

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 42	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2016 - * 09	Amendment No. (req. for Amendments *)
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 checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
			<input type="checkbox"/> 19b-4(f)(3)	<input 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"/>			
Description				
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).				
<input type="text" value="Proposed rule change related to transaction and regulatory fees."/>				
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 *	<input type="text" value="Claudia"/>	Last Name *	<input type="text" value="Crowley"/>	
Title *	<input type="text" value="Chief Regulatory Officer"/>			
E-mail *	<input type="text" value="claudia.crowley@iextrading.com"/>			
Telephone *	<input type="text" value="(646) 343-2041"/>	Fax	<input type="text"/>	
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	<input type="text" value="08/05/2016"/>	<input type="text" value="Chief Regulatory Officer"/>		
By	<input type="text" value="Claudia Crowley"/>	<input type="text"/>		
(Name *)				
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.				
<input type="button" value="claudia.crowley@iextrading.com"/>				

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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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

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 (i) adopt transaction fees applicable to Members³ of the Exchange pursuant to IEX Rule 15.110(a) and (c) (“Fee Schedule”), and (ii) adopt regulatory fees related to the Central Registration Depository (“CRD system”), which will be collected by the Financial Industry Regulatory Authority, Inc. (“FINRA”) pursuant to IEX Rule 15.110(a). The Exchange proposes to implement the rule change effective with its exchange launch.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CRF 240.19b-4.

³ See, IEX Rule 1.160(s).

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:

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

Sophia Lee
General Counsel
Investors Exchange LLC
646-343-2040

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

(a) Purpose

Transaction Fees

The Exchange proposes to implement a fee schedule applicable to use of the Exchange commencing on the date it begins operating as a national securities exchange. The Exchange currently intends to commence operations as a national securities exchange on or about August 19, 2016. IEX proposes to implement the Fee Schedule described herein, which will be applicable to transactions executed in all trading sessions, effective with its exchange launch.

(A) Displayed Match Fee

The Exchange does not propose to charge any fee to Members for executions on IEX that include resting interest with displayed priority (i.e., an order or portion of a reserve order that is booked and ranked with display priority on the Order Book either as

the IEX best bid or best offer (“BBO”) or at a worse price on the Order Book) for both the liquidity adding and liquidity removing order.⁴

(B) Non-Displayed Match Fee

The Exchange proposes to charge \$0.0009 per share (or 0.30% of the total dollar value of the transaction for securities priced below \$1.00) to Members for executions on IEX that include resting interest with non-displayed priority (i.e., an order or portion of a reserve order that is booked and ranked with non-display priority on the Order Book either at the NBBO midpoint or at a worse price on the Order Book) for both the liquidity adding and liquidity removing order,⁵ with the exception of executions on the Exchange where the adding and removing order originated from the same Exchange Member and displayable orders removing non-displayed liquidity upon entry, each as described below.

Notwithstanding the foregoing, the Exchange does not propose to charge any fee to Members for executions on IEX that involve taking resting interest with non-displayed priority where (a) the liquidity removing order was displayable (i.e., the order would have booked and displayed if posted to the Order Book) and (b) on a monthly basis, at least 90% of the liquidity removing Member’s aggregate executions of displayable orders added liquidity during such calendar month. However, in such transactions, the non-displayed liquidity adding interest will be subject to the Non-Displayed Match Fee described above.

⁴ This pricing is referred to by the Exchange as “Displayed Match Fee” on the proposed Fee Schedule with a Fee Code of ‘L’ to be provided by the Exchange on execution reports.

⁵ This pricing is referred to by the Exchange as “Non-Displayed Match Fee” on the proposed Fee Schedule with a Fee Code of ‘I’ to be provided by the Exchange on execution reports.

(C) Internalization Fee

The Exchange does not propose to charge any fee to Members for executions on IEX when the adding and removing order originated from the same Exchange Member.⁶ Orders from different market participant identifiers of the same broker dealer, with the same Central Registration Depository registration number, would be treated as originating from the same Exchange Member.

(D) Routing Charges

The Exchange proposes to pass the fee or rebate from an away trading center to the Member and charge a fee of \$0.0001 per share for all routing options offered by the Exchange. All charges for routing are applicable only in the event that an order is executed on an away trading center.⁷

(E) *Other Fees*

The Exchange does not propose to charge fees for membership, connectivity port fees, or market data.

Regulatory Fees

IEX is proposing to adopt certain regulatory fees under Rule 15.110(a) related to the CRD system, which are collected by FINRA.⁸ As proposed, FINRA will collect and

⁶ This pricing is referred to by the Exchange as “Internalization Fee” on the proposed Fee Schedule with a Fee Code of ‘S’ to be provided by the Exchange on execution reports.

⁷ The Exchange will provide the Fee Code from away market centers on execution reports of routed transactions. In the proposed Fee Schedule, the Fee Code of “Alpha” is used to indicate this behavior.

⁸ The CRD system is the central licensing and registration system for the U.S. securities industry. The CRD system enables individuals and firms seeking registration with multiple states and self-regulatory organizations to do so by submitting a single form, fingerprint card and a combined payment of fees to FINRA. Through the CRD system, FINRA maintains the qualification,

retain certain regulatory fees via the CRD system for the registration of persons associated with an Exchange Members that are not also FINRA members. The CRD system fees are use-based and there is no distinction in the cost incurred by FINRA if the user is a FINRA member or a member of an exchange but not a FINRA member.

Accordingly, IEX is proposing to adopt the fees under IEX Rule 15.110(a) to mirror those assessed by FINRA pursuant to Section (4) of Schedule A to the FINRA By-Laws.

As proposed, the fees are as follows:⁹

- (1) \$100 for each initial Form U4 filed for the registration of a representative or principal;
- (2) \$110 for the additional processing of each initial or amended Form U4, Form U5 or Form BD that includes the initial reporting, amendment, or certification of one or more disclosure events or proceedings;
- (3) \$45 annual for each of the Member's registered representatives and principals for system processing;
- (4) \$15 for processing and posting to the CRD system each set of fingerprint cards submitted electronically by the Member, plus a pass-through of any other charge imposed by the United States Department of Justice for processing each set of fingerprints;
- (5) \$30 for processing and posting to the CRD system each set of fingerprint cards submitted in non-electronic format by the Member, plus a pass-through of any other charge imposed by the United States Department of Justice for processing each set of fingerprints; and

employment and disciplinary histories of registered associated persons of broker dealers.

