Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2017 - * 22

Amendment No. (req. for Amendments *)

Filing by   Investors' Exchange LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

| Initial * ☑ | Amendment * ☐ | Withdrawal ☐ | Section 19(b)(2) * ☑ | Section 19(b)(3)(A) * ☐ | Section 19(b)(3)(B) * ☐ |

Rule

Pilot ☐	Extension of Time Period for Commission Action * ☐	Date Expires *	19b-4(f)(1) ▣	19b-4(f)(4) ▣
			19b-4(f)(2) ▣	19b-4(f)(5) ▣
			19b-4(f)(3) ▣	19b-4(f)(6) ▣

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

| Section 806(e)(1) * ☐ | Section 806(e)(2) * ☐ | Section 3C(b)(2) * ☐ |

| Exhibit 2 Sent As Paper Document ▣ | Exhibit 3 Sent As Paper Document ▣ |

Description

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

Proposed rule change to introduce a new Market Maker Peg Order.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Claudia   Last Name * Crowley

Title *   Chief Regulatory Officer

E-mail *   claudia.crowley@iextrading.com

Telephone * (646) 343-2041   Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

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

(Title *)

Date   06/30/2017

By   Claudia Crowley

(Name *)

Chief Regulatory Officer

claudia.crowley@iextrading.com

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

☐

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1.   Text of Proposed Rule Change

(a)   Pursuant to the provisions of Section 19(b)(1) under the Securities

Exchange Act of 1934 ("Act"),[1] and Rule 19b-4 thereunder,[2] Investors Exchange LLC

("IEX" or the "Exchange") is filing with the Securities and Exchange Commission

("Commission") a proposed rule change to introduce a new Market Maker Peg Order,

designed to simplify market maker compliance with IEX Rule 11.151 (Market Maker

Obligations), and make a conforming change regarding connectivity within the Exchange

System. In addition, the Exchange proposes to amend paragraph (d) of Rule 11.340 to

describe how Market Maker Peg Orders in a Pilot Security[3] would be priced in order to

comply with the Plan to Implement a Tick Size Pilot Program ("Tick Pilot Plan").[4]

A notice of the proposed rule change for publication in the Federal Register is

attached hereto as Exhibit 1. The text of the proposed rule change is attached as Exhibit

5.

(b)   The Exchange does not believe that the proposed rule change will have

any direct effect, or any significant indirect effect, on any other Exchange rule in effect at

the time of this filing.

(c)   Not applicable.

2.   Procedures of the Self-Regulatory Organization

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[1] 15 U.S.C. 78s(b)(1).
[2] 17 CFR 240.19b-4.
[3] Pilot Security has the meaning specified in the Tick Pilot Plan.
[4] See Securities and Exchange Act Release No. 74892 (May 6, 2015), 80 FR 27513 (File No. 4-657) ("Tick Plan Approval Order"). See also Securities and Exchange Act Release No. 76382 (November 6, 2015) (File No. 4-657), 80 FR 70284 (File No. 4-657) (November 13, 2015), which extended the pilot period commencement date from May 6, 2015 to October 3, 2016.

Senior management has approved the proposed rule change pursuant to authority delegated to it by the Board of the Exchange. No further action is required under the Exchange's governing documents. Therefore, the Exchange's internal procedures with respect to the proposed rule change are complete.

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

<table>
<tr><td>Claudia Crowley</td><td>Andres J. Trujillo</td></tr>
<tr><td>Chief Regulatory Officer</td><td>Regulatory Associate</td></tr>
<tr><td>Investors Exchange LLC</td><td>Investors Exchange LLC</td></tr>
<tr><td>646-343-2041</td><td>646-343-2034</td></tr>
</table>

3. <u>Self-Regulatory Organization's Statement on the Purpose of, and Statutory Basis for, the Proposed Rule Change</u>

a. <u>Purpose</u>

<u>Background</u>

IEX Rule 11.151 (Market Maker Obligations) requires market makers for each stock in which they are registered to continuously maintain a two-sided quotation within a designated percentage of the National Best Bid ("NBB") and National Best Offer ("NBO"),[5] as appropriate. In addition to the market maker quoting and pricing obligations set forth in the Exchange's rules, market makers must meet their obligations under Rule 15c3-5 under the Act (the "Market Access Rule")[6] and Regulation SHO.[7]

The Market Access Rule requires a broker-dealer with market access, or that provides a customer or any other person with access to an exchange or alternative trading

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[5] As defined by Regulation NMS Rule 600(b)(42). 17 CFR 242.600.
[6] 17 CFR 240.15c3-5.
[7] 17 CFR 242.200 through 204.

system through use of its market participant identifier or otherwise, to establish,

document, and maintain a system of risk management controls and supervisory

procedures reasonably designed to manage the financial, regulatory, and other risks of

this business activity. These controls must be reasonably designed to ensure compliance

with all regulatory requirements, which are defined as "all federal securities laws, rules

and regulations, and rules of self-regulatory organizations, that are applicable in

connection with market access."[8]

In addition to the obligations of the Market Access Rule, broker-dealers have

independent obligations that arise under Regulation SHO. Regulation SHO obligations

generally include properly marking sell orders, obtaining a "locate" for short sale orders,

closing out fail to deliver positions, and, where applicable, complying with the short sale

price test.[9] While there are certain exceptions to some of the requirements of Regulation

SHO where a market maker is engaged in bona-fide market making activities,[10] the

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[8] See supra note 5.

[9] See supra note 6.

[10] See 17 CFR 242.203(b)(1). The Commission adopted a narrow exception to Regulation SHO's "locate" requirement for market makers engaged in bona fide market making that may need to facilitate customer orders in a fast moving market without being subject to the possible delays associated with complying with such requirement. See Exchange Act Release No. 50103 (July 28, 2004), 69 FR 48008, 48015 (August 6, 2004) (providing guidance as to what does not constitute bona-fide market making for purposes of claiming the exception to Regulation SHO's "locate" requirement). See also Exchange Act Release No. 58775 (October 14, 2008), 73 FR 61690, 61698-9 (October 17, 2008) (providing guidance regarding what is bona-fide market making for purposes of complying with the market maker exception to Regulation SHO's "locate" requirement including without limitation whether the market maker incurs any economic or market risk with respect to the securities, continuous quotations that are at or near the market on both sides and that are communicated and represented in a way that makes them widely accessible to investors and other broker-dealers and a pattern of trading that includes both purchases and sales in roughly comparable amounts to provide liquidity to customers or other broker-dealers). Thus, market makers would not be able to rely solely on quotations

availability of those exceptions is distinct and independent from whether a market maker

submits an order that is a Market Maker Peg Order.

