

**EXHIBIT 5**

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

**Nasdaq ISE Rules**

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**Rule 702. Trading Halts**

(a) – (c) No change.

(d) This paragraph shall be in effect during a pilot period to coincide with the pilot period for the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS, as it may be amended from time to time ("LULD Plan"). Capitalized terms used in this paragraph shall have the same meaning as provided for in the LULD Plan. During a Limit State and Straddle State in the Underlying NMS stock:

(1) No change.

(2) Provided the Exchange has opened an affected option for trading, the Exchange shall reject Market Orders, as defined in Rule 715(a), and Market Complex Orders as defined in Rule 722(b), [(including complex Market Orders) ]and shall notify Members of the reason for such rejection. The Exchange shall cancel [c]Complex [o]Orders that are Market Orders residing in the System, if the complex Market Order becomes marketable while the affected underlying is in a Limit or Straddle State. Market Orders exposed at the NBBO pursuant to Supplementary Material .02 to ISE Rule 1901 or complex Market Orders exposed for price improvement pursuant to [ISE Rule 722(b)(3)(iii)]Supplementary Material .01 to Rule 722, pending in the System, will continue to be processed. If at the end of the exposure period the affected underlying is in a Limit or Straddle State, the Market Order or the complex Market Order will be cancelled. If the affected underlying is no longer in a Limit or Straddle State after the exposure period, the Market Order or the complex Market Order will be processed with normal handling.

(3) – (4) No change.

***Supplementary Material to Rule 702***

No change.

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**Rule 710. Minimum Trading Increments**

(a) – (c) No change.

***Supplementary Material to Rule 710***

.01 Notwithstanding any other provision of this Rule 710, the Exchange will operate a pilot program, scheduled to expire on June 30, 2018, to permit options classes to be quoted and traded in increments as low as one cent (\$0.01). The Exchange will specify which options trade in such pilot, and in what increments, in [Market Information Circulars]Options Trader Alerts distributed to Members.

The Exchange may replace any penny pilot issues that have been delisted with the next most actively traded multiply listed options classes that are not yet included in the penny pilot, based on trading activity in the previous six months. The replacement issues may be added to the penny pilot on the second trading day following January 1, 2018.

.02 Notwithstanding any other provision of this Rule 710, the Exchange will permit foreign currency options and options on a Foreign Currency Index to be quoted and traded in one-cent increments.

.03 Notwithstanding any other provision of this Rule 710, the minimum trading increment for Mini Options shall be determined in accordance with Supplementary Material .13(d) to Nasdaq ISE Rule 504.

.04 Notwithstanding any other provision of this Rule 710, complex strategies may be quoted and traded in the increments described in Rule 722(c)(1).

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## **Rule 715. Types of Orders**

(a) – (j) No change.

(k) *Legging Orders*. A legging order is a limit order on the regular limit order book that represents one side of a [complex order]Complex Options Order that is to buy or sell an equal quantity of two options series resting on the Exchange's complex order book. Legging orders are firm orders that are included in the Exchange's displayed best bid or offer.

(1) A legging order may be automatically generated for one leg of a [complex order]Complex Options Order at a price: (i) that matches or improves upon the best displayed bid or offer on the regular limit order book; and (ii) at which the net price can be achieved when the other leg is executed against the best displayed bid or offer on the regular limit order book. A legging order will not be created at a price that locks or crosses the best bid or offer of another exchange. A Reserve Complex Order will only generate a legging order from its displayed quantity.

(2) A legging order is executed only after all other executable orders (including any non-displayed size) and quotes at the same price are executed in full. When a legging order is executed, the other portion of the [complex order]Complex Options Order will be automatically executed against the displayed best bid or offer on the Exchange.

(3) A legging order is automatically removed from the regular limit order book if: (i) the price of the legging order is no longer at the displayed best bid or offer on the regular limit order book, (ii) execution of the legging order would no longer achieve the net price of the [complex order]Complex Options Order when the other leg is executed against the best displayed bid or offer on the regular limit order book, (iii) the [complex order]Complex Options Order is executed in full or in part [against another complex order ]on the complex order book, or (iv) the [complex order]Complex Options Order is cancelled or modified.

(l) – (u) No change.

### ***Supplementary Material to Rule 715***

No change.

### **Rule 716. Block Trades**

(a) – (e) No change.

### ***Supplementary Material to Rule 716***

.01 - .07 No change.