⁹ The Exchange has only adopted the CRD system fees charged by FINRA to Non-FINRA Members when such fees are applicable. In this regard, certain FINRA CRD system fees and requirements are specific to FINRA members, but do not apply to IEX Members that are not also FINRA members. IEX Members that are also FINRA members are charged CRD system fees according to Section (4) of Schedule A to the FINRA By-Laws.

(6) \$30 for processing and posting to the CRD system each set of fingerprint results and identifying information that has been processed through a self-regulatory organization other than FINRA.

(b) Statutory Basis

Transaction Fees

IEX believes that the proposed rule change is consistent with the provisions of Section 6(b)¹⁰ of the Act in general, and furthers the objectives of Sections 6(b)(4)¹¹ of the Act, in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. Additionally, IEX believes that the proposed fees are consistent with the investor protection objectives of Section 6(b)(5)¹² of the Act in particular in that they are designed to promote just and equitable principles of trade, to remove impediments to a free and open market and national market system, and in general to protect investors and the public interest.

The proposed Fee Schedule set forth herein is designed to minimize incentives for trading and order routing decisions based solely on rebates that could create conflicts of interest by skewing economic incentives related to such decisions. In addition, by not offering rebates, IEX has simplified its order type offering to avoid order types designed to assure receipt of a rebate.¹³ By contrast, as proposed, IEX will charge relatively low

¹⁰ 15 U.S.C. 78f.

¹¹ 15 U.S.C. 78f(b)(4).

¹² 15 U.S.C. 78f(b)(5).

¹³ In an address on equity market structure on June 5, 2014, Chair Mary Jo White called upon the exchanges to conduct a comprehensive review of their order types and how they operate, as well as to “consider appropriate rule changes to help clarify the nature of their order types and how they interact with each other, and how they support fair, orderly, and efficient markets.” (*See*, speech by Chair Mary

fees for all executed shares, and which will be significantly lower than many other exchange fees charged for removing (or taking) liquidity.¹⁴ Moreover, IEX believes that adders of liquidity can be incentivized to rest shares by offering a market model and order types designed to protect their interests as opposed to the payment of a rebate.

IEX believes that it is appropriate, reasonable and consistent with the Act, to charge the \$0.0009 per share Non-Displayed Match Fee, because it is within the transaction fee range charged by other exchanges.¹⁵ IEX also believes that it is appropriate, reasonable and consistent with the Act, not to charge a fee for transactions that include execution of an order with displayed priority on the Order Book. This fee structure is designed to incentivize Members to send IEX aggressively priced displayable orders, thereby contributing to price discovery and consistent with the overall goal of enhancing market quality. IEX believes that not charging a fee for both the liquidity adder and remover is equitable and not unfairly discriminatory because it is designed to

Jo White at Sandler O'Neill & Partners, L.P. Global Exchange and Brokerage Conference, New York, N.Y., available at <http://www.sec.gov/News/Speech/Detail/Speech/1370542004312>

¹⁴ For example, the New York Stock Exchange trading fee schedule on its public website reflects fees to “take” liquidity ranging from \$0.0024 - \$0.00275 depending on the type of market participant, order and execution (See, <https://www.nyse.com/markets/nyse/trading-info/fees>). The Nasdaq Stock Market (“Nasdaq”) trading fee schedule on its public website reflects fees to “remove” liquidity ranging from \$0.0030 per share for shares executed at or above \$1.00 or 0.30% of total dollar volume for shares executed below \$1.00 (See, <http://nasdaqtrader.com/Trader.aspx?id=PriceListTrading2>). BATS BZX Exchange (“BZX”) trading fee schedule on its public website reflects fees for “removing” liquidity ranging from \$0.0030 for shares executed at or above \$1.00 or 0.30% of total dollar volume for shares executed below \$1.00, subject to certain limited exceptions for orders trading in the opening, IPO or halt auctions BZX listed securities (See, https://www.batstrading.com/support/fee_schedule/bzx/).

¹⁵ Id.

facilitate execution of, and enhance trading opportunities for, displayable orders, thereby further incentivizing entry of displayed orders.

In addition, the Exchange believes that it is appropriate, and consistent with the Act, to not charge a fee to Members with respect to displayable orders that remove non-displayed liquidity upon entry so long as at least 90% of the Member's aggregate executed shares of displayable orders added liquidity during the month in question. This flexibility is designed to address limited inadvertent liquidity removal for Exchange Members who are largely adding displayed liquidity. Under these circumstances, the Member generally intends to add displayed liquidity on IEX, and the Exchange therefore believes that it is appropriate to provide a fee incentive to such order, subject to the 90% limitation described herein, to further encourage aggressively priced displayed orders. The Exchange also believes that it is appropriate, reasonable and consistent with the Act, to charge the \$0.0009 per share Non-Displayed Match Fee to Members for the resting, non-displayed order that matches with the displayable order under such circumstances because the reduced fee for Members entering displayable orders removing non-displayed liquidity is a narrowly drawn incentive to address unintended consequences. Accordingly, the Exchange believes that it is appropriate to charge the \$0.0009 per share Non-Displayed Match Fee for such orders. The Exchange also notes that most other national securities exchanges charge different fees to members for adding and removing liquidity, and that this aspect of IEX's proposed Fee Schedule does not raise any new or

novel issues that have not previously been considered by the Commission in connection with the fees of other national securities exchanges.¹⁶

With respect to internalized trades, the proposal to charge no fee is designed to incentivize Members (and their customers) to send orders to IEX that may otherwise be internalized off exchange. As broker operated ATSS and internalization mechanisms have proliferated to account for nearly 40% of trading volume,¹⁷ natural investor trading interest has become increasingly dispersed across these venues, while the overall trading volume on regulated exchanges has declined.¹⁸ IEX believes that one of the factors driving broker decisions to trade away from regulated exchanges has been exchange access fees. Accordingly, this fee structure is designed with the goal to increase resultant order interaction on IEX. In this regard, IEX believes that increased liquidity on IEX would have several benefits to investors in securities traded on IEX. First, it would increase opportunities for investors' orders to interact directly, thereby concurrently reducing the need for unnecessary intermediation and the associated implicit costs, including potential information leakage and gaming. Second, to the extent Exchange Members post more displayed orders on IEX, price discovery would be enhanced drawing more natural trading interest to the public markets which would deepen liquidity

¹⁶ See, for example <https://www.nyse.com/markets/nyse/trading-info/fees>, <http://nasdaqtrader.com/Trader.aspx?id=PriceListTrading2>, and https://www.batstrading.com/support/fee_schedule/bzx/.