Proposed Rule

The Exchange is proposing to introduce a new Market Maker Peg Order type,

designed to simplify market maker compliance with the continuous quoting and pricing

obligations, as well as market maker compliance with the requirements of the Market

Access Rule and Regulation SHO. The Market Maker Peg Order, as proposed, is

substantially similar to equivalent order types offered by other market centers, including

Bats BZX Exchange, Inc. ("Bats"), Nasdaq Stock Market LLC ("Nasdaq"), and Bats

EDGX Exchange, Inc. ("EDGX").[11] Specifically, the Market Maker Peg Order would be

a one-sided limit order and, similar to other peg orders available to market participants,

priced in reference to or "pegged" to the NBB or NBO,[12] but is distinguishable in that it

would always be displayed.

The Exchange believes that this order-based approach would provide an effective

compliance tool to facilitate market makers compliance with the requirements of the

Market Access Rule and Regulation SHO while also providing quotation adjusting

functionality to its market makers. Market makers would have control of order

origination, as required by the Market Access Rule, while also allowing market makers to

priced in accordance with the Designated Percentages under proposed Rule 11.190(b)(13)
for eligibility for the bona-fide market making exception to the "locate" requirement
based on the criteria set forth by the Commission. It should also be noted that a
determination of bona-fide market making is relevant for the purposes of a broker-
dealer's close-out obligations under Rule 204 of Regulation SHO. See 17 CFR
242.204(a)(3).
[11] See e.g., Bats Rule 11.9(c)(16), Nasdaq Rule 4702(b)(7), and EDGX Rule 11.8(e).
[12] See Rule 11.190(a)(3).

make marking and locate determinations prior to order entry, as required by Regulation

SHO. As such, market makers using Market Maker Peg Orders would be fully able to

comply with the requirements of the Market Access Rule and Regulation SHO, as they

would when placing any order, while also facilitating compliance with their Exchange

market making obligations. In this regard, the Market Maker Peg Order does not by itself

ensure that the market maker is satisfying the requirements of Regulation SHO, including

the satisfaction of the locate requirements of Rule 203(b)(1) or an exception thereto. It is

expected that market makers will perform the necessary checks to comply with

Regulation SHO, prior to entry of a Market Maker Peg Order.

The Market Maker Peg Order would be limited to registered market makers[13] and

would have its price automatically set and adjusted by the System, both upon entry and

any time thereafter, in order to comply with the Exchange's rules regarding market maker

quoting and pricing obligations.[14] Specifically, upon entry or at the beginning of the

Regular Market Session, as applicable, the entered bid or offer is automatically priced by

the System at the Designated Percentage (as defined in Rule 11.151(a)(6)) away from the

then current NBB or NBO, as applicable, or if there is no NBB or NBO, at the

Designated Percentage away from the last reported sale from the responsible single plan

processor in order to comply with the quotation requirements for market makers set forth

in Rule 11.151(a). Market makers may submit Market Maker Peg Orders to the

Exchange starting at the beginning of the Pre-Market Session, but the order will not be

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[13] See Rule 11.150.

[14] The Market Maker Peg Order is one-sided, and thus a market maker seeking to use
Market Maker Peg Orders to comply with the Exchange's continuous two-sided
quotation requirements would need to submit both a bid and an offer using the order type.

executable or automatically priced until the beginning of the Regular Market Session, and will expire at the end of the Regular Market Session.

Upon reaching the Defined Limit (as defined in Rule 11.151(a)(7)), the price of a Market Maker Peg Order bid or offer will be adjusted by the System to the Designated Percentage away from the then current NBB or NBO, or, if there is no NBB or NBO, the order will, by default, be the Designated Percentage away from the last reported sale from the responsible single plan processor. If a Market Maker Peg Order bid or offer moves a specified number of percentage points away from the Designated Percentage towards the then current NBB or NBO, which number of percentage points will be determined and published in a circular distributed to Members from time to time, the price of such bid or offer will be adjusted by the System to the Designated Percentage away from the then current NBB or NBO, as applicable. If there is no NBB or NBO, as applicable, the order will be adjusted by the System to the Designated Percentage away from the last reported sale from the responsible single plan processor. In the event that pricing a Market Maker Peg Order at the Designated Percentage away from the then current National Best Bid and National Best Offer, or, if no National Best Bid or National Best Offer, to the Designated Percentage away from the last reported sale from the responsible single plan processor, would result in the order exceeding its limit price, the order will be cancelled or rejected. The limit price entered on a Market Maker Peg Order is designed to allow a market maker to specify a price at which the initial pricing and any subsequent repricing of the order to the Designated Percentage will be constrained.

If, after entry, the Market Maker Peg Order is priced based on the last reported sale from the single plan processor and such Market Maker Peg Order is established as

the NBB or NBO, the Market Maker Peg Order will not be subsequently adjusted in accordance with this rule until either there is a new consolidated last sale, or a new NBB or NBO is established by a national securities exchange.

Market Maker Peg Orders are not eligible for routing pursuant to Rule 11.230(b) and are always displayed on the Exchange. In addition, a new timestamp is created for the order each time that it is automatically adjusted in accordance with the proposed rule. Market Maker Peg Orders may only be entered by a registered Market Maker, pursuant to IEX Rule 11.150.

In addition, the Exchange proposes to amend paragraph (d) of Rule 11.340 to describe changes to System functionality with respect to Market Maker Peg Orders in order to comply with the Tick Pilot Plan. Specifically, the Exchange proposes to add new subparagraph (d)(1)(A) to Rule 11.340 to specify that if, pursuant to proposed Rule 11.190(b)(13), a Market Maker Peg Order in a Pilot Security would be priced at an increment other than $0.05, the System will round such order to buy (sell) up (down) to the nearest permissible increment. This approach, which is substantially similar to Bats Rule 11.27(c)(5), is designed to ensure that Market Maker Peg Orders for Pilot Securities are appropriately priced in $0.05 increments by rounding such order to the nearest permissible increment, that is also compliant with the minimum market maker quoting obligations set forth in IEX Rule 11.151. In addition, if the rounding methodology results in a Market Maker Peg Order being priced to a price below $0.05, the order will be cancelled back to the market maker that entered the order.

The Exchange notes that notwithstanding the availability of the proposed Market Maker Peg Order functionality, a market maker remains responsible for entering,

monitoring, and resubmitting, as applicable, quotations that meet the requirements of

Rule 11.151.

As proposed, the Exchange will apply the Designated Percentage and Defined

Limit as set forth in Rules 11.151(a)(6) and (7), respectively, subject to the following

exception: for all NMS stocks with a price less than $1 per share that are not included in

the S&P 500® Index, Russell 1000® Index, and a pilot list of Exchange Traded Products,

the Exchange will use the Designated Percentage and Defined Limit applicable to NMS

stocks equal to or greater than $1 per share that are not included in the S&P 500® Index,

Russell 1000® Index, and a pilot list of Exchange Traded Products.

