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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-76451; File No. SR-ISE-2015-37)

November 17, 2015

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Schedule of Fees

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 2, 2015, the International Securities Exchange, LLC (the “Exchange” or the “ISE”) filed with the Securities and Exchange Commission the proposed rule change, as described in Items I, II, and III below, which items have been prepared by the self-regulatory organization. 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 ISE proposes to amend the Schedule of Fees to introduce a per trade and per month fee cap for strategy orders as described in more detail below. The text of the proposed rule change is available on the Exchange’s website (<http://www.ise.com>), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the self-regulatory organization 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend the Schedule of Fees to introduce a strategy fee cap program that provides a cap on Market Maker, Non-ISE Market Maker, Firm Proprietary / Broker-Dealer, and Professional Customer fees charged for six types of strategy trades: reversals, conversions, jelly rolls, mergers, short stock interest, and box spreads. These strategy trades are defined below:

“Reversal” - A reversal strategy is defined as transactions that employ calls, puts and the underlying security to lock in a nearly risk free profit. Reversals are established by combining a short security position with a short put and a long call position that shares the same strike and expiration.

“Conversion” - A conversion strategy is defined as transactions that employ calls, puts and the underlying security to lock in a nearly risk free profit. Conversions employ long positions in the underlying security that accompany long puts and short calls sharing the same strike and expiration.

“Jelly Roll” - A jelly roll strategy is defined as a long calendar call spread combined with the same short calendar put spread, or vice versa. This option strategy aims to profit from a time value spread through the purchase and sale of two call and two put options, each with different expiration dates. A jelly roll is created by entering into two separate positions simultaneously. One position involves buying a put and selling a call with the same strike price and expiration.

The second position involves selling a put and buying a call, with the same strike price, but a different expiration from the first position.

“Merger” - A merger strategy is defined as transactions done to achieve a merger arbitrage involving the purchase, sale and exercise of options of the same class and expiration date, each executed prior to the date on which shareholders of record are required to elect their respective form of consideration, i.e., cash or stock.

“Short Stock Interest” - A short stock interest strategy is defined as transactions done to achieve a short stock interest arbitrage involving the purchase, sale and exercise of in-the-money options of the same class.

“Box Spread” - A box spread strategy is defined as transactions involving a long call option and a short put option at one strike, combined with a short call option and long put at a different strike, to create synthetic long and synthetic short stock positions, respectively.

Because the strategy trades referenced above are commonly executed in large volumes with profit margins that are generally narrow, the Exchange proposes to cap the transaction fees associated with such executions at \$750 per trade for orders executed on the same day in the same option class.³ In addition, strategy trades will be subject to a monthly cap of \$25,000 per member for all strategy executions. All eligible volume from affiliated members will be aggregated for purposes of the fee cap, provided there is at least 75% common ownership between the members as reflected on each member’s Form BD, Schedule A. If a member submits an order that qualifies for the per trade or per month fee cap for strategy orders, only the

³ Members must submit a form provided by the Exchange to identify their strategy trades.

amount actually paid for those trades (i.e., the capped amounts) will be counted towards the Crossing Fee Cap, if applicable.⁴

Several other options exchanges offer similar strategy cap programs that reduce members' fees when executing strategy trades.⁵ The Exchange believes that by adopting a similar program to lower fees for strategy trades, the Exchange will be able to attract additional liquidity to the benefit of all market participants that trade on the Exchange.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,⁶ in general, and Section 6(b)(4) of the Act,⁷ in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities.

The Exchange believes that it is reasonable and equitable to introduce a per trade and per month fee cap for strategy trades as this will reduce the fees charged to members that execute their strategy trades on the Exchange. The proposed strategy fee cap is designed to compete with fee caps in place on other options exchanges. By lowering the cost of strategy executions on the Exchange, the Exchange intends to attract this order flow, which will increase available liquidity to the benefit all members and investors that trade on the Exchange. The Exchange further believes that adopting a fee cap for strategy trades is not unfairly discriminatory because all Market Maker, Non-ISE Market Maker, Firm Proprietary / Broker-Dealer, and Professional

⁴ For example, if a member submits a strategy order that would normally incur a fee of \$2,000 but is capped at \$750 per trade, only the \$750 that is actually paid by the member is counted towards the Crossing Fee Cap, if applicable.

⁵ See e.g. Nasdaq OMX Phlx ("Phlx") Schedule of Fees, Section II, Multiply Listed Options Fees, Strategies Defined.

⁶ 15 U.S.C. 78f.

⁷ 15 U.S.C. 78f(b)(4).

Customer that execute strategy trades on the Exchange will have an opportunity to benefit from this cap. The Exchange does not believe that it is unfairly discriminatory not to apply a similar cap for Priority Customer orders as Priority Customers do not generally enter strategy orders, which involve large volume trades, and already receive free or heavily discounted execution fees and therefore would not benefit from a strategy trade fee cap.

The Exchange also believes that it is reasonable equitable and not unfairly discriminatory to aggregate affiliates for purposes of the monthly fee cap for strategy orders as the language permitting aggregation of volume amongst corporate affiliates is intended to avoid disparate treatment of firms that have divided their various business activities between separate corporate entities as compared to firms that operate those business activities within a single corporate entity. In this regard, the Exchange notes that the proposed definition of “affiliate” is consistent with the definition used in other parts of the Schedule of Fees.

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

In accordance with Section 6(b)(8) of the Act,⁸ the Exchange does not believe that the proposed rule change will impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed strategy cap is pro-competitive as it is designed to compete with strategy caps already in place on other markets, and will lower the fees charged to members that execute strategy trades on the Exchange. The Exchange operates in a highly competitive market in which market participants can readily direct their order flow to competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees and rebates

⁸ 15 U.S.C. 78f(b)(8).

to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed fee changes reflect this competitive environment.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act⁹ and subparagraph (f)(2) of Rule 19b-4 thereunder,¹⁰ because it establishes a due, fee, or other charge imposed by ISE.

At any time within 60 days of the filing of such 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:

⁹ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁰ 17 CFR 240.19b-4(f)(2).

- Use the Commission's Internet comment form <http://www.sec.gov/rules/sro.shtml>); or
- Send an E-mail to rule-comments@sec.gov. Please include File No. SR-ISE-2015-37 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-ISE-2015-37. 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 Commissions Internet website (<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 such filing also will be available for inspection and copying at the principal office of the ISE. 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-2015-37 and should be submitted by [INSERT DATE 21 DAYS FROM THE DATE OF PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Robert W. Errett,
Deputy Secretary.

¹¹ 17 CFR 200.30-3(a)(12).