¹⁷ See, for example, BATS Market Volume Summary for June 14, 2016 available at http://batstrading.com/market_summary/.

¹⁸ See, for example a speech by former Commissioner Luis A. Aguilar on May 11, 2015 entitled "U.S. Equity Market Structure: Making Our Markets Work Better for Investors" (available at http://www.sec.gov/news/statement/us-equity-market-structure.html#_ednref1), and speech by Commission Chair Mary Jo White on June 5, 2014 entitled "Enhancing our Equity Market Structure" (available at http://www.sec.gov/News/Speech/Detail/Speech/1370542004312#_ednref17).

and dampen the impact of shocks from liquidity demand. Third, orders executed on IEX rather than being internalized on broker-operated platforms, will have the benefit of exchange transparency, regulation, and oversight. Additionally, because IEX prices orders based on direct market data feeds of protected markets,¹⁹ the quality of executions on IEX may be enhanced compared to orders that are internalized on certain broker-operated platforms that price orders based on SIP market data feeds.

It is important to note that orders entered by the same broker (that by their terms could be executable against each other) are not guaranteed to be matched against each other, and each order is individually at market risk for execution against contra-side orders from other Members. Moreover, Members sending orders eligible for this fee structure are subject to all existing IEX and FINRA rules applicable to customer orders, including without limitation those pertaining to wash sales, best execution, and customer priority. (See for example, Chapter 10 of the IEX Rules and FINRA Rules 5210, 5310 and 5320).

Moreover, IEX believes that there are precedents for exchanges to charge fees that distinguish between different types of members to incentivize certain types of members. These fee structures may discriminate in favor of certain types of members but not in an unfairly discriminatory manner in violation of the Act. In this regard, most other exchanges offer reduced fees to members that reach certain volume based tiers. Such fee structures, while nominally available to all members, are targeted to incentivize larger members with enough volume to reach the volume-based tiers. For example, the NYSE fee schedule provides rebates of up to \$0.0022 per share for members generally

¹⁹ See IEX Rule 11.410(a)(2) – (4), which describes IEX’s use of proprietary market data feeds and those of the Securities Information Processors.

that provide greater than 1.10% of consolidated average trading volume compared to no rebate for firms that do not reach specified volume tiers. And NYSE floor brokers, which have no unique obligations to the market, receive higher rebates at certain volume levels, as well as lower take fees, compared to NYSE member firms generally.²⁰

Similarly, the IEX fee structure is designed to incentivize Members to send orders to a regulated exchange and enable IEX to compete more effectively with internalizers and dark pools that provide internalized matching. Notwithstanding that IEX will not pay for order flow, the Exchange believes that some Members may nonetheless choose to direct order flow to IEX as a regulated exchange in order to benefit from real-time reporting and regulatory oversight, and that not charging a fee will help IEX to compete for such order flow. The Exchange does not believe that this fee incentive is unfairly discriminatory because it is available to any IEX Member, consistent with applicable FINRA and IEX rules, and potentially benefits all members because the fee incentive may result in increased order flow and liquidity in IEX. As noted above, internalization on IEX is not guaranteed, and the additional order flow that does not internalize is available to trade by all Members, and would enhance price discovery if such order flow results in more displayed orders.

Trading on the IEX alternative trading system (“ATS”) directly supports the Exchange’s contention that the proposed pricing structure will provide benefits to Members generally and is not unfairly discriminatory. IEX has offered comparable pricing on its ATS. Between January 1, 2016 and June 30, 2016, internalized transactions occurred across 66 of 145 ATS subscribers with a range of business models

²⁰ See, <https://www.nyse.com/markets/nyse/trading-info/fees>.

(*e.g.*, full service, agency, and retail broker-dealers).²¹ During the period January 1, 2016 through June 30, 2016, approximately 454 million shares internalized on the IEX ATS. For those transactions on the IEX ATS that included self-matched volume, the liquidity removing orders also executed against approximately 63 million resting shares of other subscribers.²² Thus, IEX does not believe that the internalization fee incentive has had an unfairly discriminatory impact in practice, since internalized transactions occurred across a large number of different types of subscribers, providing collateral liquidity benefits to other subscribers.

Additionally, the Exchange believes that its proposed fee codes, to be provided on execution and routing reports, will provide transparency and predictability to Members as to applicable transaction fees. In this regard, IEX notes that Members will be able to maintain a tally of executions of displayable orders eligible for no fee for taking non-displayed liquidity by calculating, on a monthly basis, whether the proportion of their executed displayable orders that added liquidity is 90% or more of their total monthly volume of executed displayable orders. Using IEX execution reports, Members can calculate whether the sum of executions with Fee Code L and a Last Liquidity Indicator (FIX tag 851) of '1' (Added Liquidity), divided by the sum of executions with Fee Code L is at least 90%.

In summary, IEX believes that the proposed fee structure for internalized transactions is reasonable, fair and equitable, and not an unfairly discriminatory allocation of fees because it will provide all Members with incentives not to avoid

²¹ Between January 1, 2016 and June 30, 2016, only 2.97 percent of overall subscribers' volume was from internalized transactions.

²² During the same period, there were also approximately 578 million unexecuted shares from the incoming orders that self-matched.

sending orders to IEX that will contribute to enhanced liquidity and price discovery on a regulated exchange. While not all Members necessarily will have the ability to directly benefit from the proposed fee structure for internalized transactions, as noted above internalization is not guaranteed so IEX believes that Members generally may indirectly benefit from an increase in order flow that does not internalize on IEX, as has been the case on the ATS.

With respect to orders routed to other exchanges, the proposal to pass through fees charged by such other away trading centers for executed shares plus charge a fee of \$0.0001 payable to IEX is a reasonable, fair and equitable, and not an unfairly discriminatory allocation of fees because the fee is applicable to all Members in an equivalent manner. The \$0.0001 fee payable to IEX is not inconsistent with the fees charged by other exchanges for routed orders, since many of their routing fees are variable based on the fees and rebates charged by such other venues.²³ Accordingly, the IEX proposed approach raises no new or novel issues.

As described more fully below in the Exchange's statement regarding the burden on competition, the Exchange believes that it is subject to significant competitive forces, and that its proposed fee structure is an appropriate effort to address such forces.

IEX also believes that not charging a fee for membership, connectivity or market data is reasonable because it may incentivize broker-dealers to become members of the Exchange and to therefore direct order flow to IEX. As a new exchange, IEX will operate in a highly competitive environment, and not charging fees for such services and access is designed to enable it to compete effectively.