The System will be available for entry, modification, and cancellation of Market

Maker Peg Orders under proposed Rule 11.190(b)(13) only via the POP pursuant to Rule

11.510(b), and thus are subject to the Inbound and Outbound POP Latency upon entry,

accordingly.[15] Furthermore, each time a Market Maker Peg Order is automatically

adjusted by the System thereafter in accordance with proposed Rule 11.190(b)(13), all

inbound and outbound communications related to the modified order instruction would

traverse an additional POP between the Market Maker Peg Order repricing logic, and the

Order Book, which is subject to an equivalent 350 microseconds of latency pursuant to

proposed Rule 11.510(c)(1).[16] This approach is designed so that a market maker using a

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[15] See 11.510(b)(1) and (2), respectively, which define the Inbound POP Latency as an equivalent 350 microseconds of latency from the Exchange-provided network interface at the IEX POP to the System at the primary data center; and Outbound POP Latency as an equivalent 350 microseconds of latency from the System at the primary data center to the Exchange-provided network interface at the IEX POP.

[16] The Exchange notes that the same "additional POP" that is used to implement an equivalent 350 microseconds of latency to all routable orders sent by the System to the Order Book pursuant to Rule 11.510(c)(1) will be used to implement such delay to all

Market Maker Peg Order to facilitate compliance with the Exchange's continuous quoting and pricing obligations is in the same position as a market maker updating its own quote, whose orders would need to traverse a POP. As discussed more fully in the Statutory Basis section, the Exchange believes that it is appropriate to treat Market Maker Peg Orders differently in this regard from other pegged orders (which are repriced without traversing a POP) because of substantially distinguishing characteristics.

The Exchange also proposes to make a conforming change to Rule 11.510(c) regarding connectivity, to provide that, pursuant to Rule 11.190(b)(13), each time a Market Maker Peg Order is automatically adjusted by the System, all inbound and outbound communications related to the modified order instruction will traverse an additional POP between the Market Maker Peg Order repricing logic and the Order Book.

The Exchange plans to implement the proposed changes during the third quarter of 2017 pending completion of necessary technology changes and subject to Commission approval. The Exchange will announce the implementation date of the proposed changes by Trader Alert at least 10 business days in advance of such implementation date and within 90 days of approval of this proposed rule change.

b.   Statutory Basis

IEX believes that the proposed rule change is consistent with Section 6(b) of the Act in general, [17] and further the objectives of Section 6(b)(5) of the Act,[18] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to

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modified order instructions for Market Maker Peg Orders pursuant to proposed Rule 11.190(b)(13).
[17] 15 U.S.C. 78f.
[18] 15 U.S.C. 78f(b)(5).

promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. As noted above, the Exchange believes that the proposed rule is designed to simplify market maker compliance with the minimum continuous quoting and pricing obligations, as well as facilitate market maker compliance with the requirements of the Market Access Rule and Regulation SHO.

Specifically, the Exchange believes that simplifying compliance with this rule will remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest, because it will provide a simplified means by which market makers may offer liquidity, even in circumstances where they are not willing to quote at the inside market. As a result, in circumstances where liquidity available at displayed prices closer to the inside than the price of a Market Maker Peg Order is exhausted during an aggressive market wide sweep, the Market Maker Peg Order may nevertheless be available to support executions at prices that are at least within the applicable Designated Percentage or Defined Limit. Moreover, the methodology for repricing Market Maker Peg Orders is consistent with the requirements of the Act because it is designed to ensure that the displayed price of the order is at least within the applicable Designated Percentage or Defined Limit, as applicable.[19]

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[19] The Exchange notes that in certain scenarios the applicable Designated Percentage or Defined Limit price may be outside of the industry wide limit-up, limit-down price bands, and/or the clearly erroneous parameters. Nevertheless, Market Maker Peg Orders may be less likely to execute at a clearly erroneous price or a price that would trigger a

The proposed rule change also is designed to support the principles of Section

11A(a)(1) of the Act[20] in that it seeks to assure fair competition among brokers and

dealers and among exchange markets. The Exchange believes that offering the Market

Maker Peg Order to market makers exclusively is consistent with fair competition among

brokers and dealers in that market makers have chosen to subject themselves to the

obligations of Rule 11.151, and the benefit conferred on such market participants by this

order type is commensurate with the obligations. Furthermore, all Members are eligible

to apply for registration as a market maker under Rule 11.150 on a fair and equal basis.

The Exchange also believes that it is fair and reasonable for all inbound and

outbound communications related to the repricing of a Market Maker Peg Order to

traverse a POP that is subject to an equivalent 350 microseconds of latency for several

reasons. First, as noted in the Purpose section, this approach is designed so that a market

maker using a Market Maker Peg Order to facilitate compliance with the Exchange's

continuous quoting and pricing obligations is in the same position as a market maker

updating its own quote, whose orders would need to traverse a POP. Similarly, price

adjustments to Market Maker Peg Orders will experience the same latency as any other

displayed order entered on the Exchange.

IEX believes that it is appropriate to treat Market Maker Peg Orders differently in

this regard than other pegged order types (which are repriced within the System without

traversing a POP) offered by the Exchange because the fundamental characteristics of a

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limit-up, limit-down trading pause than other displayed orders that are not subject to the
market maker pricing obligations.
[20] 15 U.S.C. 78k-1.

Market Maker Peg Order is substantially different from such other peg orders.[21]

Specifically, the other peg order types offered are non-displayed and designed to

generally execute at or within the NBBO. A primary function of the IEX POP access

delay, in conjunction with the Exchange's consumption of direct proprietary market data

without any such delay, is to protect resting non-displayed orders from adverse selection

by latency arbitrage whereby market participants with access to fast market data send

orders to trade against resting non-displayed interest at soon to be stale prices.

Subjecting all inbound and outbound communications related to the repricing of such

non-displayed orders to POP latency would frustrate the purpose of the IEX POP since

the pegged order would be subject to execution at a stale price before the repricing

instruction is received. Moreover, market participants entering non-displayed pegged

orders to the Exchange are often large institutional investors that do not have the

technical capabilities of market makers or other latency sensitive Members to manage

their orders to avoid adverse selection. Such market participants entrust the Exchange,

pursuant to its design and System architecture, to accurately price and protect such order

from adverse selection. In contrast, and by design, a Market Maker Peg Order is a

compliance tool for market makers rather than an order type to facilitate trading at the

most current pricing. In this regard, Market Maker Peg Orders are designed to reprice

significantly outside the NBBO and are thus are materially less susceptible to adverse

selection. Furthermore, such orders are not "pegged" to the NBBO in the same manner

as non-displayed pegged orders, in that Market Maker Peg Orders only reprice to remain

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[21] See IEX Rule 11.190(b)(8), (9) and (10) with respect to Primary Peg, Midpoint Peg, and Discretionary Peg Orders respectively.

in compliance with the Exchange's quoting and pricing obligations rather than to peg at, close to, or better than the NBBO with each NBBO update.

