

Required fields are shown with yellow backgrounds and asterisks.

Filing by Investors' Exchange LLC
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 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) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

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

Proposed rule change to amend Rule 11.270 (Clearly Erroneous Executions) to preclude Members from requesting a review of a Volatility Auction as a clearly erroneous execution.

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 * Andres	Last Name * Trujillo
Title * Regulation Counsel	
E-mail * andres.trujillo@iextrading.com	
Telephone * (646) 343-2034	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 02/23/2018	Chief Regulatory Officer
By Claudia Crowley	
(Name *)	

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 EFFF 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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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

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 “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend Rule 11.270 (Clearly Erroneous Executions) to preclude Members from requesting a review of a Volatility Auction³ as a clearly erroneous execution. The Exchange has designated this rule change as “non-controversial” under Section 19(b)(3)(A) of the Act⁴ and provided the Commission with the notice required by Rule 19b-4(f)(6) thereunder.⁵

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

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Rule 11.350(f).

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4.

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:

Claudia Crowley
Chief Regulatory Officer
Investors Exchange LLC
646-343-2041

Andres J. Trujillo
Regulation Counsel
Investors Exchange LLC
646-343-2034

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

a. Purpose

The purpose of this proposed rule change is to amend Rule 11.270 (Clearly Erroneous Executions) to preclude Members from requesting a review of a Volatility Auction as a clearly erroneous execution.

On September 19, 2016, Plan Participants, with input from the Advisory Committee and staff of the Commission, proposed the twelfth amendment to the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act (the "Limit Up-Limit Down Plan" or "Plan"),⁶ which contained certain enhancements to the reopening process following a Trading Pause ("Amendment No. 12").⁷ The Exchange is a Participant of the Plan and a member of the Operating Committee, and intends on launching a listings program for corporate issuers in 2018, at which point IEX will be a Primary Listing Exchange. In conjunction with Amendment

⁶ See also Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (the "Limit Up-Limit Down Release"). Note, unless otherwise specified, capitalized terms used herein have the same meaning as set forth in the Plan or in Exchange rules.

⁷ See letter from Elizabeth K. King, General Counsel, NYSE, to Brent J. Fields, Secretary, Commission, dated September 16, 2016.

No. 12, each Primary Listing Exchange filed proposed rule changes with the Commission under Section 19(b) of the Exchange Act to amend their respective rules for automated reopenings following a Trading Pause, and to preclude Members from requesting a review of reopening executions as clearly erroneous.⁸ On January 19, 2017, the Commission approved Amendment No. 12.⁹ On April 13, 2017, the Commission approved the Thirteenth Amendment to the Plan, which extended the pilot period of the Plan from April 21, 2017, to April 16, 2018, and required the Processor to publish certain data regarding the reopening processes of the Primary Listing Exchanges.¹⁰ On April 28, 2017, the Commission noticed for immediate effectiveness the Fourteenth Amendment to the Plan, which extended the implementation date of Amendment No. 12 to the end of the third quarter of 2017.¹¹ Finally, on September 26, 2017, the Commission noticed for immediate effectiveness the Fifteenth Amendment to the Plan, which extended the implementation date of Amendment No. 12 to no later than November 30, 2017.¹²

On August 4, 2017, the Commission approved a proposed rule change filed by the Exchange to adopt rules governing auctions in IEX-listed securities, including a

⁸ See Securities Exchange Act Release Nos. 79162 (October 26, 2016), 81 FR 75875 (November 1, 2016) (SR-BatsBZX-2016-61); 79158 (October 26, 2016), 81 FR 75879 (November 1, 2016) (SR-NASDAQ-2016-131); and 79107 (October 18, 2016), 81 FR 73159 (October 24, 2016) (File No. SR-NYSEArca-2016-130). See also Cboe BZX Exchange, Inc. (“Cboe Bats”) Rule 11.17(a); the Nasdaq Stock Market LLC (“Nasdaq”) Rule 11890(a)(1); and NYSE Arca, Inc. (“Arca”) Rule 7.10-E(a).

⁹ See Securities Exchange Act Release No. 79845 (January 19, 2017), 82 FR 8551 (January 26, 2017).

¹⁰ See Securities Exchange Act Release No. 80455 (April 13, 2017), 82 FR 18519 (April 19, 2017).

