvement Mechanism at a price that is better than the best net price (i) available on the Complex Order Book on both sides of the market; and (ii) achievable from the best ISE bids and offers for the individual legs on both sides of the market (an “improved net price”). Complex Orders will be rejected unless they are entered at an improved net price.

(3) A Complex Order entered into the Complex Price Improvement Mechanism will be rejected if any component of the Complex Order has not opened for trading, or if there is a trading halt in any series underlying the Complex Order. If a trading halt is initiated after the order is entered into the Complex Price Improvement Mechanism, such auction will be automatically terminated without an execution.
(4) Exposure Period. Upon entry of a Complex Order into the Complex Price Improvement Mechanism, a broadcast message that includes the net price, side and size of the Agency Complex Order will be sent to Members.

(i) The Exchange will designate via Options Trader Alert a time of no less than 100 milliseconds and no more than 1 second for Members to indicate the size and net price at which they want to participate in the execution of the Agency Complex Order (“Improvement Complex Orders”). Improvement Complex Orders may be entered by all Members for their own account or for the account of a Public Customer. Improvement Complex Orders are only executable against the Complex Order with respect to which they are entered, and will only be considered up to the size of the Agency Complex Order. Improvement Complex Orders must be entered in the increments provided in Rule 722(c)(1) at the same price as the Crossing Transaction or at a price that is at least one cent better for the Agency Complex Order.

(ii) During the exposure period, Improvement Complex Orders may not be canceled, but may be modified to (1) increase the size at the same price, or (2) improve the price of the Improvement Complex Order for any size.

(iii) During the exposure period, responses (including the Counter-Side Order, Improvement Complex Orders, and any changes to either) submitted by Members shall not be visible to other auction participants.

(iv) The exposure period will automatically terminate (A) at the end of the time period designated by the Exchange pursuant to subparagraph (4)(i) above, (B) upon the receipt of a Complex Order in the same complex strategy on either side of the market that is marketable against the Complex Order Book or bids and offers for the individual legs, or (C) upon the receipt of a non-marketable Complex Order in the same complex strategy on the same side of the market as the Agency Complex Order that would cause the execution of the Agency Complex Order to be outside of the best bid or offer on the Complex Order Book.

(v) Pursuant to Supplementary Material .04 to Rule 723, only one Complex Price Improvement Mechanism may be ongoing at any given time in a given complex strategy. However, a price improvement auction may be ongoing concurrently in series of individual legs of a complex strategy.

(vi) A Complex Price Improvement Mechanism in a complex strategy may be ongoing at the same time as a Price Improvement Auction pursuant to Rule 723 or during an exposure period pursuant to Supplementary Material .02 to Rule 1901 in a component leg(s) of such Complex Order. If a Complex Price Improvement Mechanism is early terminated pursuant to paragraph (iv) above, and the incoming Complex Order that causes the early termination in the complex strategy is also marketable against a component leg(s) of the complex strategy that is the subject of a concurrent ongoing Price Improvement Auction pursuant to
Rule 723 or an exposure period pursuant to Supplementary Material .02 to Rule 1901, then the concurrent Complex Price Improvement Mechanism and component leg auction(s) are processed in the following sequence: (1) the Complex Price Improvement Mechanism is early terminated; (2) the component leg auction(s) are early terminated and processed; and (3) legging of residual incoming Complex Order interest occurs, except with respect to Stock Option Orders and Stock Complex Orders.

(5) Execution. At the end of the exposure period the Agency Complex Order will be executed in full at the best prices available, taking into consideration Complex Orders in the Complex Order Book, Improvement Complex Orders, the Counter-Side Order, and, for Complex Options Orders, the ISE best bids and offers on the individual legs. The Agency Complex Order will receive executions at multiple price levels if there is insufficient size to execute the entire order at the best price.

(i) At a given net price, Priority Customer interest on the Complex Order Book (i.e., Priority Customer Complex Orders and Improvement Complex Orders) is executed in full before Professional interest (i.e., Professional Complex Orders and Improvement Complex Orders) on the Complex Order Book.

(ii) After Priority Customer interest on the Complex Order Book at a given net price, Professional interest on the Complex Order Book will participate in the execution of the Agency Complex Order based upon the percentage of the total number of contracts available at the price that is represented by the size of such interest.

(iii) In the case where the Counter-Side Complex Order is at the same net price as Professional interest on the Complex Order Book in (ii) above, the Counter-Side Complex Order will be allocated the greater of one (1) contract or forty percent (40%) (or such lower percentage requested by the Member) of the initial size of the Agency Complex Order before other Professional interest on the Complex Order Book are executed. Upon entry of Counter-Side Complex Orders, Members can elect to automatically match the price and size of Complex Orders, Improvement Complex Orders received on the Complex Order Book during the exposure period up to a specified limit net price or without specifying a limit net price. This election will also automatically match the net price available from the ISE best bids and offers on the individual legs for the full size of the order; provided that with notice to Members the Exchange may determine whether to offer this option only for Complex Options Orders, Stock-Option Orders, and/or Stock Complex Orders. If a Member elects to auto-match, the Counter-Side Complex Order will be allocated its full size at each price point, or at each price point within its limit net price if a limit is specified, until a price point is reached where the balance of the order can be fully executed. At such price point, the Counter-Side Complex Order shall be allocated the greater of one contract or forty percent (40%) (or such lower percentage requested by the Member) of the original size of the Agency Complex Order, but only after Priority Customer
Complex Orders and Improvement Complex Orders at such price point are
executed in full. Thereafter, all Professional Complex Orders and Improvement
Complex Orders at the price point will participate in the execution of the Agency
Complex Order based upon the percentage of the total number of contracts
available at the price that is represented by the size of the Professional Complex
Order or Improvement Complex Order on the Complex Order Book.