.08 Reserved[Complex Orders. Electronic Access Members may use the Facilitation Mechanism and the Solicited Order Mechanism according to paragraphs (d) and (e) of this Rule 716 to execute block-size complex orders (as defined in Rule 722) at a net price. Members may enter Responses for complex orders at net prices, and bids and offers for complex orders will participate in the execution of an order being executed as provided in paragraphs (d) and (e) of this Rule 716. With respect to bids and offers for the individual legs of a complex order entered into the mechanisms, the priority rules for complex orders contained in Rule 722(b)(2) will continue to be applicable. If an improved net price for the complex order being executed can be achieved from bids and offers for the individual legs of the complex order in the Exchange's auction market, the order being executed will receive an execution at the better net price, except that for complex orders listed in Rule 722(b)(3)(ii)(A) and (B), if an improved net price for such complex orders being executed can be achieved from bids and offers for the individual legs of the complex order, the auction will be cancelled at the end of the exposure period].

.09 No change.

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### **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[(b)(3)(ii)-(iii)] 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[.08 to Rule 716, Rule 722(b)(3)(iii), and Supplementary Material .09 to Rule 723] may be ongoing at any given time in a complex strategy. Such complex order auctions will not queue or overlap in any manner. The Exchange will reject a complex order auction of the same or different auction type submitted pursuant to Supplementary Material .08(a) –(c) to Rule 722[to Rule 716 or Supplementary Material .09 to Rule 723] while another complex order auction is ongoing in that complex strategy. When there is an ongoing auction in a complex strategy, a subsequent complex order for that strategy will not initiate an auction pursuant to Supplementary Material .01 to Rule 722[Rule 722(b)(3)(iii)] and will be processed as a complex order that is not marked for price improvement, unless the member requested the order to be cancelled after the exposure period, in which case the complex order will be cancelled back to the member. The Exchange will recommence concurrent complex order auctions on or before April 17, 2019, to be announced in a separate Options Trader Alert.

**(a) Definitions.**

**(1) Complex Options[Order] Strategy.** A [complex order]Complex Options Strategy is [any order involving ]the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy. Only those Complex Options Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing.

**(2) Stock-Option [Order]Strategy.** A [stock-option order]Stock-Option Strategy is [an order to buy or sell]the purchase or sale of a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of options contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option leg to the total number of units of the underlying stock or convertible security in the stock leg.

**(3) Stock-Complex Strategy.** A Stock-Complex Strategy is the purchase or sale of a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of a Complex Options Strategy

on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option legs to the total number of units of the underlying stock or convertible security in the stock leg. Only those Stock-Complex Strategies with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing.[ *SSF-Option Order*. A SSF-option order is an order to buy or sell a stated number of units of a single stock future or a security convertible into a single stock future ("convertible SSF") coupled with either (A) the purchase or sale of option contracts(s) on the opposite side of the market representing either the same number of units of stock underlying the single stock future or convertible SSF, or the number of units of stock underlying the single stock future or convertible SSF necessary to create a delta neutral position; or (B) the purchase or sale of an equal number of put and call option contracts, each having the same exercise price, expiration date, and each representing the same number of units of underlying stock, as and on the opposite side of the market from, the stock underlying the single stock future or convertible SSF portion of the order.]

(4) The term "complex strategy" includes Complex Options Strategies, Stock-Option Strategies, and Stock-Complex Strategies.

(5) The terms "Complex Options Order," "Stock-Option Order," and "Stock-Complex Order" refer to orders for a Complex Options Strategy, Stock-Option Strategy, and Stock-Complex Strategy, respectively. The term "Complex Order" includes Complex Options Orders, Stock-Option Orders, and Stock-Complex Orders.

(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) Market Complex Order. 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.

(2) Limit Complex Order. A Limit Complex Order is a Complex Order to buy or sell a complex strategy that is entered with a limit price expressed as a net purchase or sale price for the components of the order.

(3) All-Or-None Complex Order. A Complex Order may be designated as an All-or-None Order that is to be executed in its entirety or not at all. An All-Or-None Order may only be entered as an Immediate-or-Cancel Order.

(4) Reserve Complex Order. A Limit Complex Order may be designated as a Reserve Order that contains both a displayed portion and a non-displayed portion.

(i) Both the displayed and non-displayed portions of a Reserve Complex Order are available for potential execution against incoming marketable orders or quotes. A non-marketable Reserve Complex Order will rest on the complex order book.

(ii) The displayed portion of a Reserve Complex Order shall be ranked at the specified limit price and the time of order entry.

