

Required fields are shown with yellow backgrounds and asterisks.

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

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			Rule		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) *	Section 806(e)(2) *
<input type="checkbox"/>	<input type="checkbox"/>
	Section 3C(b)(2) *
	<input type="checkbox"/>

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

Description

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

Proposed rule change to amend Rule 9.218 to specify the list of violations eligible for disposition under IEX's Minor Rule Violation Plan

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 *	Last Name *
Claudia	Crowley
Title *	
Chief Regulatory Officer	
E-mail *	
claudia.crowley@iextrading.com	
Telephone *	Fax
(646) 343-2041	

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	08/03/2016	Chief Regulatory Officer
By	Claudia Crowley	<div style="border: 1px solid black; width: 100%; height: 30px;"></div>
	(Name *)	

claudia.crowley@iextrading.com

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

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

Add Remove View

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

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² Investors Exchange LLC (“IEX” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend IEX Rule 9.218 (Violations Appropriate for Disposition Under Plan Pursuant to Exchange Act Rule 19d-1(c)(2)) to specify the list of violations eligible for disposition under IEX Rule 9.216(b), (Procedure for Violation Under Plan Pursuant to Exchange Act Rule 19d-1(c)(2)) pursuant to IEX’s Minor Rule Violation Plan (“MRVP”).³ The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.⁴

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ IEX’s MRVP was declared effective by the Commission on August 3, 2016. See, Securities Exchange Act Release No. 78474 (August 3, 2016).

⁴ 17 CFR 240.19b-4(f)(6)(iii).

Senior management has approved the proposed rule change pursuant to authority delegated to it by the Board of the Exchange. No further action is required under the Exchange's governing documents. Therefore, the Exchange's internal procedures with 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

IEX Rule 9.216(b) provides procedures for disposition of certain rule violations designated as minor rule violations pursuant to a plan declared effective by the Commission in accordance with Section 19(d)(1) of the Act and Rule 19d-1(c)(2) thereunder. IEX's MRVP allows IEX, or FINRA on its behalf, to impose a fine of up to \$2,500 on any Member or associated person of a Member for a minor violation of an eligible rule. As proposed, IEX Rule 9.218 sets forth the rules eligible for disposition pursuant to IEX's MRVP as well as the recommended fine schedule for such dispositions. While IEX considers compliance with all of its rules to be important, inclusion of more technical rule violations in the MRVP is designed to provide for a risk-based allocation of FINRA and IEX resources to more high-risk matters because MRVP settlements are typically handled more efficiently and expeditiously.

The purpose of the MRVP is to provide reasonable but meaningful sanctions for minor or technical violations of rules when the conduct at issue does not warrant stronger, reportable disciplinary sanctions. The inclusion of a rule in IEX's MRVP does not minimize the importance of compliance with such rule, nor does it preclude IEX, or FINRA on its behalf, from choosing to pursue violations of eligible rules through an Acceptance, Waiver and Consent ("AWC") or Complaint if the nature of the violations or prior disciplinary history warrants more significant sanctions. Rather, the option to impose an MRVP sanction gives IEX, and FINRA on its behalf, additional flexibility to administer its enforcement program in the most effective and efficient manner, while still fully meeting IEX's remedial objectives in addressing violative conduct. FINRA, on behalf of IEX, and subject to IEX oversight, will examine and surveil for compliance with MRVP eligible rules in a manner consistent with the IEX regulatory program and will determine on a case-by-case basis whether disposition pursuant to the MRVP is appropriate.

In addition, Members and their associated persons may decline to accept a Minor Rule Violation, in which case FINRA, on behalf of IEX, may proceed in accordance with the Exchange's disciplinary rules, which include hearing rights for formal disciplinary proceedings.⁵

IEX conducted a comprehensive review of its rules to determine the rules that are appropriate to add to the MRVP. As proposed, the rules included in the MRVP are as follows:

⁵ See, Chapter 9 generally.

