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SECURITIES AND EXCHANGE COMMISSION
[Release No. 34- 78509; File No. SR-IEX-2016-08]

Self-Regulatory Organizations; Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 11.190(f) to Make Correcting and Clarifying Changes

August 9, 2016.

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 August 1, 2016, 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 and II below, which Items have been prepared by the self-regulatory organization. The Exchange has designated this proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act⁴ and Rule 19b-4(f)(6)(iii) thereunder,⁵ which renders it effective upon filing with the Commission. 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

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)(3)(A).

⁵ 17 CFR 240.19b-4(f)(6)(iii).

Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),⁶ and Rule 19b-4 thereunder,⁷ Investors Exchange LLC (“IEX” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend Rule 11.190(f) to (i) eliminate obsolete references to route to rest functionality, (ii) replace the phrase “displayed interest” with “displayable interest” to more clearly describe how the IEX System handles such interest in a One-Sided Market, and (iii) describe how orders are handled in a Zero Market when a contra-side Protected Quotation returns. The Exchange has designated this rule change as non-controversial under Section 19(b)(3)(A) of the Act⁸ and provided the Commission with the notice required by Rule 19b-4(b)(6)(iii) thereunder.⁹

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 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 [sic] 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

⁶ 15 U.S.C. 78s(b)(1).

⁷ 17 CFR 240.19b-4.

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(6)(iii).

1. Purpose

The Exchange proposes to amend Rule 11.190(f) to (i) eliminate obsolete references to route to rest functionality in subparagraphs (4)(B)(i)(b) and 5(B), (ii) replace the phrase “displayed interest” with “displayable interest” in subparagraphs (4)(B), (4)(B)(i)(a) and (4)(B)(ii)(a) to more clearly describe how the IEX System handles such interest in a One-Sided Market, and (iii) describe, in subparagraphs 5(A) and 5(B), how orders are handled in a Zero Market when a contra-side Protected Quotation returns.

With respect to references to route to rest functionality, subparagraphs (4)(B)(i)(b) and (5)(B) reference Rule 11.230(c)(6). However, Rule 11.230(c)(6) was deleted in connection with Amendment No. 3 to IEX’s Form 1 application under the Act, seeking registration as a national securities exchange pursuant to Section 6 of the Act.¹⁰ In Amendment No. 3,¹¹ IEX proposed changes to redesign its outbound routing functionality, which changes included eliminating route to rest routing functionality previously described in Rule 11.230(c)(6). However, IEX inadvertently failed to delete references to such functionality in subparagraphs (4)(B)(i)(b) and (5)(B) of Rule 11.190(f).

Currently, subparagraph (4)(B)(i)(b) of Rule 11.190(f) provides that in a One-Sided Market (which lacks either a Protected Bid or Protected Offer) routable displayable orders on the same side as the Protected Quotation can route passively to rest on away trading centers. Similarly, subparagraph (5)(B) of Rule 11.190(f) provides that in a Zero Market (in which neither a Protected Bid nor Protected Offer exists) routable displayable orders can route passively to rest on away trading centers. As proposed, such orders will not be eligible to route

¹⁰ 15 U.S.C. 78f.

¹¹ See, Securities Exchange Act Release No. 77406 (March 18, 2016).

passively to rest on away trading centers, while the One-Sided Market or Zero Market, as applicable, exists. Accordingly, IEX proposes to update its rules to delete those provisions.

IEX also proposes to replace the phrase “displayed interest” with “displayable interest” in subparagraphs (4)(B), (4)(B)(i)(a) and (4)(B)(ii)(a) to more clearly describe how the IEX System handles such interest in a One-Sided Market. Specifically, the subparagraphs noted above use the term “displayed interest” when describing trading interest that is eligible for display but may not have been displayed. Accordingly, the Exchange proposes to change such references to “displayable interest” since the applicable rule provisions describe the handling of orders that are displayable even if not displayed.

Finally, the Exchange proposes to describe, in subparagraphs 5(A) and 5(B) of Rule 11.190, how orders are handled in a Zero Market when a contra-side Protected Quotation returns. Currently, those provisions describe how non-displayed and displayable interest is handled in a Zero Market (i.e., in which neither a Protected Bid nor Protected Offer exists), but do not describe how orders are handled when a Protected Quotation returns on one side of the market. As proposed, Rule 11.190(5)(A) and (B) provide that when a contra-side Protected Quotation returns, the system will route routable orders consistent with Rule 11.230(b)(2), if eligible for re-sweep. This change thus addresses when a Two-Sided or One-Sided Market returns.

2. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Section 6 of the Act, in general and with Sections 6(b)¹² of the Act in general, and furthers the objectives of Section 6(b)(5)¹³ of the Act, 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

¹² 15 U.S.C. 78f.

¹³ 15 U.S.C. 78f(b)(5).

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. The Exchange believes it is appropriate to make the specified corrections so that its rules clearly describe the manner in which its systems operate by removing obsolete text and clarifying the operation of the rule when a protected quotation returns. The proposed changes do not introduce new functionality but merely make the rule more complete and precise. Further, the Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest because it will provide for accuracy and consistency in the Exchange's rules and alleviate any confusion among market participants.

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 because IEX is amending its rules to provide for accuracy and consistency. The Exchange is merely removing obsolete language and clarifying the operation of the rule, therefore no new burdens are being proposed.

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)¹⁴ of the Act and Rule 19b-4(f)(6)¹⁵ thereunder. Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6).

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 if consistent with the protection of investors and the public interest, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.¹⁶ The Exchange notes that its proposal merely amends the Exchange's rules to provide for accuracy and consistency. The Exchange has asked the Commission to waive the 30-day operative delay, making the proposal operative upon filing. The Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest because it will allow the Exchange to implement the proposal immediately to remove some obsolete rule text and separately add helpful additional clarifying detail to its one-sided and zero markets provision, which may alleviate potential confusion among market participants before IEX begins operations as an exchange. Further, the proposal adds clarifying detail to the rule without materially amending the operation of the rule or raising any new or novel issues. For these reasons, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.¹⁷

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

¹⁶ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹⁷ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

Commission shall institute proceedings under Section 19(b)(2)(B)¹⁸ 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 (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File SR-IEX-2016-08 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-IEX-2016-08. This file number should be included on the subject line if e-mail 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 Room, 100 F

¹⁸ 15 U.S.C. 78s(b)(2)(B).

Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. 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-2016-08 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.¹⁹

Robert W. Errett
Deputy Secretary

¹⁹ 17 CFR 200.30-3(a)(12).

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