(iii) The displayed portion of a Reserve Complex Order will trade in accordance with Rule 722(d).

(iv) When the displayed portion of a Reserve Complex Order is decremented, either in full or in part, it shall be refreshed from the non-displayed portion of the resting Reserve Complex Order. If the displayed portion is refreshed in part, the new displayed portion shall include the previously displayed portion. Upon any refresh, the entire displayed portion shall be ranked at the specified limit price and obtain a new time stamp, i.e., the time that the new displayed portion of the order was refreshed. The new displayed portion will trade in accordance with Rule 722(d).

(v) The initial non-displayed portion of a Reserve Complex Order rests on the complex order book and is ranked based on the specified limit price and time of order entry. Thereafter, non-displayed portions, if any, always obtain the same time stamp as that of the new displayed portion in subparagraph (iv) above. The non-displayed portion of any Reserve Complex Order is available for execution only after all displayed interest on the complex order book has been executed. Thereafter, the non-displayed portion of any Reserve Complex Order will trade in accordance with Rule 722(d).

(vi) Only the displayed portion of a Reserve Complex Order is eligible to be exposed for price improvement pursuant to Rule 722(d)(1) and Supplementary Material .01 to this Rule 722.

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

(6) 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.

(7) 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.

(8) 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) 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) 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) 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 to Rule 722. Any portion of the order that is not executed during the Complex Opening Process is cancelled.

(12) 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) 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) 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) 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) 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), entered with a stock component to be communicated to a designated broker-dealer for execution pursuant to Supplementary Material .08(f) to Rule 722.

[(b)](c) Applicability of Exchange Rules. Except as otherwise provided in this Rule 722, [complex orders]complex strategies shall be subject to all other Exchange Rules that pertain to orders and quotes generally.

(1) Minimum Increments. Bids and offers [on complex orders]for Complex Options Strategies may be expressed in [any decimal price]one cent (\$0.01) increments, and the

options leg(s) of [a complex order]Complex Options Strategies may be executed in one cent (\$0.01) increments, regardless of the minimum increments otherwise applicable to the individual options legs of the order. Bids and offers for Stock-Option Strategies or Stock-Complex Strategies may be expressed in any decimal price determined by the Exchange, and the stock leg of a Stock-Option Strategy or Stock-Complex Strategy may be executed in any decimal price permitted in the equity market. The options leg of a Stock-Option Strategy or Stock-Complex Strategy may be executed in one cent (\$0.01) increments, regardless of the minimum increments otherwise applicable to the individual options legs of the order.

**(2) Complex Order Priority.** Notwithstanding the provisions of Rule 713[.];

(i) a [complex order, as defined in paragraph (a)(1) of this Rule,]Complex Options Strategies may be executed at a total credit or debit price with one other Member without giving priority to bids or offers established [in the marketplace]on the Exchange that are no better than the bids or offers in the individual options series comprising such total credit or debit; provided, however, that if any of the bids or offers established [in the marketplace]on the Exchange consist of a Priority Customer Order, the price of at least one leg of the complex [order]strategy must trade at a price that is better than the corresponding bid or offer [in the marketplace]on the Exchange by at least one minimum trading increment for the series as defined in Rule 710.

(ii) [Under the circumstances described above, if a stock-option order, as defined in subparagraph (a)(2) of this Rule, or SSF-option order as defined in subparagraph (a)(3) of this Rule,]The option leg of a Stock-Option Strategy [has one option leg, such option leg]has priority over bids and offers for the individual options series established [in the marketplace]on the Exchange by Professional Orders and market maker quotes that are no better than the price of the options leg, but not over such bids and offers established by Priority Customer Orders.

(iii) The options legs of[If] a Stock-Complex Strategy[stock-option order as defined in subparagraph - (a)(2), or SSF-option order as defined in subparagraph (a)(3), consisting of a combination order with stock or single stock futures, as the case may be, has more than one option leg, such option legs may be] are executed in accordance with [the first sentence of this ]subparagraph [(b)(2)](c)(2)(i) above.

(iv) Notwithstanding Rule 722(c)(2)(i)-(iii) above, a complex strategy may be executed at a net credit or debit price with one other Member without giving priority to the non-displayed portion of Reserve Orders on the bids or offers on the Exchange for the individual legs of the complex strategy.