²³ See, for example, Nasdaq Stock Market Rule 7018(a)(1).

In conclusion, the Exchange also submits that its proposed fee structure satisfies the requirements of Sections 6(b)(4) and 6(b)(5) of the Act for the reasons discussed above in that it does not permit unfair discrimination between customers, issuers, brokers, or dealers, and is designed 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. For the foregoing reasons, the Exchange believes that its simplified fee structure is consistent with the Act, in that it is designed to promote just and equitable principles of trade, to remove impediments to a free and open market and national market system and in general to protect investors and the public interest.

Regulatory Fees

IEX believes that the proposed rule change is consistent with the provisions of Section 6(b)²⁴ of the Act in general, and furthers the objectives of Section 6(b)(4)²⁵ of the Act, in particular, in that it provides for the equitable allocation of reasonable fees and other charges among its members, and does not unfairly discriminate between customers, issuers, brokers and dealers. All similarly situated Members are subject to the same fee structure, and every Member firm must use the CRD system for registration and disclosure.

The proposed fees are reasonable because they are identical to those adopted by FINRA for use of the CRD system for disclosure and the registration of associated persons of FINRA members.²⁶ As FINRA noted in its filing adopting its existing fees, it believes the fees are reasonable based on the increased costs associated with operating

²⁴ 15 U.S.C. 78f.

²⁵ 15 U.S.C. 78f(b)(4).

²⁶ See Securities Exchange Act Release No. 67247 (June 25, 2012), 77 FR 38866 (June 29, 2012) (SR-FINRA-2012-30).

and maintaining the CRD system, and listed a number of enhancements made to the CRD system since the last fee increase, including: (1) incorporation of various uniform registration form changes; (2) electronic fingerprint processing; (3) Web EFT™, which allows subscribing firms to submit batch filings to the CRD system; (4) increases in the number and types of reports available through the CRD system; and (5) significant changes to BrokerCheck, including making BrokerCheck easier to use and expanding the amount of information made available through the system.²⁷ These increased costs are similarly borne by FINRA when a member of IEX that is not a member of FINRA uses the CRD system, so the fees collected for such use should mirror the fees assessed on FINRA members, as is proposed by IEX. FINRA further noted its belief that the proposed fees are reasonable because they help to ensure the integrity of the information in the CRD system, which is important because the Commission, FINRA, other self-regulatory organizations and state securities regulators use the CRD system to make licensing and registration decisions, among other things.²⁸

The Exchange also believes that the proposed fees, like FINRA's fees, are consistent with an equitable allocation of fees because the fees will apply equally to all individuals and members required to report information to the CRD system. Thus, those members that register more individuals or submit more filings through the CRD system will generally pay more in fees than those members that use the CRD system to a lesser extent. In addition, the proposed fees, like FINRA's fees, are equitable and not unfairly discriminatory because they will result in the same regulatory fees being charged to all

²⁷ See supra, note 27, at 77 FR 38866, 38868.

²⁸ See supra, at 77 FR 38866, 38868.

IEX Members required to report information to the CRD system and for services performed by FINRA, regardless of whether or not such Member is a FINRA member.

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

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 does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange believes that the proposed pricing structure will increase competition and hopefully draw additional volume to the Exchange. The Exchange will operate in a highly competitive market in which market participants can readily favor competing venues if fee schedules at other venues are viewed as more favorable. As a new exchange, IEX expects to face intense competition from existing exchanges and other non-exchange venues that provide markets for equities trading. Consequently, the Exchange believes that the degree to which IEX fees could impose any burden on competition is extremely limited, and does not believe that such fees would burden competition of Members or competing venues in a manner that is not necessary or appropriate in furtherance of the purposes of the Act.

The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because, while different fees are assessed in some circumstances, these different fees are not based on the type of Member entering the orders that match but on the type of order entered and all Members can submit any type of order. Further,

the proposed fees are intended to encourage market participants to bring increased volume to the Exchange, which benefits all market participants.

Regulatory Fees

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 proposed fees will result in the same regulatory fees being charged to all Members required to report information to the CRD system and for services performed by FINRA, regardless of whether or not such Members are FINRA members.

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)

Pursuant to Section 19(b)(3)(A)(ii) of the Act,²⁹ IEX has designated this proposal as establishing or changing a due, fee, or other charge imposed by the self-regulatory organization on any person, whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing.

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

²⁹ 15 U.S.C. 78s(b)(3)(A)(ii).

Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B) of the Act to determine whether the proposed rule change should be approved or disapproved.³⁰

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

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. Security-Based Swap Submissions Filed Pursuant to Section 3 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.

³⁰ 15 U.S.C. 78s(b)(2)(B).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34 -); File No. SR-IEX-2016-09)

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Transaction and Regulatory Fees.

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 (i) adopt transaction fees applicable to Members⁶ of the Exchange pursuant to IEX Rule 15.110(a) and (c) (“Fee Schedule”), and (ii) adopt regulatory fees related to the Central Registration Depository (“CRD system”), which

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, IEX Rule 1.160(s).

will be collected by the Financial Industry Regulatory Authority, Inc. (“FINRA”) pursuant to IEX Rule 15.110(a). The Exchange proposes to implement the rule change effective with its exchange launch. 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

Transaction Fees

The Exchange proposes to implement a fee schedule applicable to use of the Exchange commencing on the date it begins operating as a national securities exchange. The Exchange currently intends to commence operations as a national securities exchange on or about August 19, 2016. IEX proposes to implement the Fee Schedule described herein, which will be applicable to transactions executed in all trading sessions, effective with its exchange launch.

(A) Displayed Match Fee

The Exchange does not propose to charge any fee to Members for executions on IEX that include resting interest with displayed priority (i.e., an order or portion of a reserve order that is booked and ranked with display priority on the Order Book either as the IEX best bid or best offer (“BBO”) or at a worse price on the Order Book) for both the liquidity adding and liquidity removing order.⁷

(B) Non-Displayed Match Fee

The Exchange proposes to charge \$0.0009 per share (or 0.30% of the total dollar value of the transaction for securities priced below \$1.00) to Members for executions on IEX that include resting interest with non-displayed priority (i.e., an order or portion of a reserve order that is booked and ranked with non-display priority on the Order Book either at the NBBO midpoint or at a worse price on the Order Book) for both the liquidity adding and liquidity removing order,⁸ with the exception of executions on the Exchange where the adding and removing order originated from the same Exchange Member and displayable orders removing non-displayed liquidity upon entry, each as described below.