Accordingly, the Exchange believes that it is consistent with the public interest and the protection of investors to reprice Market Maker Peg Orders through the POP in the interest of ensuring that market makers will not have any unfair advantage over market makers that updates its own quote, as well as with other market participants using displayed orders.

Furthermore, the Exchange believes that it is consistent with the public interest and the protection of investors to apply a new timestamp to a Market Maker Peg Order each time it is repriced so that a Market Maker Peg Order does not achieve execution priority superior to a displayed order entered at that price earlier in time. Accordingly, market makers will not have any unfair advantage over a market makers updating its own quote, or other market participants using displayed orders on the Exchange.

Additionally, the Exchange believes that its proposed rounding of a buy (sell) Market Maker Peg Order in a Pilot Security that would be priced at an increment other than $0.05 up (down) to the nearest permissible increment, as well as to cancel such orders if the rounding methodology results in a Market Maker Peg Order being priced to a price below $0.05, is consistent with the protection of investors and the public interest in that it enables the Exchange to comply with the Tick Pilot Plan. Further, the Exchange believes it is also consistent with the protection of investors and the public interest to cancel or reject (as applicable) a Market Maker Peg Order that would otherwise be priced at a price exceeding its limit price because such price would not be consistent with the market maker's instructions.

Lastly, the Exchange believes that the proposed conforming rule change to Rule 11.510(c)(1) is consistent with the protection of investors and the public interest in that it is designed to provide clarity to market participants regarding Market Maker Peg Order repricing methodology, and make the Exchange's rule more clear and explicit.

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

IEX does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Specifically, the Exchange believes that the proposal will enhance the Exchange's competitiveness by providing market makers on IEX with a means to offer liquidity even in circumstances where they are not willing to quote at the inside market. Based on informal discussion with market participants that serve as market maker on other trading centers, the Exchange believes that this functionality will be appealing to potential market makers, and therefore will make it more likely that market participants will choose to become registered market makers on the Exchange. This may, in turn, increase the extent of liquidity available on IEX and increase its ability to compete with other execution venues to attract orders that are seeking liquidity. The Exchange further notes that the Market Maker Peg Order, as proposed, is substantially similar to equivalent order types offered by other market centers, including Bats, Nasdaq, and EDGX, and therefore will not impair market participants or other market centers from competing, but would in fact allow the Exchange to compete with existing functionality offered by competing market centers.[22] Moreover, there is no barrier to other exchanges adopting the same repricing functionality.

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[22] See supra note 9.

With regard to intra-market competition, the Exchange does not believe that the

method of repricing Market Maker Peg Orders will result in any burden on intra-market

competition that is not necessary or appropriate in furtherance of the purposes of the Act.

To the contrary, as described in the Statutory Basis section, the Exchange's proposed

method of repricing is designed in the interest of ensuring that market makers using

Market Maker Peg Orders will be in the same position as market makers updating their

own quotes, as well as other market participants using displayed orders.

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

        Written comments were neither solicited nor received.

6.   Extension of Time Period for Commission Action

        Not applicable.

7.   Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated
        Effectiveness Pursuant to Section 19(b)(2)

        Not applicable.

8.   Proposed Rule Change Based on the Rules of Another Self-Regulatory
        Organization or of the Commission

        The proposed rule is based in part on Bats Rule 11.9(c)(16). However, one

notable difference described herein is that the System will be available for entry,

modification, and cancellation of Market Maker Peg Orders under proposed Rule

11.190(b)(13) only via the POP pursuant to Rule 11.510(b), and thus are subject to the

Inbound and Outbound POP Latency upon entry, accordingly. Furthermore, each time a

Market Maker Peg Order is automatically adjusted by the System thereafter in

accordance with proposed Rule 11.190(b)(13), all inbound and outbound

communications related to the modified order instruction would traverse an additional

POP between the Market Maker Peg Order repricing logic, and the Order Book, which is

subject to an equivalent 350 microseconds of latency pursuant to proposed Rule

11.510(c)(1).

9.   Security-Based Swap Submissions Filed Pursuant to Section3 C of the Act

        Not applicable.

10.   Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and
        Settlement Supervision Act

        Not applicable.

11.   Exhibits

        Exhibit 1 – Form of Notice of the Proposed Rule Change for Publication in the

Federal Register.

        Exhibit 5 – Text of Proposed Rule Change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34 -   ); File No. SR-IEX-2017-22)

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing of Proposed
Rule Change to Introduce a New Market Maker Peg Order.

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 (the "Act")[2]

and Rule 19b-4 thereunder,[3] notice is hereby given that, on (date), the Investors Exchange

LLC ("IEX" or the "Exchange") filed with the Securities and Exchange Commission (the

"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

Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act

of 1934 ("Act"),[4] and Rule 19b-4 thereunder,[5] Investors Exchange LLC ("IEX" or the

"Exchange") is filing with the Securities and Exchange Commission ("Commission") a

proposed rule change to introduce a new Market Maker Peg Order, designed to simplify

market maker compliance with IEX Rule 11.151 (Market Maker Obligations), and make

a conforming change regarding connectivity within the Exchange System. In addition, the

Exchange proposes to amend paragraph (d) of Rule 11.340 to describe how Market

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[1]   15 U.S.C. 78s(b)(1).
[2]   15 U.S.C. 78a.
[3]   17 CFR 240.19b-4.
[4]   15 U.S.C. 78s(b)(1).
[5]   17 CFR 240.19b-4.

Maker Peg Orders in a Pilot Security[6] would be priced in order to comply with the Plan

to Implement a Tick Size Pilot Program ("Tick Pilot Plan").[7]

The text of the proposed rule change is available at the Exchange's website at

www.iextrading.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 the 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 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

                                Background

IEX Rule 11.151 (Market Maker Obligations) requires market makers for each

stock in which they are registered to continuously maintain a two-sided quotation within

a designated percentage of the National Best Bid ("NBB") and National Best Offer

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[6] Pilot Security has the meaning specified in the Tick Pilot Plan.
[7] See Securities and Exchange Act Release No. 74892 (May 6, 2015), 80 FR 27513 (File No. 4-657) ("Tick Plan Approval Order"). See also Securities and Exchange Act Release No. 76382 (November 6, 2015) (File No. 4-657), 80 FR 70284 (File No. 4-657) (November 13, 2015), which extended the pilot period commencement date from May 6, 2015 to October 3, 2016.