**(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 Supplementary Material .08 to this Rule 722.



[(3)](d) Execution of [Orders]Complex Strategies. Complex [orders]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 Supplementary Material .08 to this Rule 722, are automatically executed as follows:

(1) Each Complex Order must specify upon entry whether it should be exposed upon entry if eligible, or whether such Complex Order should be processed without being exposed. Eligible incoming Complex Orders that are designated for exposure will be exposed for price improvement pursuant to Supplementary Material .01 to this Rule 722.

[(i)](2) Complex strategies will be executed at the best net price available from 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 c[C]omplex [orders]strategies will be automatically executed first against executable bids and offers on the complex order book in price priority. The Exchange may designate on a class basis whether bids and offers at the same price on the complex order book will be executed:

[(A)](i) in time priority;

[(B)](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

[(C)](iii) pro-rata based on size.

[(ii)](3) If there is no executable contra-side complex interest on the complex order book at a particular price, executable Complex Options O[o]rders 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) [will]may be automatically executed against bids and offers on the Exchange for the individual options series[legs of the complex order] provided the [c]Complex [o]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 [c]Complex Options O[o]rders 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 [o]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 [c]Complex [o]Orders in the complex order book. The trading system will not generate legging orders for these [c]Complex [o]Orders.

(B) Complex [o]Orders with 3 or 4 option legs where all legs are buying or all legs are selling may only trade against other [c]Complex [o]Orders in the complex order book.

[(iii) Complex orders may be marked for price improvement. If so marked, a complex order that is executable upon entry will be exposed on the complex order book for a period of up to one-second before being automatically executed against pre-existing complex orders, or bids and offers for the individual legs, to provide an opportunity for market participants to enter contra-side complex orders that provide price improvement. At the end of the display period, contra-side orders will be executed in price priority and in time priority at the same price.]

(4) Complex strategies that are not executable may rest on the complex order book until they become executable.

[(4) *Types of Complex Orders.* Complex orders may be entered as fill-or-kill or immediate-or-cancel orders, as defined in Rule 715(b), or as all-or-none orders, which are resting limit orders to be executed in their entirety or not at all.]

### ***Supplementary Material to Rule 722***

[.01 A bid or offer made as part of a stock-option order (as defined in (a)(2) above) or a SSF-option order (as defined in (a)(3) above) is made and accepted subject to the following conditions: (1) the order must disclose all legs of the order and must identify the security (which in the case of a single stock future requires sufficient identification to determine the market(s) on which the single stock future trades) and the price at which the non-option leg(s) of the order is to be filled; and (2) with respect to a SSF-option order, concurrent with the execution of the options leg of the order, the initiating member and each member that agrees to be a contra-party on the non-option leg(s) of the order must take steps immediately to transmit the non-option leg(s) to a non-Exchange market(s) for execution. Failure to observe these requirements will be considered conduct inconsistent with just and equitable principles of trade and a violation of Rule 400.

A trade representing the execution of the options leg of a SSF-option order may be cancelled at the request of any member that is a party to that trade only if market conditions in any of the non-Exchange market(s) prevent the execution of the non-option leg(s) at the price(s) agreed upon.]

.01 Complex Order Exposure. If designated by a 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) A Complex Order that improves upon the best price for the same complex strategy on the complex order book (i.e., a limit order to buy priced higher than the best bid, a limit order to sell priced lower than the best offer, and a market order to buy or sell) is eligible to be exposed upon entry for a period of up to one (1) second as provided in Supplementary Material .01 to this Rule 722. Incoming orders will not be eligible to be exposed if there are market orders on the complex order book on the same side of the market for the same complex strategy.

(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) Responses are only executable against the Complex Order with respect to which they are entered, can be modified or withdrawn at any time prior to the end of the exposure period, and will be considered up to the size of the Complex Order being exposed. During the exposure period, the Exchange will broadcast the best Response price, and the aggregate size of Responses available at that price. At the conclusion of the exposure period, any unexecuted balance of a Response is automatically cancelled.

(ii) The exposure period for a Complex Order will end immediately upon: (A) 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; or (B) 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.

(iii) If a Complex Order Exposure is early terminated pursuant to paragraph (ii) above, and multiple early terminable complex auctions (i.e., Complex Order Exposure or Complex Price Improvement Mechanism) are ongoing in the complex strategy, all such auctions will be early terminated and processed in the sequence in which they were started. If the early termination condition occurs on a component leg of a complex strategy, the component leg auctions are early terminated and processed first.

(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, (ii) bids and offers on the Exchange for the individual options series, and (iii) Responses received during the exposure period, provided that when allocating pursuant to 722(d)(2)(ii), 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).