Notwithstanding the foregoing, the Exchange does not propose to charge any fee to Members for executions on IEX that involve taking resting interest with non-displayed priority where (a) the liquidity removing order was displayable (i.e., the order would have booked and displayed if posted to the Order Book) and (b) on a monthly basis, at least 90% of the liquidity removing Member’s aggregate executions of displayable orders

⁷ This pricing is referred to by the Exchange as “Displayed Match Fee” on the proposed Fee Schedule with a Fee Code of ‘L’ to be provided by the Exchange on execution reports.

⁸ This pricing is referred to by the Exchange as “Non-Displayed Match Fee” on the proposed Fee Schedule with a Fee Code of ‘I’ to be provided by the Exchange on execution reports.

added liquidity during such calendar month. However, in such transactions, the non-displayed liquidity adding interest will be subject to the Non-Displayed Match Fee described above.

(C) Internalization Fee

The Exchange does not propose to charge any fee to Members for executions on IEX when the adding and removing order originated from the same Exchange Member.⁹ Orders from different market participant identifiers of the same broker dealer, with the same Central Registration Depository registration number, would be treated as originating from the same Exchange Member.

(D) Routing Charges

The Exchange proposes to pass the fee or rebate from an away trading center to the Member and charge a fee of \$0.0001 per share for all routing options offered by the Exchange. All charges for routing are applicable only in the event that an order is executed on an away trading center.¹⁰

(E) *Other Fees*

The Exchange does not propose to charge fees for membership, connectivity port fees, or market data.

Regulatory Fees

⁹ This pricing is referred to by the Exchange as “Internalization Fee” on the proposed Fee Schedule with a Fee Code of ‘S’ to be provided by the Exchange on execution reports.

¹⁰ The Exchange will provide the Fee Code from away market centers on execution reports of routed transactions. In the proposed Fee Schedule, the Fee Code of “Alpha” is used to indicate this behavior.

IEX is proposing to adopt certain regulatory fees under Rule 15.110(a) related to the CRD system, which are collected by FINRA.¹¹ As proposed, FINRA will collect and retain certain regulatory fees via the CRD system for the registration of persons associated with an Exchange Members that are not also FINRA members. The CRD system fees are use-based and there is no distinction in the cost incurred by FINRA if the user is a FINRA member or a member of an exchange but not a FINRA member. Accordingly, IEX is proposing to adopt the fees under IEX Rule 15.110(a) to mirror those assessed by FINRA pursuant to Section (4) of Schedule A to the FINRA By-Laws. As proposed, the fees are as follows:¹²

- (1) \$100 for each initial Form U4 filed for the registration of a representative or principal;
- (2) \$110 for the additional processing of each initial or amended Form U4, Form U5 or Form BD that includes the initial reporting, amendment, or certification of one or more disclosure events or proceedings;
- (3) \$45 annual for each of the Member's registered representatives and principals for system processing;
- (4) \$15 for processing and posting to the CRD system each set of fingerprint cards submitted electronically by the Member, plus a pass-through of any other charge

¹¹ The CRD system is the central licensing and registration system for the U.S. securities industry. The CRD system enables individuals and firms seeking registration with multiple states and self-regulatory organizations to do so by submitting a single form, fingerprint card and a combined payment of fees to FINRA. Through the CRD system, FINRA maintains the qualification, employment and disciplinary histories of registered associated persons of broker dealers.

¹² The Exchange has only adopted the CRD system fees charged by FINRA to Non-FINRA Members when such fees are applicable. In this regard, certain FINRA CRD system fees and requirements are specific to FINRA members, but do not apply to IEX Members that are not also FINRA members. IEX Members that are also FINRA members are charged CRD system fees according to Section (4) of Schedule A to the FINRA By-Laws.

imposed by the United States Department of Justice for processing each set of fingerprints;

(5) \$30 for processing and posting to the CRD system each set of fingerprint cards submitted in non-electronic format by the Member, plus a pass-through of any other charge imposed by the United States Department of Justice for processing each set of fingerprints; and

(6) \$30 for processing and posting to the CRD system each set of fingerprint results and identifying information that has been processed through a self-regulatory organization other than FINRA.

2. Statutory Basis

Transaction Fees

IEX believes that the proposed rule change is consistent with the provisions of Section 6(b)¹³ of the Act in general, and furthers the objectives of Sections 6(b)(4)¹⁴ of the Act, in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. Additionally, IEX believes that the proposed fees are consistent with the investor protection objectives of Section 6(b)(5)¹⁵ of the Act in particular in that they are designed to promote just and equitable principles of trade, to remove impediments to a free and open market and national market system, and in general to protect investors and the public interest.

The proposed Fee Schedule set forth herein is designed to minimize incentives for trading and order routing decisions based solely on rebates that could create conflicts of interest by skewing economic incentives related to such decisions. In addition, by not

¹³ 15 U.S.C. 78f.

¹⁴ 15 U.S.C. 78f(b)(4).

¹⁵ 15 U.S.C. 78f(b)(5).

offering rebates, IEX has simplified its order type offering to avoid order types designed to assure receipt of a rebate.¹⁶ By contrast, as proposed, IEX will charge relatively low fees for all executed shares, and which will be significantly lower than many other exchange fees charged for removing (or taking) liquidity.¹⁷ Moreover, IEX believes that adders of liquidity can be incentivized to rest shares by offering a market model and order types designed to protect their interests as opposed to the payment of a rebate.

IEX believes that it is appropriate, reasonable and consistent with the Act, to charge the \$0.0009 per share Non-Displayed Match Fee, because it is within the transaction fee range charged by other exchanges.¹⁸ IEX also believes that it is appropriate, reasonable and consistent with the Act, not to charge a fee for transactions that include execution of an order with displayed priority on the Order Book. This fee

¹⁶ In an address on equity market structure on June 5, 2014, Chair Mary Jo White called upon the exchanges to conduct a comprehensive review of their order types and how they operate, as well as to “consider appropriate rule changes to help clarify the nature of their order types and how they interact with each other, and how they support fair, orderly, and efficient markets.” (*See*, speech by Chair Mary Jo White at Sandler O’Neill & Partners, L.P. Global Exchange and Brokerage Conference, New York, N.Y., available at <http://www.sec.gov/News/Speech/Detail/Speech/1370542004312>)

¹⁷ For example, the New York Stock Exchange trading fee schedule on its public website reflects fees to “take” liquidity ranging from \$0.0024 - \$0.00275 depending on the type of market participant, order and execution (*See*, <https://www.nyse.com/markets/nyse/trading-info/fees>). The Nasdaq Stock Market (“Nasdaq”) trading fee schedule on its public website reflects fees to “remove” liquidity ranging from \$0.0030 per share for shares executed at or above \$1.00 or 0.30% of total dollar volume for shares executed below \$1.00 (*See*, <http://nasdaqtrader.com/Trader.aspx?id=PriceListTrading2>). BATS BZX Exchange (“BZX”) trading fee schedule on its public website reflects fees for “removing” liquidity ranging from \$0.0030 for shares executed at or above \$1.00 or 0.30% of total dollar volume for shares executed below \$1.00, subject to certain limited exceptions for orders trading in the opening, IPO or halt auctions BZX listed securities (*See*, https://www.batstrading.com/support/fee_schedule/bzx/).