- Continuing education: Rule 2.160(p) specifies the continuing education requirements applicable to registered representatives of Members. Both FINRA and the Nasdaq Stock Market (“Nasdaq”) include comparable rules in each of their MRVPs.⁶
- Books and records: Rule 4.511 requires IEX Members to comply with FINRA Rule 4511 as if such rule were part of the Exchange’s rules, and specifies applicable books and records requirements. FINRA Rule 4511 is included in FINRA’s MRVP.
- Furnishing of records: Rule 4.540 requires IEX Members to furnish specified records to the Exchange, upon request and in a time and manner required by the Exchange. The rule also provides that the Exchange shall be allowed access, at any time, to the books and records of the Member in order to obtain or verify information related to transactions executed on or through the Exchange or activities relating to the Exchange. This rule is comparable to BATS BZX Exchange, Inc. (“BZX”) Rule 4.2, which is included in the BZX MRVP.⁷
- Supervision: Rule 5.110 requires that each Member establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable IEX rules; including, as specified, written procedures, internal inspections, transaction review and investigation, and investigation of applicants for registration. Violations of Rule 5.110 would be included in the MRVP where the underlying violative conduct is also included in the MRVP.⁸ FINRA treats its comparable Rule 3110 in the same manner.
- Automated submission of trading data requested: Rule 8.220 requires Members to submit trade data in the specified automated format upon request by IEX. This rule is comparable to FINRA Rule 8211 which is included in FINRA’s MRVP.
- Market Maker two-sided quotation requirement: Rule 11.151(a)(1) requires that a Member registered as a Market Maker comply with the specified continuous two-sided quotations requirements. This rule is comparable to BZX Rule 11.8(a)(1) which is included in BZX MRVP.

⁶ See FINRA Rules 9217 and 1250, Nasdaq Rules 1120 and IM-9216.

⁷ See BZX Rule 8.15.

⁸ For example, if FINRA (on behalf of IEX) identified that a short sale order marking violation (Rule 11.290) was attributable to a supervision deficiency, the supervision deficiency could be included in a disposition under the MRVP.

- Short sales: Rule 11.290 requires, among other things, that all sell orders be marked long, short, or short exempt. FINRA includes Rule 200(g) of SEC Regulation SHO (Failure to accurately mark sell orders of equity securities) in its MRV. Similarly, BZX includes its Rule 11.19 requirement to identify short sale orders as such in its MRV plan.
- Locking or crossing quotations in NMS stocks: Rule 11.310 provides in relevant part that Users of IEX shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a protected quotation previously disseminated pursuant to an effective national market system plan. This rule is comparable to BZX Rule 11.20, which is included in BZX MRVP.
- Order audit trail system requirements: Rule 11.420 specifies the order audit trail system requirements applicable to Members and persons associated with a Member, and in relevant part also requires compliance with FINRA Rules 7440 and 7550 as if such rule were part of IEX's rules. This rule is comparable to Nasdaq Rules 6954 and 6955,⁹ as well as FINRA Rules 7440 and 7450, each of which are included in the Nasdaq and FINRA MRVP.

In addition, as proposed, Rule 9.218 includes the following recommended fine schedule for minor rule violation dispositions of the rules included therein:

Occurrence*	Individual	Member
First time fined	\$100	\$500
Second time fined	\$300	\$1,000
Third time fined	\$500	\$2,500

* Within a "rolling" 12-month period.

The recommended fine schedule is based on BZX Rule 8.15, Interpretations and Policies .01. The recommended fine schedule is intended to provide transparency to IEX Members and associated persons with respect to administration of the Exchange's MRVP.

⁹ Nasdaq Rules 6954 and 6955 were renumbered as Rules 7440A and 7450A respectively.

b. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,¹⁰ in general, and furthers the objectives of Sections 6(b)(5),¹¹ (6)¹² and (7)¹³ of the Act, in particular.