¹¹ See Securities Exchange Act Release No. 80549 (April 28, 2017), 82 FR 20928 (May 4, 2017).

¹² See Securities Exchange Act Release No. 81720 (September 26, 2017), 82 FR 45922 (October 2, 2017).

Volatility Auction process to resume trading after a Trading Pause in an IEX-listed security pursuant to the Plan.¹³ The Exchange's rules governing auctions include the enhancements to the reopening process following a Trading Pause as set forth in Amendment No. 12, but do not include amendments to the Exchange's rules governing clearly erroneous executions.¹⁴ Accordingly, in order to ensure the Exchange's rules are consistent with the Plan and the rules of other Primary Listing Exchanges, the Exchange is proposing to amend Rule 11.270 (Clearly Erroneous Executions) to preclude Members from requesting a review of a Volatility Auction as a clearly erroneous execution.¹⁵

In adopting and approving Amendment No. 12 and the related exchange filings, the Participants and the Commission, respectively, have agreed that the procedures for reopening trading following a Trading Pause reduces the potential that an order or orders entered by one or more Members caused such execution to be clearly erroneous. Specifically, the Participants believe that the proposed standardized procedures for reopening trading following a Trading Pause incorporates a methodology that allows for widened collars, which may result in a reopening price away from prior trading prices, but which reopening price would be a result of a measured and transparent process that eliminates the potential that such trade would be considered erroneous. Therefore, consistent with the Plan, and the rules of other Primary Listing Exchanges, the Exchange proposes to amend Rule 11.270 (Clearly Erroneous Executions) to preclude Members

¹³ See Securities Exchange Act Release No. 81316 (August 4, 2017), 82 FR 37474 (August 10, 2017).

¹⁴ See *supra* note 6.

¹⁵ See *supra* note 8.

from requesting a review of a Volatility Auction as a clearly erroneous execution.¹⁶

As announced in IEX Trading Alerts #2017-015 and #2017-046, the Exchange intends to become a Primary Listing Exchange and support its first IEX-listed security in 2018.¹⁷ In addition, as part of the listings initiative, the Exchange is providing a series of industry wide weekend tests for the Exchange and its Members to exercise the various technology changes required to support IEX Auctions and listings functionality.¹⁸ Accordingly, the Exchange is proposing to implement the proposed changes during the industry wide testing period in 2018 so that Members are on notice regarding the ineligibility of Volatility Auctions for review as a clearly erroneous execution as they optimize their systems to interact with IEX Auctions.

b. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of

¹⁶ The Exchange notes that Participants will be engaging in a more comprehensive review of Rule 11.270 in connection with amendments to the Plan relating to tiering of securities and applicable percentage parameters. The Exchange proposes to make this limited amendment to Rule 11.270 as an initial step to eliminating its clearly erroneous executions rules in their current form.

¹⁷ See [IEX Trading Alert #2017-015](#) (Listings Specifications, Testing Opportunities, and Timelines), May 31, 2017. See also [IEX Trading Alert #2017-046](#) (IEX Listings Timeline Update), originally published on Monday, October 30, 2017, and re-published on Tuesday, October 31, 2017.

¹⁸ See, e.g., [IEX Trading Alert #2017-028](#) (First Listings Functionality Industry Test on Saturday, August 26), August 17, 2017; [IEX Trading Alert #2017-037](#) (Second Listings Functionality Industry Test on Saturday, September 9), September 7, 2017; [IEX Trading Alert #2017-039](#) (Third Listings Functionality Industry Test on Saturday, September 23), September 18, 2017; [IEX Trading Alert #2017-040](#) (Rescheduled 4th Listing Functionality Industry Test), September 29, 2017; [IEX Trading Alert #2017-046](#) (IEX Listings Timeline Update), originally published on Monday, October 30, 2017, and re-published on Tuesday, October 31, 2017; and [IEX Trading Alert #2017-047](#) (Fourth Listings Functionality Industry Test on Saturday, November 4), October 31, 2017.

Section 6(b)¹⁹ of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act²⁰ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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.