("NBO"),[8] as appropriate. In addition to the market maker quoting and pricing obligations set forth in the Exchange's rules, market makers must meet their obligations under Rule 15c3-5 under the Act (the "Market Access Rule")[9] and Regulation SHO.[10]

The Market Access Rule requires a broker-dealer with market access, or that provides a customer or any other person with access to an exchange or alternative trading system through use of its market participant identifier or otherwise, to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of this business activity. These controls must be reasonably designed to ensure compliance with all regulatory requirements, which are defined as "all federal securities laws, rules and regulations, and rules of self-regulatory organizations, that are applicable in connection with market access."[11]

In addition to the obligations of the Market Access Rule, broker-dealers have independent obligations that arise under Regulation SHO. Regulation SHO obligations generally include properly marking sell orders, obtaining a "locate" for short sale orders, closing out fail to deliver positions, and, where applicable, complying with the short sale price test.[12] While there are certain exceptions to some of the requirements of Regulation SHO where a market maker is engaged in bona-fide market making activities,[13] the

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[8] As defined by Regulation NMS Rule 600(b)(42). 17 CFR 242.600.

[9] 17 CFR 240.15c3-5.

[10] 17 CFR 242.200 through 204.

[11] See supra note 5.

[12] See supra note 6.

[13] See 17 CFR 242.203(b)(1). The Commission adopted a narrow exception to Regulation SHO's "locate" requirement for market makers engaged in bona fide market making that may need to

availability of those exceptions is distinct and independent from whether a market maker

submits an order that is a Market Maker Peg Order.

Proposed Rule

The Exchange is proposing to introduce a new Market Maker Peg Order type,

designed to simplify market maker compliance with the continuous quoting and pricing

obligations, as well as market maker compliance with the requirements of the Market

Access Rule and Regulation SHO. The Market Maker Peg Order, as proposed, is

substantially similar to equivalent order types offered by other market centers, including

Bats BZX Exchange, Inc. ("Bats"), Nasdaq Stock Market LLC ("Nasdaq"), and Bats

EDGX Exchange, Inc. ("EDGX").[14] Specifically, the Market Maker Peg Order would be

a one-sided limit order and, similar to other peg orders available to market participants,

priced in reference to or "pegged" to the NBB or NBO,[15] but is distinguishable in that it

would always be displayed.

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facilitate customer orders in a fast moving market without being subject to the possible delays associated with complying with such requirement. See Exchange Act Release No. 50103 (July 28, 2004), 69 FR 48008, 48015 (August 6, 2004) (providing guidance as to what does not constitute bona-fide market making for purposes of claiming the exception to Regulation SHO's "locate" requirement). See also Exchange Act Release No. 58775 (October 14, 2008), 73 FR 61690, 61698-9 (October 17, 2008) (providing guidance regarding what is bona-fide market making for purposes of complying with the market maker exception to Regulation SHO's "locate" requirement including without limitation whether the market maker incurs any economic or market risk with respect to the securities, continuous quotations that are at or near the market on both sides and that are communicated and represented in a way that makes them widely accessible to investors and other broker-dealers and a pattern of trading that includes both purchases and sales in roughly comparable amounts to provide liquidity to customers or other broker-dealers). Thus, market makers would not be able to rely solely on quotations priced in accordance with the Designated Percentages under proposed Rule 11.190(b)(13) for eligibility for the bona-fide market making exception to the "locate" requirement based on the criteria set forth by the Commission. It should also be noted that a determination of bona-fide market making is relevant for the purposes of a broker-dealer's close-out obligations under Rule 204 of Regulation SHO. See 17 CFR 242.204(a)(3).

[14] See e.g., Bats Rule 11.9(c)(16), Nasdaq Rule 4702(b)(7), and EDGX Rule 11.8(e).

[15] See Rule 11.190(a)(3).

The Exchange believes that this order-based approach would provide an effective compliance tool to facilitate market makers compliance with the requirements of the Market Access Rule and Regulation SHO while also providing quotation adjusting functionality to its market makers. Market makers would have control of order origination, as required by the Market Access Rule, while also allowing market makers to make marking and locate determinations prior to order entry, as required by Regulation SHO. As such, market makers using Market Maker Peg Orders would be fully able to comply with the requirements of the Market Access Rule and Regulation SHO, as they would when placing any order, while also facilitating compliance with their Exchange market making obligations. In this regard, the Market Maker Peg Order does not by itself ensure that the market maker is satisfying the requirements of Regulation SHO, including the satisfaction of the locate requirements of Rule 203(b)(1) or an exception thereto. It is expected that market makers will perform the necessary checks to comply with Regulation SHO, prior to entry of a Market Maker Peg Order.

The Market Maker Peg Order would be limited to registered market makers[16] and would have its price automatically set and adjusted by the System, both upon entry and any time thereafter, in order to comply with the Exchange's rules regarding market maker quoting and pricing obligations.[17] Specifically, upon entry or at the beginning of the Regular Market Session, as applicable, the entered bid or offer is automatically priced by the System at the Designated Percentage (as defined in Rule 11.151(a)(6)) away from the

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[16] See Rule 11.150.

[17] The Market Maker Peg Order is one-sided, and thus a market maker seeking to use Market Maker Peg Orders to comply with the Exchange's continuous two-sided quotation requirements would need to submit both a bid and an offer using the order type.

then current NBB or NBO, as applicable, or if there is no NBB or NBO, at the

Designated Percentage away from the last reported sale from the responsible single plan

processor in order to comply with the quotation requirements for market makers set forth

in Rule 11.151(a). Market makers may submit Market Maker Peg Orders to the

Exchange starting at the beginning of the Pre-Market Session, but the order will not be

executable or automatically priced until the beginning of the Regular Market Session, and

will expire at the end of the Regular Market Session.

Upon reaching the Defined Limit (as defined in Rule 11.151(a)(7)), the price of a

Market Maker Peg Order bid or offer will be adjusted by the System to the Designated

Percentage away from the then current NBB or NBO, or, if there is no NBB or NBO, the

order will, by default, be the Designated Percentage away from the last reported sale from

the responsible single plan processor. If a Market Maker Peg Order bid or offer moves a

specified number of percentage points away from the Designated Percentage towards the

then current NBB or NBO, which number of percentage points will be determined and

published in a circular distributed to Members from time to time, the price of such bid or

offer will be adjusted by the System to the Designated Percentage away from the then

current NBB or NBO, as applicable. If there is no NBB or NBO, as applicable, the order

will be adjusted by the System to the Designated Percentage away from the last reported

sale from the responsible single plan processor. In the event that pricing a Market Maker

Peg Order at the Designated Percentage away from the then current National Best Bid

and National Best Offer, or, if no National Best Bid or National Best Offer, to the

Designated Percentage away from the last reported sale from the responsible single plan

processor, would result in the order exceeding its limit price, the order will be cancelled

or rejected. The limit price entered on a Market Maker Peg Order is designed to allow a

market maker to specify a price at which the initial pricing and any subsequent repricing

of the order to the Designated Percentage will be constrained.