(d) If a trading halt is initiated during the exposure period, the Complex Order exposure process will be automatically terminated without execution.

.02 [Automated ]Stock[ ]-Option and Stock-Complex Orders. The Exchange will electronically communicate the stock leg[(s)] of [a stock-option order]an executable Stock-Option Order and Stock-Complex Order to a broker-dealer for execution. To execute [stock-options orders]Stock-Option Orders and Stock-Complex Orders on the Exchange, Members must enter into a brokerage agreement with a broker-dealer designated by the Exchange. The Member may also enter into a brokerage agreement with one or more other broker-dealers to which the Exchange is able to route stock orders. The Exchange will automatically transmit the stock leg[(s)] of a trade to one-or-more broker-dealer(s) with which a Member has an agreement for execution on behalf of the Member using routing logic that takes into consideration objective factors such as execution cost, speed of execution and fill-rates. The Exchange will have no financial arrangements with the brokers with respect to routing stock orders to them. Members may also indicate preferred execution brokers, and such preferences will determine order routing priority whenever possible. A trade of a [stock-option order]Stock-Option Order or a Stock-Complex Order will be automatically cancelled if market conditions prevent the execution of the stock or option leg(s) at the prices necessary to achieve the agreed upon net price. The full size of Stock-Option Orders and Stock-Complex Orders that are being processed by the stock execution venue will be unavailable for trading while the order is being processed.

.03 *Market Maker Quotes.*

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Market makers may enter quotes for complex [order ]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 [order ]strategies are executed in the same manner as orders as provided in paragraph [(b)(3)(i)](d)(2) above, but will not be automatically executed against bids and offers on the Exchange for the individual legs as provided in paragraph [(b)(3)(ii)](d)(3) nor can they be marked for price improvement as provided in paragraph [(b)(3)(iii)](d)(1). Market makers are not required to enter quotes on the complex order book. Quotes for complex [orders]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 [orders]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 order strategies]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 [(b)(3)(i)(B)]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 [c]Complex [o]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)(2)(ii) applicable to Competitive Market Makers that receive Preferred Orders.

.06 If any leg of a complex strategy[complex order or stock-option order] is a Mini Option contract as provided in Supplementary Material .13 to Rule 504, all options legs of such [order] complex strategy must also be Mini Option contracts.

.07 Price limits for [c]Complex [o]Orders and quotes.

(a) As provided in paragraph [(b)(3)](d) above, the legs of a complex [order]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 [order]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 or series basis. A Member can also include an instruction on a Complex Order[complex order entered on the complex order book] that each leg of the [c]Complex [o]Order is to be executed only at a price that is equal to or better than the national best bid or offer for the options series or any stock component, as applicable. Unless the applicable rule states otherwise, when calculating the best net price achievable from the best ISE bids and offers for the individual legs, the price of the stock leg is the national best bid or offer price as modified by this Supplementary Material .07(a) to Rule 722.

(b) The System will reject [any complex order strategy] orders and quotes for a complex strategy where all legs are to buy if [it is ]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 [order] strategy multiplied by the minimum increment applicable to that leg pursuant to Rule 722(c)(1)[\$0.01 per leg (e.g., an order to buy 2 calls and buy 1 put would have a minimum price of \$0.03)].

(c) Other than for [c] Complex [o] Orders entered pursuant to Supplementary Material .08 to this Rule 722 [executed in the Facilitation Mechanism, Solicited Order Mechanism and Price Improvement Mechanism], the System will:

(1) reject a vertical spread order or quote (i.e., 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) 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.

(2) 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 is the lesser of an absolute amount and a percentage of the difference between the strike prices.

(3) reject a calendar spread order or quote (i.e., 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) when entered with a net price of less than zero (minus a pre-set 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.

(4)(i) For purposes of the price protections set forth in paragraphs (c)(1) and (c)(3), the Exchange will set a [common ]pre-set value not to exceed \$1.00 to be applied uniformly across all classes.

(ii) For purposes of the price protections set forth in paragraph (c)(2), the Exchange will set common pre-set values of (1) an amount not to exceed \$1.00 and (2) a percentage of the difference between strike prices not to exceed 10% to be applied uniformly across all classes.

(5) The Exchange may change the pre-set values established in paragraph (c)(4) in accordance with the parameters set forth therein from time to time uniformly across all classes.

