

Investors Exchange Regulatory Information Circular 2021 - 0002

Date: January 8, 2021

To: Members of Investors Exchange LLC

Re: Mandatory Participation in Disaster Recovery Testing Pursuant to Regulation SCI

Investors Exchange LLC (“IEX”) Rule 2.250, entitled “Mandatory Participation in Testing of Backup Systems” establishes business continuity and disaster recovery plans (“BC/DR plans”) testing requirements for certain IEX Members pursuant to Regulation Systems Compliance and Integrity (“Regulation SCI”).

Regulation SCI

Regulation SCI requires IEX, as an SCI entity, to maintain business continuity and disaster recovery plans that provide for resilient and geographically diverse backup and recovery capabilities that are reasonably designed to achieve two-hour resumption of critical SCI systems (including the IEX trading system) and next business day resumption of other SCI systems following a wide-scale disruption.¹

Regulation SCI also requires SCI entities to require certain Members to participate in business continuity and disaster recovery testing in a manner specified by IEX and at a frequency of not less than once every 12 months. Pursuant to Regulation SCI, IEX is required to establish standards for the designation of Members that IEX reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event that IEX’s business continuity and disaster recovery plans are activated.

Designation Criteria

IEX Rule 2.250 governs mandatory participation in testing of IEX’s backup systems. IEX has designated Members that account for three (3) percent or more of executed volume on IEX, measured on quarterly basis, as required to connect to IEX’s backup system in Chicago and participate in functional and performance testing of such system as announced by IEX, which shall occur at least once every 12 months.

While IEX mandates that certain Members connect to its backup system, all Members are permitted and encouraged to connect to the Exchange’s backup system and participate in testing of such system.

Notification and Applicability

Pursuant to paragraph (c) of Rule 2.250, IEX will provide written notification to designated Members quarterly based on the prior calendar quarter’s volume on IEX. Designated Members not currently connected to IEX’s backup System shall have until the next calendar quarter before such requirements are applicable.

Members that received a notice of designation from the Exchange pursuant to the criteria described above in the third or fourth quarter of the previous calendar year and did not participate in functional and performance testing in such year, as well as Members that receive a notice of designation from the Exchange pursuant to the criteria described above in the first or second quarter of the current calendar year, are required to connect to IEX’s backup system in Chicago, and participate in functional and performance testing of such system as announced by IEX, which shall occur at least once every 12 months. IEX will conduct such testing during the planned SIFMA industry-wide test in October. IEX will circulate further information regarding the test at a later date.

¹ See Securities Exchange Act Release No. 73639 (November 19, 2014), 79 FR 72252 (December 5, 2014) (“SCI Adopting Release”).

Designation Periods for the 2021 Regulation SCI Industry-wide Test

Notice in Q3 2020	Notice in Q4 2020	Notice in Q1 2021	Notice in Q2 2021
Designated based on Q2 2020 data, and required to test	Designated based on Q3 2020 data, and required to test	Designated based on Q4 2020 data, and required to test	Designated based on Q1 2021 data, and required to test

Further Information

Please contact IEX Market Operations at marketops@iextrading.com with any questions regarding this Regulatory Circular.