If, after entry, the Market Maker Peg Order is priced based on the last reported

sale from the single plan processor and such Market Maker Peg Order is established as

the NBB or NBO, the Market Maker Peg Order will not be subsequently adjusted in

accordance with this rule until either there is a new consolidated last sale, or a new NBB

or NBO is established by a national securities exchange.

Market Maker Peg Orders are not eligible for routing pursuant to Rule 11.230(b)

and are always displayed on the Exchange. In addition, a new timestamp is created for

the order each time that it is automatically adjusted in accordance with the proposed rule.

Market Maker Peg Orders may only be entered by a registered Market Maker, pursuant to

IEX Rule 11.150.

In addition, the Exchange proposes to amend paragraph (d) of Rule 11.340 to

describe changes to System functionality with respect to Market Maker Peg Orders in

order to comply with the Tick Pilot Plan. Specifically, the Exchange proposes to add

new subparagraph (d)(1)(A) to Rule 11.340 to specify that if, pursuant to proposed Rule

11.190(b)(13), a Market Maker Peg Order in a Pilot Security would be priced at an

increment other than $0.05, the System will round such order to buy (sell) up (down) to

the nearest permissible increment. This approach, which is substantially similar to Bats

Rule 11.27(c)(5), is designed to ensure that Market Maker Peg Orders for Pilot Securities

are appropriately priced in $0.05 increments by rounding such order to the nearest

permissible increment, that is also compliant with the minimum market maker quoting

obligations set forth in IEX Rule 11.151. In addition, if the rounding methodology

results in a Market Maker Peg Order being priced to a price below $0.05, the order will

be cancelled back to the market maker that entered the order.

The Exchange notes that notwithstanding the availability of the proposed Market

Maker Peg Order functionality, a market maker remains responsible for entering,

monitoring, and resubmitting, as applicable, quotations that meet the requirements of

Rule 11.151.

As proposed, the Exchange will apply the Designated Percentage and Defined

Limit as set forth in Rules 11.151(a)(6) and (7), respectively, subject to the following

exception: for all NMS stocks with a price less than $1 per share that are not included in

the S&P 500® Index, Russell 1000® Index, and a pilot list of Exchange Traded Products,

the Exchange will use the Designated Percentage and Defined Limit applicable to NMS

stocks equal to or greater than $1 per share that are not included in the S&P 500® Index,

Russell 1000® Index, and a pilot list of Exchange Traded Products.

The System will be available for entry, modification, and cancellation of Market

Maker Peg Orders under proposed Rule 11.190(b)(13) only via the POP pursuant to Rule

11.510(b), and thus are subject to the Inbound and Outbound POP Latency upon entry,

accordingly.[18] Furthermore, each time a Market Maker Peg Order is automatically

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[18] See 11.510(b)(1) and (2), respectively, which define the Inbound POP Latency as an equivalent 350 microseconds of latency from the Exchange-provided network interface at the IEX POP to the System at the primary data center; and Outbound POP Latency as an equivalent 350

adjusted by the System thereafter in accordance with proposed Rule 11.190(b)(13), all

inbound and outbound communications related to the modified order instruction would

traverse an additional POP between the Market Maker Peg Order repricing logic, and the

Order Book, which is subject to an equivalent 350 microseconds of latency pursuant to

proposed Rule 11.510(c)(1).[19] This approach is designed so that a market maker using a

Market Maker Peg Order to facilitate compliance with the Exchange's continuous

quoting and pricing obligations is in the same position as a market maker updating its

own quote, whose orders would need to traverse a POP. As discussed more fully in the

Statutory Basis section, the Exchange believes that it is appropriate to treat Market Maker

Peg Orders differently in this regard from other pegged orders (which are repriced

without traversing a POP) because of substantially distinguishing characteristics.

The Exchange also proposes to make a conforming change to Rule 11.510(c)

regarding connectivity, to provide that, pursuant to Rule 11.190(b)(13), each time a

Market Maker Peg Order is automatically adjusted by the System, all inbound and

outbound communications related to the modified order instruction will traverse an

additional POP between the Market Maker Peg Order repricing logic and the Order Book.

The Exchange plans to implement the proposed changes during the third quarter

of 2017 pending completion of necessary technology changes and subject to Commission

approval. The Exchange will announce the implementation date of the proposed changes

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microseconds of latency from the System at the primary data center to the Exchange-provided
network interface at the IEX POP.

[19] The Exchange notes that the same "additional POP" that is used to implement an equivalent
350 microseconds of latency to all routable orders sent by the System to the Order Book pursuant
to Rule 11.510(c)(1) will be used to implement such delay to all modified order instructions for
Market Maker Peg Orders pursuant to proposed Rule 11.190(b)(13).

by Trader Alert at least 10 business days in advance of such implementation date and

within 90 days of approval of this proposed rule change.

2.   Statutory Basis

IEX believes that the proposed rule change is consistent with Section 6(b) of the

Act in general, [20] and further the objectives of Section 6(b)(5) of the Act,[21] in particular,

in that it is designed to prevent fraudulent and manipulative acts and practices, to

promote just and equitable principles of trade, to foster cooperation and coordination with

persons engaged in facilitating transactions in securities, to remove impediments to and

perfect the mechanism of a free and open market and a national market system and, in

general, to protect investors and the public interest. As noted above, the Exchange

believes that the proposed rule is designed to simplify market maker compliance with the

minimum continuous quoting and pricing obligations, as well as facilitate market maker

compliance with the requirements of the Market Access Rule and Regulation SHO.

Specifically, the Exchange believes that simplifying compliance with this rule

will remove impediments to and perfect the mechanism of a free and open market and a

national market system, and protect investors and the public interest, because it will

provide a simplified means by which market makers may offer liquidity, even in

circumstances where they are not willing to quote at the inside market. As a result, in

circumstances where liquidity available at displayed prices closer to the inside than the

price of a Market Maker Peg Order is exhausted during an aggressive market wide

sweep, the Market Maker Peg Order may nevertheless be available to support executions

at prices that are at least within the applicable Designated Percentage or Defined Limit.

