



## Investors Exchange Information Circular 2016 - 003

**Date:** August 11, 2016

**To:** Members of Investors' Exchange LLC

**Re:** Collection of Exchange fees and other claims and billing policy

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Investors Exchange LLC (the "Exchange" or "IEX") recently filed with the Securities and Exchange Commission (the "SEC") a rule filing to adopt Rule 15.120 (Collection of Exchange Fees and Other Claims and Billing Policy) that: (a) requires each IEX Member, and all applications for membership, to provide a clearing account number for an account at the National Securities Clearing Corporation ("NSCC") for purposes of permitting the Exchange to debit certain fees, fines, charges and/or other monetary sanctions or other monies due and owing to the Exchange;<sup>1</sup> and (b) require IEX Members to submit billing disputes within a certain time period. The rule filing will be operative to coincide with IEX's launch of exchange operations during a security-by-security phase-in period beginning on August 19, 2016 (See <https://iextrading.com/trading/exchange-launch/>).

The following is a summary of the rule filing provisions. Further information is available in the SEC's order noticing the rule filing [here](#).

### Direct Debit Process

IEX Rule 15.120(a) requires IEX Members, and all applicants for membership, to provide a clearing account number for an account at NSCC for purposes of permitting the Exchange to debit any undisputed or final fees, fines, charges and/or other monetary sanctions or other monies due and owing to the Exchange or other charges pursuant to Rule 15.110, including the Exchange Fee Schedule; Regulatory Transaction Fees pursuant to Rule 15.110(b); dues, assessments and other charges pursuant to Rule 2.200 to the extent the Exchange were to determine to charge such fees; and fines, sanctions and other charges pursuant to Chapters 8 and 9 of the IEX Rulebook<sup>2</sup> which are due and owing to IEX

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<sup>1</sup> IEX will use the clearing information provided on each Member's membership application for the direct debit process.

<sup>2</sup> This includes, among other things, fines and sanctions which result from disciplinary proceedings or actions taken pursuant to Chapters 8 and 9 of the IEX Rules, as specified in Rule 8.310. In addition, the IEX notes that it also has authority under Rules 8.350 and 9.553 to suspend, cancel or bar a Member that fails to pay final fees, fines, charges and/or other monetary sanctions or other monies due and owing to the Exchange or other charges pursuant to Rule 15.110, including the Exchange Fee Schedule thereto. While this direct debit process should minimize failures to pay, those rules nevertheless will act as a backstop to the direct debit process. With respect to disciplinary proceedings, the Exchange would not debit any monies until such action is final. The Exchange would not consider an action final until all appeal periods have run and/or all appeal timeframes are exhausted. With respect to non-disciplinary actions, the Exchange would similarly not take action to debit a Member account until all appeal periods have run and/or all appeal timeframes are exhausted. Any uncontested disciplinary or non-disciplinary actions will



(collectively “Debit Amount”). The Exchange Fee Schedule specifies charges for transactions, routing and other services provided by the Exchange and certain fees that are collected by the Financial Industry Regulatory Authority (“FINRA”). Only the charges which require payment to the Exchange would be subject to direct debit. The Exchange does not currently charge fees for certain of the services listed on the Exchange Fee Schedule.

The Exchange will send a monthly electronic invoice by email to each Member, generally by the 12<sup>th</sup> day of each month for the Debit Amount due to IEX for the prior month. IEX will also send files to NSCC each month by the 28<sup>th</sup> day of each month to initiate the debit of the Debit Amount due to IEX as stated on the Member’s invoice for the prior month. If the 28<sup>th</sup> day of the month is not a business day, IEX will send the files to NSCC by the preceding business day. IEX anticipates that NSCC will process the debits on the day it receives the file or the following business day. Because Members will receive an invoice approximately two weeks before the debit date, Members will have adequate time to contact IEX staff with any questions concerning their invoice. If an IEX Member disagrees with the invoice in whole or in part, the Exchange would not commence the debit for the disputed amount until the dispute is resolved. Specifically, the Exchange will not include the disputed amount (or the entire invoice if it is not feasible to identify the disputed amounts) in the NSCC Debit Amount if the Member has provided written notification of the dispute to the IEX accounting department at [accounting@iextrading.com](mailto:accounting@iextrading.com) by the later of the 25<sup>th</sup> of the month (or the following business day if the 25<sup>th</sup> is not a business day) or ten days after the date the electronic invoice was sent to the Member, and the amount in dispute is at least \$10,000 or greater.

Once NSCC receives the file from the Exchange, NSCC would proceed to debit the amounts indicated from the clearing Members’ account and disburse such amounts to the Exchange. In the instance where the Member clears through an IEX clearing member, the Exchange understands that the estimated transaction fees owed to the Exchange are typically debited by the IEX clearing Member on a daily basis using daily transaction detail reports provided by the Exchange to the IEX clearing Member in order to ensure adequate funds have been escrowed.

#### Billing Dispute Process

In addition to, and separate from, the pre-debit dispute process described above, Rule 15.120(b) requires that all pricing disputes with respect to fees payable to the Exchange,<sup>3</sup> be submitted to the Exchange in writing<sup>4</sup> and accompanied by supporting documentation within sixty days of receipt of an invoice.

#### IEX Contacts

Questions regarding this Information Circular should be directed to [accounting@iextrading.com](mailto:accounting@iextrading.com) or

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be debited, and the amount due will appear on the IEX Member’s invoice prior to the actual NSCC debit.

<sup>3</sup> Fees that are collected by FINRA would not be subject to the billing policy, and any disputes would need to be raised by the Member directly with FINRA.

<sup>4</sup> The Exchange invoice will specify that billing disputes must be submitted to [accounting@iextrading.com](mailto:accounting@iextrading.com).



[regulation@iextrading.com](mailto:regulation@iextrading.com).