Specifically, the Exchange believes that precluding Members from requesting review of a Volatility Auction as a clearly erroneous execution would remove impediments to and perfect the mechanism of a free and open market and a national market system because the standardized procedures for reopening trading following a Trading Pause reduce the possibility that one or more orders from a Member caused a Volatility Auction to be clearly erroneous. Specifically, the Exchange believes that the standardized procedures for reopening trading following a Trading Pause incorporate a methodology that allows for widened collars, which may result in a reopening price away from prior trading prices, but which reopening price would be a result of a measured and transparent process that eliminates the potential that such trade would be considered erroneous.

Furthermore, the Exchange believes the proposed rule change is consistent with the protection of investors and the public interest in that it is designed to ensure the Exchange's rules are consistent with the Plan and the rules of other Primary Listing Exchanges, which will increase transparency and create consistency regarding the rules governing clearly erroneous executions among Primary Listing Exchanges.

¹⁹ 15 U.S.C. 78f.

²⁰ 15 U.S.C. 78f(b)(5).

Lastly, the Exchange believes the proposed rule change is consistent with the protection of investors and the public interest because, as discussed in the Purpose section, the Exchange is proposing to implement the proposed changes during the industry wide testing period in 2018 so that Members are on notice regarding the ineligibility of Volatility Auctions for review as a clearly erroneous execution as they optimize their systems to interact with IEX Auctions.

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. The Exchange believes that the proposed change does not impact inter-market competition in that it is designed to ensure the Exchange's rules are consistent with the Plan and the rules of other Primary Listing Exchanges, which will increase transparency and create consistency regarding the rules governing clearly erroneous executions among Primary Listing Markets.

In addition, the Exchange does not believe that the proposed changes will have any impact on intra-market competition, because the proposed changes apply to all Members on a fair and equal basis.

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)

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act²¹ and paragraph (f)(6) of Rule 19b-4 thereunder.²² The Exchange asserts that the proposed rule change: (1) will not significantly affect the protection of investors or the public interest, (2) will not impose any significant burden on competition, (3) and will not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate. In addition, the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing.²³

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4²⁴ because the proposed rule change is designed to ensure the Exchange's rules are consistent with the Plan and the rules of other Primary Listing Exchanges, which will increase transparency and create consistency regarding the rules governing clearly erroneous executions among Primary Listing Markets, consistent with the protection of investors and the public interest.²⁵ Furthermore, consistent with the protection of investors and the public interest, the standardized procedures for reopening trading following a Trading Pause incorporate a methodology that allows for widened collars, which may result in a reopening price away from prior trading prices, but which reopening price would be a result of a measured and transparent process that eliminates the potential that such trade would be considered erroneous.

²¹ 15 U.S.C. 78s(b)(3)(A).

²² 17 CFR 240.19b-4.

²³ 17 CFR 240.19b-4(f)(6)(iii).

²⁴ 17 CFR 240.19b-4(f)(6).

²⁵ See supra note 8.

Moreover, the Exchange believes the proposed rule change is consistent with the protection of investors and the public interest because, as discussed above, the Exchange is proposing to implement the proposed changes during the industry wide testing period in 2018 so that Members are on notice regarding the ineligibility of Volatility Auctions for review as a clearly erroneous execution as they optimize their systems to interact with IEX Auctions. Accordingly, for the reasons discussed above, the Exchange believes that the proposed rule change is noncontroversial and satisfies the requirements of Rule 19b-4(f)(6).²⁶

The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. The proposed rule change is designed to ensure the Exchange's rules are consistent with the Plan and the rules of other Primary Listing Exchanges, which will increase transparency and create consistency regarding the rules governing clearly erroneous executions among Primary Listing Exchanges, consistent with the protection of investors and the public interest. Furthermore, consistent with the protection of investors and the public interest, the standardized procedures for reopening trading following a Trading Pause incorporate a methodology that allows for widened collars, which may result in a reopening price away from prior trading prices, but which reopening price would be a result of a measured and transparent process that eliminates the potential that such trade would be considered erroneous. Moreover, as discussed above, the Exchange is proposing to implement the proposed changes during the industry wide testing period in 2018 so that Members are on notice regarding the ineligibility of Volatility Auctions

²⁶ 17 CFR 240.19b-4(f)(6).