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[20] 15 U.S.C. 78f.
[21] 15 U.S.C. 78f(b)(5).

Moreover, the methodology for repricing Market Maker Peg Orders is consistent with the requirements of the Act because it is designed to ensure that the displayed price of the order is at least within the applicable Designated Percentage or Defined Limit, as applicable.[22]

The proposed rule change also is designed to support the principles of Section 11A(a)(1) of the Act[23] in that it seeks to assure fair competition among brokers and dealers and among exchange markets. The Exchange believes that offering the Market Maker Peg Order to market makers exclusively is consistent with fair competition among brokers and dealers in that market makers have chosen to subject themselves to the obligations of Rule 11.151, and the benefit conferred on such market participants by this order type is commensurate with the obligations. Furthermore, all Members are eligible to apply for registration as a market maker under Rule 11.150 on a fair and equal basis.

The Exchange also believes that it is fair and reasonable for all inbound and outbound communications related to the repricing of a Market Maker Peg Order to traverse a POP that is subject to an equivalent 350 microseconds of latency for several reasons. First, as noted in the Purpose section, this approach is designed so that a market maker using a Market Maker Peg Order to facilitate compliance with the Exchange's continuous quoting and pricing obligations is in the same position as a market maker updating its own quote, whose orders would need to traverse a POP. Similarly, price adjustments to Market Maker Peg Orders will experience the same latency as any other

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[22] The Exchange notes that in certain scenarios the applicable Designated Percentage or Defined Limit price may be outside of the industry wide limit-up, limit-down price bands, and/or the clearly erroneous parameters. Nevertheless, Market Maker Peg Orders may be less likely to execute at a clearly erroneous price or a price that would trigger a limit-up, limit-down trading pause than other displayed orders that are not subject to the market maker pricing obligations.
[23] 15 U.S.C. 78k-1.

displayed order entered on the Exchange.

IEX believes that it is appropriate to treat Market Maker Peg Orders differently in this regard than other pegged order types (which are repriced within the System without traversing a POP) offered by the Exchange because the fundamental characteristics of a Market Maker Peg Order is substantially different from such other peg orders.[24] Specifically, the other peg order types offered are non-displayed and designed to generally execute at or within the NBBO. A primary function of the IEX POP access delay, in conjunction with the Exchange's consumption of direct proprietary market data without any such delay, is to protect resting non-displayed orders from adverse selection by latency arbitrage whereby market participants with access to fast market data send orders to trade against resting non-displayed interest at soon to be stale prices. Subjecting all inbound and outbound communications related to the repricing of such non-displayed orders to POP latency would frustrate the purpose of the IEX POP since the pegged order would be subject to execution at a stale price before the repricing instruction is received. Moreover, market participants entering non-displayed pegged orders to the Exchange are often large institutional investors that do not have the technical capabilities of market makers or other latency sensitive Members to manage their orders to avoid adverse selection. Such market participants entrust the Exchange, pursuant to its design and System architecture, to accurately price and protect such order from adverse selection. In contrast, and by design, a Market Maker Peg Order is a compliance tool for market makers rather than an order type to facilitate trading at the most current pricing. In this regard, Market Maker Peg Orders are designed to reprice

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[24] See IEX Rule 11.190(b)(8), (9) and (10) with respect to Primary Peg, Midpoint Peg, and Discretionary Peg Orders respectively.

significantly outside the NBBO and are thus are materially less susceptible to adverse

selection. Furthermore, such orders are not "pegged" to the NBBO in the same manner

as non-displayed pegged orders, in that Market Maker Peg Orders only reprice to remain

in compliance with the Exchange's quoting and pricing obligations rather than to peg at,

close to, or better than the NBBO with each NBBO update.

Accordingly, the Exchange believes that it is consistent with the public interest

and the protection of investors to reprice Market Maker Peg Orders through the POP in

the interest of ensuring that market makers will not have any unfair advantage over

market makers that updates its own quote, as well as with other market participants using

displayed orders.

Furthermore, the Exchange believes that it is consistent with the public interest

and the protection of investors to apply a new timestamp to a Market Maker Peg Order

each time it is repriced so that a Market Maker Peg Order does not achieve execution

priority superior to a displayed order entered at that price earlier in time. Accordingly,

market makers will not have any unfair advantage over a market makers updating its own

quote, or other market participants using displayed orders on the Exchange.

Additionally, the Exchange believes that its proposed rounding of a buy (sell)

Market Maker Peg Order in a Pilot Security that would be priced at an increment other

than $0.05 up (down) to the nearest permissible increment, as well as to cancel such

orders if the rounding methodology results in a Market Maker Peg Order being priced to

a price below $0.05, is consistent with the protection of investors and the public interest

in that it enables the Exchange to comply with the Tick Pilot Plan. Further, the Exchange

believes it is also consistent with the protection of investors and the public interest to

cancel or reject (as applicable) a Market Maker Peg Order that would otherwise be priced

at a price exceeding its limit price because such price would not be consistent with the

market maker's instructions.

Lastly, the Exchange believes that the proposed conforming rule change to Rule

11.510(c)(1) is consistent with the protection of investors and the public interest in that it

is designed to provide clarity to market participants regarding Market Maker Peg Order

repricing methodology, and make the Exchange's rule more clear and explicit.

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

IEX does not believe that the proposed rule change will result in any burden on

competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Specifically, the Exchange believes that the proposal will enhance the Exchange's

competitiveness by providing market makers on IEX with a means to offer liquidity even

in circumstances where they are not willing to quote at the inside market. Based on

informal discussion with market participants that serve as market maker on other trading

centers, the Exchange believes that this functionality will be appealing to potential

market makers, and therefore will make it more likely that market participants will

choose to become registered market makers on the Exchange. This may, in turn, increase

the extent of liquidity available on IEX and increase its ability to compete with other

execution venues to attract orders that are seeking liquidity. The Exchange further notes

that the Market Maker Peg Order, as proposed, is substantially similar to equivalent order

types offered by other market centers, including Bats, Nasdaq, and EDGX, and therefore

will not impair market participants or other market centers from competing, but would in

fact allow the Exchange to compete with existing functionality offered by competing

market centers.[25] Moreover, there is no barrier to other exchanges adopting the same

repricing functionality.

With regard to intra-market competition, the Exchange does not believe that the

method of repricing Market Maker Peg Orders will result in any burden on intra-market

competition that is not necessary or appropriate in furtherance of the purposes of the Act.

To the contrary, as described in the Statutory Basis section, the Exchange's proposed

method of repricing is designed in the interest of ensuring that market makers using

Market Maker Peg Orders will be in the same position as market makers updating their

own quotes, as well as other market participants using displayed orders.