¹⁸ Id.

structure is designed to incentivize Members to send IEX aggressively priced displayable orders, thereby contributing to price discovery and consistent with the overall goal of enhancing market quality. IEX believes that not charging a fee for both the liquidity adder and remover is equitable and not unfairly discriminatory because it is designed to facilitate execution of, and enhance trading opportunities for, displayable orders, thereby further incentivizing entry of displayed orders.

In addition, the Exchange believes that it is appropriate, and consistent with the Act, to not charge a fee to Members with respect to displayable orders that remove non-displayed liquidity upon entry so long as at least 90% of the Member's aggregate executed shares of displayable orders added liquidity during the month in question. This flexibility is designed to address limited inadvertent liquidity removal for Exchange Members who are largely adding displayed liquidity. Under these circumstances, the Member generally intends to add displayed liquidity on IEX, and the Exchange therefore believes that it is appropriate to provide a fee incentive to such order, subject to the 90% limitation described herein, to further encourage aggressively priced displayed orders. The Exchange also believes that it is appropriate, reasonable and consistent with the Act, to charge the \$0.0009 per share Non-Displayed Match Fee to Members for the resting, non-displayed order that matches with the displayable order under such circumstances because the reduced fee for Members entering displayable orders removing non-displayed liquidity is a narrowly drawn incentive to address unintended consequences. Accordingly, the Exchange believes that it is appropriate to charge the \$0.0009 per share Non-Displayed Match Fee for such orders. The Exchange also notes that most other national securities exchanges charge different fees to members for adding and removing

liquidity, and that this aspect of IEX's proposed Fee Schedule does not raise any new or novel issues that have not previously been considered by the Commission in connection with the fees of other national securities exchanges.¹⁹

With respect to internalized trades, the proposal to charge no fee is designed to incentivize Members (and their customers) to send orders to IEX that may otherwise be internalized off exchange. As broker operated ATs and internalization mechanisms have proliferated to account for nearly 40% of trading volume,²⁰ natural investor trading interest has become increasingly dispersed across these venues, while the overall trading volume on regulated exchanges has declined.²¹ IEX believes that one of the factors driving broker decisions to trade away from regulated exchanges has been exchange access fees. Accordingly, this fee structure is designed with the goal to increase resultant order interaction on IEX. In this regard, IEX believes that increased liquidity on IEX would have several benefits to investors in securities traded on IEX. First, it would increase opportunities for investors' orders to interact directly, thereby concurrently reducing the need for unnecessary intermediation and the associated implicit costs, including potential information leakage and gaming. Second, to the extent Exchange Members post more displayed orders on IEX, price discovery would be enhanced

¹⁹ See, for example <https://www.nyse.com/markets/nyse/trading-info/fees>, <http://nasdaqtrader.com/Trader.aspx?id=PriceListTrading2>, and https://www.batstrading.com/support/fee_schedule/bzx/.

²⁰ See, for example, BATS Market Volume Summary for June 14, 2016 available at http://batstrading.com/market_summary/.

²¹ See, for example a speech by former Commissioner Luis A. Aguilar on May 11, 2015 entitled "U.S. Equity Market Structure: Making Our Markets Work Better for Investors" (available at http://www.sec.gov/news/statement/us-equity-market-structure.html#_ednref1), and speech by Commission Chair Mary Jo White on June 5, 2014 entitled "Enhancing our Equity Market Structure" (available at http://www.sec.gov/News/Speech/Detail/Speech/1370542004312#_ednref17).

drawing more natural trading interest to the public markets which would deepen liquidity and dampen the impact of shocks from liquidity demand. Third, orders executed on IEX rather than being internalized on broker-operated platforms, will have the benefit of exchange transparency, regulation, and oversight. Additionally, because IEX prices orders based on direct market data feeds of protected markets,²² the quality of executions on IEX may be enhanced compared to orders that are internalized on certain broker-operated platforms that price orders based on SIP market data feeds.

It is important to note that orders entered by the same broker (that by their terms could be executable against each other) are not guaranteed to be matched against each other, and each order is individually at market risk for execution against contra-side orders from other Members. Moreover, Members sending orders eligible for this fee structure are subject to all existing IEX and FINRA rules applicable to customer orders, including without limitation those pertaining to wash sales, best execution, and customer priority. (See for example, Chapter 10 of the IEX Rules and FINRA Rules 5210, 5310 and 5320).

Moreover, IEX believes that there are precedents for exchanges to charge fees that distinguish between different types of members to incentivize certain types of members. These fee structures may discriminate in favor of certain types of members but not in an unfairly discriminatory manner in violation of the Act. In this regard, most other exchanges offer reduced fees to members that reach certain volume based tiers. Such fee structures, while nominally available to all members, are targeted to incentivize larger members with enough volume to reach the volume-based tiers. For example, the

²² See IEX Rule 11.410(a)(2) – (4), which describes IEX’s use of proprietary market data feeds and those of the Securities Information Processors.

NYSE fee schedule provides rebates of up to \$0.0022 per share for members generally that provide greater than 1.10% of consolidated average trading volume compared to no rebate for firms that do not reach specified volume tiers. And NYSE floor brokers, which have no unique obligations to the market, receive higher rebates at certain volume levels, as well as lower take fees, compared to NYSE member firms generally.²³

Similarly, the IEX fee structure is designed to incentivize Members to send orders to a regulated exchange and enable IEX to compete more effectively with internalizers and dark pools that provide internalized matching. Notwithstanding that IEX will not pay for order flow, the Exchange believes that some Members may nonetheless choose to direct order flow to IEX as a regulated exchange in order to benefit from real-time reporting and regulatory oversight, and that not charging a fee will help IEX to compete for such order flow. The Exchange does not believe that this fee incentive is unfairly discriminatory because it is available to any IEX Member, consistent with applicable FINRA and IEX rules, and potentially benefits all members because the fee incentive may result in increased order flow and liquidity in IEX. As noted above, internalization on IEX is not guaranteed, and the additional order flow that does not internalize is available to trade by all Members, and would enhance price discovery if such order flow results in more displayed orders.