for review as a clearly erroneous execution as they optimize their systems to interact with IEX Auctions. Waiver of the operative delay is, therefore, consistent with the protection of investors and the public interest because it will allow the Exchange to implement the proposed rule change upon effectiveness, thus immediately increasing transparency and creating consistency regarding the rules governing clearly erroneous executions among Primary Listing Exchanges.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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

As discussed above, the proposed rule change is consistent with the Plan, and based on the rules governing clearly erroneous executions on other Primary Listing Markets.²⁷ The Exchange notes that the rules of Primary Listing Markets governing clearly erroneous executions refer to the ineligibility of executions resulting from a “halt auction”, which is substantially similar to the IEX Volatility Auction that is used to resume trading following a Limit-Up Limit-Down Trading Pause.²⁸

9. Security-Based Swap Submissions Filed Pursuant to Section 3 C of the Act

Not applicable.

²⁷ See supra note 8.

²⁸ See e.g., Cboe Bats Rule 11.23(d), and Nasdaq Rule 4120(c)(10).

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-2018-05)

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 11.270 (Clearly Erroneous Executions) to Preclude Members from Requesting a Review of a Volatility Auction as a Clearly Erroneous Execution.

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 “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend Rule 11.270 (Clearly Erroneous Executions) to preclude Members from requesting a review of a Volatility Auction⁶ as a clearly erroneous

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.

⁶ See Rule 11.350(f).

execution. The Exchange has designated this rule change as “non-controversial” under Section 19(b)(3)(A) of the Act⁷ and provided the Commission with the notice required by Rule 19b-4(f)(6) thereunder.⁸

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 statement 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this proposed rule change is to amend Rule 11.270 (Clearly Erroneous Executions) to preclude Members from requesting a review of a Volatility Auction as a clearly erroneous execution.

On September 19, 2016, Plan Participants, with input from the Advisory Committee and staff of the Commission, proposed the twelfth amendment to the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4.

the Act (the “Limit Up-Limit Down Plan” or “Plan”),⁹ which contained certain enhancements to the reopening process following a Trading Pause (“Amendment No. 12”).¹⁰ The Exchange is a Participant of the Plan and a member of the Operating Committee, and intends on launching a listings program for corporate issuers in 2018, at which point IEX will be a Primary Listing Exchange. In conjunction with Amendment No. 12, each Primary Listing Exchange filed proposed rule changes with the Commission under Section 19(b) of the Exchange Act to amend their respective rules for automated reopenings following a Trading Pause, and to preclude Members from requesting a review of reopening executions as clearly erroneous.¹¹ On January 19, 2017, the Commission approved Amendment No. 12.¹² On April 13, 2017, the Commission approved the Thirteenth Amendment to the Plan, which extended the pilot period of the Plan from April 21, 2017, to April 16, 2018, and required the Processor to publish certain data regarding the reopening processes of the Primary Listing Exchanges.¹³ On April 28, 2017, the Commission noticed for immediate effectiveness the Fourteenth Amendment to the Plan, which extended the implementation date of Amendment No. 12 to the end of the

⁹ See also Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (the “Limit Up-Limit Down Release”). Note, unless otherwise specified, capitalized terms used herein have the same meaning as set forth in the Plan or in Exchange rules.

¹⁰ See letter from Elizabeth K. King, General Counsel, NYSE, to Brent J. Fields, Secretary, Commission, dated September 16, 2016.

¹¹ See Securities Exchange Act Release Nos. 79162 (October 26, 2016), 81 FR 75875 (November 1, 2016) (SR-BatsBZX-2016-61); 79158 (October 26, 2016), 81 FR 75879 (November 1, 2016) (SR-NASDAQ-2016-131); and 79107 (October 18, 2016), 81 FR 73159 (October 24, 2016) (File No. SR-NYSEArca-2016-130). See also Cboe BZX Exchange, Inc. (“Cboe Bats”) Rule 11.17(a); the Nasdaq Stock Market LLC (“Nasdaq”) Rule 11890(a)(1); and NYSE Arca, Inc. (“Arca”) Rule 7.10-E(a).

¹² See Securities Exchange Act Release No. 79845 (January 19, 2017), 82 FR 8551 (January 26, 2017).