(d) Limit Order Price Protection. There is a limit on the amount by which the net price of an incoming Limit Complex Order [complex limit 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[complex limit 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 O[o]rders that exceed the pricing limit are rejected. The limit is established by the Exchange from time-to-time for Limit C[c]omplex O[o]rders to buy (sell) as the [greater of 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.

(e) Size Limitation. There is a limit on the number of contracts (and shares in the case of a [s]Stock-[o]Option Strategy[order] or Stock-Complex Strategy) any single leg of an incoming [c]Complex [o]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.

#### .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 simultaneously in series of individual legs of a complex strategy.

(vi) If a Complex Price Improvement Mechanism is early terminated pursuant to paragraphs (iv)(B) or (C) above, and multiple early terminable complex auctions (i.e., Complex Order Exposure or Complex Price Improvement Mechanism) are ongoing in the complex strategy, all such auctions will be early terminated and processed in the sequence in which they were started. If the early termination condition occurs on a component leg of a complex strategy, the component leg auctions are early terminated and processed first.

(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 (3)(ii), 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 only be entered in the regular trading increments applicable pursuant to Rule 722(c)(1). 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) 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.

.09 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. "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 member, or a default value determined by the Exchange and announced to members; provided that any amount of Trade Value Allowance is permitted in mechanisms pursuant to Supplementary Material .08 to Rule 722 when auction orders do not trade solely with their contra-side order.

.10 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(b) to Rule 722.

.11 Complex Opening Price Determination.

(a) Definitions.

(i) “Boundary Price” is described herein in paragraph (d)(i).

(ii) “Opening Price” is described herein in paragraph (d)(iv).

(iii) “Potential Opening Price” is described herein in paragraph (d)(ii).

(b) Eligible Interest. Eligible interest during the Complex Opening Price Determination includes Complex Orders and quotes on the complex order book except the non-displayed portion of Reserve Complex Orders. 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(b) to Rule 722.

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

(i) Boundary Prices. The 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 order on the Exchange, the system adjusts the Boundary Prices according to Rule 722(c)(2).

(ii) Potential Opening Price. The 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(b) to Rule 722.

(iii) 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(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(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) *Reserve Complex Orders.* Following the execution of the displayed portion of Reserve Complex Orders in the process described above, the system will refresh Reserve Complex Orders pursuant to Rule 722(b)(4)(iv).

(vii) *Uncrossing.* If the complex order book remains locked or crossed following paragraphs (d)(i) - (vi), the system will process any remaining Complex Orders and quotes, including Opening Only Complex Orders and the non-displayed portion of Reserve Complex Orders, in accordance with the Complex Uncrossing Process described in Supplementary Material .12(b) to Rule 722. Bids and offers for the individual legs of the complex strategy will also be eligible to trade in the Complex Uncrossing Process.

.12 *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 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 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) 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 Orders, bids and offers for the individual legs of the complex strategy.

(iii) The process described in (i) through (ii) is repeated until the complex order book is no longer executable.

.13 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.

### **Rule 723. Price Improvement Mechanism for Crossing Transactions**

**(a) – (d)** No change.

#### ***Supplementary Material to Rule 723***

.01 - .08 No change.

.09 Reserved[Complex Orders. Electronic Access Members may use the Price Improvement Mechanism to execute complex orders (as defined in Rule 722) at a net price. Members may enter Improvement Orders for complex orders at net prices, and bids and offers for complex orders will participate in the execution of an order being executed as provided in this Rule 723. With respect to bids and offers for the individual legs of a complex order entered into the Price Improvement Mechanism, the priority rules for complex orders contained in Rule 722(b)(2) will continue to be applicable. If an improved net price for the complex order being executed can be achieved from bids and offers for the individual legs of the complex order in the Exchange's auction market, the order being executed will receive an execution at the better net price, except that for complex orders listed in Rule 722(b)(3)(ii)(A) and (B), if an improved net price for such

complex orders being executed can be achieved from bids and offers for the individual legs of the complex order, the auction will be cancelled at the end of the exposure period. Complex orders must be entered at a price that is better than the best net price (i) available on the complex order book; and (ii) achievable from the best Nasdaq ISE bids and offers for the individual legs (an "improved net price"). Supplementary Material .08 is not applicable to the entry of complex orders; complex orders will be rejected unless they are entered at an improved net price. All references to the NBBO in Rule 723 and the Supplementary Material thereto are inapplicable. The provisions of Rule 723(c)(5) will apply with respect to receipt of orders for the same complex order, and not to the receipt of orders for the individual legs of the complex order].

.10 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.

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