(iv) When a marketable Complex Order on the opposite side of the Agency
Complex Order ends the exposure period, it will participate in the execution of the
Agency Complex Order at the price that is mid-way between the best counter-side
interest and the same side best bid or offer on the Complex Order Book or net
price from ISE best bid or offer on individual legs, whichever is better, so that
both the marketable Complex Order and the Agency Complex Order receive price
improvement.

(v) With respect to bids and offers for the individual legs of a Complex Order
entered into the Complex Price Improvement Mechanism, the priority rules
applicable to the execution of Complex Orders contained in Rule 722(c)(2) will
continue to be applicable and may prevent the execution of a Complex Order
entered into the Complex Price Improvement Mechanism, in which case the
transaction will be cancelled. If an improved net price for the Complex Order
being executed can be achieved from Complex Orders, Improvement Complex
Orders on the Complex Order Book and, for Complex Options Orders, the ISE
best bids and offers on the individual legs, the Agency Complex Order will be
executed against such interest.

Supplementary Material to Rule 723

.01 - .06 No change.

[.07 Reserved.]

[.08] .07 Counter-Side Orders and Improvement Orders entered into the Price Improvement
Mechanism only will execute against the Agency Order, and any unexecuted interest will be
automatically cancelled.

[.09 Reserved.]

[.10] .08 PIM ISO Order. A PIM ISO order (PIM ISO) is the transmission of two orders for
crossing pursuant to Rule 723 without regard for better priced Protected Bids or Protected Offers
(as defined in Rule 1900) because the Member transmitting the PIM ISO to the Exchange has,
simultaneously with the routing of the PIM ISO, routed one or more ISOs, as necessary, to
execute against the full displayed size of any Protected Bid or Protected Offer that is superior to
the starting PIM auction price and has swept all interest in the Exchange's book priced better
than the proposed auction starting price. Any execution(s) resulting from such sweeps shall
accrue to the PIM order.
Rule 724. Complex Order Risk Protections

The following are Complex Order risk protections on ISE:

(a) **Price limits for Complex Orders.** As provided in Rule 722(d)(2), the legs of a complex strategy may be executed at prices that are inferior to the prices available on other exchanges trading the same options series. Notwithstanding, the System will not permit any leg of a complex strategy to trade through the NBBO for the series or any stock component by a configurable amount calculated as the lesser of (i) an absolute amount not to exceed $0.10, and (ii) a percentage of the NBBO not to exceed 500%, as determined by the Exchange on a class, series or underlying basis. A Member can also include an instruction on a Complex Order that each leg of the Complex Order is to be executed only at a price that is equal to or better than the NBBO for the options series or any stock component, as applicable.

(1) The System will reject orders for a complex strategy where all legs are to buy if entered at a price that is less than the minimum net price, which is calculated as the sum of the ratio on each leg of the complex strategy multiplied by the minimum increment applicable to that leg pursuant to Rule 722(c)(1).

(b) **Strategy Protections.** The following protections will apply throughout the trading day, including pre-market, during the Opening Process and during a trading halt. The protections will not apply to Complex Orders being auctioned and auction responses in the Facilitation Mechanism, Solicited Order Mechanism, and Price Improvement Mechanism and will not apply to Customer Cross Orders pursuant to Rule 721(a).

(1) **Vertical Spread Protection.** The Vertical Spread Protection will apply to a vertical spread. A vertical spread is an order to buy a call (put) option and to sell another call (put) option in the same security with the same expiration but at a higher (lower) strike price.

(A) The System will reject a Vertical Spread order when entered with a net price of less than zero (minus a pre-set value), and will prevent the execution of a Vertical Spread order at a price that is less than zero (minus a pre-set value) when entered as a Market Order to sell. The Exchange will set a pre-set value not to exceed $1.00 to be applied uniformly across all classes. The Exchange may amend the pre-set value uniformly across all classes.

(B) The System will reject a Vertical Spread order when entered with a net price greater than the value of the higher strike price minus the lower strike price (plus a pre-set value), and will prevent the execution of a Vertical Spread order at a price that is greater than the value of the higher strike price minus the lower strike price (plus a pre-set value) when entered as a Market Order to buy. The pre-set value used by the vertical spread check will be the lesser of (1) an absolute amount not to exceed $1.00 and (2) a percentage of the difference between the strike prices not to exceed 10% to be applied uniformly across all classes. The Exchange may amend the pre-set value uniformly across all classes.
(2) **Calendar Spread Protection.** The Calendar Spread Protection will apply to a Calendar Spread. A calendar spread is an order to buy a call (put) option with a longer expiration and to sell another call (put) option with a shorter expiration in the same security at the same strike price.