Trading on the IEX alternative trading system (“ATS”) directly supports the Exchange’s contention that the proposed pricing structure will provide benefits to Members generally and is not unfairly discriminatory. IEX has offered comparable pricing on its ATS. Between January 1, 2016 and June 30, 2016, internalized

²³ See, <https://www.nyse.com/markets/nyse/trading-info/fees>.

transactions occurred across 66 of 145 ATS subscribers with a range of business models (e.g., full service, agency, and retail broker-dealers).²⁴ During the period January 1, 2016 through June 30, 2016, approximately 454 million shares internalized on the IEX ATS. For those transactions on the IEX ATS that included self-matched volume, the liquidity removing orders also executed against approximately 63 million resting shares of other subscribers.²⁵ Thus, IEX does not believe that the internalization fee incentive has had an unfairly discriminatory impact in practice, since internalized transactions occurred across a large number of different types of subscribers, providing collateral liquidity benefits to other subscribers.

Additionally, the Exchange believes that its proposed fee codes, to be provided on execution and routing reports, will provide transparency and predictability to Members as to applicable transaction fees. In this regard, IEX notes that Members will be able to maintain a tally of executions of displayable orders eligible for no fee for taking non-displayed liquidity by calculating, on a monthly basis, whether the proportion of their executed displayable orders that added liquidity is 90% or more of their total monthly volume of executed displayable orders. Using IEX execution reports, Members can calculate whether the sum of executions with Fee Code L and a Last Liquidity Indicator (FIX tag 851) of '1' (Added Liquidity), divided by the sum of executions with Fee Code L is at least 90%.

In summary, IEX believes that the proposed fee structure for internalized transactions is reasonable, fair and equitable, and not an unfairly discriminatory

²⁴ Between January 1, 2016 and June 30, 2016, only 2.97 percent of overall subscribers' volume was from internalized transactions.

²⁵ During the same period, there were also approximately 578 million unexecuted shares from the incoming orders that self-matched.

allocation of fees because it will provide all Members with incentives not to avoid sending orders to IEX that will contribute to enhanced liquidity and price discovery on a regulated exchange. While not all Members necessarily will have the ability to directly benefit from the proposed fee structure for internalized transactions, as noted above internalization is not guaranteed so IEX believes that Members generally may indirectly benefit from an increase in order flow that does not internalize on IEX, as has been the case on the ATS.

With respect to orders routed to other exchanges, the proposal to pass through fees charged by such other away trading centers for executed shares plus charge a fee of \$0.0001 payable to IEX is a reasonable, fair and equitable, and not an unfairly discriminatory allocation of fees because the fee is applicable to all Members in an equivalent manner. The \$0.0001 fee payable to IEX is not inconsistent with the fees charged by other exchanges for routed orders, since many of their routing fees are variable based on the fees and rebates charged by such other venues.²⁶ Accordingly, the IEX proposed approach raises no new or novel issues.

As described more fully below in the Exchange's statement regarding the burden on competition, the Exchange believes that it is subject to significant competitive forces, and that its proposed fee structure is an appropriate effort to address such forces.

IEX also believes that not charging a fee for membership, connectivity or market data is reasonable because it may incentivize broker-dealers to become members of the Exchange and to therefore direct order flow to IEX. As a new exchange, IEX will

²⁶ See, for example, Nasdaq Stock Market Rule 7018(a)(1).

operate in a highly competitive environment, and not charging fees for such services and access is designed to enable it to compete effectively.

In conclusion, the Exchange also submits that its proposed fee structure satisfies the requirements of Sections 6(b)(4) and 6(b)(5) of the Act for the reasons discussed above in that it does not permit unfair discrimination between customers, issuers, brokers, or dealers, and is designed 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. For the foregoing reasons, the Exchange believes that its simplified fee structure is consistent with the Act, in that it is designed to promote just and equitable principles of trade, to remove impediments to a free and open market and national market system and in general to protect investors and the public interest.

Regulatory Fees

IEX believes that the proposed rule change is consistent with the provisions of Section 6(b)²⁷ of the Act in general, and furthers the objectives of Section 6(b)(4)²⁸ of the Act, in particular, in that it provides for the equitable allocation of reasonable fees and other charges among its members, and does not unfairly discriminate between customers, issuers, brokers and dealers. All similarly situated Members are subject to the same fee structure, and every Member firm must use the CRD system for registration and disclosure.

The proposed fees are reasonable because they are identical to those adopted by FINRA for use of the CRD system for disclosure and the registration of associated

²⁷ 15 U.S.C. 78f.

²⁸ 15 U.S.C. 78f(b)(4).

persons of FINRA members.²⁹ As FINRA noted in its filing adopting its existing fees, it believes the fees are reasonable based on the increased costs associated with operating and maintaining the CRD system, and listed a number of enhancements made to the CRD system since the last fee increase, including: (1) incorporation of various uniform registration form changes; (2) electronic fingerprint processing; (3) Web EFT™, which allows subscribing firms to submit batch filings to the CRD system; (4) increases in the number and types of reports available through the CRD system; and (5) significant changes to BrokerCheck, including making BrokerCheck easier to use and expanding the amount of information made available through the system.³⁰ These increased costs are similarly borne by FINRA when a member of IEX that is not a member of FINRA uses the CRD system, so the fees collected for such use should mirror the fees assessed on FINRA members, as is proposed by IEX. FINRA further noted its belief that the proposed fees are reasonable because they help to ensure the integrity of the information in the CRD system, which is important because the Commission, FINRA, other self-regulatory organizations and state securities regulators use the CRD system to make licensing and registration decisions, among other things.³¹

The Exchange also believes that the proposed fees, like FINRA's fees, are consistent with an equitable allocation of fees because the fees will apply equally to all individuals and members required to report information to the CRD system. Thus, those members that register more individuals or submit more filings through the CRD system will generally pay more in fees than those members that use the CRD system to a lesser

²⁹ See Securities Exchange Act Release No. 67247 (June 25, 2012), 77 FR 38866 (June 29, 2012) (SR-FINRA-2012-30).

