

 <div style="float: right; text-align: center;"> REGULATORY INFORMATION CIRCULAR </div>			
Circular number:	ISE: 2016-007 ISE Gemini: 2016-007 ISE Mercury 2016-015	Contact:	Russ Davidson Senior Vice President, Surveillance Officer
Date:	September 30, 2016	Telephone:	(646) 805-1857

Subject: Calculation of Professional Orders

Effective **Monday, October 3, 2016**, the following amendments to the Professional Orders definition shall apply to The International Securities Exchange, LLC, ISE Gemini, and ISE Mercury (collectively called “ISE”) due to rule changes approved by the SEC.¹ Note that the guidance in this circular with regard to order counting supersedes RICs ISE 2014-007 and ISE Gemini 2014-011. In addition, members must perform this check by the first week of January 2017.

When calculating the number of options orders to determine if an order should be designated as a Professional Order, the following shall be taken in to account:

- Each order entered counts toward the total number of orders when determining if orders need to be marked as Professional Orders, regardless of the options exchange to which the order was routed. Specifically, all order types count toward the determination of the 390 orders on average per day threshold.
- An order that converts into multiple subordinate orders to achieve an execution strategy shall be counted as one order per side and series, even if the order is routed away. An order that cancels and replaces the subordinate order and results in multiple sides/series shall be counted as a new order per side and series. Additionally, an order that cancels and replaces the subordinate order on the same side and series shall be counted as one order. For purposes of counting Public Customer orders, if one Public Customer order on the same side and series is subsequently broken-up by a broker into multiple orders for purposes of execution or routed away, this order shall be counted as one order.
- A cancel and replace order which replaces a prior order shall be counted as a second order, or multiple new orders in the case of “single-strike algorithms” which track the Best Bid or Offer (“BBO”) or National Best Bid and Offer (“NBBO”).
- Complex Orders consisting of eight option legs or fewer will be counted as a single order. However, for Complex Orders consisting of nine or more options legs, each leg will count as a separate order. Stock legs are not included in the number of legs counted. Also note that at this time, Complex orders are not traded on ISE Gemini and ISE Mercury.

¹ SR-ISE-2016-19, SR-ISE Gemini 2016-08, SR-ISE Mercury 2016-14

As a reminder, ISE members must use the new definition in calculating orders entered by their customers beginning October 3, 2016. Members must review their Priority Customers' activity at least on a quarterly basis to determine whether orders must be marked as Priority Customer Orders or Professional Orders. Please refer to ISE Rule 100(a)(37C) for more details

Examples:

1. A customer enters an order to buy 10 XYZ6Dec100.0C at 1.00. The customer cancels and replaces the order three times. In this case, the count of orders is four (the original order plus 3 cancel/replace orders).
2. A customer sends an order to buy 100 XYZ6Dec100.0C to a Broker/Dealer choosing a particular algorithm that does not track the BBO or NBBO. The Algorithm sent four orders to four exchanges and the order is canceled/replaced three times because of changes in the underlying price. In this case since it is one strike and all child orders are on the same side and same series, the firm should only count the parent order which is one.
3. A customer sends an order to buy 20K Vega at a 35 volatility in XYZ. The order generates 50 child orders across different strikes. In this case, the count of orders is 50.
4. A customer sends an order to buy 100 XYZ6Dec100.0C to a Broker/Dealer choosing a particular algorithm that tracks the BBO or NBBO. The Algorithm sent four orders to four exchanges and changes canceled/replaced the orders three times because of changes in the option BBO. In this case, the count of orders is 12.