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

Written comments were neither solicited nor received.

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

Within 45 days of the date of publication of this notice in the Federal Register or

within such longer period (i) as the Commission may designate up to 90 days of such date

if it finds such longer period to be appropriate and publishes its reasons for so finding or

(ii) as to which the Exchange consents, the Commission shall: (a) by order approve or

disapprove such proposed rule change, or (b) institute proceedings to determine whether

the proposed rule change should be 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

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[25] See supra note 9.

the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form

  (http://www.sec.gov/rules/sro.shtml); or

- Send an email to rule-comments@sec.gov. Please include File Number SR-IEX-

  2017-22 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and

  Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

  All submissions should refer to File Number SR-IEX-2017-22. This file number

should be included in the subject line if email is used. To help the Commission process

and review your comments more efficiently, please use only one method. The

Commission will post all comments on the Commission's Internet 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 Section, 100 F Street, NE, Washington, DC 20549-1090.

Copies of the filing will also be available for inspection and copying at the IEX's

principal office and on its Internet website at www.iextrading.com. 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-IEX-2017-22 and should be submitted on or before [insert date 21 days from publication in the Federal Register]. For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[26]

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[26]   17 CFR 200.30-3(a)(12).

Exhibit 5 – Text of Proposed Rule Change

Proposed new language is underlined; proposed deletions are in brackets.

CHAPTER 11. TRADING RULES

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Rule 11.190. Orders and Modifiers

Users may enter into the System the types of orders listed in this IEX Rule 11.190, subject to the limitations set forth in this IEX Rule or elsewhere in the IEX Rules. Order, modifier, and parameter combinations which are disallowed by the Exchange may be rejected, ignored, or overridden by the Exchange, as determined by the Exchange to facilitate the most orderly handling of User instructions.

(a) No change.

(b) Order Parameters.

(1)-(12) No change.

(13) Market Maker Peg Order. A limit order that, upon entry or at the beginning of the Regular Market Session, as applicable, the entered bid or offer is automatically priced by the System at the Designated Percentage (as defined in Rule 11.151(a)(6)) away from the then current NBB or NBO, as applicable, or if there is no NBB or NBO, at the Designated Percentage away from the last reported sale from the responsible single plan processor in order to comply with the quotation requirements for Market Makers set forth in Rule 11.151(a). Users may submit Market Maker Peg Orders to the Exchange starting at the beginning of the Pre-Market Session, but the order will not be executable or automatically priced until the beginning of the Regular Market Session, and will expire at the end of the Regular Market Session. Upon reaching the Defined Limit (as defined in Rule 11.151(a)(7)), the price of a Market Maker Peg Order bid or offer will be adjusted by the System to the Designated Percentage away from the then current NBB or NBO, or, if there is no NBB or NBO, the order will, by default, be the Designated Percentage away from the last reported sale from the responsible single plan processor. If a Market Maker Peg Order bid or offer moves a specified number of percentage points away from the Designated Percentage towards the then current NBB or NBO, which number of

percentage points will be determined and published in a circular distributed to Members from time to time, the price of such bid or offer will be adjusted by the System to the Designated Percentage away from the then current NBB or NBO, as applicable. If there is no NBB or NBO, as applicable, the order will be adjusted by the System to the Designated Percentage away from the last reported sale from the responsible single plan processor. In the event that pricing a Market Maker Peg Order at the Designated Percentage away from the then current National Best Bid and National Best Offer, or, if no National Best Bid or National Best Offer, to the Designated Percentage away from the last reported sale from the responsible single plan processor, would result in the order exceeding its limit price, the order will be cancelled or rejected. If, after entry, the Market Maker Peg Order is priced based on the last reported sale from the single plan processor and such Market Maker Peg Order is established as the NBB or NBO, the Market Maker Peg Order will not be subsequently adjusted in accordance with this rule until either there is a new consolidated last sale, or a new NBB or NBO is established by a national securities exchange. Market Maker Peg Orders are not eligible for routing pursuant to Rule 11.230(b) and are always displayed on the Exchange. Notwithstanding the availability of Market Maker Peg Order functionality, a Market Maker remains responsible for entering, monitoring, and resubmitting, as applicable, quotations that meet the requirements of Rule 11.151. For purposes of this paragraph, the Exchange will apply the Designated Percentage and Defined Limit as set forth in Rules 11.151(a)(6) and (7), respectively, subject to the following exception: for all NMS stocks with a price less than $1 per share that are not included in the S&P 500® Index, Russell 1000® Index, and a pilot list of Exchange Traded Products, the Exchange will use the Designated Percentage and Defined Limit applicable to NMS stocks equal to or greater than $1 per share that are not included in the S&P 500® Index, Russell 1000® Index, and a pilot list of Exchange Traded Products. Upon entry, and each time a Market Maker Peg Order is automatically adjusted by the System thereafter in accordance with this rule, all inbound and outbound communications related to the modified order instruction will traverse a POP between the Market Maker Peg Order repricing logic, and the Order Book, pursuant to Rule 11.510(c). In addition, a new timestamp is created for the order each time that it is automatically adjusted by the System in accordance with the proposed rule. Market Maker Peg Orders may only be entered by a registered Market Maker.

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Rule 11.340. Compliance with Regulation NMS Plan to Implement a Tick Size Pilot

(a) – (c) No change.

(d) Exchange handling of orders during the Pilot Period for the Plan

This section sets forth IEX's specific procedures for handling, executing, re-pricing and displaying of certain orders and modifiers applicable to Pilot Securities. Unless otherwise indicated, this section applies to orders in all three Test Group Pilot Securities

(1) No change.

> (A) If a Market Maker Peg Order would be priced in an increment other than $0.05 pursuant to IEX Rule 11.190(b)(13) the System will round such order to buy (sell) up (down) to the nearest permissible increment.

<div align="center">*****</div>

Rule 11.510. Connectivity

(a) No change.

(b) No change.

(c) System Connectivity.

> (1) Order Book Processes and Order Execution. Order Book processing and order execution on the Order Book occur within the System and do not traverse the POP. Notwithstanding the foregoing, when the System routes all or a portion of a routable order to the Order Book, in accordance with the System routing logic, all inbound and outbound communications (including, without limitation, order messages, cancel messages, and execution report messages found in the Exchange's FIX Specification) traverse an additional POP between the System routing logic and the Order Book, pursuant to paragraph (b) of this IEX Rule 11.510. Furthermore, pursuant to Rule 11.190(b)(13), each time a Market Maker Peg Order is automatically adjusted by the System, all inbound and outbound communications related to the modified order instruction will traverse an additional POP between the Market Maker Peg Order repricing logic, and the Order Book.

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