The Exchange believes that the proposal is consistent with Section 6(b)(5) of the Act¹⁴ because it is designed to promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest. Specifically, the proposed rule change will provide the Exchange with the ability to impose reasonable but meaningful sanctions for minor or technical violations of rules when the conduct at issue does not warrant stronger, reportable disciplinary sanctions, which is consistent with the protection of investors and the public interest. Further, the Exchange believes that inclusion of the specified rules in the Exchange's MRVP, as well as the recommended fine schedule, would provide FINRA, on behalf of the Exchange, with the ability to administer its enforcement program in the most effective and efficient manner, while still fully meeting IEX's remedial objectives in addressing violative conduct, which is also consistent with the protection of investors and the public interest.

In addition, the Exchange believes that the proposal is consistent with Section 6(b)(7) of the Act¹⁵ because it would provide a fair procedure for the disciplining of IEX Members and associated persons. As discussed above, under the Exchange's disciplinary

¹⁰ 15 U.S.C. 78f

¹¹ 15 U.S.C. 78f(b)(5).

¹² 15 U.S.C. 78f(b)(6).

¹³ 15 U.S.C. 78f(b)(7).

¹⁴ See supra note 11.

¹⁵ See supra note 13.

rules a Member or associated person may decline to accept a Minor Rule Violation, in which case FINRA, on behalf of IEX, may proceed in accordance with the Exchange's disciplinary rules, which include hearing rights for formal disciplinary proceedings. The Exchange's rules governing formal disciplinary rules have already been approved by the Commission, which included a finding that IEX's rules concerning its disciplinary and oversight programs are consistent with the requirements of Sections 6(b)(6) and 6(b)(7) of the Act¹⁶ in that they provide fair procedures for the disciplining of members and persons associated with members.¹⁷

The Exchange also believes that the proposed rule change does not unfairly discriminate between customers, issuers, brokers and dealers in that it will be applicable to all Members.

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

IEX does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change will allow for a quicker, more efficient means to resolve minor violations of eligible rules, potentially lessening the burden on firms in those circumstances where, absent the rule's inclusion in the MRVP, a more resource-intensive formal process might ensue.

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

¹⁶ See *supra*, notes 12 and 13.

¹⁷ See Securities Exchange Act Release No. 34-78101 (June 17, 2016), 81 FR 41141 (June 23, 2016) (File No. 10-222).

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4¹⁸ because, as described in the Purpose section, the Exchange is proposing to include in its MRVP, rules that are comparable to rules that FINRA and other exchanges have already included in their respective MRVPs. In addition, the recommended fine schedule is consistent with the BZX recommended fine schedule and Rule 19d-1(c)(2) under the Act. Accordingly, the Exchange does not believe that the proposal raises any new or novel issues that the Commission has not already considered in connection with effective rules of FINRA and other exchanges.

¹⁸ 17 CFR 240.19b-4(f)(6).

Additionally, the proposed rule filing merely implements the MRVP that was declared effective by the Commission.¹⁹

The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. As noted above, the proposed rule filing merely implements the MRVP that was declared effective by the Commission.²⁰ Waiver of the operative delay would enable the Exchange to incorporate the specified rules into its MRVP to coincide with IEX's launch of exchange operations during a security-by-security phase-in period scheduled to begin on August 19, 2016, and thus assure that the appropriate disciplinary coverage is in place for such rules which is consistent with the public interest and the protection of investors.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B) of the Act to determine whether the proposed rule change should be approved or disapproved.²¹

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

¹⁹ See *supra*, note 3.

²⁰ See *supra*, note 3.

²¹ 15 U.S.C. 78s(b)(2)(B).

As discussed above, each of the IEX rules proposed for inclusion in the MRVP is comparable to a rule of FINRA, Nasdaq or BZX that is included in such self-regulatory organization's MRVP.

