

 <div style="float: right; text-align: center;"> <b>REGULATORY INFORMATION CIRCULAR</b> </div>			
Circular number:	ISE: 2017-001 ISE Gemini: 2017-001 ISE Mercury 2017-001	Contact:	ISE Market Regulation
Date:	January 5, 2017	Telephone:	(215) 496 - 6446

**Subject: Price Improvement Mechanism**

The International Securities Exchange, ISE Gemini and ISE Mercury (collectively called “ISE”, now a part of Nasdaq) filed with the Securities and Exchange Commission (“SEC”) a proposal to:

- (i) Make the Price Improvement Mechanism (“PIM”) pilot program permanent,
- (ii) Change the requirements for providing price improvement for agency orders of less than 50 contracts, and
- (iii) Add a fine schedule to the Minor Rule Violation Plan (Rule 1614(d)(4))

Currently, the PIM order must be entered only at a price that is equal to or better than the National Best Bid or Offer (“NBBO”) and better than the limit order or quote on ISE’s order book on the same side of the Agency Order.

ISE proposes to amend Rule 723(b) to require its members to provide at least \$0.01 per contract price improvement for an Agency Order if that order is for fewer than 50 contracts and if the difference between the NBBO is equal to or less than \$0.01. This requirement will apply regardless of whether the Agency Order is for the account of a Public Customer or for the account of a broker dealer or any other person or entity that is not a Public Customer.

Beginning on January 19, 2017 and pending SEC approval, when Agency Order is for fewer than 50 option contracts, and if the difference between the NBBO is equal to or less than \$0.01, members must not enter a PIM order unless such order is entered at a price that is one minimum price improvement increment better than the NBBO on the opposite side of the market from the Agency Order, and better than any limit order on the limit order book on the same side of the market as the Agency Order.

Failure to comply with the above rule will result in members being subject to the following fines: \$500 for the second offense, \$1,000 for the third offense, and \$2,500 for the fourth offense. Subsequent offenses will subject the member to formal disciplinary action. ISE will review violations on a monthly basis to assess these violations. ISE may initiate formal disciplinary action (and not apply the aforementioned fines) if the member’s conduct is deemed egregious.

Note that once the ISE platforms migrate to the Nasdaq INET platform (scheduled for no later than April 15, 2017 for ISE Gemini; July 15, 2017 for ISE; and September 15, 2017 for ISE Mercury), the ISE system will electronically enforce the minimum price improvement requirement and the MRVP will no longer be applicable.

Please contact ISE Market Regulation with any questions.