¹³ See Securities Exchange Act Release No. 80455 (April 13, 2017), 82 FR 18519 (April 19, 2017).

third quarter of 2017.¹⁴ Finally, on September 26, 2017, the Commission noticed for immediate effectiveness the Fifteenth Amendment to the Plan, which extended the implementation date of Amendment No. 12 to no later than November 30, 2017.¹⁵

On August 4, 2017, the Commission approved a proposed rule change filed by the Exchange to adopt rules governing auctions in IEX-listed securities, including a Volatility Auction process to resume trading after a Trading Pause in an IEX-listed security pursuant to the Plan.¹⁶ The Exchange's rules governing auctions include the enhancements to the reopening process following a Trading Pause as set forth in Amendment No. 12, but do not include amendments to the Exchange's rules governing clearly erroneous executions.¹⁷ Accordingly, in order to ensure the Exchange's rules are consistent with the Plan and the rules of other Primary Listing Exchanges, the Exchange is proposing to amend Rule 11.270 (Clearly Erroneous Executions) to preclude Members from requesting a review of a Volatility Auction as a clearly erroneous execution.¹⁸

In adopting and approving Amendment No. 12 and the related exchange filings, the Participants and the Commission, respectively, have agreed that the procedures for reopening trading following a Trading Pause reduces the potential that an order or orders entered by one or more Members caused such execution to be clearly erroneous. Specifically, the Participants believe that the proposed standardized procedures for reopening trading following a Trading Pause incorporates a methodology that allows for

¹⁴ See Securities Exchange Act Release No. 80549 (April 28, 2017), 82 FR 20928 (May 4, 2017).

¹⁵ See Securities Exchange Act Release No. 81720 (September 26, 2017), 82 FR 45922 (October 2, 2017).

¹⁶ See Securities Exchange Act Release No. 81316 (August 4, 2017), 82 FR 37474 (August 10, 2017).

¹⁷ See *supra* note 9.

¹⁸ See *supra* note 11.

widened collars, which may result in a reopening price away from prior trading prices, but which reopening price would be a result of a measured and transparent process that eliminates the potential that such trade would be considered erroneous. Therefore, consistent with the Plan, and the rules of other Primary Listing Exchanges, the Exchange proposes to amend Rule 11.270 (Clearly Erroneous Executions) to preclude Members from requesting a review of a Volatility Auction as a clearly erroneous execution.¹⁹

As announced in IEX Trading Alerts #2017-015 and #2017-046, the Exchange intends to become a Primary Listing Exchange and support its first IEX-listed security in 2018.²⁰ In addition, as part of the listings initiative, the Exchange is providing a series of industry wide weekend tests for the Exchange and its Members to exercise the various technology changes required to support IEX Auctions and listings functionality.²¹ Accordingly, the Exchange is proposing to implement the proposed changes during the industry wide testing period in 2018 so that Members are on notice regarding the

¹⁹ The Exchange notes that Participants will be engaging in a more comprehensive review of Rule 11.270 in connection with amendments to the Plan relating to tiering of securities and applicable percentage parameters. The Exchange proposes to make this limited amendment to Rule 11.270 as an initial step to eliminating its clearly erroneous executions rules in their current form.

²⁰ See [IEX Trading Alert #2017-015](#) (Listings Specifications, Testing Opportunities, and Timelines), May 31, 2017. See also [IEX Trading Alert #2017-046](#) (IEX Listings Timeline Update), originally published on Monday, October 30, 2017, and re-published on Tuesday, October 31, 2017.

²¹ See, e.g., [IEX Trading Alert #2017-028](#) (First Listings Functionality Industry Test on Saturday, August 26), August 17, 2017; [IEX Trading Alert #2017-037](#) (Second Listings Functionality Industry Test on Saturday, September 9), September 7, 2017; [IEX Trading Alert #2017-039](#) (Third Listings Functionality Industry Test on Saturday, September 23), September 18, 2017; [IEX Trading Alert #2017-040](#) (Rescheduled 4th Listing Functionality Industry Test), September 29, 2017; [IEX Trading Alert #2017-046](#) (IEX Listings Timeline Update), originally published on Monday, October 30, 2017, and re-published on Tuesday, October 31, 2017; and [IEX Trading Alert #2017-047](#) (Fourth Listings Functionality Industry Test on Saturday, November 4), October 31, 2017.

ineligibility of Volatility Auctions for review as a clearly erroneous execution as they optimize their systems to interact with IEX Auctions.

2. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Section 6(b)²² of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act²³ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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.

Specifically, the Exchange believes that precluding Members from requesting review of a Volatility Auction as a clearly erroneous execution would remove impediments to and perfect the mechanism of a free and open market and a national market system because the standardized procedures for reopening trading following a Trading Pause reduce the possibility that one or more orders from a Member caused a Volatility Auction to be clearly erroneous. Specifically, the Exchange believes that the standardized procedures for reopening trading following a Trading Pause incorporate a methodology that allows for widened collars, which may result in a reopening price away from prior trading prices, but which reopening price would be a result of a measured and transparent process that eliminates the potential that such trade would be considered erroneous.

Furthermore, the Exchange believes the proposed rule change is consistent with the protection of investors and the public interest in that it is designed to ensure the

²² 15 U.S.C. 78f.

²³ 15 U.S.C. 78f(b)(5).

Exchange's rules are consistent with the Plan and the rules of other Primary Listing Exchanges, which will increase transparency and create consistency regarding the rules governing clearly erroneous executions among Primary Listing Exchanges.

Lastly, the Exchange believes the proposed rule change is consistent with the protection of investors and the public interest because, as discussed in the Purpose section, the Exchange is proposing to implement the proposed changes during the industry wide testing period in 2018 so that Members are on notice regarding the ineligibility of Volatility Auctions for review as a clearly erroneous execution as they optimize their systems to interact with IEX Auctions.

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. The Exchange believes that the proposed change does not impact inter-market competition in that it is designed to ensure the Exchange's rules are consistent with the Plan and the rules of other Primary Listing Exchanges, which will increase transparency and create consistency regarding the rules governing clearly erroneous executions among Primary Listing Markets.

In addition, the Exchange does not believe that the proposed changes will have any impact on intra-market competition, because the proposed changes apply to all Members on a fair and equal basis.

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

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A)²⁴ of the Act and Rule 19b-4(f)(6)²⁵ thereunder. Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)²⁶ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),²⁷ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay. The proposed rule change is designed to ensure the Exchange's rules are consistent with the Plan and the rules of other Primary Listing Exchanges, which will increase transparency and create consistency regarding the rules governing clearly erroneous executions among Primary Listing Exchanges, consistent with the protection of investors and the public interest. Furthermore, consistent with the protection of investors and the public interest, the standardized procedures for reopening trading following a Trading Pause incorporate a methodology that allows for widened collars, which may result in a reopening price away from prior trading prices, but which reopening price would be a result of a measured and transparent process that

²⁴ 15 U.S.C. 78s(b)(3)(A).

²⁵ 17 CFR 240.19b-4(f)(6).

²⁶ 17 CFR 240.19b-4(f)(6).

²⁷ 17 CFR 240.19b-4(f)(6)(iii).

eliminates the potential that such trade would be considered erroneous. Moreover, as discussed above, the Exchange is proposing to implement the proposed changes during the industry wide testing period in 2018 so that Members are on notice regarding the ineligibility of Volatility Auctions for review as a clearly erroneous execution as they optimize their systems to interact with IEX Auctions. Waiver of the operative delay is, therefore, consistent with the protection of investors and the public interest because it will allow the Exchange to implement the proposed rule change upon effectiveness, thus immediately increasing transparency and creating consistency regarding the rules governing clearly erroneous executions among Primary Listing Exchanges.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)²⁸ of the Act to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form

²⁸ 15 U.S.C. 78s(b)(2)(B).

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

- Send an email to rule-comments@sec.gov. Please include File Number SR-IEX-2018-05 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-2018-05. 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-IEX-2018-05 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.²⁹

²⁹ 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

Rule 11.270. Clearly Erroneous Executions

(a) Definition. For purposes of this IEX Rule 11.270, the terms of a transaction executed on the Exchange are “clearly erroneous” when there is an obvious error in any term, such as price, number of shares or other unit of trading, or identification of the security. A transaction made in clearly erroneous error and canceled by both parties or determined by the Exchange to be clearly erroneous will be removed from the Consolidated Tape. Executions as a result of a Volatility Auction under Rule 11.350(f) are not eligible for a request to review as clearly erroneous under paragraph (b) of this Rule.