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 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34 -); File No. SR-IEX-2016-10)

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 9.218 to Specify the List of Violations Eligible for Disposition Under IEX’s Minor Rule Violation Plan.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the “Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on (date), the Investors Exchange LLC (“IEX” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),⁴ and Rule 19b-4 thereunder,⁵ Investors Exchange LLC (“IEX” or “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend IEX Rule 9.218 (Violations Appropriate for Disposition Under Plan Pursuant to Exchange Act Rule 19d-1(c)(2)) to specify the list of violations eligible for disposition under IEX Rule 9.216(b), (Procedure for Violation Under Plan

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.

Pursuant to Exchange Act Rule 19d-1(c)(2)) pursuant to IEX's Minor Rule Violation Plan ("MRVP").⁶ The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.⁷

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

IEX Rule 9.216(b) provides procedures for disposition of certain rule violations designated as minor rule violations pursuant to a plan declared effective by the Commission in accordance with Section 19(d)(1) of the Act and Rule 19d-1(c)(2) thereunder. IEX's MRVP allows IEX, or FINRA on its behalf, to impose a fine of up to \$2,500 on any Member or associated person of a Member for a minor violation of an

⁶ IEX's MRVP was declared effective by the Commission on August 3, 2016. See, Securities Exchange Act Release No. 78474 (August 3, 2016).

⁷ 17 CFR 240.19b-4(f)(6)(iii).

eligible rule. As proposed, IEX Rule 9.218 sets forth the rules eligible for disposition pursuant to IEX's MRVP as well as the recommended fine schedule for such dispositions. While IEX considers compliance with all of its rules to be important, inclusion of more technical rule violations in the MRVP is designed to provide for a risk-based allocation of FINRA and IEX resources to more high-risk matters because MRVP settlements are typically handled more efficiently and expeditiously.

The purpose of the MRVP is to provide reasonable but meaningful sanctions for minor or technical violations of rules when the conduct at issue does not warrant stronger, reportable disciplinary sanctions. The inclusion of a rule in IEX's MRVP does not minimize the importance of compliance with such rule, nor does it preclude IEX, or FINRA on its behalf, from choosing to pursue violations of eligible rules through an Acceptance, Waiver and Consent ("AWC") or Complaint if the nature of the violations or prior disciplinary history warrants more significant sanctions. Rather, the option to impose an MRVP sanction gives IEX, and FINRA on its behalf, additional flexibility to administer its enforcement program in the most effective and efficient manner, while still fully meeting IEX's remedial objectives in addressing violative conduct. FINRA, on behalf of IEX, and subject to IEX oversight, will examine and surveil for compliance with MRVP eligible rules in a manner consistent with the IEX regulatory program and will determine on a case-by-case basis whether disposition pursuant to the MRVP is appropriate.

In addition, Members and their associated persons may decline to accept a Minor Rule Violation, in which case FINRA, on behalf of IEX, may proceed in accordance with

the Exchange's disciplinary rules, which include hearing rights for formal disciplinary proceedings.⁸

IEX conducted a comprehensive review of its rules to determine the rules that are appropriate to add to the MRVP. As proposed, the rules included in the MRVP are as follows:

- Continuing education: Rule 2.160(p) specifies the continuing education requirements applicable to registered representatives of Members. Both FINRA and the Nasdaq Stock Market ("Nasdaq") include comparable rules in each of their MRVPs.⁹
- Books and records: Rule 4.511 requires IEX Members to comply with FINRA Rule 4511 as if such rule were part of the Exchange's rules, and specifies applicable books and records requirements. FINRA Rule 4511 is included in FINRA's MRVP.
- Furnishing of records: Rule 4.540 requires IEX Members to furnish specified records to the Exchange, upon request and in a time and manner required by the Exchange. The rule also provides that the Exchange shall be allowed access, at any time, to the books and records of the Member in order to obtain or verify information related to transactions executed on or through the Exchange or activities relating to the Exchange. This rule is comparable to BATS BZX Exchange, Inc. ("BZX") Rule 4.2, which is included in the BZX MRVP.¹⁰
- Supervision: Rule 5.110 requires that each Member establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable IEX rules; including, as specified, written procedures, internal inspections, transaction review and investigation, and investigation of applicants for registration. Violations of Rule 5.110 would be included in the MRVP where the underlying violative conduct is also included in the MRVP.¹¹ FINRA treats its comparable Rule 3110 in the same manner.