(A) The System will reject a Calendar Spread order when entered with a net price of less than zero (minus a preset value), and will prevent the execution of a Calendar Spread order at a price that is less than zero (minus a pre-set value) when entered as a Market Complex Order to sell. The Exchange will set a pre-set value not to exceed $1.00 to be applied uniformly across all classes. The Exchange may amend the pre-set value uniformly across all classes.

(3) **Butterfly Spread Protection.** The Butterfly Spread Protection will apply to a butterfly spread. A butterfly spread is a three legged Complex Order with the following: (1) two legs to buy (sell) the same number of calls (puts); (2) one leg to sell (buy) twice the number of calls (puts) with a strike price at mid-point of the two legs to buy (sell); (3) all legs have the same expiration; and (4) each leg strike price is equidistant from the next sequential strike price.

(A) A Butterfly Spread Limit Order that is priced higher than the Maximum Value or lower than the Minimum Value will be rejected. A Butterfly Spread Market Order (or Butterfly Spread Limit Order entered with a net price inside the Butterfly Spread Protection Range) to buy (sell) will be restricted from executing by legging into the single leg market with a net price higher (lower) than the Maximum (Minimum) Value. The Butterfly Spread Protection Range is the absolute difference between the Minimum Value and the Maximum Value.

(i) The Initial Maximum Value is the distance between the strike price of the leg with the mid-point strike and either of the outer leg strike prices. The Maximum Value Buffer is the lesser of a configurable absolute dollar value or percentage of the Initial Maximum Value set by the Exchange and announced via a notice to members. The Maximum Value is calculated by adding the Initial Maximum Value and Maximum Value Buffer.

(ii) The Initial Minimum Value is zero. The Minimum Value Buffer is a configurable absolute dollar value set by the Exchange and announced via a notice to members. The Minimum Value is calculated by subtracting the Minimum Value Buffer from the Initial Minimum Value of zero.

(4) **Box Spread Protection.** The Box Spread Protection will apply to a box spread. A box spread is a four legged Complex Order with the following: (1) one pair of legs with the same strike price with one leg to buy a call (put) and one leg to sell a put (call); (2) a second pair of legs with a different strike price from the pair described in (1) with one leg to sell a call (put) and one leg to buy a put (call); (3) all legs have the same expiration; and (4) all legs have equal volume.
(A) A Box Spread Limit Order that is priced higher than the Maximum Value or lower than the Minimum Value will be rejected. A Box Spread Market Order (or Box Spread Limit Order entered with a net price inside the Box Spread Protection Range) to buy (sell) will be restricted from executing by legging into the single leg market with a net price higher (lower) than the Maximum (Minimum) Value. The Box Spread Protection Range is the absolute difference between the Minimum Value and the Maximum Value.

(i) The Initial Maximum Value is the distance between the strike prices of each pair of leg strike prices. The Maximum Value Buffer is the lesser of a configurable absolute dollar value or percentage of the Initial Maximum Value set by the Exchange and announced via a notice to members. The Maximum Value is calculated by adding the Initial Maximum Value and Maximum Value Buffer.

(ii) The Initial Minimum Value is zero. The Minimum Value Buffer is a configurable absolute dollar value set by the Exchange and announced via a notice to members. The Minimum Value is calculated by subtracting the Minimum Value Buffer from the Initial Minimum Value of zero.

(c) Other Price Protections which apply to Complex Orders.

(1) **Limit Order Price Protection.** There is a limit on the amount by which the net price of an incoming Limit Complex Order to buy may exceed the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg, and by which the net price of an incoming Limit Complex Order to sell may be below the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg. Limit Complex Orders that exceed the pricing limit are rejected. The limit is established by the Exchange from time-to-time for Limit Complex Orders to buy (sell) as the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg plus (minus) the greater of: (i) an absolute amount not to exceed $2.00, or (ii) a percentage of the net price available from the individual options series on the Exchange and the national best bid or offer for any stock leg not to exceed 10%.

(2) **Size Limitation.** There is a limit on the number of contracts (and shares in the case of a Stock-Option Strategy or Stock-Complex Strategy) any single leg of an incoming Complex Order may specify. Orders that exceed the maximum number of contracts (or shares) are rejected. The maximum number of contracts (or shares), which shall not be less than 10,000 (or 100,000 shares), is established by the Exchange from time-to-time.

(3) **Price Level Protection.** There is a limit on the number of price levels at which an incoming Complex Order to sell (buy) will be executed automatically with the bids or offers of each component leg when there are no bids (offers) from other exchanges at any price for the options series. Complex Orders are executed at each successive price level until the maximum number of price levels is reached on any component leg where the protection has been triggered, and any balance is canceled. The number of price levels for
the component leg, which may be from one (1) to ten (10), is determined by the Exchange from time-to-time on a class-by-class basis.

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