³⁰ See *supra*, note 27, at 77 FR 38866, 38868.

³¹ See *supra*, at 77 FR 38866, 38868.

extent. In addition, the proposed fees, like FINRA's fees, are equitable and not unfairly discriminatory because they will result in the same regulatory fees being charged to all IEX Members required to report information to the CRD system and for services performed by FINRA, regardless of whether or not such Member is a FINRA member.

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

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 does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange believes that the proposed pricing structure will increase competition and hopefully draw additional volume to the Exchange. The Exchange will operate in a highly competitive market in which market participants can readily favor competing venues if fee schedules at other venues are viewed as more favorable. As a new exchange, IEX expects to face intense competition from existing exchanges and other non-exchange venues that provide markets for equities trading. Consequently, the Exchange believes that the degree to which IEX fees could impose any burden on competition is extremely limited, and does not believe that such fees would burden competition of Members or competing venues in a manner that is not necessary or appropriate in furtherance of the purposes of the Act.

The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because, while different fees are assessed in some circumstances,

these different fees are not based on the type of Member entering the orders that match but on the type of order entered and all Members can submit any type of order. Further, the proposed fees are intended to encourage market participants to bring increased volume to the Exchange, which benefits all market participants.

Regulatory Fees

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 proposed fees will result in the same regulatory fees being charged to all Members required to report information to the CRD system and for services performed by FINRA, regardless of whether or not such Members are FINRA members.

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 foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act³² and paragraph (f) of Rule 19b-4³³ thereunder. 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.

IV. Solicitation of Comments

³² 15 U.S.C. 78s(b)(3)(A).

³³ 17 CFR 240.19b-4(f).

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 email to rule-comments@sec.gov. Please include File Number SR-IEX-2016-09 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-2016-03. 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-2016-09 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.³⁴

³⁴ 17 CFR 200.30-3(a)(12).

All new text underscored

Investors Exchange
Fee Schedule 2016

Effective August 19, 2016

Membership Fees

<u>Membership</u>	<u>Fee</u>
<u>Investors Exchange</u>	<u>FREE</u>

Connectivity Fees

<u>Service</u>	<u>Fee</u>
<u>10G Physical Port</u>	<u>FREE</u>
<u>1G Physical Port</u>	<u>FREE</u>
<u>Logical Port</u>	<u>FREE</u>

Market Data Fees

Definitions

- “Internal Distribution Fee” is the fee charged to any entity that receives the Exchange Market Data product directly from the Exchange or indirectly through another entity and then distributes that data internally or to an affiliate.
- "External Distribution Fee" is the fee charged to any entity that receives the Exchange Market Data product directly from the Exchange or indirectly through another entity and then distributes the data externally to a third party.
- " Usage Fee" is the fee charged for a natural person, a proprietorship, corporation, partnership, or entity, or device (computer or other automated service) entitled for the receipt of Exchange data.

<u>Service</u>	<u>Fee</u>
<u>Internal Distribution Fee</u>	<u>FREE</u>
<u>External Distribution Fee</u>	<u>FREE</u>
<u>Usage Fee</u>	<u>FREE</u>

Transaction Fees

- All fees identify cost per share executed.
- Footnotes provide further explanatory text or, where annotated to fee description, indicate variable rate changes, provided the conditions in the footnote are met.
- To the extent a Member receives multiple Fee Codes on an execution, the lower fee shall apply.
- To the extent a Member qualifies for lower fees, pursuant to this Fee Schedule, the lower fees shall apply.

Definitions

- "Fee Code" is identified on each execution report message from the Exchange in the Trade Liquidity Indicator (FIX tag 9730) field.
- "Fee" means fees for securities with an execution price at or above \$1.00.
- "Fee < \$1.00" means fees for securities with an execution price below \$1.00.
- "TDVT" means the total dollar value of the transaction calculated as the execution price multiplied by the number of shares executed in the transaction.
- "TMVD" means total monthly volume displayable calculated as the sum of executions from the Member's displayable orders during the calendar month.
- "Cost" means any fees charged by/rebates received from away venues.

<u>Fee Code</u>	<u>Description</u>	<u>Fee</u>	<u>Fee < \$1.00</u>
<u>L</u>	<u>Displayed Match Fee</u>		<u>FREE</u>
	<u>Taking Displayed Liquidity</u>		
	<u>Providing Displayed Liquidity</u>		
<u>I</u>	<u>Non-Displayed Match Fee</u>	<u>\$0.0009</u>	<u>0.30% of TDVT</u>
	<u>Taking Non-Displayed Liquidity*</u>		
	<u>Providing Non-Displayed Liquidity</u>		
<u>S</u>	<u>Internalization Fee</u>		<u>FREE</u>
	<u>Member executes against resting liquidity provided by such Member</u>		
<u>Alpha</u>	<u>Routing and removing liquidity (all routing options)**</u>		<u>Cost + \$0.0001</u>

Footnotes

* \$0.0009 (0.30% of TDVT for < \$1.00), otherwise FREE if Taking Non-Displayed Liquidity with a Displayable Order and at least 90% of TMVD was identified by IEX as Providing Displayed Liquidity (i.e., the Member's execution reports reflect that the sum of executions with Fee Code L and a Last Liquidity Indicator (FIX tag 851) of '1' (Added Liquidity), divided by the sum of executions with Fee Code L, is at least 90% for the calendar month).

** The Exchange will pass-through in full any Costs to the Member and add the IEX fee (\$0.0001).

Registration and Processing Fees

The following fees will be collected and retained by FINRA via the CRD registration system for the registration of associated persons of IEX Members that are not also FINRA Members:

(1) \$100 for each initial Form U4 filed for the registration of a representative or principal;

(2) \$110 for the additional processing of each initial or amended Form U4, Form U5 or Form BD that includes the initial reporting, amendment, or certification of one or more disclosure events or proceedings;

(3) \$45 annual for each of the Member's registered representatives and principals for system processing;

(4) \$15 for processing and posting to the CRD system each set of fingerprint cards submitted electronically by the Member, plus a pass-through of any other charge imposed by the United States Department of Justice for processing each set of fingerprints;

(5) \$30 for processing and posting to the CRD system each set of fingerprint cards submitted in non-electronic format by the Member, plus a pass-through of any other charge imposed by the United States Department of Justice for processing each set of fingerprints; and

(6) \$30 for processing and posting to the CRD system each set of fingerprint results and identifying information that has been processed through a self-regulatory organization other than FINRA.