⁸ See, Chapter 9 generally.

⁹ See FINRA Rules 9217 and 1250, Nasdaq Rules 1120 and IM-9216.

¹⁰ See BZX Rule 8.15.

¹¹ For example, if FINRA (on behalf of IEX) identified that a short sale order marking violation (Rule 11.290) was attributable to a supervision deficiency, the supervision deficiency could be included in a disposition under the MRVP.

- Automated submission of trading data requested: Rule 8.220 requires Members to submit trade data in the specified automated format upon request by IEX. This rule is comparable to FINRA Rule 8211 which is included in FINRA’s MRVP.
- Market Maker two-sided quotation requirement: Rule 11.151(a)(1) requires that a Member registered as a Market Maker comply with the specified continuous two-sided quotations requirements. This rule is comparable to BZX Rule 11.8(a)(1) which is included in BZX MRVP.
- Short sales: Rule 11.290 requires, among other things, that all sell orders be marked long, short, or short exempt. FINRA includes Rule 200(g) of SEC Regulation SHO (Failure to accurately mark sell orders of equity securities) in its MRV. Similarly, BZX includes its Rule 11.19 requirement to identify short sale orders as such in its MRV plan.
- Locking or crossing quotations in NMS stocks: Rule 11.310 provides in relevant part that Users of IEX shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a protected quotation previously disseminated pursuant to an effective national market system plan. This rule is comparable to BZX Rule 11.20, which is included in BZX MRVP.
- Order audit trail system requirements: Rule 11.420 specifies the order audit trail system requirements applicable to Members and persons associated with a Member, and in relevant part also requires compliance with FINRA Rules 7440 and 7550 as if such rule were part of IEX’s rules. This rule is comparable to Nasdaq Rules 6954 and 6955,¹² as well as FINRA Rules 7440 and 7450, each of which are included in the Nasdaq and FINRA MRVP.

In addition, as proposed, Rule 9.218 includes the following recommended fine schedule for minor rule violation dispositions of the rules included therein:

Occurrence*	Individual	Member
First time fined	\$100	\$500
Second time fined	\$300	\$1,000
Third time fined	\$500	\$2,500

* Within a “rolling” 12-month period.

¹² Nasdaq Rules 6954 and 6955 were renumbered as Rules 7440A and 7450A respectively.

The recommended fine schedule is based on BZX Rule 8.15, Interpretations and Policies .01. The recommended fine schedule is intended to provide transparency to IEX Members and associated persons with respect to administration of the Exchange's MRVP.

2. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,¹³ in general, and furthers the objectives of Sections 6(b)(5),¹⁴ (6)¹⁵ and (7)¹⁶ of the Act, in particular.

The Exchange believes that the proposal is consistent with Section 6(b)(5) of the Act¹⁷ because it is designed to promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest. Specifically, the proposed rule change will provide the Exchange with the ability to impose reasonable but meaningful sanctions for minor or technical violations of rules when the conduct at issue does not warrant stronger, reportable disciplinary sanctions, which is consistent with the protection of investors and the public interest. Further, the Exchange believes that inclusion of the specified rules in the Exchange's MRVP, as well as the recommended fine schedule, would provide FINRA, on behalf of the Exchange, with the ability to administer its enforcement program in the most effective and efficient manner, while still fully meeting IEX's remedial objectives in addressing violative conduct, which is also consistent with the protection of investors and the public interest.

¹³ 15 U.S.C. 78f

¹⁴ 15 U.S.C. 78f(b)(5).

¹⁵ 15 U.S.C. 78f(b)(6).

¹⁶ 15 U.S.C. 78f(b)(7).

¹⁷ See supra note 14.

In addition, the Exchange believes that the proposal is consistent with Section 6(b)(7) of the Act¹⁸ because it would provide a fair procedure for the disciplining of IEX Members and associated persons. As discussed above, under the Exchange's disciplinary rules a Member or associated person may decline to accept a Minor Rule Violation, in which case FINRA, on behalf of IEX, may proceed in accordance with the Exchange's disciplinary rules, which include hearing rights for formal disciplinary proceedings. The Exchange's rules governing formal disciplinary rules have already been approved by the Commission, which included a finding that IEX's rules concerning its disciplinary and oversight programs are consistent with the requirements of Sections 6(b)(6) and 6(b)(7) of the Act¹⁹ in that they provide fair procedures for the disciplining of members and persons associated with members.²⁰

The Exchange also believes that the proposed rule change does not unfairly discriminate between customers, issuers, brokers and dealers in that it will be applicable to all Members.

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

IEX does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change will allow for a quicker, more efficient means to resolve minor violations of eligible rules, potentially lessening the burden on firms in those circumstances where, absent the rule's inclusion in the MRVP, a more resource-intensive formal process might ensue.

¹⁸ See supra note 16.

¹⁹ See supra, notes 15 and 16.

²⁰ See Securities Exchange Act Release No. 34-78101 (June 17, 2016), 81 FR 41141 (June 23, 2016) (File No. 10-222).

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)²¹ of the Act and Rule 19b-4(f)(6)²² thereunder. Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)²³ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),²⁴ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay to the extent necessary so that the proposal may become operative at the time of the launch of its operation as a national securities exchange.

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

²¹ 15 U.S.C. 78s(b)(3)(A).

²² 17 CFR 240.19b-4(f)(6).

²³ 17 CFR 240.19b-4(f)(6).

²⁴ 17 CFR 240.19b-4(f)(6)(iii).

protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)²⁵ 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 email to rule-comments@sec.gov. Please include File Number SR-IEX-2016-10 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

²⁵ 15 U.S.C. 78s(b)(2)(B).

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-2016-10 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.²⁶

²⁶ 17 CFR 200.30-3(a)(12).

Exhibit 5 – Text of Proposed Rule Change

Proposed new language is underlined; proposed deletions are in brackets.

Rule 9.218. Violations Appropriate for Disposition Under Plan Pursuant to Exchange Act Rule 19d-1(c)(2)

[(a) IEX will specify the violations appropriate for disposition under this IEX Rule 9.218 pursuant to a rule filing pursuant to Rule 19(b) of the Exchange Act.]

- (a) Rule 2.160(p) – Continuing Education Requirements.
- (b) Rule 4.511 – General Requirements related to books and records requirements.
- (c) Rule 4.540 – Furnishing of records.
- (d) Rule 5.110 – Supervision.
- (e) Rule 8.220 – Automated submission of trading data requested.
- (f) Rule 11.151(a)(1) – Market Maker two-sided quotation requirement.
- (g) Rule 11.290 – Short sales.
- (h) Rule 11.310 – Locking or crossing quotations in NMS stocks.
- (i) Rule 11.420 – Order audit trail system requirements.

Recommended Fine Schedule – Rule 9.218(a) – (i)

<u>Occurrence*</u>	<u>Individual</u>	<u>Member</u>
<u>First time fined</u>	<u>\$100</u>	<u>\$500</u>
<u>Second time fined</u>	<u>\$300</u>	<u>\$1,000</u>
<u>Third time fined</u>	<u>\$500</u>	<u>\$2,500</u>

* Within a “rolling” 12-month period.